

Allowable Investment Instruments
Per State Government Code (as of January 1, 2005)^a
Applicable to all local agencies^b

Investment Type	Maximum Maturity ^c	Maximum Specified Percentage of Portfolio	Minimum Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers' Acceptances	180 days	40 percent ^d	None
Commercial Paper—Select Agencies ^e	270 days	25 percent of the agency's money ^f	"A-1/P-1/F-1"; if the issuer has issued long-term debt it must be rated "A" without regard to modifiers ^g
Commercial Paper—Others Agencies ^h	270 days	40 percent of the agency's money ⁱ	"A-1/P-1/F-1"; if the issuer has issued long-term debt it must be rated "A" without regard to modifiers ^g
Negotiable Certificates of Deposit	5 years	30 percent	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements &	92 days ^j	20 percent of the base value of the portfolio	None ^k
Medium-Term Notes ^l	5 years	30 percent	"A" rating
Mutual Funds and Money Market Mutual Funds	N/A	20 percent ^m	Multiple ^{n,o}
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20 percent	"AA" Rating ^p
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple ^q
Local Agency Investment Fund (LAIF)	N/A	None	None

*See "Table of Notes for Figure 1a" for footnotes related to this figure.

Source: *Local Agency Investment Guidelines: Update for 2005* produced by the California Debt and Investment Advisory Commission (CDIAC).

Table of Notes for Figure 1

- a. Sources: Government Code Sections 16429.1, 53601, 53635, and 53638.
- b. Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- c. Government Code Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceed this five year maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- d. No more than 30 percent of the agency's money may be in Bankers' Acceptances of any one commercial bank.
- e. "Select Agencies" are defined as a "city, a district, or other local agency that do[es] not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body."
- f. 10 percent of the outstanding commercial paper of any single corporate issuer.
- g. Issuing corporation must be organized and operating with the U.S. and have assets in excess of \$500,000,000.
- h. "Other Agencies" are counties, a city and county, or other local agency "that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body." Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set for "Select Agencies," above.
- i. No more than 10 percent of the agency's money may be invested in the Commercial Paper of any one corporate issuer; no more than 10 percent of the outstanding Commercial Paper of any one corporate issuer may be purchased by the local agency.
- j. Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if 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 dates of the same security.
- k. Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The issuer must have held the securities used for the agreements for at least 30 days.
- l. "Medium-term notes" are defined in Government Code Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating with the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S."
- m. No more than 10 percent invested in any one mutual fund.
- n. A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least 5 years experience investing in instruments authorized by Government Code Sections 53601 and 53635.
- o. A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than 5 years experience investing in money market instruments with assets under management in excess of \$500 million.
- p. Issuer must have an "A" rating or better for the issuer's debt as provided by a nationally recognized rating agency.
- q. A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least 5 years experience investing in instruments authorized by Government Code Section 53601, subdivisions (a) to (n).