



Executive Officer's Report

To: Imperial LAFCo Commissioners

From: Tyler Salcido, Executive Officer

TRS

Item #: 8d

Subject: Establishment of an Investment Policy

Date: June 26, 2025

Time: 08:30 a.m.

Location: El Centro City Council Chambers
1275 W. Main Street, El Centro, CA 92243

Report

Background

Under California Government Code Section 53600 et seq., local agencies are required to establish a written investment policy that governs the investment of public funds. While Imperial LAFCo does not hold large reserves, it does maintain fund balances that may be temporarily invested in order to preserve principal, ensure liquidity, and earn a reasonable return.

Summary of Policy Content

The proposed Investment Policy:

- Establishes the **delegation of investment authority** to the Executive Officer.
- Affirms the **three primary objectives** of investing public funds:
 - **Safety of principal**
 - **Sufficient liquidity** to meet operational needs
 - **Return on investment** considering the above priorities

- Authorizes specific types of investments **without prior Commission approval**, including:
 - U.S. Treasury Obligations
 - State and Local Agency Bonds (CA and other states)
 - U.S. Agency Obligations (e.g., FNMA, FHLB)
 - Certificates of Deposit (negotiable and non-negotiable)
 - County Pooled Investment Funds
 - Local Agency Investment Fund (LAIF)
- Requires prior Commission approval for **any other allowable investments** under state law.
- Mandates biannual **investment reporting** in January and July to ensure transparency and policy compliance.

Fiscal Impact

There is no direct fiscal impact from adopting this policy. Implementation will allow LAFCo to better manage idle funds within the legal framework established by the State of California.

Options

- Option #1:** Approve and adopt the Investment Policy as presented.
- Option #2:** The Commission may direct staff to make modifications and return with a revised policy at a subsequent meeting.
- Option #3:** The Commission may decline to adopt the policy.

Recommendation by the Executive Officer

- Option #1:** Approve and adopt the Investment Policy as presented.

EXHIBIT A: Investment Policy

EXHIBIT B: Draft LAFCo Resolution #2025-XX

EXHIBIT A

Investment Policy



INVESTMENT POLICY

I. AUTHORITY & PURPOSE

In accordance with California Government Code Section 53600 et seq., the authority to invest public funds not required for the immediate needs of the agency is expressly delegated to the Imperial County Local Agency Formation Commission (LAFCo). The Commission has delegated this responsibility to the LAFCo Executive Officer.

The purpose of this policy is to establish investment guidelines for LAFCo officials to ensure the stewardship of agency funds. Pursuant to state law, the Commission and Executive Officer, when investing funds, shall act with care, skill, prudence, and diligence under the circumstance then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency. All investments shall be in conformance with federal, state, and other legal requirements.

Investments made pursuant to this policy are limited to those instruments specified by LAFCo.

II. INVESTMENT OBJECTIVES

In accordance with Government Code Section 53600.5, the primary objectives of LAFCo's investment activities, in priority order, are:

1. **Safety of Principal:** Investments should first and foremost ensure the preservation of principal. The trustee shall evaluate, or cause to be evaluated, each potential investment, seeking both quality in issuer and in underlying security or collateral. The objectives will be to mitigate credit risk and interest rate risk.
2. **Liquidity:** All funds shall be invested in a manner which will provide sufficient liquidity to meet the operating needs of the Commission. Therefore, investments shall have maturity dates aligned with the cash flow requirements of the commission and shall allow for rapid conversion to cash, without any significant losses to the investment value.
3. **Return on Investment:** Investments shall be undertaken to attain market rates of return, consistent with the higher priority objectives of safety and liquidity.

Investments that are not consistent with this Investment Policy are prohibited. LAFCo shall not engage in leveraged investing, including but not limited to margin accounts, hedging, or any form of borrowing for the purpose of investing.

III. AUTHORIZED INVESTMENTS (WITHOUT PRIOR COMMISSION APPROVAL)

The following investments are authorized and may be made without prior Commission approval, subject to the limitations shown and compliance with all applicable provisions of state law:

| INVESTMENT TYPE | MAXIMUM MATURITY | MAXIMUM SPECIFIED % of PORTFOLIO | MINIMUM QUALITY REQUIREMENTS | GOV CODE SECTIONS | NOTES |
|---|------------------|----------------------------------|------------------------------|----------------------|---|
| U.S. Treasury Obligations | 5 years | None | None | 53601(b) | Backed by the full faith & credit of the U.S. Government |
| State Obligations – CA & Others | 5 years | None | None | 53601(c) 53601(d) | Must be rated at least A or its equivalent |
| CA Local Agency Obligations | 5 years | None | None | 53601(e) | Includes bonds, notes, or warrants of CA local agencies |
| U.S. Agency Obligations | 5 years | None | None | 53601(f) | Includes FNMA, FHLB, Freddie Mac, etc. |
| Negotiable Certificates of Deposit | 5 years | 30% | None | 53601(i) | Must be issued by a nationally or state-chartered bank or savings association |
| Non-Negotiable Certificates of Deposits | 5 years | None | None | 53630 et. seq. | Must be collateralized in accordance with Government Code |
| County Pooled Investment Funds | N/A | None | None | 27133 | Subject to oversight by county treasurer |
| Local Agency Investment Fund (LAIF) | N/A | None | None | 16429.1 | As set by the State Treasurer (currently \$75M per agency) |

IV. OTHER INVESTMENTS

Any investment not specifically listed in Section III above but allowable under California Government Code Section 53600 et. seq. may be considered only with **prior approval of the Commission.**

V. REPORTING REQUIREMENTS

The Executive Officer, or designee, shall provide the Commission with an **Investment Report in January and July** of each calendar year. The report shall include:

- A list of all investments
- Investment type, issuer, maturity date, and amount
- Current yield or rate of return
- Confirmation of compliance with this policy
- Statement of the ability to meet anticipated cash flow needs for the next six months

End Of Policy

EXHIBIT B

Draft LAFCo Resolution #2025-XX



IMPERIAL LOCAL AGENCY FORMATION COMMISSION

June 26, 2025

RESOLUTION #2025-XX OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF IMPERIAL APPROVING AND ADOPTING AN INVESTMENT POLICY

RESOLVED, by the Local Agency Formation Commission of the County of Imperial, State of California, that:

WHEREAS, California Government Code Section 53600 et seq. provides legal authority and guidelines for the investment of public funds by local agencies; and

WHEREAS, the Imperial Local Agency Formation Commission ("LAFCo") desires to establish and maintain an investment policy that ensures the safe, prudent, and effective investment of its funds; and

WHEREAS, the Commission's primary objectives in investing public funds are the safety of principal, sufficient liquidity to meet the agency's operational needs, and a reasonable return on investment; and

WHEREAS, the Commission has reviewed and considered the proposed Investment Policy, which outlines authorized investment instruments, limitations, reporting requirements, and performance objectives consistent with applicable state law; and

WHEREAS, on June 26, 2025, the Commission met, discussed, and voted to approve and adopt the Investment Policy.

NOW, THEREFORE, BE IT DETERMINED, ORDERED AND RESOLVED as follows that the Imperial Local Agency Formation Commission hereby:

1. **Adopts the Investment Policy** attached hereto as Exhibit "A" and incorporated herein by this reference.
2. **Authorizes the Executive Officer** to invest funds in accordance with the adopted Investment Policy.
3. **Requires that investment reports** be provided to the Commission no later than January and July of each year, detailing portfolio holdings, performance, and compliance with the policy.
4. **Affirms that any deviation** from the authorized investment instruments listed in Section III of the policy shall require prior approval by the Commission.

PASSED, ADOPTED, AND APPROVED this 26th day of **June 2025**, by the following roll call votes:

AYES:

NAYES:

ABSTAINED:

ABSENT:

Jesus Escobar, Chair