

City of San Diego

City Treasurer's Investment Policy
Effective: January 1, 2017



Finance Branch

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City Treasurer

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Available online: <http://www.sandiego.gov/treasurer/pdf/invpolicy.pdf>

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THE CITY OF SAN DIEGO
CITY TREASURER'S INVESTMENT POLICY
POOLED INVESTMENT FUNDS

I. SCOPE

In accordance with the Charter of the City of San Diego, and under authority granted by the City Council, the Treasurer is responsible for investing the unexpended cash in the City Treasury. The City Treasurer's Investment Policy (Policy) applies to all the investment activities of the City of San Diego, except for the employees' retirement funds, which are administered separately, the proceeds of certain debt issues which are invested in qualified mutual funds or managed and invested by trustees appointed under indenture agreements, and the assets of trust funds which are placed in the custody of the Funds Commission by Council ordinance. All financial assets of all other funds shall be administered in accordance with the provisions of this Policy.

1. Definitions

"CGC" means California Government Code.

"Corporation" means a legal entity created under the laws of a state to carry on some business or other authorized activity. Limited liability companies are also considered a corporation under California Government Code §53601. This definition applies to individual securities like corporate notes/bonds.

"Cost Value" (aka "Book Value") means the original cost of the investment, plus accrued interest and amortization or accretion of any premium or discount.

"Credit Risk" means the risk of loss due to the failure of the issuer of a security.

"DVP" means delivery versus payment.

"Leverage" means 1) the use of borrowed funds to increase earnings on existing investments, e.g. reverse repurchase agreement or 2) with structured notes, leveraging can take place when the coupon rate is determined by leveraging an index (e.g. 2 times 3 month LIBOR minus 18%).

"Market Risk" means the risk of market value fluctuations due to overall changes in the general level of interest rates.

"NRSRO" means Nationally Recognized Statistical Rating Organization, e.g. Moody's, Standard & Poor's, and Fitch.

II. OBJECTIVES

A. Safety of Principal

Safety of principal is the foremost objective of the City of San Diego. Investment decisions shall seek to minimize net capital losses on a portfolio basis. This Policy recognizes that market conditions may warrant the sale of individual securities that would incur market losses in order to protect further capital losses. The intent of this Policy is to ensure that capital losses are minimized on a portfolio level rather than on each transaction. The City shall seek to preserve principal by mitigating various types of risk, including credit risk and market risk.

1. Credit risk - Credit or default risk shall be mitigated by investing in only very safe securities (see Section IX for detailed limitations on 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 - Market or interest rate risk shall be mitigated by establishing two portfolios with target durations based upon the expected short and long-term cash needs of the City. The liquidity portfolio will be structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least the next six months (per CGC §53646). The liquidity portfolio will use the Bank of America Merrill Lynch 3-6 month Treasury Index as a benchmark and seek to maintain a duration of plus or minus 40% of the duration of that benchmark. The core portfolio will use the Bank of America Merrill Lynch 1-3 year Treasury Index as a benchmark and maintain a duration of plus or minus 20% of the duration of that benchmark. It will consist of high quality liquid securities with a maximum maturity of 5 years, will be structured to meet the longer-term cash needs of the City and seek to match or exceed the performance of the index. The use of leverage is strictly limited to the use of reverse repurchase agreements as outlined in Section IX (K). At no time will the use of any such reverse repo, structured product or derivative security violate the maximum security limits or maximum maturity limits as stated in this Policy.

B. Liquidity

The City Treasurer's pooled investment fund will be composed of two portfolios (core and liquidity). While both portfolios will invest in liquid securities with an emphasis on the safety of principal, the liquidity portfolio will be designed to ensure that the projected pool expenditure requirements of the City for the next six months can be met with anticipated revenues and a combination of maturing securities, coupon payments and/or highly liquid investments at all times, as required by California Government Code §53646.

C. Performance Measurement

The portfolios shall be designed to attain a market average rate of return through economic cycles.

The performance of the core portfolio shall be measured on a total return basis against the Bank of America Merrill Lynch 1-3 year Treasury Index. It is explicitly recognized herein, however, that in a diversified portfolio managed on a total return basis, realized and unrealized losses are inevitable, and must be considered within the context of the overall investment return. The City Treasurer will coordinate trading activity with the Chief Financial Officer when the realization of portfolio losses will have a significant impact on budgeted interest revenues and will inform Financial Management and the Comptroller's Office of such losses.

The return for the liquidity portfolio should, on average, equal or exceed the return on the Bank of America Merrill Lynch 3-6 month bill index over a rolling three year period.

III. DELEGATION OF AUTHORITY

The City Council, as permitted under California Government Code §53607, delegates the responsibility to invest or reinvest the funds of the City of San Diego or to sell or exchange securities so purchased, to the City Treasurer.

Within the Office of the City Treasurer, responsibility for the day-to-day investment of City funds is delegated to the Chief Investment Officer. In the absence of the Chief Investment Officer and Investment Officer, the City Treasurer shall take responsibility for the daily investment of City funds.

IV. ETHICS AND CONFLICT OF INTEREST

In accordance with California Government Code §§1090 et seq., 87100 et seq., 89502(c) and 89503(c) and City of San Diego Administrative Regulation 95.60, officers and employees of the City will refrain from any activity that could conflict with the proper execution of the investment program or that could impair their ability to make impartial investment decisions. All investment personnel shall comply with the reporting requirements of the Political Reform Act, to include the annual filing of Statements of Economic Interest.

Investment staff are prohibited from engaging in trading for their personal account where there would be a perceived conflict of interest, e.g. trading in a broker/bank stock that has a relationship with the City, or would otherwise be in violation of the law or a conflict of interest as stated above. The Investment staff are required to report their personal trading activity concurrently or on a monthly basis and are required to provide a signed statement of all of their personal transactions annually to the City Treasurer.

V. SAFEKEEPING OF SECURITIES

To protect against potential losses caused by collapse of individual securities dealers, all securities owned by the City, including collateral on repurchase agreements, but necessarily excluding securities used as collateral for reverse repurchase agreements, shall be held in safekeeping by the City's custodian bank or a third party bank trust department, acting as agent for the City under the terms of a custody or trustee agreement executed by the bank and by the City. All securities will be received and delivered using standard delivery-versus-payment (DVP) procedures and in accordance with State Code. Any exception to this standard delivery practice, e.g. DVP failure necessitating delivery other than by simultaneous exchange, will require written procedural approval by the City Treasurer.

VI. INTERNAL CONTROL

The City Treasurer has established a system of internal controls to ensure compliance with the policies and procedures of the City of San Diego and the California Government Code. These policies and procedures are reviewed during the year by the Chief Financial Officer. At least annually an independent audit is conducted by a public accounting firm which includes a review of the investment procedures and activities of the Office of the City Treasurer.

The Investment Advisory Committee, established in March 1990, is charged with the responsibility to review on an on-going basis the Policy and practices of the City Treasurer and to recommend changes.

VII. REPORTING

The City Treasurer is required to submit a quarterly report of investment activity to the City Council in accordance with California Government Code §53646. The City Treasurer has elected to provide such report consistent with the reporting requirements of California Government Code §53646 on a monthly basis. The report shall be designed with the advice of the Investment Advisory Committee.

VIII. QUALIFIED DEALERS

The City shall transact business with broker/dealers that meet the qualification criteria established by the City Treasurer. In accordance with California Government Code §53601 a bank/dealer must be qualified as a dealer regularly reporting to the New York Federal Reserve Bank in order to conduct repurchase or reverse repurchase agreements with the City. Investment staff shall ensure that broker/dealers who wish to do business with the City meet the City Treasurer's Broker/Dealer Qualification Criteria (Exhibit 1), make markets in securities appropriate to the City's needs, and can provide additional value through competitive execution, timely market information and general research.

Annually, the City Treasurer shall send a copy of the current Policy to all broker/dealers who have met the qualification criteria and are doing business with the City Treasurer. Investment staff will maintain a qualification matrix and annually review dealers to ensure they are qualified. Confirmation of receipt of this Policy shall be considered as evidence that the dealer received and reviewed the City's Investment Policy. A copy of the City Treasurer's receipt form is attached (Exhibit 2).

The Investment staff is permitted to deal directly with the issuers of any securities that are authorized for purchase under Section IX of this Policy and meet all the qualifications of this Policy.

IX. AUTHORIZED INVESTMENTS

In accordance with California Government Code §53600.3 the City Treasurer or the Chief Investment Officer or their designees who are authorized to make investment decisions on behalf of the City and its agencies are trustees and therefore fiduciaries subject to the 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.

Trading is prohibited when cash or liquid securities are not available to pay for the securities being purchased. The taking of short positions, that is, selling securities which the City does not own, is also prohibited.

Investments which exceed 5 years in maturity require that authority be granted by City Council before purchase. Written authority of the City Council must be granted specifically or as part of an investment program no less than three months prior to the date of purchase (CGC §53601).

The City may invest in securities issued by U.S. Government Agencies that contain embedded calls or options as long as those securities are not inverse floaters, range notes, interest only strips that are derived from a pool of mortgages or a security that could result in a zero or negative accretion of interest if held to maturity (CGC §53601.6). The exception to this restriction would be a structured note in the final coupon period that has the same characteristics as any other simple fixed term security. The City may invest up to a maximum of 8% of the cost value of the portfolio at time of purchase in structured notes. These limitations will not apply to investments in shares of beneficial interest issued by diversified management companies as referenced in subparagraph (O) of this section (CGC §53601).

Callable securities (i.e. securities redeemable in part or in full by the issuer prior to the maturity date) shall not exceed 30% of the cost value of the portfolio. Callable securities which have passed their final call date and are no longer callable will not

be included when calculating the 30% limit.

The City may invest in floating-rate securities whose coupon resets are based upon a single fixed income index which would be representative of an eligible investment (e.g. LIBOR, T-bill, prime, 2 year CMT), provided that the security is not leveraged (e.g. 2 times an index) or has a coupon that resets inversely to the underlying index.

The City is further governed by the [California Government Code, §§ 53600 et seq.](#) Within the context of these limitations, the following investments are authorized, and 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 which can be invested in this category.
- B. Obligations issued by agencies of the U.S. Government, such as the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank System (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). No more than 1/3 of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.
- 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, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or better by an NRSRO and shall not exceed 30% of the cost value of the portfolio at time of purchase. No more than 10% of the cost value of the total portfolio at time of purchase can be invested in any one of the listed names for this investment type. These investments shall be classified as "Supranationals" for reporting purposes.

Investments detailed in D through I below shall have a long-term rating in the "A" rating category or higher and a short-term rating in the highest rating category by at least two NRSRO's at the time of purchase, unless the full principal and interest accrual of the investment is guaranteed by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with California Government Code. Investments maturing in one year or less must at least meet the short-term rating requirement if long-term ratings are not available.

Investments detailed in D through I below are additionally restricted as to percentage of the cost value of the portfolio in any one issuer name up to a maximum of 5%. The total cost value invested in any one issuer name will not exceed 5% of an issuer's net worth. An additional 5%, or a total of 10%, of the cost value of the portfolio in any one issuer name can be authorized upon written approval of the City Treasurer. For purposes of this Policy, debt issued out of the parent company, any subsidiary or holding company, or at the bank level (if applicable) shall be

considered issuance out of the same issuer name.

Any bank, savings association, federal association or federally insured industrial loan company the City deposits money with is required to have an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California communities including low and moderate income neighborhoods.

- D. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. Bankers' acceptances purchased may not exceed 180 days to maturity or 40% of the cost value of the portfolio.
- E. Commercial paper issued by domestic corporations having assets in excess of \$500,000,000. 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 25% of the cost value of the portfolio. The exclusive use of banks, savings and loans and primary dealers mentioned in Section VIII will not pertain to the purchase and sale of commercial paper. No more than 10% of the outstanding commercial paper of any single corporate issuer may be purchased by the City at any time.
- F. Negotiable certificates of deposit ("NCD") issued by a nationally or state-chartered bank or a state or federal savings institutions, or a state-licensed or federally-licensed branch of a foreign bank ("Yankee"). Purchases of negotiable certificates of deposit may not exceed 30% of the cost value of the portfolio. The City is prohibited from investing its funds in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the City, the City Treasurer, or any person delegated by the City Treasurer to have 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 deposits.
- G. Time deposits. The City may invest in non-negotiable time deposits collateralized in accordance with the California Government Code, in those banks and savings and loan associations which meet the requirements for investment in negotiable certificates of deposit. This category also includes non-negotiable certificates placed through a nationally or state chartered commercial bank, savings bank, and savings and loan associations, provided that the full principal and interest accrual is insured by the Federal Deposit Insurance Corporation (FDIC), pursuant to California Government Code §53601.8. These fully FDIC insured certificates of deposit shall have a maximum maturity of 12 months and will be limited to 2% of the portfolio, and the placement agent and individual certificate of deposit issuers are exempt from the credit rating criteria specified in this Policy. Since time deposits are not liquid, no more than 25% of the cost value of the portfolio may be invested in this category.
- H. Medium-term notes/bonds. The City may invest in medium-term notes or bonds issued by corporations organized and operating within the United States or by depository institutions licensed by the United States. The issuing corporation must

be in excess of \$500,000,000 in shareholder's equity. Purchase of medium-term notes/bonds may not exceed 30% of the cost value of the portfolio.

- I. Municipal Securities of Local Agencies of California. Pursuant to the California Government Code §53601(e), the City may invest in bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. The City may invest up to a maximum of 20% of the cost value at time of purchase of the pooled portfolio in these securities. No more than 5% of the cost value of the portfolio at time of purchase may be invested in notes issued by any one issuer or in notes insured by any one insurer, except for securities supported by the full faith of the State of California.
- J. Repurchase agreements. The City may invest in repurchase agreements with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase agreement. The Public Securities Association standard master repurchase agreement with the document titled "Supplemental Terms and Conditions of the City of San Diego" is the "Master Repurchase Agreement." The maturity of repurchase agreements shall not exceed one year. The market value of securities used as collateral for repurchase agreements shall be initially priced with margin ratios as stated in the Master Repurchase Agreement. Collateral pricing will be monitored at least monthly and margins adjusted no less than quarterly (CGC §53601) by the Investment staff. Margin amounts are to be maintained at 102% (CGC §53601) of the value of the repurchase agreement. In order to conform with provisions of the Federal Bankruptcy Code which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be certificates of deposit, eligible bankers' acceptances, or securities that are direct obligations of the United States or any agency of the United States. Additionally, all repo collateral must meet the eligibility and investment restrictions of this Policy.
- K. Reverse repurchase agreements. The City may invest in reverse repurchase agreements only with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase contract as stated in Section IX (J) of the Policy. The City may invest up to a maximum of 20% of the base value of the portfolio in reverse repurchase agreements. In addition, reverse repurchase agreements may only be utilized if the following conditions are met.
 1. The security to be sold for the reverse has been owned and fully paid for by the City for a minimum of 30 days (CGC §53601).
 2. The agreement does not exceed 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using the reverse and the final maturity of the same security (i.e., the security being used as collateral).
 3. Any security purchased with the proceeds of a reverse repurchase agreement may not exceed 92 days to maturity unless there is a written codicil guaranteeing a minimum earning or spread for the entire life of

the security (to maturity) being purchased for reinvestment purposes.

4. For the purposes of this section the "base value" of the pool portfolio of the City is defined as that dollar amount obtained by totaling all cash balances placed in the pool excluding any amounts obtained through selling securities by reverse repurchase agreements or other similar borrowing methods (CGC §53601).
- 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 under §16429.1 of the California Government Code up to the maximum permitted.
- M. Notes, bonds, or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by CGC §53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by CGC §53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities which the security interest is granted. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "AA" or its equivalent or better by a NRSRO and having a rating in the "A" category or higher for the issuer's unsecured debt, as provided by a NRSRO.
- N. Any U.S. Government agencies' mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued in the public securities market and rated in a rating category of "AAA" or its equivalent by a NRSRO and having a rating in the "A" category or higher for the issuer's unsecured debt, as provided by a NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.
- O. Shares of beneficial interest issued by diversified management companies or mutual funds shall be rated in the highest rating category of at least two of the NRSROs and must have in excess of \$500,000,000 in assets under management. The company or mutual fund must retain an investment advisor registered with the SEC with no less than five years' experience managing money market mutual funds, or if the fund is not a money market mutual fund, investing in the securities and obligations as authorized by subdivision (A) to (N) inclusive. The total purchase price of this category shall not include commissions and shall not exceed 20% of the cost value of the portfolio, with no more than 5% of the cost value of the portfolio invested in any one fund (CGC §53601).

- P. Financial futures. The City may buy financial futures contracts only to hedge against changes in market conditions for the reinvestment of bond proceeds when deemed appropriate.

Ineligible Investments.

Investments not described herein, including, but not limited to, common stocks and long-term corporate notes/bonds are prohibited from use in this portfolio.

Summary Table of the Policy's Authorized Investments⁸

Investment Type	Maximum Maturity¹	Maximum % of Portfolio	Maximum % with One Issuer	Minimum Rating⁷
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	None	None	None
U.S. Agencies	5 years	(2)	(2)	None
Supranationals	5 years	30%	10%	AA
Bankers' Acceptances ⁶	180 days	40%	10%	(3)
Commercial Paper ⁶	270 days	25%	10%	P-1
Negotiable Certificates ⁶	5 years	30%	10%	(3)
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreements ⁴	92 days	20%	None	None
Local Agency Investment Fund	N/A	None	None	None
Non-Negotiable Time Deposits ⁶	5 years	25%	10%	(3)
Medium Term Notes/Bonds ⁶	5 years	30%	10%	A
Municipal Securities of California Local Agencies ⁶	5 years	20%	10%	A
Mutual Funds	N/A	20%	5%	AAA
Notes, Bonds, or Other Obligations	5 years	None	None	AA
Mortgage and Asset-Backed Securities	5 years	20%	None	AAA
Financial Futures ⁵	None	None	None	None

¹ In the absence of a specified maximum, the maximum is 5 years.

² No more than one-third of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.

³ Credit and maturity criteria must be in accordance with Section X of the City Treasurer's Investment Policy.

⁴ Maximum % of portfolio for Reverse Repurchase Agreements is 20% of base value.

⁵ Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.

⁶ Investment types with a 10% maximum with one issuer are further restricted per the City Treasurer's Investment Policy: 5% per issuer and an additional 5% with authorization by the City Treasurer.

⁷ Minimum credit rating categories include modifications (+/-).

⁸ The City's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the City seeks to further restrict eligible investments to the guidelines listed above. In the event a discrepancy is found between this Policy and the Summary Table above, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

X. MATURITY AND CREDIT RATING CRITERIA

This rating criteria will apply at the time of purchase. To be eligible for purchase an issuing institution or its debt must meet the minimum rating requirements as described in CGC §§53601 et seq. The City requires that all securities be rated by at least two NRSROs, with at least two qualifying ratings from Moody's, Standard and Poor's, or Fitch. If an eligible investment is downgraded after purchase, in a rating category which is below the minimum required, the Chief Investment Officer or Investment Officer will document his/her analysis and recommendation for disposition of the security for review by the City Treasurer.

XI. POLICY REVIEW

The Treasurer shall annually render the Policy to the Mayor, the Chief Financial Officer, the City Council, and the Investment Advisory Committee. The Policy will be considered at a regular meeting of the City Council as required by California Government Code §53646.

Exhibit 1: City Treasurer's Broker/Dealer Qualification Criteria

Exhibit 2: Receipt form (see Section VIII)

Exhibit #1
City Treasurer
Broker/Dealer Qualification Criteria

The following criteria is established to guide the City Treasurer Investment staff in their qualification of broker/dealers [the firm]. This criteria is reviewed by the City Treasurer's Investment Advisory Committee as provided for in the City Treasurer's Investment Policy.

1. Any firm entering into a new business relationship to conduct security transactions with the City Treasurer's Office is required to make application and qualify for recommendation by the City Treasurer.
2. Upon application and as requested by the City Treasurer's Investment staff all the firms are required to provide a copy of their most recent published annual report, quarterly reports issued since the last annual report, Financial and Operational Combined Uniform Single (FOCUS) Report, organization chart, any financial information regarding credit lines and debt support provided by the parent firm and any other data required.
3. The City views the relationship of the firm and its representatives to the City as being a long-term mutually beneficial business relationship. We expect the firm and its staff to act with integrity and trust. The firm must ensure that its staff is aware of the City Treasurer's Investment Policy as well as California Government Code sections 53601 and 53635 that govern the securities transactions of the City.
4. The firm is required to have a net capital position in excess of \$100 million, be in compliance with the minimum net capital requirements of the SEC's Uniform Net Capital Rule and the New York Stock Exchange Rule 104.20 if applicable to their firm.
5. The firm is required to maintain an active secondary market for the securities sold to the City.
6. Treasurer's staff will conduct on-site visits of the firm as necessary and practical to ensure that the firm and its staff can continue to provide the services the City requires to be delivered in a timely and efficient manner.
7. The firm will be monitored by the Investment staff to ensure that the City is being provided the best execution on trades, capable and knowledgeable sales and support staff, economic and credit research, technical analysis (if available) and credit market support as needed.
8. The firm or parent must have an operating history of profitability and capital requirements consistent with the highest standards and regulatory requirements of the industry and the judgment of the Investment staff.
9. All securities purchased by the City from the firm will be delivered to the City's Custodian Bank on a "delivery vs. payment" basis (California Government Code).
10. No firm shall be eligible for selection who has made a political contribution within any consecutive 48 month period in an amount exceeding the limitations contained in Rule G-37

of the Municipal Securities Rulemaking Board, to any political official or candidate for office with the City.

11. All firms transacting repurchase or reverse repurchase agreements with the City must be a reporting dealer to the Federal Reserve Bank of New York, as required by California Government Code Section 53601, and must have a fully executed Master Repurchase Agreement with Annex I on file with the City Treasurer.

12. All firms must maintain a Moody's and Standard and Poor's or comparable national or international credit rating service short term rating of A1/P1 and long-term debt rating category of A/a or be a primary dealer of the Federal Reserve Bank of New York to maintain their business relationship with the City.

13. All firms are required to conduct their business with the City in a manner that reflects the highest ethical standards.

Exhibit #2

City of San Diego
Office of the City Treasurer
1200 Third Ave.
16th Floor, Suite 1624
San Diego, CA 92101

Re: Receipt of the City of San Diego City Treasurer's Investment Policy (Policy) Dated
January 1, 2017

We are in receipt of a copy of the referenced Policy of the City of San Diego. We have read and reviewed the provisions and guidelines of the Policy. We attest that our firm meets the City of San Diego's requirements shown in Exhibit 1 of the Policy entitled "Broker/Dealer Qualification Criteria." All salespersons covering the City's account will be made aware of this Policy, and will be directed to give consideration to its provisions and constraints.

We agree to provide the City with a copy of our annual reports as they are published.

We agree to provide an electronic or facsimile copy of all trades executed with your office and our firm to the Chief Investment Officer, Investment Assistant, or via fax (619) 533-6259, on the trade date. All trade confirmations are to be mailed or e-mailed to your office.

Signed:

Name

Title

Firm

Date