



**Subject:** Investment Policy  
**Effective Date:** Feb. 8, 2024  
**Approved By:** Board of Directors  
**Policy:** 4016.1

## **I. PURPOSE**

This policy is designed to govern the investment of funds held by Harbor Springs Charter School (the "School"). This policy is based upon federal, state, and local laws, and prudent money management practices. To the extent that this policy conflicts with applicable law, the applicable law shall prevail. The primary goals of this policy are:

- a. to protect the principal deposits of the School;
- b. to assure compliance with all applicable state, federal, and local laws governing the investment of monies; and
- c. to generate investment income within the parameters of this Policy.

## **II. INVESTMENT OBJECTIVES**

The School's primary investment objective shall be to maintain the safety and liquidity of its funds. Safety of principal is the foremost objective of the School. The investment factors the School shall consider, in order of descending importance, are the following:

- a. safety of invested funds;
- b. sufficient liquidity to meet future cash flow requirements; and
- c. attain maximum yield consistent with the aforementioned requirements.

The Assistant Superintendent of Business of the School, under the direction of the Governing Board, shall have the responsibility for all decisions and activities performed under the School's Investment Policy. The Assistant Superintendent of Business shall have the ability to allocate resources or delegate responsibility (including to qualified third-party advisors acting as

fiduciaries to the School) as necessary to optimize the safety and liquidity of the investment portfolio and to implement this Investment Policy.

### **III. AUTHORIZED ACCOUNTS**

The School may hold its funds in any of the following accounts, in the manner that best balances the above objectives of safety, liquidity, and investment return:

1. The investment pool managed by the County Treasurer-Tax Collector of the county in which School's authorizer is located;
2. Depository accounts at one or more FDIC-insured banking institutions;
3. Custodial depository accounts held by a nationwide banking institution and invested solely in Authorized Investments as defined below.

### **IV. AUTHORIZED INVESTMENTS**

Given the public nature of the School's funds, for purposes of authorized investments the School has elected to adhere to the legal requirements applicable to public funds held by school districts. Pursuant to California Education Code Section 41015, the School may thus invest any surplus monies not required for the immediate operational necessities of the School in any of the investments specified in California Government Code Sections 16430 or 53601. The full text of all three Code sections is included as a part of this Policy.

When depositing proceeds from the issuance of debt, the School shall limit such investments to those authorized investments identified in this policy. Should a trust agreement of a particular debt issued by the School be more restrictive than the School's policy on authorized investments, then the trust agreement will take precedence.

### **V. INVESTMENT REVIEWS**

The Assistant Superintendent of Business will review reports on investment performance and present the same to the Governing Board in a timely manner.

### **VI. CHANGES TO INVESTMENT POLICY**

This Policy will be reviewed at least annually to ensure its consistency with the objectives of income, growth and safety, and changes in applicable laws and financial trends. Any proposed amendments to the Investment Policy will require approval by the Governing Board.

### **VII. INVESTMENT AND FIDUCIARY STANDARDS**

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 from the investment.

Any person or firm retained for purposes of investing or making recommendations for the investment or monitoring of the School's assets will be held to the higher standard of a prudent expert. Such person or firm will exercise the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

The Assistant Superintendent of Business may choose to utilize a professional financial advisor (the "Advisor") to assist in strategic investment planning. This includes providing assistance in maintaining the investment policy, asset allocation strategy, coordinating efficient transfer of funds, and monitoring federal interest rebate and other compliance activities as required. The Advisor will act as a fiduciary with regard to the oversight of School assets and will maintain investment discretion as to asset allocation within the guidelines of this Policy. The Advisor should feel free to recommend appropriate changes to the investment policy to the Assistant Superintendent of Business for further consideration.

The School may terminate an Advisor or related investment relationship at any time for any reason, including, but not limited to, the following: 1. Qualitative changes – personnel changes or other organizational issues of the firm; 2. Quantitative changes – underperformance relative to investment objectives and style deviations; 3. Policy issues – violation of investment policies or legal issues; and 4. Communication – failure to adhere to reporting requirements.

Such investment duties shall be discharged with respect to the School solely in the interests of the School. The investment process shall be mindful of defraying reasonable expenses of administering the investment and assets of the School.

#### **VIII. FINANCIAL PROFESSIONALS' COMPLIANCE WITH INVESTMENT POLICY**

All outside Advisor(s) and other financial professionals employed or retained by the School in a position that may involve investment of funds and/or its representatives, including without limitation municipal advisors, underwriters, bond counsel, and disclosure counsel, must review this policy and sign a "Statement of Compliance" confirming that they have reviewed this Investment Policy and will fully comply with these policies.

#### **State of California EDUCATION CODE**

## **Section 41015**

41015. The governing board of any school district or any county office of education which has funds in a special reserve fund of the district or county office of education or any surplus moneys not required for the immediate necessities of the district or county office of education, is hereby authorized to invest all or any part of the funds in any of the investments specified in Section 16430 or 53601 of the Government Code.

(Amended by Stats. 1987, Ch. 198, Sec. 1.)

## **State of California GOVERNMENT CODE**

### **Section 16430**

16430. Eligible securities for the investment of surplus moneys shall be any of the following:

- a. Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- b. Bonds or interest-bearing notes or obligations that are issued by or fully guaranteed as to principal and interest by a federal agency or a United States government-sponsored enterprise, as defined by the Omnibus Budget Reconciliation Act of 1990 (Sec. 13112, Public Law 101-508; 2 U.S.C. Sec. 622(8)).
- c. Bonds, notes, or other obligations of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest.
- d. (1) Bonds, notes, or other obligations of a local government of this state, including, but not limited to, any of the following:
  - A. A county.
  - B. A city.
  - C. A city and county.
  - D. A metropolitan water district.
  - E. A water district.
  - F. A water storage district.
  - G. An irrigation district.
  - H. A municipal utility district.
  - I. A school district.

(2) Bonds, notes, or other obligations eligible for investment pursuant to this subdivision shall be within the top three ratings of a nationally recognized statistical rating organization.

- a. Bonds, debentures, or other obligations of any of the following:
  - 1. Issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended (12 U.S.C. Sec. 2001 et seq.).
  - 2. Issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended (12 U.S.C. Sec. 2001 et seq.).
  - 3. The Federal Home Loan Bank established under the Federal Home Loan Bank Act (12 U.S.C. Sec. 1421 et seq.).
  - 4. The Federal National Mortgage Association established under the National Housing Act, as amended (12 U.S.C. Sec. 1701 et seq.).
  - 5. The Federal Home Loan Mortgage Corporation.

(6) Issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended (16 U.S.C. Sec. 831 et seq.).

Guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act, as amended (15 U.S.C. Sec. 714 et seq.).

- a. Bonds, notes, warrants, and other securities not in default that are the direct obligations of the government of a foreign country that the International Monetary Fund lists as an advanced economy and for which the full faith and credit of that country has been pledged for the payment of principal and interest, if the securities are rated investment grade or its equivalent, or better, by a nationally recognized statistical rating organization. Securities eligible for investment pursuant to this subdivision shall satisfy all of the following:
  - 1. Be United States dollar denominated with a maximum maturity of five years or less, and eligible for purchase and sale within the United States.
  - 2. The combined par value of all of the investments authorized by this subdivision do not exceed 1 percent of the total par value of Pooled Money Investment Account assets at the time of purchase.
  - 3. The government of the foreign country issuing the securities submits to the jurisdiction of a federal or state court in the United States when disputes arise related to the investments.
- a. (1) Commercial paper of “prime” quality as defined by a nationally recognized statistical rating organization that rates these securities, if the commercial paper is issued by a federally or state-chartered bank or a state-licensed branch of a foreign bank, corporation, trust, or limited liability company that is approved by the Pooled Money Investment Board as meeting the conditions specified in either subparagraph

(A) or subparagraph (B):

- A. Both of the following conditions:
  - i. Organized and operating within the United States.
  - ii. Having total assets in excess of five hundred million dollars (\$500,000,000).
- B. Both of the following conditions:
  - i. Organized within the United States as a federally or state-chartered bank or a state-licensed branch of a foreign bank, special purpose corporation, trust, or limited liability company.
  - ii. Having programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.
- 1. A purchase of eligible commercial paper shall not do any of the following:
  - A. Exceed 270 days maturity.
  - B. Represent more than 10 percent of the outstanding paper of an issuing federally or state-chartered bank or a state-licensed branch of a foreign bank, corporation, trust, or limited liability company.
  - C. Exceed 30 percent of the resources of an investment program.
- 2. At the request of the Pooled Money Investment Board, an investment made pursuant to this subdivision shall be secured by the issuer by depositing with the

Treasurer securities authorized by Section 53651 of a market value at least 10 percent in excess of the amount of the state's investment.

- a. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances, that are eligible for purchase by the Federal Reserve System.
- b. Negotiable certificates of deposits issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union. For the purposes of this section, negotiable certificates of deposits are not subject to Chapter 4 (commencing with Section 16500) and Chapter

4.5 (commencing with Section 16600).

- a. The portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration.
- b. Bank loans and obligations guaranteed by the Export-Import Bank of the United States.
- c. Student loan notes insured under the Guaranteed Student Loan Program established pursuant to the Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1001 et seq.) and eligible for resale to the Student Loan Marketing Association established pursuant to Section 133 of the Education Amendments of 1972, as amended (20 U.S.C. Sec. 1087-2).

- d. Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, the Government Development Bank for Puerto Rico, the European Bank for Reconstruction and Development, or the European Investment Bank.
- e. Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment pursuant to this subdivision shall be within the top three ratings of a nationally recognized statistical rating organization.
- f. Negotiable Order of Withdrawal Accounts (NOW Accounts), invested in accordance with Chapter 4 (commencing with Section 16500).
- g. Shares of any money market mutual fund subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission, provided that all of the following conditions are met:
  - 1. The money market mutual fund invests in securities and obligations described in one or more of the following: subdivision (a), (b), or (e) of this section or repurchase agreements or reverse repurchase agreements described in Section 16480.4.
  - 2. The financial institution issuing shares of the money market mutual fund has at least five years of experience investing in the types of securities and obligations being purchased by the state and has assets under management in the money market mutual fund in excess of ten billion dollars (\$10,000,000,000).
  - 3. The money market mutual fund has attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.
- 1. The financial institution does not impose a commission on the purchase or sale of fund shares by the state.
- 2. The state does not purchase more than 10 percent of a money market mutual fund's total assets.
- 3. The state does not invest more than 10 percent of the Pooled Money Investment Account's funds in any single money market mutual fund meeting the requirements of this subdivision.

(Amended by Stats. 2022, Ch. 126, Sec. 1. (AB 2332) Effective January 1, 2023.)

## **State of California GOVERNMENT CODE**

### **Section 53601**

53601. This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery. For purposes of this section, "counterparty" means the other party to the transaction.

A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. For purposes of compliance with this section, an investment's term or remaining maturity shall be measured from the settlement date to final maturity. A security purchased in accordance with this section shall not have a forward settlement date exceeding 45 days from the time of investment. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

- a. Bonds issued by the local agency, 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.
- b. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned,



controlled, or operated by the state or by a department, board, agency, or authority of the state.

Registered treasury notes or bonds of 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 a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

Bonds, notes, warrants, or other evidences of indebtedness of a 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.

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 30 percent of the agency's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing moneys in its treasury in a manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

- a. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):
  1. The entity meets the following criteria:
    - A. Is organized and operating in the United States as a general corporation.
    - B. Has total assets in excess of five hundred million dollars (\$500,000,000).
    - C. Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.
  2. The entity meets the following criteria:
    - A. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
    - B. Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
    - C. Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, that have less than one hundred million dollars (\$100,000,000) of investment assets under management, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, that have one hundred million dollars (\$100,000,000) or more of investment assets under management may invest no more than 40 percent of their moneys in eligible commercial paper. A local agency, other than a county or a city and a county, may invest no more than 10 percent of its total investment assets in the commercial paper and the medium-term notes of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

- a. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so 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 moneys 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 decisionmaking 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.
- b. (1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of securities authorized by this section, as long as the agreements are subject

to this subdivision, including the delivery requirements specified in this section.

1. Investments in repurchase agreements may be made, on an investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.
2. Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:
  - A. The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

(B) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.

The agreement does not exceed a term of 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 a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

1. (A) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

- A. For purposes of this chapter, “significant banking relationship” means any of the following activities of a bank:
  - i. Involvement in the creation, sale, purchase, or retirement of a local agency’s bonds, warrants, notes, or other evidence of indebtedness.
  - ii. Financing of a local agency’s activities.
  - iii. Acceptance of a local agency’s securities or funds as deposits.
- 1. (A) “Repurchase agreement” means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank’s customer book-entry account may be used for book-entry delivery.
- A. “Securities,” for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.
- B. “Reverse repurchase agreement” means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.
- C. “Securities lending agreement” means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the

collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

- A. For purposes of this section, the base value of the local agency’s pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.
- B. For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.
  - a. Medium-term notes, 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. Notes eligible for investment under this subdivision shall be rated in a rating category of “A” or its equivalent or better by

an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. A local agency, other than a county or a city and a county, may invest no more than 10 percent of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

- b. (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.
- 1. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).
- 2. If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:
  - A. Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
  - B. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000).

(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:

- A. Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

- B. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

- a. Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
- b. Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 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 that 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 in which the security interest is granted.
- c. A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision shall be

rated in a rating category of “AA” or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision shall not exceed 20 percent of the agency’s surplus moneys that may be invested pursuant to this section.

- d. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority.
- To

be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

1. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
2. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
3. The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
  - a. 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 its equivalent or better by an NRSRO and shall not exceed 30 percent of the agency’s moneys that may be invested pursuant to this section.
  - b. Commercial paper, debt securities, or other obligations of a public bank, as defined in Section 57600.

This section shall remain in effect only until January 1, 2026, and as of that date is repealed.

(Amended (as amended by Stats. 2020, Ch. 235, Sec. 2) by Stats. 2022, Ch. 427, Sec. 8. (SB 1489) Effective January 1, 2023. Repealed as of January 1, 2026, by its own provisions. See later operative version, as amended by Sec. 9 of Stats. 2022, Ch. 427.)

