

**VALLEY CLEAN ENERGY ALLIANCE****Staff Report - Item 13**

---

**TO:** Board of Directors

**FROM:** Edward Burnham, CFO / Treasurer

**SUBJECT:** Treasury and Finance Update

**DATE:** April 9, 2026

---

**RECOMMENDATION:**

1. Adopt a resolution approving a one-year extension of the Second Amended and Restated Credit Agreement with River City Bank, including a revolving line of credit not to exceed \$11,000,000
2. Authorize the Executive Officer to conduct any final negotiations, implement the approval, and sign all necessary documents related to the extension of the two-year Second Amended and Restated Credit Agreement with River City Bank.
3. Ratify the County of Yolo Investment Policy for the calendar year 2026 as the Investment policy applicable to VCE.

**OVERVIEW**

The purpose of this staff report is to (1) authorize the CEO to execute a 1-year extension with RCB, (2) ratify the County of Yolo Investment Policy for 2026, and (3) receive a preliminary update on 2026 Treasury and Investment improvements.

As detailed in the body of this report, VCE maintains a disciplined approach to assessing financial risks resulting from external challenges and continues to bolster its financial strength to maintain VCE's A- investment credit rating.

**BACKGROUND**

At the December 14, 2023, meeting, the Board appointed VCE's CFO to perform the treasurer's functions. The role of the Treasurer is threefold and focuses on three areas:

- **Banking and Cash Management** – Day-to-day transactions are ordinarily approved according to the delegation of authority provided to the executive staff of VCE. However, the Treasurer retains the authority to select the banking institutions to be used and to collaborate with staff to manage cash flow, ensuring that investing or financing occurs as needed.
- **Investing** – The Treasurer is responsible for investing funds in accordance with law and according to the agency's investment policy.

- **Debt and Financing** – The Treasurer participates as a key team member in debt and financing decisions in accordance with policies on borrowing, debt, and obligations. At the July 14, 2022, meeting, VCE adopted the Debt Policy to comply with SB1029 (requires public agencies seeking financing to have a debt policy), which became effective in 2018.

At the April 11, 2024 Board meeting, the Board approved [Item 16](#), including a resolution extending for a Second Amended and Restated Credit Agreement with River City Bank for 2 years ending in April 2026.

#### Revolving Line of Credit (RLOC) with RCB

The current RLOC Agreement has a limit of \$7,000,000 available for cash advances and/or letters of credit and an additional \$4,000,000 credit facility available for Letters of Credit, for a total RLOC of \$11,000,000. Since August 2018, VCE has not drawn cash on the RLOC. VCE currently has a \$270,000 letter of credit issued for the PG&E Financial Security Requirement required by CPUC regulations for all CCAs. VCE reduced the need for a \$3.8M letter of credit issued as optional financial security for PPA pricing discounts that provide power cost savings upon establishing its A- investment-grade credit rating in October 2025.

#### **Analysis**

As part of the VCE investment approach, the Treasurer manages cash flow forecasts to determine the capacity to invest VCE Funds. This included reviewing the investment policy, which requires that funds be invested first in safe, then liquid, assets to meet agency needs, and third to seek yields on investments (Att. A – County of Yolo Investment Policy).

In determining the ability to invest, the Treasurer reviewed existing agreements within the River City Bank Revolving Line of Credit (RLOC) Agreement, which states:

*Section 10.4 Exclusive Deposit Relationship.* Borrower shall maintain all of Borrower's deposit accounts exclusively with Lender. If this covenant is not satisfied, as determined by Lender, it will not constitute an Event of Default, but the Applicable Rate on all outstanding Notes will immediately increase by an additional 2.00 percentage margin. This margin shall continue to apply to each succeeding interest rate change that may apply thereafter, so long as this covenant is not satisfied.

*Section 10.11. Investments, Acquisitions, Loans, Advances, and Guarantees.* Borrower shall not directly or indirectly, make, retain or have any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances (other than for travel advances and other similar cash advances made to employees in the ordinary course of business) to any other Person, or acquire any substantial part of the assets or business of any other Person or division thereof, or be or become liable as endorser, guarantor, surety or otherwise for any debt, obligations or undertaking of any other Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise assure a creditor of another against loss, or apply for or become liable to the issuer of a letter

of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any other person.

Effectively, these restrictions limit deposits to River City Bank and investment options to its offerings. River City Bank does, however, offer a money market account that allows for earning interest on deposits. Valley Clean Energy has opened a Money Market Account with RCB that provides same day liquidity and generally pegs its interest rate to that of the Local Agency Investment Fund (LAIF) at the state level, (paid 5.76% annual interest rate for month as of March 13, 2026 (Attachment B / Attachment C)), though the interest rate can be adjusted at the option of RCB at any time to reflect changing market conditions.

This option was appropriate for VCE, given that the agency was growing its cash position to establish VCE's A investment-grade credit rating. Over the next 6 months, VCE will review its current treasury approach to ensure funds are invested first in safe, then liquid, investments that return appropriate yields.

- **Use of Surety Bonds** – VCE has begun to establish the use of Surety Bonds as a substitute for letters of credit from the line of credit for FSR requirements with PG&E. This will provide savings and increase VCE's liquidity.
- **Issuance of an RFP for Banking Services** – VCE will issue an RFP for banking services, including lines of credit, to understand market conditions and terms in order to reduce restrictions on funds for investments without increasing risks to funds.
- **Issuance of an RFP for Investment Advisory Services** – VCE will issue an RFP for investment services to understand market conditions, possible liquidity risks, and estimated earnings for investments on reserve funds.
- **Alternative Solutions** – VCE will evaluate additional solutions such as pooled investments, including the County of Yolo, that may provide additional advantages to investing individually.

Staff will begin this process during the second quarter, perform a comprehensive review of all possible scenarios, and return to the Board with the results and recommendations. In addition, staff will release the RFP for Enterprise Resource Planning (ERP) system. This ERP will be integral in providing additional cash flow planning, tracking, and reconciliations in a more complex financial structure.

These steps lay the foundation of the next steps in implementation of VCE's Strategic Plan Goals:

- Goal 1 - Financial Strength and;
- Goal 6 - Organizational Growth, development, and effectiveness

These actions are designed to optimize VCE's ability to provide long-term rate affordability and competitiveness with PG&E.

### **RCB Services Extension**

Staff proposes extending the current RCB Revolving line of credit as outlined below for 1 year to execute the above.

### River City Bank Terms – Revolving Line of Credit

The following key terms are summarized from the agreement with RCB.

- Type of Financing: Commercial Revolving Line of Credit
- Maximum Amount: \$11,000,000, with a \$7,000,000 sublimit for cash advances
- Maturity: April 15, 2027 (*one year from the current 4/15/2026 maturity date*)
- Interest Rate: Variable rate, Floating at the one (1) month U.S. Treasury Bill Yield + 2.00%, subject to a 2.00% floor (unchanged)
- Fees:
  - Loan Fee: 0.50% of the total RLOC commitment, payable upon loan closing
  - Documentation Fee: \$500, payable upon loan closing, provided that Borrower approves the use of Bank's standard form documents.
  - Non-Use Fee: 0.10% of the average unused RLOC amount per annum, payable annually upon each anniversary of the RLOC

### Collateral/Pledged Assets

RCB shall maintain a perfected security interest in 1st lien position via a UCC filing and security agreement in each of the following:

- Restricted Debt Service Reserve Account ("DSRA") (interest-bearing) maintained at RCB in the minimum amount of \$1,100,000.
- A security agreement that covers (i) the right of set-off to all of Borrower's deposit accounts not otherwise encumbered by outside liens, and (ii) a pledge on Borrower revenues.
- A UCC-1 perfected blanket lien filing covering all Accounts, Revenues, Resource Adequacy Contracts, and the Debt Service Reserve Account.
- No junior liens will be permitted on any Collateral.

### Covenants

The RLOC is currently subject to the following loan covenants, which will be maintained for the renewal term:

- Rate Covenant: VCE shall set customer rates at levels to cover all annual costs, inclusive of debt service.
- Adj. Tangible Unrestricted Net Position: VCE will maintain a minimum Adjusted Tangible Unrestricted Net Position of \$17,500,000, measured annually as of each fiscal year end.
- Change in Net Position: VCE must achieve a minimum cumulative change in net position of \$1.00 for each fiscal year.
- Leverage Ratio: VCE shall maintain a total Liabilities to total Adjusted Tangible Unrestricted Net Position ratio not any time greater than 1:50 : 1:00, measured quarterly as of each calendar quarter.

### **Conclusion**

Based on the report above, VCE staff plan to continue using the River City MMA and ICS accounts with excess funds to invest, while VCE performs a comprehensive review of Treasury and Investment Services. Staff requests that the VCE Board ratify the County of Yolo Investment Policy for 2026 and

authorize the CEO to execute a one-year extension of the \$11,000,000 RLOC facility, as set forth in the Second Amended and Restated Credit Agreement (RLOC Agreement).

**Attachments**

Attachment A - Resolution authorizing the Executive Officer to execute an extension of the Credit Agreement with the River City Bank

Attachment B – County of Yolo Investment Policy 2026

Attachment C – River City Materials on Public Money Market Account

Attachment D – River City Materials on Public Fund ICS Account

**VALLEY CLEAN ENERGY ALLIANCE**

**RESOLUTION NO. 2026-XXX**

**RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CLEAN ENERGY ALLIANCE  
AUTHORIZING THE EXTENSION OF ITS REVOLVING LINE OF CREDIT WITH RIVER CITY BANK**

**WHEREAS**, Valley Clean Energy Alliance (“VCE”) was formed as a community choice aggregation agency (“CCA”) on November 16, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 et seq., among the County of Yolo, and the Cities of Davis and Woodland, to reduce greenhouse gas emissions, provide electricity, carry out programs to reduce energy consumption, develop local jobs in renewable energy, and promote energy security and rate stability in all of the member jurisdictions. The City of Winters, located in Yolo County, was added as a member of VCE and a party to the JPA in December of 2019; and,

**WHEREAS**, the City of Winters, located in Yolo County, was added as a member of VCE and a party to the VCE in December of 2019;

**WHEREAS**, pursuant to a Resolution adopted on May 10, 2018, the Board of Directors of VCE (the “Board”) approved the execution of a credit agreement and related documents thereto (collectively and as previously amended and extended, the “Credit Facility”) with River City Bank (“RCB”), pursuant to which RCB agreed to provide credit working capital to meet VCE’s liquidity needs and RCB also agreed to provide certain credit enhancements;

**WHEREAS**, pursuant to a Resolution adopted on March 10, 2022, the Board of Directors of VCE (the “Board”) approved a Second Amended and Restated Credit Agreement (the “Agreement”) with River City Bank, including a revolving line of credit not to exceed \$11,000,000 and a term loan for approximately \$1.1M;

**WHEREAS**, pursuant to a Resolution adopted on April 11, 2024, the Board of Directors of VCE (the “Board”) approved a two year extension of the Second Amended and Restated Credit Agreement (the “Agreement”) with River City Bank;

**WHEREAS**, the Credit Facility currently has a limit of \$7,000,000 available for cash advances and/or letters of credit and an additional \$4,000,000 credit facility available for Letters of Credit, for a total maximum amount of \$11,000,000;

**WHEREAS**, RCB is willing to extend the Credit Facility for one year ending in April 2027 pursuant to the terms set forth in the Amendment; and

///

///

**NOW, THEREFORE,** the Board of Directors of Valley Clean Energy Alliance resolves as follows:

**Section 1.** The foregoing recitals are true and correct.

**Section 2.** The Board of Directors (the “Board”) of Valley Clean Energy Alliance (“VCE”) hereby approves the executive officer and his designees as authorized representatives of VCE (each an “Authorized Representative” and collectively, the “Authorized Representatives”) in connection with the negotiation and execution of the one-year extension the Amendment, including such related amendments deemed necessary or advisable by the Authorized Representative executing the Amendment extending the term of the Agreement, and any ancillary documents relating thereto.

**Section 3.** The Board hereby approves each Authorized Representative, acting singly, to execute and deliver the extension, and any related ancillary documents necessary to implement the Amendment Terms and in such form and substance as may be approved by such Authorized Representative, in consultation with General Counsel to VCE, as in the best interests of VCE, the execution thereof to be conclusive evidence of such approval.

**Section 4.** The Board hereby approves each Authorized Representative, acting singly, to borrow and authorize advances or the issuance of letters of credit from time to time under the Agreement Revolving Credit Facility in such amounts as in their judgment should be borrowed and to provide security for the obligations of VCE under the Agreement, including, without limitation, a pledge of the net revenues of VCE, and to execute and deliver any requests or other documents and agreements as such Authorized Representative may, in his or her discretion, deem reasonably necessary or proper in order to carry into effect the provisions of the Amended Revolving Credit Facility.

**Section 5.** The Authorized Representatives, the Board Secretary, and the Board Chair and all other appropriate officials of the VCE are hereby authorized and directed to execute such other agreements, documents and certificates as may be necessary to effect the purposes of this resolution.

**Section 6.** The Board hereby approves all acts, transactions or agreements undertaken, prior to the adoption of these resolutions by any of the officers of VCE, or their designees, in its name and for its account in connection with the foregoing matters, are hereby ratified, confirmed and adopted by VCE.

**Section 7.** This Resolution shall take effect immediately upon its adoption.

///

///

///

**PASSED, APPROVED AND ADOPTED**, at a regular meeting of the Valley Clean Energy Alliance, held on the \_\_\_\_\_ day of \_\_\_\_\_ 2026, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

---

Jesse Loren, VCE Chair

---

Alisa M. Lembke, VCE Board Secretary

# County of Yolo Administrative Policies and Procedures Manual

---

**TITLE:** Investment Policy

---

**Department:** Financial Services

---

**TYPE:** POLICY

**DATE:** December 9, 2025

---

## **A. PURPOSE**

This document is known as the annual investment policy and represents the policies of the Board of Supervisors of the County of Yolo related to the investment of funds under the control of the Chief Financial Officer. The office of the Auditor-Controller and the Treasurer-Tax Collector have been consolidated. All statutory duties, responsibilities, and budgets of the Auditor-Controller and Treasurer-Tax Collector are consolidated into the office known as the Chief Financial Officer as per Yolo County code section 2-5.113 effective January 5, 2015.

The Department of Financial Services was established to consolidate and perform all functions of the offices of the Auditor, Controller, Tax Collector, and Treasurer, and any other county-wide fiscal functions directed by the board as per county code sec. 2-5.2001.

This policy is prepared annually by the Chief Financial Officer in accordance with the California Government Code and prudent asset management principles. Pursuant to Government Code sections 27133 and 53646 this policy has been reviewed by the Financial Oversight Committee and approved by the Board of Supervisors at a public meeting.

## **B. APPLICABILITY**

This policy will cover the period of January 1, 2026 through December 31, 2026.

This policy applies to the cash management and investment activities performed by County personnel and officials for any local agency, public agency, public entity, or public official that has funds on deposit in the county treasury pool. The terms "County" and "county treasury pool" are used interchangeably and include all such funds so invested.

The investment of bond proceeds will be governed by the provisions of relevant bond and related legal documents.

The investment of endowment funds will be governed by the underlying laws, regulations, and specific governmental approvals under those laws pursuant to which the endowments were created. Endowment fund investments will primarily focus on the preservation of principal and use of investment income for operational purpose.

The investment of the Section 115 Trusts related to OPEB and Pension will be invested in compliance with the County Policies on "Accounting, Funding and Recovery of OPEB Costs" and the "Pension Funding Policy" and legal documents associated with the Section 115 Trusts.

# County of Yolo Administrative Policies and Procedures Manual

---

## C. STANDARD OF CARE

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

The standard of prudence to be used by investment officials shall be the "prudent investor" standard which states that "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.

This standard shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## D. PUBLIC TRUST

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the County's ability to govern effectively.

## E. OBJECTIVES

The primary objectives, in descending priority order, of the investment activities of the County shall be:

1. **Safety**. Safety of principal is the foremost objective of the investment program. Investments of the County shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.
2. **Liquidity**. The investment portfolio shall be maintained in such a manner as to provide sufficient liquidity to meet the operating requirements of any of the participants.
3. **Return on Investment**. The investment portfolio of the County shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and liquidity considerations.

## F. DELEGATION OF AUTHORITY

Subject to Section 53607 the authority of the Board of Supervisors to invest or to reinvest funds of the pooled investments, or to sell or exchange securities so purchased, may be delegated for a one-year period by ordinance in accordance with Government Code Sections 27000.1 and 27000.3.

The Board of Supervisors has designated the Chief Financial Officer as its agent authorized to make investment decisions after considering the strategy proposed by the investment advisor.

# County of Yolo Administrative Policies and Procedures Manual

---

## G. ETHICS AND CONFLICT OF INTEREST

Individuals performing the investment function and members of the Financial Oversight Committee (FOC) shall maintain the highest standards of conduct.

**County Officers and employees** involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. These individuals should follow the Code of Ethics for Procurement approved by the Board of Supervisors and comply with all relevant provisions of the Political Reform Act, especially the requirements of Chapter 7 – Conflict of Interest and Chapter 9.5 – Ethics. The key requirements are listed below:

1. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could affect their ability to make impartial decisions.
2. Officers and employees shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.
3. Officers and employees shall not accept gifts or gratuities with a value exceeding \$500 in any one year from any bank, broker, dealer, or any other person, firm, or organization who conducts business with the Department of Financial Services.
4. No person with investment decision-making authority in the County Administrator's office or the Department of Financial Services may serve on the board of directors or any committee appointed by the board or the credit committee or supervisory committee of a state or federal credit union which is a depository for County funds.

The Financial Oversight Committee Charter includes the following requirements for members of the committee:

1. A member shall disclose to the committee at a regular meeting any activities that directly or indirectly raised money for a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the committee. For purposes of this subsection, raising money includes soliciting, receiving, or controlling campaign funds of a candidate, but not the member's individual campaign contributions or non-financial support. This section does not apply to a member raising money for his or her own campaign.
2. A member shall disclose to the Committee at a regular meeting any contributions, in the previous three years or during the period that the employee is a member of the committee, by an employer to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the County Treasury.
3. A member cannot secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, financial services firms, financial institutions, and municipal advisors with whom the County is doing business during the member's Financial Oversight Committee membership period or for one year after leaving the Financial Oversight Committee. This subsection only applies to employment or soliciting employment, and not other relationships with such companies with whom the County is doing business.

# County of Yolo Administrative Policies and Procedures Manual

---

4. A member shall disclose to the Committee any honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons who conduct business with the Department of Financial Services while a member of the Committee. All members shall also comply with the requirements of the Political Reform Act or any other law or regulation regarding to receipt and disclosure of financial benefits and conflicts.

## H. INTERNAL CONTROLS

Internal control procedures shall be established and maintained by the Department of Financial Services that provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, misuse, or mismanagement. The internal controls shall be reviewed as part of the regular annual independent audit. The controls and procedures shall be designed to prevent employee error, misrepresentations by third parties, and imprudent or illegal actions by employees or officers of the County.

## I. CASH MANAGEMENT

In determining the amount that can be invested County personnel shall take into account the liquidity needs of the County and the agencies in the Treasury pool, and shall take reasonable steps to ensure that cash flow requirements of the County and pool participants are met for the next six months, barring unforeseen actions from the State Controller or other funding sources, such as deferral of cash payments.

County personnel shall maintain separate accounting for cash funds and monitor aggregate cash balances of the County and each agency in the Treasury pool, and shall notify the County Administrator or agency management of unhealthy trends in aggregate cash balances. Unhealthy trends may include but are not limited to deferral of cash payments from State, Federal grantors, or other funding sources, significant declines in available aggregate cash balances, or near-deficit aggregate balances. Agencies that are so notified are expected to take immediate action to cure any deficit and improve cash balances. Continuing deficits shall be reported to the Board of Supervisors for further action.

The Chief Financial Officer shall provide quarterly reports on total cash flows and balances of the Treasury Pool to the Financial Oversight Committee.

## J. AUTHORIZED FINANCIAL DEALERS AND QUALIFIED INSTITUTIONS

The County may secure the services of an Investment Advisor. Precautionary contractual language with such an adviser shall include: delivery versus payment methods, third-party custody arrangements, prohibitions against self-dealings, independent audits, and other appropriate internal control measures as deemed necessary by the Chief Financial Officer.

The County or the County's Investment Advisor shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment transaction purposes, and it shall be the policy of the County to purchase securities only from those authorized institutions or firms. Authorized brokers/dealers must either (i) be classified as Reporting Dealers affiliated with the New York Federal Reserve Bank as Primary Dealers or (ii) be registered to conduct business in the State of California and be licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code.

No broker/dealer shall be selected which has within any consecutive 48-month period made a political contribution to any member of the Board of Supervisors or to any candidate for these offices in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board.

# County of Yolo Administrative Policies and Procedures Manual

## K. PERMITTED INVESTMENT INSTRUMENTS

1. United States Treasury Obligations. Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. Federal Agency Obligations. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
3. California Municipal Obligations. Obligations of the State of California, this local agency or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state, this local agency or any local agency or by a department, board, agency or authority of the state or any local agency that is rated in a rating category of "A" long term or "A-1" short term, the equivalent or higher by a nationally recognized statistical rating organization (NRSRO). Any investment in obligations of this local agency shall be in a ratio proportionate to the County's share of the pooled investments.
4. Other 49 State Municipal Securities. Registered treasury notes or bonds issued by any of the other 49 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any state that is rated in a rating category of "A" long term or "A-1" short term, the equivalent or higher by a NRSRO.
5. Repurchase Agreements. Agreements to be used solely as short-term investments not to exceed 90 days.

The County may enter into Repurchase Agreements with primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described above in (K)(1) and (K)(2), will be acceptable collateral.

All securities underlying Repurchase Agreements must be delivered to the County's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each Repurchase Agreement must equal or exceed, 102 percent of the total dollar value of the money invested by the County for the term of the investment. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed at least weekly.

Market value must be calculated each time there is a substitution of collateral.

The County or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

The County will have properly executed a Public Securities Association (PSA) agreement with each counter party with which it enters into Repurchase Agreements.

6. Banker's Acceptances. Issued by domestic or foreign banks, the short-term paper of which is rated in the highest category by a nationally recognized statistical rating organization (NRSRO).

## County of Yolo Administrative Policies and Procedures Manual

---

Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of the County's investment portfolio.

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

Purchases of eligible commercial paper may not exceed 397 days maturity. No more than 40 percent of the County's investment portfolio may be invested in eligible commercial paper.

8. Medium-Term Corporate Notes. Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a rating category "A", the equivalent or higher by a nationally recognized statistical rating organization (NRSRO) and shall have a maximum remaining maturity of five years or less. Purchase of medium-term corporate notes may not exceed 30 percent of the County's investment portfolio.
9. Non-Negotiable Certificates of Deposit. FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California, including U.S. branches of foreign banks licensed to do business in California. All time deposits must be collateralized in accordance with California Government Code Section 53651, either at 150% by promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under section (m) or at 110% by eligible marketable securities listed in subsections (a) through (l) and (n) and (o). The County, at its discretion and by majority vote of the Board of Supervisors, on a quarterly basis, may waive the collateralization requirements for any portion of the deposit that is covered by federal insurance. Alternatively, the County may invest in deposits, including certificates of deposit, at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit as provided for in Government Code section 53635.8.

## County of Yolo Administrative Policies and Procedures Manual

---

10. Negotiable Certificates of Deposit. Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a federally-licensed or a state-licensed branch of a foreign bank that is rated in a rating category of "A" long-term or "A-1 short-term, the equivalent or higher by a nationally recognized statistical rating organization (NRSRO). Purchases of all negotiable certificates of deposit may not exceed 30 percent of the County's investment portfolio.
11. Local Government Investment Pools. (Either state-administered or through joint powers statutes and other intergovernmental agreement legislation.) Investments may be maximized to the level allowed by the State and should be reviewed periodically. Investment objectives, limitations, and controls of each pool must be consistent with this policy.
12. Money Market Funds. Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the largest nationally recognized statistical rating organizations or (2) have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in securities and obligations authorized by Government Code Section 53601 and with assets under management in excess of \$500,000,000. Money Market Funds shall not exceed 20 percent of the investment portfolio of the County as recorded at purchase price on date of purchase.
13. Asset-Backed Securities. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivision (1) or (2), the following limitations apply: Eligible securities must be rated, by a nationally recognized statistical rating organization, as "AAA", and have a maximum remaining maturity of five years or less. No more than 20 percent of the County's investment portfolio may be invested in this type of security.
14. Reverse Repurchase Agreements. Reverse repurchase agreements shall be used primarily as a cash flow management tool and subject to all the following conditions
  - a. The security to be sold using a reverse repurchase agreement has been owned and fully paid for by the County for a minimum of 30 days prior to sale.
  - b. The total of all reverse repurchase agreements on investments owned by the County does not exceed 20 percent of the base value of the portfolio. The base value of the County's portfolio for this section is defined as that dollar amount obtained by totaling all cash balances placed in the portfolio by all participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.
  - c. 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 and the final maturity date of the same security.

## County of Yolo Administrative Policies and Procedures Manual

---

- d. Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement, unless the reverse repurchase 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 and the final maturity date of the same security.
  - e. Investments in reverse repurchase agreements or similar investments in which the County sells securities prior to purchase with a simultaneous agreement to repurchase the security shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency. A significant banking relationship is defined by any of the following activities of a bank:
    - i. Involvement in the creation, sale, purchase, or retirement of the County's bonds, warrants, notes, or other evidence of indebtedness.
    - ii. Financing of the County's activities.
    - iii. Acceptance of the County's securities or funds as deposits.
15. Supranationals. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA", the equivalent or higher by a NRSRO. Purchases of these securities shall not exceed 30 percent of the County's portfolio.

The Chief Financial Officer may make permitted investments (as described above) pursuant to the California Government Code (including Section 53601 et. seq.) or deposit funds for safekeeping in state or national banks, savings association, credit unions, or federal insured industrial loan companies (as described in Section 53635.2). For purposes of compliance with this policy, an investment's term or remaining maturity shall be measured from the settlement date to final maturity. A security purchased in accordance with this section shall not have a forward settlement date exceeding 45 days from the time of investment.

Credit criteria listed in this section refers to the credit of the issuing organization at the time the security is purchased. Should a security owned by the County be downgraded below "A" the Investment Advisor shall immediately notify the Chief Financial Officer who will report to the Board of Supervisors, at their next regularly scheduled meeting, the circumstances of the downgrade and any action taken or recommended.

### L. INELIGIBLE INVESTMENTS

The County shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity.

Effective January 1, 2021, the County may invest in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. The County may hold these instruments until their maturity dates. Securities described in this paragraph shall remain in effect only until January 1, 2031, and as of that date is repealed.

# County of Yolo Administrative Policies and Procedures Manual

---

Any other security not specifically permitted by Section K is prohibited.

## **M. MAXIMUM MATURITY**

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the County to meet all projected obligations.

Where this policy does not specify a limitation on the term or remaining maturity at the time of the investment, or unless authorized by the Board of Supervisors no less than three months prior to the investment, no investment shall be made in any security, other than a security underlying a repurchase agreement as authorized by this policy that at the time of the investment has a term remaining to maturity in excess of five years.

The Board of Supervisors has specifically approved investment maturities beyond five years for certain three long-term portfolios: Yolo County Landfill Closure Trust Fund, the Yolo County Cache Creek Maintenance and Remediation Fund, and the Demeter Endowment (funds deallocated from the Ceres Tobacco Endowment Fund).

## **N. DIVERSIFICATION & PERCENTAGE LIMITATIONS**

The County shall limit the County's investments in any one issuer to no more than 5 percent of the County's total investments at the time of purchase, except for U.S. Treasuries, Federal Agencies, Supranationals, repurchase and reverse repurchase agreements, and pooled investments such as local government investment pools, LAIF, and money market funds

All percentage limitations apply at the time of the investment (purchase date).

## **O. REPORTING REQUIREMENTS**

The Chief Financial Officer shall render a quarterly investment report to the Board of Supervisors that includes, at a minimum, the following information for each investment:

- Type of investment instrument (e.g., U.S. Treasury note, Federal Agency note)
- Issuer name (e.g., General Electric Capital Corp.)
- Credit quality
- Purchase date
- Maturity date
- Par value
- Purchase price
- Current market value and the source of the valuation
- Current amortized or book value
- Accrued interest
- Original yield to maturity
- Overall portfolio yield based on cost
- New investment transactions

The quarterly report shall (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the County's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement explaining the ability of the County to meet its cash flows

# County of Yolo Administrative Policies and Procedures Manual

---

requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

This quarterly report shall be available within 45 days following the end of the quarter and submitted to the Board of Supervisors at the earliest reasonable opportunity, with copies published and available to all pool participants.

## **P. ANNUAL REVIEW OF INVESTMENT POLICY**

The Chief Financial Officer shall annually prepare an investment policy that will be reviewed by the County Financial Oversight Committee and submitted to the Board of Supervisors for approval in a public meeting. Any change to the investment policy shall be reviewed and approved by the Board in a public meeting.

## **Q. SAFEKEEPING AND CUSTODY**

All securities, whether negotiable, bearer, registered or non-registered shall be delivered either by book entry or physical delivery to the County's third-party custodian.

Monthly safekeeping statements are received from custodians where securities are held. Authorized personnel, other than the person handling daily investments, shall review the statements to confirm that investment transactions have settled and been delivered to the County's third-party custodian.

## **R. APPORTIONMENT OF EARNINGS AND COSTS**

The manner of calculating and apportioning the cost of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds is as follows:

Investment earnings shall be apportioned to all pool participants quarterly based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the investment pool. Earnings are computed on an accrual basis and the effective date that earnings are deposited into each fund is the first day of the following quarter (January 1, April 1, July 1, and October 1).

Direct and Administrative (including indirect) costs associated with investing, depositing, banking, auditing, reporting, safekeeping, or otherwise handling or managing funds shall be netted against any moneys received pursuant to state mandated reimbursements and deducted from the gross investment earnings in the quarter received.

## **S. CRITERIA FOR CONSIDERING REQUEST TO WITHDRAW FUNDS**

Withdrawal of funds from County Treasurer Pool may occur pursuant to Government Code Section 27136 and approval of the Board of Supervisors.

Assessment of the effect of a proposed withdrawal on the stability and predictability of the investment in the County Pool will be based on the following criteria:

- Size of withdrawal
- Size of remaining balances of:
  - Pool
  - Agency
- Current market conditions

## County of Yolo Administrative Policies and Procedures Manual

---

- Duration of withdrawal
- Effect on predicted cash flows
- A determination if there will be sufficient balances remaining to cover costs
- Proof that adequate information has been supplied in order to make a proper finding that other pool participants will not be adversely affected.

The Chief Financial Officer reserves the right to mark a fund balance to market value prior to allowing a withdrawal if it is deemed necessary to be equitable to the remaining funds.

### T. **TERMS AND CONDITIONS FOR NON-STATUTORY COMBINED POOL PARTICIPANTS**

All entities qualifying under California Government Code Section 27133 (g) may deposit funds for investment purposes providing all of the following has been accomplished: (1) the agency's administrative body has requested the privilege, (2) has agreed to terms and conditions of an investment agreement as prescribed by the County's Board of Supervisors, (3) has by resolution identified the authorized officer acting on behalf of the agency; and (4) the Chief Financial Officer has prescribed the appropriate accounting procedures.

### U. **AUDIT**

1. **Annual Compliance Audit** - The Financial Oversight Committee is not designated a Treasury Oversight Committee however the FOC may cause an annual audit pursuant to Government Code section 27134 at its discretion which may include issues relating to the structure of the investment portfolio and risk. The costs of complying with this article shall be County charges and may be included with those charges enumerated under Section 27013.
2. **Quarterly Review and Annual Financial Audit** – The Chief Financial Officer shall cause quarterly reviews to be made of the Treasury Division records relative to the type and amount of assets in the treasury, pursuant to Government Code sections 26920 - 26923. The Chief Financial Officer shall also cause an annual financial audit to be made of the Treasury Division's records as of June 30. In addition to an opinion on the statement of assets held in the treasury this audit shall include a review of the adequacy of internal controls.

The annual compliance audit and the annual financial audit may be combined.

The Chief Financial Officer shall report audits that contain significant audit findings to the Audit Subcommittee of the Board of Supervisors immediately and to the full Board at the earliest reasonable opportunity. Copies of the audit reports shall be provided to the Financial Oversight Committee.

All audit recommendations shall be addressed timely and in a manner acceptable to the Board of Supervisors' Audit Subcommittee.



# Safety. Return. Freedom.

Through ICS®, the Insured Cash Sweep® service, many government depositors can access multi-million-dollar FDIC insurance on funds placed into money market deposit accounts.

## Through ICS, you can:

### Enjoy peace of mind

ICS funds are eligible for multi-million-dollar FDIC insurance that's backed by the full faith and credit of the United States government.

### Earn interest

Put excess cash balances to work in savings accounts (money market deposit accounts).

### Save time

By providing access to FDIC insurance through a single bank relationship, ICS can help your organization to comply with investment policy mandates and avoid the hassles associated with ongoing collateral-tracking.

### Access funds

Enjoy daily liquidity in your transaction account at our bank; replenish the transaction account by withdrawing ICS funds up to six times per month.

### Support your community

Feel good knowing that the full amount of your funds placed through ICS can stay local to support lending opportunities that build a stronger community.\*

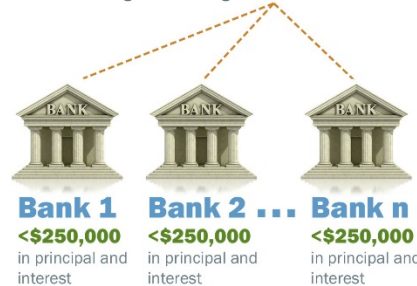
Simply put, with ICS, you can have it all.

## How does ICS work?

Work directly with just us—an institution you already know and trust—to access coverage from many, receive just one regular statement, and know that your confidential information remains protected.



Your organization has or sets up a transaction account with our bank, signs the agreements, and deposits funds.



Deposits are sent to money market deposit accounts at other member institutions in amounts under the standard FDIC insurance maximum of \$250,000.\*



\* When deposited funds are exchanged on a dollar-for-dollar basis with other banks in the ICS Network, we can use the full amount of a deposit placed through ICS for local lending, satisfying some depositors' local investment goals or mandates. In certain states, and with a depositor's consent, we may choose to receive fee income instead of deposits from other banks. Under these circumstances, deposited funds would not be available for local lending.

Placement of funds through the ICS service is subject to the terms, conditions, and disclosures in the service agreements, including the Deposit Placement Agreement ("DPA"). Limits and customer eligibility criteria apply. In the ICS savings option, program withdrawals are limited to six per month. Although funds are placed at destination banks in amounts that do not exceed the FDIC standard maximum deposit insurance amount ("SMDIA"), a depositor's balances at the relationship institution that places the funds may exceed the SMDIA (e.g., before ICS settlement for a deposit or after ICS settlement for a withdrawal) or be ineligible for FDIC insurance (if the relationship institution is not a bank). As stated in the DPA, the depositor is responsible for making any necessary arrangements to protect such balances consistent with applicable law. If the depositor is subject to restrictions on placement of its funds, the depositor is responsible for determining whether its use of ICS satisfies those restrictions. ICS and Insured Cash Sweep are registered service marks of Promontory Interfinancial Network, LLC.

# Using ICS<sup>®</sup> for Public Funds In the State of California



## CALIFORNIA GOVERNMENT CODE

### Title 5. Local Agencies

### Division 2. Cities, Counties, and Other Agencies

### Part 1. Powers and Duties Common to Cities, Counties, and Other Agencies

### Chapter 4. Financial Affairs

### Article 1. Investment of Surplus

53600. As used in this article, "**local agency**" means **county, city, city and county**, including a chartered city or county, **school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.**

SECTION 53601.8 Excerpt [As amended, effective January 1, 2020  
[SECTION 53635.8 is similar to Section 53601.8]

Notwithstanding any other provision of this code, a local agency that has the authority under law to invest funds, at its discretion, may invest a portion of its surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of deposits. The following conditions shall apply:

- (a) The local agency shall choose a nationally or state-chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the "selected" depository institution.
- (b) The selected depository institution may use a private sector entity to help place local agency deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States and are within the network used by the private sector entity for this purpose.
- (c) The selected depository institution shall request that the local agency inform it of depository institutions at which the local agency has other deposits, and the selected depository institution shall provide that information to the private sector entity.
- (d) Any private sector entity used by a selected depository institution to help place its local agency deposits shall maintain policies and procedures requiring all of the following:
  - (1) The full amount of each deposit placed pursuant to subdivision (b) and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.
  - (2) Every depository institution where funds are placed shall be capitalized at a level that is sufficient, and be otherwise eligible, to receive such deposits pursuant to regulations of the Federal Deposit Insurance Corporation or the National Credit Union Administration, as applicable.
- (3) At the time of the local agency's investment with a selected depository institution and no less than monthly thereafter, the private sector entity shall ensure that the local agency is provided with an inventory of all depository institutions in which deposits have been placed on the local agency's behalf, that are within the private sector entity's network.
- (4) Within its network, the private sector entity shall ensure that it does not place additional deposits from a particular local agency with any depository institution identified pursuant to subdivision (c) as holding that local agency's deposits if those additional deposits would result in that local agency's total amount on deposit at that depository institution exceeding the Federal Deposit Insurance Corporation or the National Credit Union Administration insurance limit.
- (e) If a selected depository uses two or more private sector entities to assist in the placement of a local agency's deposits, the selected depository shall ensure that it does not place additional deposits from a particular local agency with a depository institution if those additional deposits would result in that local agency's total amount on deposit at that depository institution exceeding the Federal Deposit Insurance Corporation or the National Credit Union Administration insurance limit.
- (f) The selected depository institution shall serve as a custodian for each such deposit.
- (g) On the same date that the local agency's funds are placed pursuant to subdivision (b) by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution pursuant to subdivision (b).
- (h) Notwithstanding subdivisions (a) to (g), inclusive, a credit union shall not act as a selected depository institution under this section unless both of the following conditions are satisfied:
  - (1) The credit union offers federal depository insurance through the National Credit Union Administration.
  - (2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.
- (i) It is the intent of the Legislature that this section shall not restrict competition among private sector entities that provide placement services pursuant to this section.
- (j) The deposits placed pursuant to this section shall be subject to Section 53638 and shall not, in total, exceed 50 percent of the agency's funds that may be invested for this purpose.
- (k) This section shall remain in effect until January 1, 2026, and as of that date is repealed.  
*(Amended (as amended by Stats. 2015, Ch. 181, Sec. 1) by Stats. 2019, Ch. 619, Sec. 1. (AB 945) Effective January 1, 2020. Repealed as of January 1, 2026, by its own provisions. See later operative version, as amended by Sec. 3 of Stats. 2019, Ch. 619.)*



# Public Fund Money Market

## Product Information and Disclosure

Accurate as of: 2/17/2023

Your interest rate may change. At our discretion, we may change the interest rate on your account at any time.

Tier	Interest Rate
\$5,000 and Over	1.250%

Basic Terms and Conditions	
Minimum Deposit to Open Account	<b>\$5,000</b>
Maintenance Fee	<b>\$10</b> per statement cycle
How to Avoid the Maintenance Fee	<b>\$0</b> maintenance fee when you maintain an average daily balance of <b>\$5,000.00</b> during each statement cycle.  The average daily balance is calculated by adding the principal in the account for each day of the period and dividing that figure by the number of days in the period.
Interest Compounding and Crediting Frequency	Interest will be compounded every day. Interest will be credited to your account every month.
Effect of Closing an Account	If you close your account before interest is credited, you will not receive the accrued interest.
Minimum Balance to Obtain the Disclosed Interest Rate	<b>\$5,000.00</b> minimum daily balance
Balance Computation Method	We use the daily balance method to calculate interest on your account. This method applies a daily periodic rate to the principal in the account each day.
Accrual of Interest on Noncash Deposits	Interest begins to accrue no later than the business day we receive credit for the deposit of noncash items (for example checks).
Transaction Limitations	<b>\$15</b> Excessive Withdrawal Fee will be charged for each preauthorized/automatic withdrawal or transfer to another account or third party in excess of 6 per calendar month. This limit does not apply to withdrawals or transfers made in person at a branch or ATM.
<b>Refer to the Deposit Account Agreement, and Schedule of Miscellaneous Fees and Service Charges for additional information.</b>	