



City of Villa Park  
17855 Santiago Boulevard  
Villa Park, California 92861  
(714) 998-1500

## INVESTMENT ADVISORY COMMITTEE

April 18, 2012

9:00 a.m.

The Investment Advisory Committee of the City of Villa Park welcomes you to this meeting. We encourage your participation. This agenda contains a brief description of each item to be considered.

If you wish to speak on an item contained on the agenda, please approach the podium at the time the item is being considered. Upon recognition by the Chair, state your name and address for the record prior to providing your comments. Speakers will be limited to a time period set by the presiding officer.

All supporting information is available for public review in the City Hall offices.

Please Note: In compliance with the Americans with Disabilities Act, the City of Villa Park will make every reasonable attempt to accommodate attendees or participants at this meeting who need special assistance beyond what is normally provided. Please contact the City Hall at (714) 998-1500 at least 48 hours prior to this meeting to inform us of particular needs and to determine if accommodation is feasible. Please advise us at the time of your call if special assistance is required to attend or participate in meetings on a regular basis.

### ORDER OF BUSINESS

1. CALL TO ORDER

2. ROLL CALL

William Nelson, Chair, Investment Advisory Committee  
William Underwood, Vice-Chair, Resident Member  
Dan Carlberg, Resident Member  
James Rheins, Resident Member  
Steven Pollack, Resident Member  
Rich Ulmer, Councilmember, Chair City Council Finance Committee  
Bill MacAloney, Councilmember, City Council Finance Committee  
Dennis Kuli, City Treasurer

3. PLEDGE OF ALLEGIANCE

4. PUBLIC COMMENT

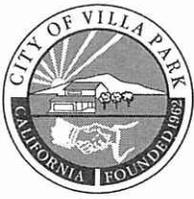
5. DISCUSSION ITEMS

- a) Review of January 2012 Regular Minutes.
- b) Review and discuss revisions to the City Investment Policy.
- c) Review and discuss staffs banking services recommendation.
- d) Review and discuss current investment activities.

6. ADJOURNMENT

Next regular meeting date is July 18, 2012 at 9:00 AM.





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## INVESTMENT ADVISORY COMMITTEE

### Summary Minutes

January 18, 2012

1. CALL TO ORDER

The meeting was called to order at 9:00 a.m. by Chair Nelson.

2. ROLL CALL

The following members and attendees were present:

Bill Nelson, Chair, Investment Advisory Committee

Bill Underwood, Vice-Chair, Resident Member

Dan Carlberg, Resident Member

James Rheins, Resident Member

Steven Pollack, Resident Member

Bob Fauteux, Councilmember, City Council Finance Committee Chair

Rich Ulmer, Mayor, City Council Finance Committee

Michelle Danaher, Finance Director

The following members and attendees were absent:

Dennis Kuli, City Treasurer

3. PLEDGE OF ALLEGIANCE

4. PUBLIC COMMENT

No public comment.

5. DISCUSSION ITEMS

a. Welcome new member Steven Pollack as the newest member to the Committee.

- Chair Nelson welcomed Steven Pollack to the IAC.

b. Review of October 2011 minutes.

- Vice-Chair Underwood moved approval, seconded by Resident Member Carlberg. Motion carried 5-0; Resident Member Pollack abstained from vote, as he was not at the October meeting.

c. Presentation from Shari L. Freidenrich from OCIP.

- Shari Freidenrich presented an overview on OCIP and discussed the new direction she and her staff are taking OCIP. She discussed the Investment Objectives and there was discussion on OCIP. Shari is willing to come back annually to meet with the IAC and is open to any questions the City of Villa Park might have.

d. Review and discuss current investment activities and government bond purchases.

- Finance Director Danaher presented quarterly treasurer reports and discussed the 12/2011 called government bond and the purchase of the FNMA maturing 12/28/16. Committee will revisit cash flow status at the next quarterly IAC meeting, April 18, 2012.

6. ADJOURNMENT

The meeting was adjourned at 9:50. The next regular meeting of the IAC will be held on Wednesday, April 18, 2012, at 9:00 a.m.

# City of Villa Park



## Statement of Investment Policy

**June 26, 2012**

(Previous adoptions January 9, 1996; April 23, 2002; June 25, 2006; February 27, 2007;  
June 24, 2008; November 17, 2009 and June 28, 2011)

# INVESTMENT POLICY

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## **1.0 POLICY**

The purpose of this Investment Policy (Policy) is to establish cash management and investment guidelines for the City Manager or designee, who is responsible for the administration of the City of Villa Park Investment Program. Each investment transaction and the entire portfolio must comply with the California Government Code, Sections 53600 and 53635 et seq. and this Policy. It is the policy of the City of Villa Park to meet the short and long-term cash flow demands of the City in a manner which will provide for the safety of principal and sufficient liquidity, while providing an optimum investment return.

- 1.1 Government Code Section 53646 previously mandated that annual investment policies and quarterly reports be rendered to the legislative body. AB2853 amended the Government Code Section 53646 to remove the requirements; the rendering of these documents is permissive rather than mandated.
- 1.2 Although the Annual Investment Policy and Quarterly Reports are no longer required, we believe it prudent to continue to provide the legislative bodies with these documents. In addition, Government Code Section 53607 has not been repealed that requires an annual delegation of investment authority to the City Treasurer and the submission of reports that include investment transactions by month. Consequently, the City Treasurer will annually render to the City Council a statement of investment policy. The policy shall be reviewed on an annual basis by the City Treasurer and the Investment Advisory Committee.

## **2.0 SCOPE**

This investment policy applies to all investment activities and financial assets of the City of Villa Park with the following exception:

- Investments in the City's Defined Contribution Plans (Deferred Compensation).
- 2.1 To the extent possible, it is the City's policy to pool funds for investment purposes to provide efficiencies and economies of scale. Investing through a pooled account will provide for greater use of funds by allowing for a more efficient cash flow, a reduction in transaction costs, and a greater access to the market.
  - 2.2 The General Pool consists of all the funds of the City of Villa Park and its component units. The component units are legally separate entities from the City, but are so intertwined with the City that they are, in substance, the same as the City. Currently, the City of Villa Park has no component units. The funds are accounted for in the City of Villa Park's Basic Financial Report and include, but are not limited, to the following:
    - a) General Fund
    - b) Special Revenue Fund
    - c) Capital Project Funds
    - e) Internal Service Funds

- e) Agency Funds
  - f) Any new funds created by the City Council
- 2.3 The City's General Pool will be referred to as the "Portfolio" throughout the remainder of this document. The City Treasurer and staff will observe, review and react to changing conditions that affect the Portfolio.

### **3.0 DELEGATION OF AUTHORITY**

- 3.1 The City Manager or designee has the authority to invest or reinvest the City's funds, to sell or exchange securities so purchased, and to deposit securities for safekeeping in accordance with California Government Code Sections 53600, 16429.1 and 53684, et seq. as further limited by this Investment Policy.
- 3.2 The City Manager or designee shall establish written procedures for the operation and management of the City's investment program consistent with this investment policy, including appropriate written agreements with financial institutions.
- 3.3 No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Manager. The City Manager may delegate all, or a portion of his or her investment authority to subordinates pursuant to California Government Code Section 41006, or engage the services of one or more external investment managers to assist in the management of the City's investment portfolio in accordance with the City's Investment Policy. Such delegation and/or engagement by the City Manager shall not remove or abridge his or her investment responsibility.
- 3.4 Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program or which could impair their ability to make impartial investment decisions. All investment personnel shall comply with the reporting requirements of the Fair Political Practices Committee and include an annual filing of a Statement of Economic Interests.

### **4.0 PRUDENCE AND STANDARD OF CARE**

- 4.1 California Government Code Section 53600.3 states that "...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

- 4.2 Investment officials in the management of the City’s funds shall use the “Prudent Investor” standard. Investment officers acting in accordance with this Policy, written portfolio guidelines and procedures, and exercising due diligence shall be relieved of personal responsibility for individual security’s credit risk or market price changes, provided deviations from expectations are reported in the monthly investment reports to the City Council, and appropriate action is taken to control adverse developments.
- 4.3 The City Manager, City Finance Director, City Treasurer, employees involved in the investment process, and the members of the Investment Advisory Committee shall refrain from all personal business activity that could conflict with the management of the investment program. All individuals involved with the investment of City funds, or review of investment transactions, will be required to report all gifts and income in accordance with California state law. When investing and managing City funds, the City Manager, City Finance Director, City Treasurer, and employees shall act with the care, skill, prudence and diligence to meet the aims of the investment objectives listed in order in Section 5.0, Investment Objectives.

## **5.0 INVESTMENT OBJECTIVES**

- 5.1 The primary objectives, in priority order, of the City’s investment activities shall be:
  - A. **Safety:** Safety of principal is the foremost objective of the investment program. The City’s investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
  - B. **Liquidity:** The City’s investment portfolio will remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated within six months.
  - C. **Yield:** The City shall manage its funds to optimize the return on investments consistent with the two primary objectives of safety and liquidity. The rate of return on investment should be designed to attain a market rate of return through budgetary and economic cycles consistent with the risk limitations, prudent investment principles and cash flow requirements indentified by the City’s Investment Policy.
- 5.2 It is the City’s policy to hold investments until market value equals or exceeds amortized cost or book value of the security. However, the City Manager or designee may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the credit quality, liquidity, or rate of return of the portfolio in response to market conditions and/or the City’s risk preferences.

- 5.3 In pursuing the safety of principal investment of City funds, the City's investment program will review and mitigate Credit risk and Market risk.
- A. Credit Risk - Credit risk is defined as the risk of loss due to the failure of an issuer to redeem the outstanding debt at the stated maturity date. Within this concept, Credit risk also applies to the overall market perception of the financial strength and capacity of the issuer. Diversification of the investment portfolio by issuer, maturity date and amount invested will ensure that in the event of a failure of any one issuer, the event will not unduly harm or compromise the City's cash flow.
  - B. Market or Interest Rate Risk – Market or Interest Rate risk is the risk that the market value of investment securities in the portfolio may decline due to changes in general interest rates. Market rate risk can be mitigated by diversifying the investment of funds by maturity date and by investing funds to meet a specific cash requirement that would reduce the need to sell the security prior to maturity to meet immediate City cash flow needs.

## **6.0 INVESTMENT PROCEDURES**

The City Manager or designee shall establish written investment procedures for the operation of the investment program consistent with this policy. As needed, procedures include references to custodial safekeeping, master repurchase agreements, security lending agreements, wire transfer agreements, banking service contracts and collateral/depository agreements.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Manager.

## **7.0 INTERNAL CONTROLS**

- 7.1 The City Manager or designee shall establish internal controls to provide reasonable assurance that the investment objectives of the City's Investment Policy are met and to ensure that the assets are protected from loss, theft, or misuse. The City Manager and City Treasurer shall be responsible for ensuring that all investment transactions comply with the City's Investment Policy and the California Government Code.
- 7.2 Cash balances are reconciled weekly by non-investment employees and confirmed by the City's Finance Director.
- 7.3 Investment activity and holdings are verified monthly by the City's Finance Director and City Treasurer; and annually by the external auditor. These reviews provide internal control by assuring compliance with policies and procedures.

## **8.0 INVESTMENT ADVISORY COMMITTEE**

An Investment Advisory Committee has been established and the members of the Committee are Council-appointed for 2 year terms. The Committee was established to provide general oversight and act in an advisory capacity. The City Treasurer and Finance Director act as liaisons and staff support to the Committee. The Investment Policy is reviewed and approved by the Investment Advisory Committee prior to remittance to the City Council.

## **9.0 CUSTODY AND SAFEKEEPING OF SECURITIES AND CITY FUNDS**

In accordance with California Government Code Section 53601 all securities owned by the City shall be held in safekeeping by the City's custodial bank or a third party bank trust department, acting as agent for the City under the terms of a custody agreement.

- 9.1 All securities will be received and delivered using standard Delivery-versus-Payment procedures which ensures that securities are deposited with the third party custodian prior to the release of funds. Securities will be held by a third party custodian as evidenced by safekeeping receipts. Investments in the State Pool or other approved Pool(s) or money market mutual funds are not subject to delivery or third party safekeeping.
- 9.2 On a weekly basis, investment trades are verified against the bank transactions and broker confirmation tickets to ensure accuracy. On a monthly basis, the custodial asset statement is reconciled with the month-end portfolio holdings. On an annual basis, the external auditor confirms investment holdings.
- 9.3 For investments in Repurchase Agreements, securities and collateral shall be purchased and maintained for the benefit of the City in the Trust Department or safekeeping department of a bank as established by a written third party safekeeping agreement between the City and the bank.
- 9.4 Funds deposited by the City shall be secured by a Depository in compliance with the requirements of the California Government Code, Section 53652. Such collateralization shall be designated and agreed to in writing.
- 9.5 Investment securities in bearer form such as, but not limited to, Negotiable Certificates of Deposit and Banker's Acceptances shall be held in a qualified safekeeping institution.

## **10.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

- 10.1 To minimize the risk to the City's overall cash and investment portfolio, prudence and due diligence as outlined below shall be exercised with respect to the selection of financial institutions in which the City's funds are deposited and invested.

- A. In selecting Depositories pursuant to the Code, Section 53600, et seq., the credit worthiness, financial stability, and financial history of the institution, as well as the cost and scope of services and interest rates offered shall be considered. No funds will be deposited in an institution unless that institution has been evaluated by a nationally recognized independent rating service as satisfactory or better.
  - B. Deposits of \$250,000 or less which are insured pursuant to federal law (12 CFR Part 330) by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA) may be excluded from the independent rating service evaluation requirement above and from the collateralization requirements of Section 9.3 of this Policy, at the City Manager's discretion.
- 10.2 In selecting external broker-dealers, past performance, stability, financial strength, reputation, area of expertise, and willingness and ability to provide the highest investment return at the lowest cost to the City within the parameters of this Investment Policy and the California Government Code shall be considered. External investment managers must be registered with the Securities and Exchange Committee (SEC) under the Investment Advisor Act of 1940.
- 10.3 Pursuant to California Government Code Section 53601.5, the City and its investment staff shall only purchase statutorily authorized investments either from the issuer, from a broker-dealer licensed by the state, as defined in Section 25004 of the Corporations Code, from a member of a federally regulated securities exchange, a national or state-chartered bank, a federal or state association (as defined by Section 5102 of the Financial Code), or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank of New York.
- A. Investment staff will only purchase or sell securities from broker-dealers defined in this section of the City's Investment Policy and meet the minimum requirements of being registered and licensed by the National Association of Securities Dealers (NASD) and possess an active Series 7 license, an active Series 66 license (or Series 63), submission of a NASD form U4 (employment history) and a current NASD form U5 Disclosure Statement and have completed the City's broker-dealer questionnaire.
  - B. Investment staff will only use broker-dealers that have a minimum of three years continuous experience working for a primary dealer or five years continuous experience working for a non-primary dealer
- 10.4 The City Manager or designee will maintain a list of financial institutions authorized to provide investment services to the City. An annual review of the financial condition and registrations of qualified bidders will be conducted by the City Treasurer. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the City invests.

- 10.5 However, if the interaction with the broker-dealer is limited to investment trades through an electronic trading platform, then the broker/dealer is exempt from completing a questionnaire.
- 10.6 Depositories, broker-dealers, who do business with the City, shall sign a Certification of Understanding (see Appendix B). All broker-dealers who do business with the City shall acknowledge receipt of the City's Investment Policy (see Appendix C).

## **11.0 AUTHORIZED INVESTMENTS**

The City of Villa Park is governed by the California Government Code, Sections 53600, 16429.1 and 53684, et seq.

- 11.1 The City of Villa Park's Investment Policy specifically **prohibits** the investment of any funds subject to this policy in the following securities:

Derivative securities, as defined in California Government Code Section 53601.6, as any security that derives its value from an underlying instrument, index, or formula, are prohibited. The derivative universe includes, but is not limited to, structured and range notes, securities that could result in zero interest accrual if held to maturity, variable rate, floating rate or inverse floating rate investments, and mortgage derived interest or principal only strips.

City of Villa Park  
2012 Investment Policy

Villa Park's Investment Policy further restricts the permitted investments to those listed below.

#	Type of Investment	Cal Gov Code % of Funds Permitted	Villa Park % Funds Authorized**	Cal Gov Code Maximum Final Maturity	Villa Park Maximum Final Maturity
11.2	Bonds issued by the City or agency of the City	100 %	20 % 5% of a single issuer	5 Years	5 Years
11.3	United States Treasury notes, bonds, bills or certificates of indebtedness	100 %	100% 30 % of a single issue	5 Years	5 Years
11.4	Registered State (CA) warrants or treasury notes or bonds	100 %	20 % 5% of a single issuer	5 years	5 years
11.5	Other State of California Local Agency bonds, notes, warrants or other evidence of indebtedness	100 %	10 % 5% of a single issuer	5 years	5 years
11.6	Federal Agency or U.S. government sponsored enterprise (GSE) obligations	100 %	100 % 40 % of a single issuer 10% of a single issue	5 years	5 years
11.7	Banker's Acceptances,	40 % 30% of a single issuer	40 % 5% of a single issuer	180 days	180 days
11.8	Commercial Paper of "Prime" quality	25% 5% of a single issuer	25% 5% of a single issuer	270 days	270 days
11.9	Negotiable Certificates of Deposits	30 %	30% 5% of a single issuer	5 years	5 years
11.10	Repurchase Agreements	100 %	30 %	1 year	1 year
11.11	Reverse Repurchase Agreements	20%	0%	92 days	N/A
11.12	Securities Lending	20%	0%	92 days	N/A
11.13	Medium Term Corporate Notes	30 %	30 % 5% of a single issuer	5 years	5 years
11.14	Shares of beneficial interest, Mutual Funds	20 % 10% of a single fund	20 % 10 % of a single fund	N / A	N / A

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#	Type of Investment	Cal Gov Code % of Funds Permitted	Villa Park % Funds Authorized**	Cal Gov Code Maximum Final Maturity	Villa Park Maximum Final Maturity
11.15 .1	State of California Local Agency Investment Fund	\$40 million per account	80% max	N / A	N / A
11.15 .2	Orange County Investment Pool	100%	33% max	N / A	N / A
11.16	Time Certificates of Deposit (TCD)	100%, but not more than equity of institution	50% 5% of a single issuer	5 years	5 years

\*\* All percentage limitations will be valued/calculated at the time of purchase based on the most recently Council approved Treasurer's Report investment balances.

For investments in Bankers Acceptances, Commercial Paper, Negotiable Certificates of Deposit, and Medium Term Corporate Notes, the policy limitation of 5% per single issuer applies to the aggregate amount of funds invested in all category investments to a single issuer, including subsidiary companies.

The following is a summary of description and respective City Investment Policy limitations to each asset class or security:

- 11.2 Bonds issued by the City or agency of the City are defined as "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."
- 11.3 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.
- 11.4 Registered State (CA) warrants, 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 a department, board, agency, or authority of the state.
- 11.5 Other State of California Local Agency bonds, notes, warrants or other evidence 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.
- 11.6 Federal Agency or U.S. government sponsored enterprise (GSE) 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.

11.7 Banker's Acceptances (BA) otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.

11.8 Commercial Paper (CP) of "Prime" quality is defined as having the highest ranking or the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The issuer must meet the following:

1. Is organized and operating in the United States as a general corporation, has total assets in excess of five hundred million dollars (\$500,000,000), has debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO;
2. Is organized within the United States as a special purpose corporation, trust, or limited liability company, has programmable credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond, has commercial paper rated "A-1" or higher, or the equivalent, by a NRSRO.

11.9 Negotiable Certificates of Deposits (NCD). Defined as 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 state – licensed branch of a foreign bank that can be sold and traded before maturity in the secondary market.

11.10 Repurchase Agreements. Investments are authorized when the term of the agreement does not exceed one year. The market value of securities underlying a repurchase agreement shall be valued at 102% 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% no later than the next business day.

11.11 Reverse Repurchase Agreements. Reverse repurchase agreements or securities lending agreements may be utilized only when the following condition is met:

The security to be sold on 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; and 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.

11.12 Securities Lending Program

The City Manager or designee is authorized to engage contractors to perform securities lending activities or to permit custodian banks to subcontract for securities lending services. The securities lending agreement is 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.

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.

In addition, the security to be sold on reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:

1. The security to be sold on 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.
  2. The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20% of the base value of the portfolio.
  3. The agreement does not exceed a term of 92 days.
  4. Investments in reverse repurchase agreements and securities lending agreements will only be made 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 the City.
  5. "Significant banking relationship", is defined as follows:
    - a. Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes or other evidence of indebtedness
    - b. Financing of a local agency's activities
    - c. Acceptance of a local agency's securities or funds as deposits.
- 11.13. Medium Term Corporate Notes (MTN), 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 category shall be rated "A" or better by: Moody's, Standard & Poor's or Fitch, and shall not include other instruments authorized in Section 11.6 of the Policy (i.e. "Federal Agency" Medium Term Notes are classified as "Federal Agencies").
- 11.14. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Committee under

the Investment Company Act of 1940. The company shall have met either of the following criteria:

1. Attained the highest ranking or the highest letter and numerical rating provided by not less than two of the following: Moody's, Standard & Poor's or Fitch.
2. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Committee 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, (mutual funds) purchased pursuant to this subdivision shall not include any Committee that these companies may charge.

Investments in this category shall be restricted to money market mutual funds that seek to maintain a Net Asset Value of \$1. Money market mutual funds provide daily liquidity; therefore, there is no final stated maturity for this investment category. Investments in mutual funds shall be restricted to Funds that have the highest ranking or the highest letter and numerical rating provided by not less than two of the following nationally recognized statistical rating organizations: Moody's, Standard & Poor's or Fitch.

- 11.15. State & Local Pool - Local Agency Investment Fund and the Orange County Investment Pool. The City may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer under California Government Code Section 16429.1 for the benefit of local agencies. The City may also invest in the Orange County Investment Pool as permitted under the California Government Code Section § 53684.

LAIF provides daily liquidity; therefore, there is no final stated maturity for this investment category. Investments in LAIF shall not exceed 80% of the City's eligible investments. The City currently has an account with the LAIF.

1.1 Additional Investments-Local Agency Investment Fund (LAIF)

Government Code Section 16429.1 further provides for investment in the Local Agency Investment Fund. The City may invest in the Local Agency Investment Fund administered and managed by the State of California, as stated and defined in § 16429.1 provided however, that such investments shall not exceed 80% of the City's surplus monies.

- (a) Any monies deposited in the State Treasury for investment pursuant to this section are not subject to impoundment or seizure by any state official or agency while the funds are so deposited.

1.2 Additional Investments-Orange County Treasury, County of Orange

California Government Code § 53684 allows local agencies to deposit excess funds into the Orange County Treasury for purposes of investment by the Orange County Treasurer. § 53684 Alternative Procedure for investment of excess funds.

- (b) Unless otherwise provided by law, if the City Treasurer of any local agency, or other official responsible for the funds of the local agency, determines that the local agency has excess funds which are not required for immediate use, the Treasurer or other official responsible for the funds of the local agency, determines that the local agency has excess funds which are not required for immediate use, the Treasurer or other official may upon the adoption of a resolution by the legislative or governing body of the local agency authorizing the investment of funds pursuant to this section and with the consent of the County Treasurer, deposit the excess funds in the county treasury for the purpose of investment by the county treasurer pursuant to § 53601 or 53635.
- (c) The County Treasurer shall, quarterly, apportion any interest or other increment derived for the investment of funds pursuant to this section in an amount proportionate to the average daily balance of the amounts deposited by the local agency and district.
- (d) In conjunction with the monthly report required to be prepared pursuant to subdivision (b) of § 53646, the County Treasurer shall provide the information described in that subdivision to the Treasurer or other official responsible for the funds of any local agency which has funds on deposit in the county treasury and that information shall, except as otherwise provided in paragraph (4) of subdivision (b) of § 53646, be included by the Treasurer or other official in a monthly report to the legislative or governing body of the local agency.
- (e) The Treasurer or other official responsible for the funds of the local agency may withdraw the funds of the local agency at any time but shall give the county treasurer 30 days written notice of his or her intent to withdraw the funds.
- (f) Any monies deposited in the County Treasury for investment pursuant to this section are not subject to impoundment or seizure by any county official or agency while the funds are so deposited.
- (g) This section is not operative in any county until the board of supervisors of the county, by majority vote, adopts a resolution making this action operative in the county.
- (h) It is the intent of the Legislature in enacting this section to provide an alternative procedure to § 51301 for local agencies to deposit money in the County Treasury for investment purposes. Nothing in this section shall, therefore, be construed as a limitation on the authority of a county and a city to contract for the county treasurer to perform treasury functions for a city pursuant to §51301.

The City may invest in the Orange County Investment Pool-Money Market Fund administered and managed by the Orange County Treasurer in accordance with the provisions of § 53684 of the California Government Code, provided however, that such investment shall not exceed 33% of the City's surplus monies.

- 11.16. Time certificates of deposit (TCD) in state or national banks, savings associations or federal associations, credit unions, or federally insured industrial loan companies. TCD's are technically deposits, not investments; however, they are listed under this section to clarify the City's authority to deposit funds in these instruments. TCD's shall be secured by collateral as required by California Government Code Sections 53652 and 53653.

**Ineligible investments:** Investments not described herein are ineligible investments. In accordance with Section 53601.6 of the California Government Code, the City shall not invest any funds in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages. In addition, the City shall not invest any funds in any security that could result in zero interest accrual if held to maturity.

## **12.0 MASTER REPURCHASE AGREEMENTS**

A master repurchase agreement will be entered into prior to any repurchase or reverse repurchase agreement transaction. The agreement must specify the terms of the transaction, and in the case of reverse repos, may be entered into only with a primary dealer.

## **13.0 COLLATERALIZATION**

California Government Code, Sections 53652, et seq., requires depositories to post certain types and levels of collateral for public funds above the FDIC insurance amounts. The collateral requirements apply to bank deposits, both active (checking and savings accounts) and inactive (non-negotiable time certificates of deposit).

Collateral is also required for repurchase agreements. The market value of securities used as collateral for repurchase agreements shall not be allowed to fall below 102% of the value of the repurchase agreement and shall be valued daily by the tri-party custodial agent. Securities that can be pledged for collateral shall consist only of securities permitted in California Government Code Section 53601. If there is a default of the broker, the collateral securities can be sold. Since the securities are valued daily, it is likely that the sale proceeds will equal or exceed the value of the repurchase agreement amount.

#### **14.0 DIVERSIFICATION**

The City of Villa Park will diversify its investments by security type, issuer and maturity dates. Concentration limits are indicated in the Authorized Investments section 11.0 for all investment categories except Treasury securities.

#### **15.0 MAXIMUM MATURITIES**

To the extent possible, the City of Villa Park will attempt to match its investments with anticipated cash flow requirements. The weighted average maturity of the Portfolio will be limited to three (3) years or less. Investments will be restricted to securities with a final stated maturity not to exceed five (5) years.

#### **16.0 REPORTING**

As previously discussed, Government Code Section 53646 has been amended to remove the requirement that monthly reports be submitted to the legislative body. We believe that it is prudent to continue the submission of such reports. Consequently, the City Treasurer shall render a monthly report within 30 days of month end, to the City Council, City Manager and Investment Advisory Committee containing detailed information on all securities, investments, and monies of the City.

The report will contain at a minimum the following information on the City Portfolio that is subject to this investment policy: the type of investment, name of the issuer, date of maturity, par value and cost of each investment, any investments, including loans and security lending programs that are under the management of contracted parties, the market value and source of the valuation, a description of the compliance with the statement of investment policy, and a statement denoting the City's ability to meet its anticipated expenditure requirements for the next six months. In compliance with Government Code Section 53607, the report shall also provide investment transactions by month.

#### **17.0 POLICY REVIEW**

The City Treasurer and Investment Advisory Committee shall review the Policy, at least annually, to ensure its consistency with the overall investment objectives of preservation of principal, liquidity, and return on investments. The City Council shall adopt the Policy annually. The City Treasurer and Investment Advisory Committee shall also consider relevance to current law, financial and economic trends, and the cash flows needs of the City of Villa Park.

#### **18.0 INVESTMENT IN CERTAIN CITY SECURITIES**

While the City does not currently or intend to issue securities that would fall under this particular set of guidelines, the framework is provided in the event this section becomes part of this Policy.

Notwithstanding anything to the contrary contained in this Policy, the City Manager or designee may invest City funds in securities issued by the City as permitted by law. Holding such securities as investments and offering such securities for resale subject to any federal and California laws and regulations applicable to such purchase, holding and resale, including regulations with respect to the exemption of interest from gross income for federal income tax purposes. No in certain types of Certificates or Securities may be made pursuant to this Section unless the Treasurer, the Mayor or the City Manager certifies in writing that such investment is in the best interests of the City by protecting the City's financial position under or in connection with any agreement entered into by the City in connection with any type of Certificate or Security.

- Section 1. The City Council hereby approves the addition of this section to the Investment Policy.
- Section 2. The Mayor, the City Manager and the Assistant City Manager (each an "Authorized Officer"), severally, are hereby authorized and empowered to execute and deliver in the name of and on behalf of the City any amendment to any document entered into by the City in connection with the any such Certificates which are: (i) necessary or advisable in connection with City business; and (ii) approved as to form by the City Attorney. The City Clerk is hereby authorized and directed to attest to the Authorized Officer's signature to any such amendments.
- Section 3. The Authorized Officers and each other officer of the City are hereby authorized and directed, severally, to do any and all things and to execute and deliver any and all documents, certificates and other instruments which they may deem necessary or advisable in order to consummate the transactions contemplated in this resolution, and otherwise to carry out, give effect to, and comply with the terms and intent of this resolution and the documents herein approved and authorized to be executed.
- Section 4. This resolution shall take effect immediately upon its adoption.

An Investment Policy shall be rendered to, and adopted by the City Council, annually.

This Investment Policy shall become effective June 26, 2012.

**SUBMITTED BY:**

\_\_\_\_\_  
Dennis Kuli, City Treasurer

\_\_\_\_\_  
Date

**CONCURRED BY THE INVESTMENT ADVISORY COMMITTEE:**

\_\_\_\_\_  
William Nelson, Chairperson

\_\_\_\_\_  
William Underwood, Vice Chairperson

\_\_\_\_\_  
Daniel J. Carlberg, Resident Member

\_\_\_\_\_  
James Rheins, Resident Member

\_\_\_\_\_  
Steven Pollack, Resident Member

## GLOSSARY

**AGENCIES:** Federal agency securities and/or Government sponsored enterprises.

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

**BASIC FINANCIAL REPORT:** The official annual report for the City. It includes combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules as necessary to demonstrate compliance with GAAP.

**BROKER:** A broker brings buyers and sellers together for a Committee.

**CALLABLE SECURITIES:** A security that can be redeemed by the issuer before the scheduled maturity.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Time certificates of deposit are collateralized in accordance with the State code. Large-denomination CD's are typically negotiable and non-collateralized.

**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.

**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.

**CUSTODIAL TRUST:** A service to customers rendered by banks for a fee whereby assets are held in a protected form and cannot be attached by creditors of the bank.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

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

**DELIVERY VERSUS PAYMENT:** There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt of the securities.

**DERIVATIVES:** (1) Financial instruments whose return profile is lined to or derived from, the movement of one or more underlying index or security, and may include a leveraging

factor, or (2) financial contracts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

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

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

**FEDERAL CREDIT AGENCIES:** Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

**FEDERAL FUNDS RATE:** The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):** Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLB is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**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.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and its commercial bank members.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the US Government. Ginnie Mae securities are backed by the mortgages, including FHA and VA mortgages. The term “pass-throughs” is often used to describe Ginnie Maes.

**ISSUER:** A legal entity that has the power to issue and distribute securities. Issuers include corporations, municipalities, foreign and domestic governments and their agencies, and investment trusts.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**LOCAL GOVERNMENT INVESTMENT POOL (LGIP):** The aggregate of all funds from political subdivisions that are placed in the custody of the County or State Treasurer for investment and reinvestment.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase or reverse repurchase securities that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

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

**MONEY MARKET:** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

**OPEN MARKET OPERATIONS:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**PORTFOLIO:** Collection of securities and investments 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 Committee (SEC) registered securities broker-dealers, banks and a few unregulated firms.

**PRUDENT PERSON RULE:** An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state. In other states, the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**QUALIFIED PUBLIC DEPOSITORIES:** A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the Committee eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Committee to hold public deposits.

**RATE OF RETURN:** For fixed-rate securities, it is the coupon or contractual dividend rate divided by the purchase price which is also the current yield.

**REPURCHASE AGREEMENT (RP OR REPO):** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

**REVERSE REPO:** An agreement whereby a dealer agrees to buy securities and the investor agrees to repurchase them at a later date.

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

**SEC RULE 15C301:** See Uniform Net Capital Rule.

**SECURITIES & EXCHANGE COMMITTEE:** Agency created by Congress to protect investors in securities transactions by administering securities legislation. Securities Lending Program - similar to reverse repurchase activity where the local agency uses a third party to administer the program.

**STRUCTURED NOTES:** Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, and derivative-based returns) into their debt structure.

Their market performance is impacted by the fluctuation of interest rates, the volatility of the embedded options and shifts in the shape of the yield curve.

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

**TREASURY BONDS:** Long-term coupon-bearing US Treasury securities issued as direct obligations of the US Government and having initial maturities of more than 10 years.

**TREASURY NOTES:** Medium-term coupon-bearing US Treasury securities issued as direct obligations of the US Government and having initial maturities from two to 10 years.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Committee 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; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**YIELD:** The rate of annual income return on an investment, expressed as a percentage: (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security; (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**Attachment A**

**CITY OF VILLA PARK**

**OFFICE OF THE CITY TREASURER**

**BANK/SAVINGS AND LOAN QUESTIONNAIRE AND CERTIFICATION**

1. Name of Firm \_\_\_\_\_
2. Address \_\_\_\_\_
3. Telephone No. ( ) \_\_\_\_\_ (Local) ( ) \_\_\_\_\_ (National Headquarters)
4. Primary Representative:                      Manager:  
Name \_\_\_\_\_ Name \_\_\_\_\_  
Title \_\_\_\_\_ Title \_\_\_\_\_  
Telephone No. ( ) \_\_\_\_\_ Telephone No. ( ) \_\_\_\_\_  
E-mail \_\_\_\_\_ E-mail \_\_\_\_\_
5. What is your Community Reinvestment Act (CRA) Rating? \_\_\_\_\_
6. What are the Total Assets of the Bank/Savings and Loan? \_\_\_\_\_
7. What is the current Net Worth Ratio of your institution? \_\_\_\_\_
8. What was the Net Worth Ratio for the Previous Year? \_\_\_\_\_
9. What are your required Capital Ratios:  
A. Tangible Capital Ratio \_\_\_\_\_  
B. Core Capital Ratio \_\_\_\_\_  
C. Risk-Based Capital Ratio \_\_\_\_\_
10. What are your Ratings (i.e. S&P, Moody's, Thompson) \_\_\_\_\_

11. What is the date of your Fiscal Year-End? \_\_\_\_\_  
Has there been a year during the past three years in which the Bank/Savings and Loan did not make a profit? \_\_\_\_\_
12. Have you read the California Government Code Section 53630, et seq., pertaining to the State's requirements governing the deposit of monies by Local Agencies that include cities?       YES       NO
13. Amounts above the FDIC insurance coverage must be collateralized as specified in the California Government Code. Where is the collateral for deposits held?  
\_\_\_\_\_  
Has there ever been a failure to fully collateralize? If YES, please attach explanation.  
\_\_\_\_\_
14. What is the education level of the Primary Contact(s)? \_\_\_\_\_
15. How many years of related experience does the Primary Contact(s) have?  
\_\_\_\_\_
16. What other banking services would you be interested in providing the City of Villa Park? \_\_\_\_\_
17. What transaction documents and reports would we receive? \_\_\_\_\_  
\_\_\_\_\_
18. What information would you provide to our City Treasurer? \_\_\_\_\_  
\_\_\_\_\_
19. Describe the precautions taken by your Bank/Savings and Loan to protect the interest of the public when dealing with government agencies as depositors or investors.  
\_\_\_\_\_
20. Please provide any signature cards that you may require, as well as, three sets of your Contract of Deposit of Moneys pre-signed and sealed by your institution.
21. Please provide your Wiring Instructions. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
22. Please provide your most recent certified financial statement. In addition, an audited financial statement must be provided within 120 days of your fiscal year-end.

**Bank and Savings & Loan**

**CERTIFICATION**

I hereby certify that I have personally read the City of Villa Park's Investment Policy and the California Government Codes pertaining to investments and deposits of the City of Villa Park, and have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the City of Villa Park. **I understand, however, that our firm is not obligated to monitor the percentage limits on the investments as described in the policy.** All sales personnel will be routinely informed of the City of Villa Park's investment objectives, horizon, outlook, strategies and risk constraints whenever we are so advised. We pledge to exercise due diligence in informing the City of Villa Park's Investment Officers of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.

**NOTE: Completion of the questionnaire is only part of the City of Villa Park's certification process and DOES NOT guarantee that the applicant will be approved to do business with the City of Villa Park.**

SIGNED: \_\_\_\_\_

DATE: \_\_\_\_\_

COUNTERSIGNED: \_\_\_\_\_

DATE: \_\_\_\_\_

**Attachment B**

**CITY OF VILLA PARK**

**OFFICE OF THE CITY TREASURER**

**BROKER/DEALER QUESTIONNAIRE AND CERTIFICATION**

1. Name of Firm \_\_\_\_\_
2. Address \_\_\_\_\_
3. Telephone No. ( ) \_\_\_\_\_ ( ) \_\_\_\_\_  
(Local) (National Headquarters)
4. Primary Representative:                      Manager:  
Name \_\_\_\_\_ Name \_\_\_\_\_  
Title \_\_\_\_\_ Title \_\_\_\_\_  
Telephone No. ( ) \_\_\_\_\_ Telephone No. ( ) \_\_\_\_\_  
E-mail \_\_\_\_\_ E-mail \_\_\_\_\_
5. What is your Community Reinvestment Act (CRA) Rating? \_\_\_\_\_
6. What are the Total Assets of the Bank/Savings and Loan? \_\_\_\_\_
7. What is the current Net Worth Ratio of your institution? \_\_\_\_\_
8. What was the Net Worth Ratio for the Previous Year? \_\_\_\_\_
9. What are your required Capital Ratios:  
A. Tangible Capital Ratio \_\_\_\_\_  
B. Core Capital Ratio \_\_\_\_\_  
C. Risk-Based Capital Ratio \_\_\_\_\_
10. What are your Ratings (i.e. S&P, Moody's, or Thompson)? \_\_\_\_\_

11. What is the date of your Fiscal Year-End? \_\_\_\_\_

Has there been a year during the past three years in which the Bank/Savings and Loan did not make a profit? \_\_\_\_\_

12. Have you read the California Government Code Section 53630, et seq., pertaining to the State's requirements governing the deposit of monies by Local Agencies that include cities?       YES       NO

13. Amounts above the FDIC insurance coverage must be collateralized as specified in the California Government Code. Where is the collateral for deposits held?  
\_\_\_\_\_

Has there ever been a failure to fully collateralize? If YES, please attach explanation.  
\_\_\_\_\_

14. What is the education level of the Primary Contact(s)? \_\_\_\_\_

15. How many years of related experience does the Primary Contact(s) have?  
\_\_\_\_\_

16. What other banking services would you be interested in providing the City of Villa Park? \_\_\_\_\_

17. What transaction documents and reports would we receive? \_\_\_\_\_  
\_\_\_\_\_

18. What information would you provide to our City Treasurer? \_\_\_\_\_  
\_\_\_\_\_

19. Describe the precautions taken by your Bank/Savings and Loan to protect the interest of the public when dealing with government agencies as depositors or investors.  
\_\_\_\_\_

20. Please provide any signature cards that you may require, as well as, three sets of your Contract of Deposit of Moneys pre-signed and sealed by your institution.

21. Please provide your Wiring Instructions. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

22. Please provide your most recent certified financial statement. In addition, an audited financial statement must be provided within 120 days of your fiscal year-end.

**Broker / Dealer**

**CERTIFICATION**

I hereby certify that I have personally read the City of Villa Park's Investment Policy and the California Government Codes pertaining to investments and deposits of the City of Villa Park, and have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the City of Villa Park. **I understand, however, that our firm is not obligated to monitor the percentage limits on the investments as described in the policy.** All sales personnel will be routinely informed of the City of Villa Park's investment objectives, horizon, outlook, strategies and risk constraints whenever we are so advised. We pledge to exercise due diligence in informing the City of Villa Park's Investment Officers of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.

**NOTE: Completion of the questionnaire is only part of the City of Villa Park's certification process and DOES NOT guarantee that the applicant will be approved to do business with the City of Villa Park.**

SIGNED: \_\_\_\_\_ DATE: \_\_\_\_\_

COUNTERSIGNED: \_\_\_\_\_ DATE: \_\_\_\_\_  
(Person in charge of government securities operations.)

**To:** Honorable City Council

**From:** Michelle Danaher, Finance Director

**Subject:** **REVIEW OF BANKING SERVICES PROPOSALS**

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## BACKGROUND

Since January 2002, the City of Villa Park has received banking services from Farmers & Merchants (F&M) Bank located in the City of Orange. There has been no formal review of the banking services since that time. In 2011 the late councilmember, Robert Fauteux, suggested that the City distribute a Request for Proposal (RFP) to the surrounding banking institutions in an effort to find possible cost savings and additional services. These services specifically include merchant services (credit card payments), positive pay (verification of debits against the City accounts), and E-deposit (deposit on site eliminating deposits at the banking branch). The City's goal was to discover the best banking services at the most reasonable price. The RFP was issued in February 2012 and also included a request for a bid on investment services from the participating banks. Currently, the City contracts with Wells Fargo Advisors LLC to manage its investments.

The Finance Director drafted and distributed twenty RFPs to surrounding banking institutions and requested that the interested parties submit their proposal to the City by March 16, 2012. Staff received proposals from the following five banking institutions: F&M Bank (current bank), City National Bank, Comerica Bank, Wells Fargo Bank, and Union Bank. Staff reviewed each proposal in detail and on April 4, 2012, each bank prepared a presentation, and answered a series of questions from a staff panel of three.

After careful review and consideration, the panel ranked each bank on a series of specific issues relevant to the City of Villa Park. Currently the City receives ***all of its basic banking services at no cost to the City from F&M***. This is a valuable service to the City; however, staff wanted to identify and quantify the potential areas where additional services may be available and beneficial to the City and its residents. The City of Villa Park is unique in its size and relatively low volume of transactions, so the costs and benefits of additional services to the City were the panels' top priority.

### Positive Pay

First the panel addressed the benefit of positive pay services for the City of Villa Park. After all the interviews, and at the recommendation of the majority of the banking institutions, staff has determined that the number of checks distributed by the City do not warrant the added cost associated with positive pay services.

### **E Deposit**

Next, the panel researched the E-deposit option for the City. Typically E-Deposit is a valid recommendation given the current economic climate as it usually saves time, reduces errors, and improves deposit availability times. However, as the City still receives approximately 50% of its payments in cash, a physical deposit at the bank would still be required. For approximately 15 checks a week, the costs associated with the installation and maintenance of the E-deposit system do not seem to be a necessary or beneficial addition to the City's suite of services, especially when a manual deposit is still required for cash.

### **Merchant Services**

The panel then spent the majority of the remaining interview reviewing the potential for merchant services. This service would allow customers the option of paying their business permit or business license by credit card, rather than the currently accepted methods of cash or check. Again, based on the current customer requests and volume of payments within the City, the costs for merchant services ranged from approximately \$3.00-\$12.00 per credit card transaction, based on the average transaction amount. At approximately 28 transactions per month, this does not seem like a fiscally sound decision for the City to institute a minor convenience item for customers; staff is therefore recommending the City maintain the current policy of accepting cash or checks.

### **Investment Services**

Finally, the panel reviewed the potential for switching investment managers. Many of the banking institutions neglected to focus on this area of services. The presentations for this service were minimal and the majority of the institutions were not adequately familiar with the particular requirements of the Government Code. As a result of these findings, staff recommends that the City continue their contract with Wells Fargo Advisors LLC, as they are knowledgeable in the government-investing arena and staff is satisfied with their current services.

Considering all the above, the panel ranked the overall banking services and staff is recommending that the City maintain its relationship with F&M Bank, as it has been, and will continue to be the most cost effective solution to meeting the City's banking needs. Staff is also recommending the City continue its relationship with Wells Fargo Advisors LLC for investment management services.

The City's Finance Policy and Procedures Manual specifies the City's banking institution by referencing the account numbers for the bank account reconciliation. A change to the banking institution would necessitate a change to the Finance Policy and Procedures Manual. Modifications to the Manual require approval by the City Council. While a change of banking institutions does not require formal City Council approval, a change to the Finance Policy and Procedures Manual requires approval of the City Council prior to becoming effective. As the current level of banking services does not necessitate a contract between the City and the banking institutions, maintenance of the

relationship does not specifically require Council approval, and therefore this is an information item.

**FISCAL IMPACT**

None.

**RECOMMENDATION**

That the City Council receive and file this report.



**Monthly Cash Analysis  
As of 1/31/12**

Month	Fiscal Year										Annual Cash Average	
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12		
July	2,066,970.84	2,057,247.60	2,155,842.54	1,834,829.93	1,629,419.01	2,330,513.12	2,325,293.53	3,029,682.15	2,006,211.19	1,933,776.44	*	2,136,978.64
August	1,963,852.54	1,715,538.57	2,062,312.44	1,661,497.43	1,688,323.60	2,006,854.03	2,137,123.97	2,810,920.66	1,888,897.72	1,618,443.56	*	1,955,376.45
September	2,000,760.90	1,671,443.20	1,633,703.01	1,524,362.96	1,552,077.91	2,112,212.18	2,069,801.14	2,483,578.08	1,785,904.42	1,313,022.91	*	1,814,686.67
October	1,951,824.08	1,645,881.58	1,510,718.71	1,425,308.42	1,553,442.48	1,860,605.69	1,881,990.85	2,237,848.70	1,985,405.16	1,185,310.29	*	1,723,833.60
November	1,959,449.01	1,724,770.06	1,574,593.88	1,352,085.37	1,667,959.78	1,781,284.82	1,904,807.90	2,253,193.98	1,868,025.15	1,101,568.31	*	1,718,773.83
December	2,067,899.84	1,953,559.39	2,160,088.34	1,526,656.42	2,082,728.18	2,410,563.28	2,547,409.95	2,758,043.85	2,487,206.79	1,894,916.49	*	2,188,907.25
January	1,988,237.92	1,879,742.42	2,068,537.90	1,773,732.82	2,499,839.82	2,613,254.94	2,875,714.27	2,923,242.01	2,890,699.40	2,516,180.19		2,402,918.17
February	1,932,571.30	1,846,165.53	1,945,588.33	1,553,595.44	2,474,449.42	2,231,402.31	2,435,405.46	2,681,111.97	2,784,580.53	2,410,102.49		2,229,497.28
March	1,918,799.59	1,986,797.00	1,910,141.61	1,413,897.33	1,979,322.37	2,318,919.12	2,322,817.69	2,567,271.14	2,357,432.87	2,310,234.28		2,108,563.30
April	2,124,014.56	2,215,507.89	2,113,797.70	1,630,189.95	2,509,767.67	2,863,404.74	2,968,242.86	3,150,989.50	2,857,509.34			2,492,602.69
May	2,175,875.11	2,249,427.87	2,299,469.08	1,922,273.76	2,641,566.75	2,959,817.97	2,879,334.88	2,897,592.84	2,919,015.94			2,549,374.91
June	2,110,937.88	2,179,797.00	2,228,027.43	1,760,053.86	2,434,198.80	2,636,786.88	2,800,449.29	2,599,847.08	2,228,838.30			2,330,992.95
<b>Annual Average</b>	2,021,766.13	1,927,156.51	1,971,901.75	1,614,873.64	2,059,424.65	2,343,801.59	2,429,032.65	2,699,443.50	2,338,310.57	1,809,283.88		2,121,499.49
Less Laddered CDs								(500,000.00)	(500,000.00)	(500,000.00)		(450,000.00)
Less Laddered Agencies									(498,625.55)	(398,341.98)		(179,393.51)
<b>Annual Liquid Average</b>	2,021,766.13	1,927,156.51	1,971,901.75	1,614,873.64	2,059,424.65	2,343,801.59	2,429,032.65	2,449,443.50	1,796,758.44	910,941.90		1,492,105.98
	* The reason for the lower cash balance is a direct result of the \$500,000 plus of grant reimbursements pending from capital projects at the end of fiscal years.											
	Represents the lowest cash balance of the fiscal year.											

CITY OF VILLA PARK  
 TREASURER'S REPORT OF CASH ON DEPOSIT AND INVESTED  
 31-Jan-12

	Purchase Date	Maturity Date	Callable Date	Guaranteed Rate		Market Value	Estimated Annual Yield to Maturity	Par Value	Balance Amount	% of Total Investment
<b>Cash on Deposit</b>										
F&M Checking Account									\$ 134,888.63	5%
F&M Parking Citation Account				0.01%	***				1,030.00	0%
F&M Money Market Account				0.15%	***				77,155.67	3%
Petty Cash									400.00	0%
WF Cash Bank Deposit Sweep									2,015.06	0%
<b>Investments</b>										
State-Local Agency Investment Fund**				0.38%	**	686,149.18 +			685,069.19	<sup>1</sup> 27%
Orange County Investment Pool				0.59%	*				719,294.72	<sup>2</sup> 28%
Government Bonds:										
Federal Natl Mtg Assn Notes	6/15/2011	4/4/2012	4/4/2012	1.00%	^	96,157.44	0.99%	96,589.85	96,469.44	<sup>#,6</sup> 4%
Federal Home Ln Mtg Corp Notes	6/15/2011	1/9/2013	1/9/2013	1.38%	^	101,217.00	1.35%	101,642.13	101,301.03	<sup>#,6</sup> 4%
Federal Home Ln Mtg Corp Notes	1/30/2012	10/30/2015	1/30/2013	1.00%	^	100,313.00	0.99%	100,005.00	100,313.00	<sup>#,6</sup> 4%
Federal Natl Mtg Assn Notes	12/28/2011	12/28/2016	6/28/2012	1.75%	^	100,567.00	1.74%	100,105.00	100,727.42	<sup>#,6</sup> 4%
<i>Subtotal of Government Bonds</i>						398,254.44		398,341.98		<sup>5</sup> 16%
Certificates of Deposits:										
Columbus Bank & Trust CO	1/29/2010	7/30/2012		1.55%	^	100,548.00	1.54%	100,000.00	100,556.49	<sup>#,4</sup> 4%
GE Money Bank CD	8/13/2010	8/13/2013		1.55%	^	101,040.00	1.53%	100,000.00	101,766.16	<sup>#,4</sup> 4%
Midfirst Bank OK	2/3/2010	2/3/2014		2.25%	^	101,996.00	2.21%	100,000.00	103,111.75	<sup>#,4</sup> 4%
American Express Centurion Bank	2/3/2010	2/3/2015		2.80%	^	103,581.00	2.70%	100,000.00	104,969.49	<sup>#,4</sup> 4%
State Bank India	8/12/2011	8/12/2016		2.00%	^	100,884.00	1.98%	100,000.00	101,826.47	<sup>#,4</sup> 4%
<i>Subtotal of Certificates of Deposits</i>						508,049.00		500,000.00		<sup>3</sup> 20%
<b>TOTAL CASH ON DEPOSIT &amp; INVESTED</b>									<b>\$ 2,530,894.52</b>	<b>100%</b>

\* Monthly Annualized Interest Rate (gross) - admin. charges for month: \$ 11.02  
 \*\* Prior Months Annualized Interest Rate  
 \*\*\* Monthly Annualized Interest Rate  
 + Market Value Local Agency Investment Fund as of June 2011.  
 ^ Investments were purchased through our authorized broker dealer, Wells Fargo Advisors, LLC.  
 # Market value plus accrued interest at the end of the month.  
<sup>1</sup> Not to exceed 80% of total investments  
<sup>2</sup> Not to exceed 33% of total investments  
<sup>3</sup> Not to exceed 30% of total investments at time of purchase.  
<sup>4</sup> Not to exceed 5% of a single issuer at the time of purchase.  
<sup>5</sup> Not to exceed 100% of total investments at time of purchase.  
<sup>6</sup> Not to exceed 40% of a single issuer at the time of purchase.

I hereby certify that this report accurately reflects all the City of Villa Park Investments and complies with the investment policy of the City of Villa Park as approved by the City Council.  
 I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

City Treasurer

Date Submitted to City Council  
 at \$ 2,516,180.19

CITY OF VILLA PARK  
 TREASURER'S REPORT OF CASH ON DEPOSIT AND INVESTED  
 29-Feb-12

	Purchase Date	Maturity Date	Callable Date	Guaranteed Rate		Market Value	Estimated Annual Yield to Maturity	Par Value	Balance Amount	% of Total Investment
<b>Cash on Deposit</b>										
F&M Checking Account									\$ 135,085.71	6%
F&M Parking Citation Account				0.02%	***				1,000.00	0%
F&M Money Market Account				0.15%	***				60,936.81	3%
Petty Cash									400.00	0%
WF Cash Bank Deposit Sweep									4,335.38	0%
<b>Investments</b>										
State-Local Agency Investment Fund**				0.39%	**	596,007.30 +			595,069.19	1 25%
Orange County Investment Pool				0.51%	*				719,268.80	2 30%
Government Bonds:										
Federal Natl Mtg Assn Notes	6/15/2011	4/4/2012	4/4/2012	1.00%	^	96,074.88	0.99%	96,589.85	96,461.55	#,6 4%
Federal Home Ln Mtg Corp Notes	6/15/2011	1/9/2013	1/9/2013	1.38%	^	101,039.00	1.36%	101,642.13	101,229.97	#,6 4%
Federal Home Ln Mtg Corp Notes	1/30/2012	10/30/2015	1/30/2013	1.00%	^	100,212.00	0.99%	100,005.00	100,295.33	#,6 4%
Federal Natl Mtg Assn Notes	12/28/2011	12/28/2016	6/28/2012	1.75%	^	100,431.00	1.74%	100,105.00	100,727.53	#,6 4%
<i>Subtotal of Government Bonds</i>						397,756.88		398,341.98		5 16%
Certificates of Deposits:										
Columbus Bank & Trust CO	1/29/2010	7/30/2012		1.55%	^	100,471.00	1.54%	100,000.00	100,602.64	#,4 4%
GE Money Bank CD	8/13/2010	8/13/2013		1.55%	^	101,130.00	1.53%	100,000.00	101,197.95	#,4 4%
Midfirst Bank OK	2/3/2010	2/3/2014		2.25%	^	101,973.00	2.20%	100,000.00	102,133.27	#,4 4%
American Express Centurion Bank	2/3/2010	2/3/2015		2.80%	^	103,405.00	2.70%	100,000.00	103,604.45	#,4 4%
State Bank India	8/12/2011	8/12/2016		2.00%	^	100,741.00	1.98%	100,000.00	100,834.15	#,4 4%
<i>Subtotal of Certificates of Deposits</i>						507,720.00		500,000.00		3 21%
<b>TOTAL CASH ON DEPOSIT &amp; INVESTED</b>									<b>\$ 2,423,182.73</b>	<b>100%</b>

\* Monthly Annualized Net Interest Rate (gross) - admin. charges for month: \$ 38.75

\*\* Prior Months Annualized Interest Rate

\*\*\* Monthly Annualized Interest Rate

+ Market Value Local Agency Investment Fund as of June 2011.

^ Investments were purchased through our authorized broker dealer, Wells Fargo Advisors, LLC.

# Market value plus accrued interest at the end of the month.

1 Not to exceed 80% of total investments

2 Not to exceed 33% of total investments

3 Not to exceed 30% of total investments at time of purchase.

4 Not to exceed 5% of a single issuer at the time of purchase.

5 Not to exceed 100% of total investments at time of purchase.

6 Not to exceed 40% of a single issuer at the time of purchase.

I hereby certify that this report accurately reflects all the City of Villa Park Investments and complies with the investment policy of the City of Villa Park as approved by the City Council.  
 I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

\_\_\_\_\_  
 City Treasurer

\_\_\_\_\_  
 Date Submitted to City Council

al \$ 2 410 102 49

CITY OF VILLA PARK  
TREASURER'S REPORT OF CASH ON DEPOSIT AND INVESTED  
31-Mar-12

	Purchase Date	Maturity Date	Callable Date	Guaranteed Rate		Market Value	Estimated Annual Yield to Maturity	Par Value	Balance Amount	% of Total Investment
<b>Cash on Deposit</b>										
F&M Checking Account									\$ 157,513.12	7%
F&M Parking Citation Account				0.01%	***				1,285.03	0%
F&M Money Market Account				0.10%	***				23,005.92	1%
Petty Cash									400.00	0%
WF Cash Bank Deposit Sweep									-	0%
<b>Investments</b>										
State-Local Agency Investment Fund**				0.38%	**	550,936.36 +			550,069.19	1 24%
Orange County Investment Pool				0.40%	*				669,528.91	2 29%
Government Bonds:										
Federal Natl Mtg Assn Notes	6/15/2011	4/4/2012	4/4/2012	1.00%	^	96,004.80	0.99%	96,589.85	96,474.13	#,6 4%
Federal Home Ln Mtg Corp Notes	6/15/2011	1/9/2013	1/9/2013	1.38%	^	100,911.00	1.36%	101,642.13	101,220.38	#,6 4%
Federal Home Ln Mtg Corp Notes	1/30/2012	10/30/2015	1/30/2013	1.00%	^	100,171.00	0.99%	100,005.00	100,337.67	#,6 4%
Federal Natl Mtg Assn Notes	12/28/2011	12/28/2016	6/28/2012	1.75%	^	100,313.00	1.74%	100,105.00	100,760.22	#,6 4%
<i>Subtotal of Government Bonds</i>						397,399.80		398,341.98		5 17%
Certificates of Deposits:										
Columbus Bank & Trust CO	1/29/2010	7/30/2012		1.55%	^	100,401.00	1.54%	100,000.00	100,660.04	#,4 4%
GE Money Bank CD	8/13/2010	8/13/2013		1.55%	^	101,295.00	1.53%	100,000.00	101,490.34	#,4 4%
Midfirst Bank OK	2/3/2010	2/3/2014		2.25%	^	102,074.00	2.20%	100,000.00	102,419.21	#,4 4%
American Express Centurion Bank	2/3/2010	2/3/2015		2.80%	^	103,450.00	2.70%	100,000.00	103,879.59	#,4 4%
State Bank India	8/12/2011	8/12/2016		2.00%	^	100,933.00	1.98%	100,000.00	101,190.53	#,4 4%
<i>Subtotal of Certificates of Deposits</i>						508,153.00		500,000.00		3 22%
<b>TOTAL CASH ON DEPOSIT &amp; INVESTED</b>									<b>\$ 2,310,234.28</b>	<b>100%</b>

\* Monthly Annualized Net Interest Rate (gross) - admin. charges for month: \$ 42.77

\*\* Prior Months Annualized Interest Rate

\*\*\* Monthly Annualized Interest Rate

+ Market Value Local Agency Investment Fund as of June 2011.

^ Investments were purchased through our authorized broker dealer, Wells Fargo Advisors, LLC.

# Market value plus accrued interest at the end of the month.

<sup>1</sup> Not to exceed 80% of total investments

<sup>2</sup> Not to exceed 33% of total investments

<sup>3</sup> Not to exceed 30% of total investments at time of purchase.

<sup>4</sup> Not to exceed 5% of a single issuer at the time of purchase.

<sup>5</sup> Not to exceed 100% of total investments at time of purchase.

<sup>6</sup> Not to exceed 40% of a single issuer at the time of purchase.

I hereby certify that this report accurately reflects all the City of Villa Park Investments and complies with the investment policy of the City of Villa Park as approved by the City Council.  
I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

\_\_\_\_\_  
City Treasurer

\_\_\_\_\_  
Date Submitted to City Council

al \$ 2,300,144.15

**City of Villa Park  
Investment Purchase Request  
FY 2011-2012**

**CALLED INVESTMENT**

**NEW INVESTMENT**

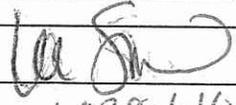
<u>Type of Investment:</u>	_____	<u>Type of Investment:</u>	Agency
<u>Name of Investment:</u>	_____	<u>Name of Investment:</u>	Federal Home Ln Mtg Corp
<u>Purchase Date:</u>	_____	<u>Purchase Date:</u>	1/30/2012
<u>Maturing Date:</u>	_____	<u>Maturing Date:</u>	10/30/2015
<u>Guaranteed Rate:</u>	_____	<u>Guaranteed Rate:</u>	1.00%
<u>Purchase Price:</u>	_____	<u>Purchase Price:</u>	100,005.00
<u>Par Value:</u>	_____	<u>Par Value:</u>	100,000.00
<u>Is maturity date</u>	<u>Less than 5 years?</u>	<u>YES</u>	
<u>Is investment instrument totals</u>	<u>Less than 30% of portfolio?</u>	<u>YES</u>	
<u>Is investment in a single issuer</u>	<u>Less than 5% of issuer?</u>	<u>YES</u>	

Check # roll over \$100,000 of matured investment

CUSIP # 3134G3HW3

Requested By: Michelle Danaher - Finance Director

Purpose for Transfer: Waited for a decent rate w/ a longer call date.

Approved By: 

Confirmation No. 6028-610

Date Processed: 1/5/12

Proof of Receipt in Bank: MD 1/31/12

**Michelle Danaher**

---

**From:** sandra.wheeler@wellsfargoadvisors.com  
**Sent:** Thursday, January 05, 2012 11:36 AM  
**To:** mdanaher@villapark.org  
**Subject:** bonds

The inventory is light for this maturity, I will keep looking. Per our conversation I purchased 100m FHLMC Mty 2015

Sandra Wheeler  
Financial Advisor  
Associate Vice President- Investment Officer

Wells Fargo Advisors  
711 Tank Farm Rd. Suite 200  
San Luis Obispo, CA 93401  
Toll Free 888.543.3223  
Local 805.543.3223  
Fax 805.543.3233  
**email:** sandra.wheeler@wellsfargoadvisors.com  
**website:** [www.wfadvisors.com/sandra.wheeler](http://www.wfadvisors.com/sandra.wheeler)

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WELLS  
FARGO

ADVISORS

# Fixed Income Investment Portfolio

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**Prepared By: Sandra Wheeler**

Wells Fargo Advisors

01/05/2012

Together we'll go far



**Wells Fargo Advisors Fixed Income Offerings**  
**Thursday, January 05, 2012**

Qty (000)	Cusip	Rating / FDIC #	Issue	Sec Type	Coupon	Maturity	Price	Yield to Worst	Yield to Maturity
3,315	3134G3HW	-/AA+	FHLMC-FED HOME LOAN MTG C Callable 01/13@100	Agency	1.000%	10/30/2015	\$100.000	1.000%	1.000%
1,055	31331KZ29	Aaa/AA+	FFCB-FED FARM CREDIT BANK Callable 12/12@100	Agency	1.330%	12/07/2015	\$100.633	0.638% (c)	1.164%
2,274	31331K5G1	Aaa/AA+	FFCB-FED FARM CREDIT BANK Callable 01/13@100	Agency	1.120%	01/04/2016	\$100.100	1.019% (c)	1.094%
670	31331K5T3	-/AA+	FFCB-FED FARM CREDIT BANK Callable 01/13@100	Agency	1.020%	01/11/2016	\$100.000	1.020%	1.020%
600	3134G3HT0	-/AA+	FHLMC-FED HOME LOAN MTG C Callable 01/13@100	Agency	1.250%	07/25/2016	\$100.000	1.250%	1.250%

(n) Floating/Variable Rate - (c) Yield to Call - (p) Yield to Par Call - (w) Yield to Middle Call - (u) Yield to Put  
- (dis) Discount Yield - (r) Pre-Refund - (t) Mandatory Put - (f) Called in Full - (mmy) Money Market Yield

# Wells Fargo Advisors Fixed Income Offerings

## Thursday, January 05, 2012

### DISCLOSURE

Prices and yields are as of 01/05/2012 13:06:32 ET and subject to change, based on market conditions and availability.

**General** - Offerings of New Issues may be made only by the official statement for the bonds. Fixed income securities are subject to market risk and if sold prior to maturity, proceeds may be more or less than the initial investment. Securities offered through BondDesk may not be suitable for all investors. Contact your Financial Advisor for more information. Rating is Moody's / Standard & Poor's.

- Discount Bonds may be subject to capital gains taxes. Wells Fargo Advisors, LLC is not a tax or legal advisor.

- Conditional Calls or Puts. There are specific requirements related to these features. Please see the bond indenture or offering document for a complete description of restrictions and limitations for these features.

- All yields and market value will fluctuate, so that your investment, if sold prior to maturity, may be worth more or less than its original cost.

- The market value of zero coupon bonds fluctuates more to changes in market conditions than regular coupon bonds and, therefore, may not be suitable for all investors. These bonds may be subject to "phantom income tax" please consult with your tax advisor.

**TEY** - The taxable Equivalent Yields shown are assuming the highest state rate. The state tax rates are from Bankrate.com. These rates are believed to be reliable, but Wells Fargo Advisors cannot guarantee their accuracy. Federal and state income tax can change without prior notification.

**Preferreds** - Preferred securities combine some of the characteristics of both common stocks and bonds. Preferred securities are typically subordinated to bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater credit risk than those debt instruments. Preferred securities are also subject to credit risk, interest rate risk and income risk. Credit risk is the risk that an issuer of a security will be unable or unwilling to make dividend, interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. If interest rates rise, the prices of fixed-rate preferred securities and other fixed-rate debt securities held will fall. If interest rates fall, the income will decline.

**Treasury** - There is no guarantee as to the market value of these securities if they are sold prior to maturity or redemption.

**Agency** - There is no guarantee as to the market value of these securities if they are sold prior to maturity or redemption. Agency Terms: Freddie Mac is Federal Home Loan Mortgage Corp. Fannie Mae is Federal National Mortgage Association. Sallie Mae is Student Loan Marketing Association.

**Corporate Bonds** - High-yield bonds, commonly known as junk bonds, are subject to greater risk of loss of principal and interest, including default risk, than higher-rated bonds. Therefore, their prices may be more volatile. Insurance pertains to the timely payment of principal (at maturity) and interest by the issuer of the underlying securities and not to the price of the bond, which will fluctuate prior to maturity. For insured bonds the guarantees are backed by the paying ability of the listed insurance company.

**Municipal Bonds** - Municipal bonds may be investment grade (Aaa/AAA - Baa/BBB) or high yield (Ba/BB - C). High yield bonds are subject to greater risk of loss of principal and interest, including default risk, than higher rated bonds. Income may be subject to state and/or local income taxes and/or the alternative minimum tax (AMT). Municipal Securities subject to AMT assume a "non taxable" status for yield calculations. Certain municipal bonds income may be subject to federal income tax. Those bonds are identified as "taxable". Gains on sales/redemptions of municipal bond may be taxed as capital gains. If the bonds are insured, the insurance pertains to the timely payment of principal (at maturity) and interest by the insurer of the underlying securities and not to the price of the bond, which will fluctuate prior to maturity. The guarantees are backed by the paying ability of the listed insurance company.

**Certificates of Deposit** - The standard maximum FDIC deposit insurance is \$250,000 per depositor, per insured depository institution for each account ownership category. FDIC insurance does not apply for any loss of principal due to market fluctuations and does not cover any premium paid over the face value of the CD. CDs with step-down and/or call provisions may be less favorable than traditional CDs without these features. The terms of callable CDs are generally longer than the typical CD. Investors should be prepared to hold CDs until maturity or until it is called at the prevailing interest rate, which could be in a lower interest rate environment. As a trade-off for the competitive yields offered by Callable CDs, investors must be able to accept the risk of their CDs being called prior to maturity. This means the investor may have to reinvest principal at a lower interest rate. As with traditional CDs, holders wishing to sell their CD step-ups before maturity will be subject to market risk. Liquidity in the secondary market can be limited.

**Medium Term Notes** - Medium Term Notes are sold only by the prospectus or offering circular of the individual issuer. An investor should read the prospectus or offering circular carefully before investing or sending money. This is neither an offer to sell nor the solicitation of an offer to buy any financial instruments. There can be no assurance that a trading market will ever develop or be maintained. Medium Term Notes are the unsecured debt of each respective issuer, subject to both market and credit risk.

Wells Fargo Advisors, LLC (WFA) is the provider of brokerage services and is not affiliated with BondDesk Trading LLC. While WFA has provided access to the BondDesk Alternative Trading System and believe the information provided through BondDesk to be accurate, they assume no responsibility for inaccurate information. This communication does not constitute an offer to sell or a solicitation of an offer to buy these securities. Offerings of New Issues may be made only by the official statement for the bonds. Fixed income securities are subject to market risk and if sold prior to maturity, proceeds may be more or less than the initial investment. Some securities offered through the BondDesk may not be suitable for all investors.

Wells Fargo Advisors is the trade name used by two separate registered broker-dealers: Wells Fargo Advisors, LLC or Wells Fargo Advisors Financial Network, LLC, Members SIPC. Each broker-dealer is a separate non-bank affiliate of Wells Fargo & Company.

SECURITIES AND INSURANCE PRODUCTS

ARE NOT FDIC INSURED ARE NOT BANK GUARANTEED MAY LOSE VALUE

CITY OF VILLA PARK  
TREASURER'S REPORT OF CASH ON DEPOSIT AND INVESTED  
31-Dec-11

	Purchase Date	Maturity Date	Guaranteed Rate	Market Value	Estimated Annual Yield to Maturity	Par Value	Balance Amount	% of Total Investment
<b>Cash on Deposit</b>								
F&M Checking Account							\$ 149,514.80	8%
F&M Parking Citation Account			0.01%	***			1,145.04	0%
F&M Money Market Account			0.10%	***			21,277.54	1%
Petty Cash							400.00	0%
WF Cash Bank Deposit Sweep							545.66	0%
<b>Investments</b>								
State-Local Agency Investment Fund**			0.40%	**	435,622.05 +		434,936.39	1 23%
Orange County Investment Pool			0.43%	*			489,305.74	2 26%
Government Bonds:								
Federal Natl Mtg Assn Notes	6/15/2011	4/4/2012	1.00%	^	96,235.20	0.99%	96,589.85	#,6 5%
Federal Home Ln Mtg Corp Notes	6/15/2011	1/9/2013	1.38%	^	101,227.00	1.35%	101,642.13	#,6 5%
Federal Home Ln Mtg Corp Notes	6/14/2011	6/2/2014	1.30%	^	<b>Called 12/2/11.</b>			
Federal Natl Mtg Assn Notes	12/28/2011	12/28/2016	1.75%	^	100,607.00	1.73%	100,105.00	#,6 5%
<i>Subtotal of Government Bonds</i>					<u>298,069.20</u>	<u>298,336.98</u>		5 16%
Certificates of Deposits:								
Columbus Bank & Trust CO	1/29/2010	7/30/2012	1.55%	^	100,536.00	1.54%	100,000.00	#,4 5%
GE Money Bank CD	8/13/2010	8/13/2013	1.55%	^	100,670.00	1.53%	100,000.00	#,4 5%
Midfirst Bank OK	2/3/2010	2/3/2014	2.25%	^	101,669.00	2.21%	100,000.00	#,4 5%
American Express Centurion Bank	2/3/2010	2/3/2015	2.80%	^	102,637.00	2.72%	100,000.00	#,4 5%
State Bank India	8/12/2011	8/12/2016	2.00%	^	99,819.00	2.00%	100,000.00	#,4 5%
<i>Subtotal of Certificates of Deposits</i>					<u>505,331.00</u>	<u>500,000.00</u>		3 26%
<b>TOTAL CASH ON DEPOSIT &amp; INVESTED</b>							<u><u>\$ 1,905,490.41</u></u>	<u><u>100%</u></u>

\* Monthly Annualized Interest Rate (gross) - admin. charges for month: \$ 8.14

\*\* Prior Months Annualized Interest Rate

\*\*\* Monthly Annualized Interest Rate

+ Market Value Local Agency Investment Fund as of June 2011.

^ Investments were purchased through our authorized broker dealer, Wells Fargo Advisors, LLC.

# Market value plus accrued interest at the end of the month.

1 Not to exceed 80% of total investments

2 Not to exceed 33% of total investments

3 Not to exceed 30% of total investments at time of purchase.

4 Not to exceed 5% of a single issuer at the time of purchase.

5 Not to exceed 100% of total investments at time of purchase.

6 Not to exceed 40% of a single issuer at the time of purchase.

I hereby certify that this report accurately reflects all the City of Villa Park Investments and complies with the investment policy of the City of Villa Park as approved by the City Council.

I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

City Treasurer

Date Submitted to City Council

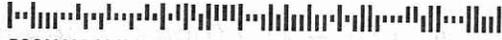
gl \$ 1,894,916.49



DATED 01/05/12

Account Number 4921-7297  
YOUR FINANCIAL ADVISOR  
SANDRA WHEELER

805-543-3223 / 888-543-3223



PCG33005 004325

CITY OF VILLA PARK INVESTMENT  
ACCOUNT  
17855 SANTIAGO BLVD.  
VILLA PARK CA 92861-4105



IF YOU WOULD LIKE TO ENROLL IN OUR ACCESS ONLINE SERVICE OR SIGN UP TO RECEIVE THIS  
CONFIRMATION ELECTRONICALLY, VISIT US AT [WWW.WELLSFARGOADVISORS.COM](http://WWW.WELLSFARGOADVISORS.COM).

BOUGHT	QUANTITY	PRICE	PRINCIPAL
FEDERAL HOME LN MTG CORP NOTES CALLABLE CPN 1.000% DUE 10/30/15 DTD 01/30/12 FC 07/30/12 CALL 01/30/13 @ 100.000	100,000	100.00000	100,000.00
SECURITY NUMBER 6028-610 CUSIP 3134G3-HW-3 SOLICITED	ACCOUNT TYPE CASH TRADE DATE 01/05/12 SETTLEMENT DATE 01/30/12	ACCRUED INTEREST TRANSACTION FEE	0.00 5.00
<b>NET AMOUNT</b>			<b>\$100,005.00</b>

MARKET: PRINCIPAL.

TRADE INFORMATION: NO BOND INTEREST ACCRUED FOR THE CURRENT PERIOD. PROSPECTUS MAILED UNDER SEPARATE COVER.

SECURITY INFORMATION: SEMI-ANNUALLY PAY. MOODY AAA, S&P AA+.

YIELD INFORMATION: 0.999%. YIELD TO CALL 04/30/13 @ 100.000.

YIELD TO MATURITY 1.000%. CALL OR OTHER REDEMPTION FEATURES EXIST WHICH CAN AFFECT YIELD. FOR COMPLETE INFORMATION CONTACT THE OFFICE SERVING YOUR ACCOUNT.

Wells Fargo Advisors, LLC, brokerage account(s) carried by First Clearing, LLC. Wells Fargo Advisors, LLC and First Clearing, LLC, Members FINRA/SIPC are separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company.

Investments and insurance products are: **NOT FDIC-INSURED** **NO BANK GUARANTEE** **MAY LOSE VALUE**

For Address Correction And Payment Due Instructions Please Refer To Contact Information On Page 2 Of This Confirmation

**TERMS OF AGREEMENT**

This transaction(s) is subject to the following terms and conditions as well as the terms of any agreements entered into between you (the client) and Wells Fargo Advisors, LLC and its affiliates, including First Clearing, LLC (collectively, "we" or "us").

1. All transactions are subject to the rules and customs of the market or exchange and its clearing house, if any, where such transactions are executed and where appropriate, of the Financial Industry Regulatory Authority ("FINRA").
2. This transaction(s) is confirmed with the understanding that securities purchased are to be paid for and securities sold are to be delivered.
3. Report any errors associated with this confirmation immediately. Failure to notify us in writing within ten (10) calendar days of receipt of this confirmation constitutes your acceptance of the transaction. Please retain this confirmation for tax purposes.
4. Remittance of funds or securities for this transaction is due on or before settlement date. If payment for securities purchased, or delivery of securities sold, is not received on or before the date required by Regulation T of the Federal Reserve Board, we may cancel the transaction and/or sell the securities purchased, or buy in the securities sold, and you will be liable for any resulting loss and not entitled to any resulting gain.
5. We may lend or pledge any margin securities in your account to others until the amount you have borrowed, plus interest, has been repaid.
6. The time of this transaction, the name of the buyer or seller, and the source and amount of any commission or fee will be furnished upon written request.
7. We may receive compensation for directing option orders to particular broker-dealers and options exchanges for execution. In the event we receive such compensation, it may include cash payments as well as non-cash items such as discounts, reductions, or credits against fees that would otherwise be payable in full. The source and amount of any compensation will be furnished upon written request.
8. If the transaction involves callable securities, the call feature could affect yield. Additional information will be provided upon request.
9. All trades are subject to applicable tax withholding and reporting obligations.
10. This confirmation shall be construed in accordance with the laws of the State of New York.
11. We may from time to time have a long or short position and buy or sell the securities transacted.
12. Open unfilled orders will be canceled before the opening of the next business day following the 180th day from date entered or the good-through date listed on the front of the confirm. Buy orders, sell stop orders and sell stop limit orders are reduced in price by the amount of the dividend on the day a security sells ex-dividend unless we are specifically instructed otherwise. Sell orders, buy stop orders and buy stop limit orders are not reduced in price when a security sells ex-dividend.
13. Transactions may have been effected through an affiliated market maker who may have acted as principal, have a long or short position in this security, and/or have a profit or loss in connection with this transaction.
14. Unless noted as principal we acted as agent. For open end Mutual Fund transactions we may act as agent for your account through an arrangement directly with the fund company.
15. Other Fee is the amount we charge you on certain executed orders that is designed to offset certain activity assessments we incur for executing orders. This charge is intended to approximate the amount we expect to directly or indirectly pay FINRA, the New York Stock Exchange or other trade reporting market centers where your order is executed. We may collect more or less from you than we pay to such market centers and these differences are retained or paid for by us, as the case may be.
16. You may obtain current market data, including transaction prices for equities and options, debt securities and mutual funds, as well as company and other economic news at [www.finra.org/marketdata/](http://www.finra.org/marketdata/). This information is available at no charge to you for your non-commercial use only.
17. Some securities may have variable coupon rates. Additional information related to calculations of the corporate debt security's interest and principal payments is available upon written request. Request must be made not later than six months from the date of settlement.
18. A disclosure document discussing your rights as a bond holder and some of the risks related to buying and holding bonds titled "Important Information You Need to Know About Investing in Corporate Bonds" has been prepared by FINRA and is available on line at [www.finra.org](http://www.finra.org). A paper version of this document is available from your broker upon your written request made not later than six months from the date of settlement.
19. All new issue transactions are completed pursuant to Registration Statement or where a Prospectus is otherwise required.
20. If a transaction indicates a foreign security, the purchase or sale of that security may have been made outside the U.S. in the currency of the country where it was executed. If the transaction was executed in a foreign market, our agent charges a fee to complete the transaction, and these fees are included in the price on this confirmation. Details of the currency exchange and any fees included in the price are available upon request. Also, the values of foreign securities are affected by changes in currency rates, foreign tax laws, government policies, relations between nations and trading, settlement, custodial and other operational risks. The costs of investing abroad are generally higher than in the U.S., and foreign securities markets may be less liquid, more volatile and less subject to regulatory and governmental supervision than U.S. markets.
21. Long term ratings for municipal insurance companies are not guaranteed, and subject to change. Purchases of insured municipal bonds should be made based upon current status of the insurance company, underlying ratings and client's Investment Objectives.
22. Multiple Capacity indicates that the firm acted in a principal and agency capacity when executing the transaction. As a result, a reportable trade price could not be calculated. Information regarding the trade price, the capacity in which the firm acted for each execution and details regarding remuneration are available upon request.

All Investments are subject to fluctuation in principal value resulting from market or interest rate changes.

Please write your account number on the face of your check and forward to WELLS FARGO ADVISORS, LLC, ATTN: CASH MGMT (MO3940) 1 NORTH JEFFERSON AVE, ST. LOUIS MO 63103. When remittances/securities are due, they must be received by us at the address above on or before the payment/settlement date. Please make all checks payable to First Clearing, LLC.

For questions or concerns regarding your account please contact First Clearing, LLC, at ATTN: H0006-09P, 1 N. Jefferson Ave, St. Louis, MO 63103, 1-800-727-0304.

If you have moved or plan to move, please notify the office servicing your account of your new address.

**Common Abbreviations:**

ADJ Adjustable	FC	First Coupon	REG	Registered
AMT Alternative Minimum Tax	G/O LTD	General Obligation Limited Tax	REV	Revenue Bond
B/E Book Entry	G/O UNLTD	General Obligation Unlimited Tax	RFDG	Refunding
B/Q Bank Qualified	GTD	Guaranteed	VAR	Variable
CPN Coupon	OID	Original Issue Discount	DB	G/O REV
DTD Dated Due	OY	Original Yield	MWC	Make Whole Call
BAB Build America Bond				