

**Allowable Short-term Investment Instruments
Per State Government Code (as of January 1, 2005)^a
Applicable to counties or a city and county**

Investment Type	Maximum Maturity ^b	Maximum Specified Percentage of Portfolio	Additional Quality Requirements ^c
U.S. Treasury Obligations	397 days	None	None
U.S. Agencies	397 days	None	None
State of California Obligations	397 days	5 percent in any one issuer	None
CA Local Agency Obligations	397 days	5 percent in any one issuer	None
Bankers' Acceptances	180 days	5 percent in any one issuer	None
Commercial Paper	270 days	5 percent in any one issuer ^d	None ^e
Negotiable Certificates of Deposit	397 days	5 percent in any one issuer ^f	None ^g
Repurchase Agreements ^h	1 year ⁱ	5 percent in any one issuer	None
Reverse Repurchase Agreements & Securities Lending Agreements ^h	92 days ^j	20 percent of the market value of the portfolio ^k	None ^l
Debt Securities Issued by Corporation or Depository Institution ^m	397 days	5 percent in any one issuer	None
Mutual Funds ⁿ and Money Market Mutual Funds	N/A	10 percent in any one mutual fund	Multiple ^o
Contracts Issued by Insurance Companies ^p	397 days	5 percent in any one issuer	None
Mortgage and Collateral-backed Securities ^q	397 days	5 percent in any one issuer	"AA" Rating ^r
SEC Rule 2a-7 Allowable Investments	397 days	5 percent in any one issuer	None

* See "Table of Notes for Figure 1b" 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 2

- a. Source: Government Code Sections 53601.7
- b. A county or city and county may not invest in any security under Section 53601.7 that would cause the dollar-weighted average maturity of the funds in the investment pool to exceed 90 days.
- c. Unless otherwise specified, all corporate and depository institution investments must meet or exceed the following criteria at the time of purchase: 1) Short-term debt must be rated at least A-1, P-1, F-1; 2) If the issuer of short-term debt has issued long-term debt, the long-term debt must be rated "A" or better without respect to modifiers. Because Section 53601.7 does not define these investments, local agencies should consult with their legal counsel to determine if any investments purchased fall within this category.
- d. Eligible commercial paper investments may not represent more than 10 percent of the outstanding paper of an issuing corporation.
- e. Issuing corporation must be organized and operating within the U.S. and have assets in excess of \$500,000,000.
- f. Subject to the limits placed on depository funds specified in Government Code Section 53638.
- g. Eligible certificates must be issued by a nationally or state-chartered bank or a federal association, or by a state-licensed branch of a foreign bank. Investments in certificates of deposit are subject to certain restrictions on conflicts of interest as specified in Section 53601.7(e)(7).
- h. Repurchase agreements, reverse repurchase agreements, or securities lending agreements must meet the delivery requirements specified in Government Code Section 53601.
- i. A security underlying a repurchase agreement or a reverse repurchase agreement may exceed the 397-day term limit placed on all investments allowed under Government Code Section 53601.7.
- j. Applies to reverse repurchase agreements unless the agreement includes a guarantee return for the entire period of the agreement.
- k. Value of portfolio based upon investments owned and does not include securities subject to other agreements, such as securities lending agreements.
- l. Investments in reverse repurchase agreements or similar investments can be made only with the approval of the governing body of the local agency and 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 the local agency. The issuer must have held the securities used in the agreement for at least 30 days.
- m. Includes securities specified as "medium-term notes" issued by corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S.
- n. The investments in securities and obligations made by the mutual fund must conform to Government Code Section 53601.7 except that the counterparty to a reverse repurchase agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default.
- o. 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 money market instruments.
- p. These include guaranteed investment contracts.
- q. Category includes mortgage pass-through security, collateralized mortgage obligation, mortgagebacked and other pay-through bond, equipment lease-backed certificate, consumer receivable pass through certificate, or consumer receivable-backed bonds.
- r. Issuer must have an "A" rating or better for the issuer's debt as provided by a nationally recognized rating agency.