

To: Contra Costa County Housing Authority Board of Commissioners  
 From: Joseph Villarreal, Housing Authority  
 Date: October 9, 2018



Contra  
Costa  
County

Subject: ANNUAL REVIEW AND APPROVAL OF INVESTMENT POLICY

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## **RECOMMENDATIONS**

ADOPT Resolution No. 5213 to invest U.S. Department of Housing and Urban Development (HUD) and non-HUD funds according to Housing Authority of the County of Contra Costa's Investment Policy.

## **BACKGROUND**

California Government Code (CGC) Section 53646(a)(2)] requires staff to annually prepare and submit a statement of investment policy, and any changes thereto, to the Board of Commissioners for consideration at a public meeting.

HACCC's Investment Policy was developed following guidelines set forth both by the State and HUD. In general, the State's approach to investing public funds is outlined in CGC Section 53600.5, which reads as follows:

*When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its*

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Action of Board On: **10/09/2018** ☐ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

### **VOTE OF COMMISSIONERS**

AYE: John Gioia,  
 Commissioner  
 Candace Andersen,  
 Commissioner  
 Diane Burgis,  
 Commissioner  
 Karen Mitchoff,  
 Commissioner  
 Federal D. Glover,  
 Commissioner  
 Jannel George-Oden,  
 Commissioner

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: October 9, 2018

Joseph Villarreal, Executive Director

By: , Deputy

Contact: 925-957-8028

cc:

*control.*

## BACKGROUND (CONT'D)

The majority of HACCC's funds are federal moneys received from HUD. When investing these moneys HACCC must follow both the broad guidelines listed above as required by the State and HUD's more specific requirements set forth in HUD PIH Notice 2002-13. It authorizes housing authorities to invest HUD funds in the following:

- United States Treasury Bills, Notes and Bonds;
- Obligations issued by Agencies or Instrumentalities of the U.S. Government;
- State or Municipal Depository Funds, such as the Local Agency Investment Fund (LAIF) or pooled cash investment funds managed by County treasurers;
- Insured Demand and Savings Deposits, provided that deposits in excess of the insured amounts must be 100% collateralized by federal securities;
- Insured Money Market Deposit Accounts;
- Insured SUPER NOW accounts, provided that deposits in excess of the insured amount must be 100% collateralized by federal securities;
- Negotiable Certificates of Deposit issued by federally or state chartered banks or associations, limited to no more than 30% of surplus funds;
- Repurchase/Reverse Repurchase Agreements of any securities authorized by this section; securities purchased under purchase agreements shall be no less than 102% of market value;
- Sweep Accounts that are 100% collateralized by federal securities;
- Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (Money Market Mutual Funds);
- Funds must carry the highest rating of at least two national rating agencies and are limited to not more than 20% of surplus funds;
- Funds held under the terms of a Trust Indenture or other contract or agreement including the HUD/PHA Annual Contributions Contract, may be invested according to the provisions of those indentures or contracts; and
- Any other investment security authorized under the provisions of HUD Notice PIH 02-13.

Any non-HUD moneys controlled by HACCC may be invested in the following instruments permitted by the State (CGC Section 53601 et. seq.):

- Bonds issued by the local entity with a maximum maturity of five years;
- United States Treasury Bills, Notes and Bonds;
- Registered state warrants or treasury notes or bonds issued by the State of California;
- Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurer, other local agencies or Joint Powers Agencies;
- Obligations issued by Agencies or Instrumentalities of the U.S. Government;
- Bankers Acceptances with a term not to exceed 270 days, limited to 40% of surplus funds; no more than 30% of surplus funds can be invested in Bankers Acceptances of any single commercial bank;
- Prime Commercial Paper with a term not to exceed 180 days and the highest ranking issued by Moody's Investors Service or Standard & Poor's Corp., limited to 15% of surplus funds; provided that if the average total maturity of all commercial papers does not exceed 31 days up to 30% of surplus funds can be invested in commercial papers.
- Negotiable Certificates of Deposit issued by federally or state chartered banks or associations, limited to not more than 30% of surplus funds;
- Repurchase/Reverse Repurchase Agreements of any securities authorized by this Section, securities purchased under these agreements shall be no less than 102% of market value.
- Securities purchased under reverse repurchase agreements shall be for temporary and unanticipated cash flow needs only.
- Medium term notes (not to exceed two years) of U.S. corporations rated "AAA" or better by Moody's or Standard & Poor's limited to not more than 30% of surplus funds;

- Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (Money Market Mutual Funds), limited to not more than 15% of surplus funds;
- Funds held under the terms of a Trust Indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements;
- Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations;
- Any mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment least-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five years, securities in this category must be rated AA or better by a national rating service and are limited to not more than 30% of surplus funds;
- Any other investment security authorized under the provisions of California Government Code Sections 5922 and 53601.

HACCC takes a conservative approach to investing. In the past, the majority of HACCC's available funds (over 50%) have been placed in the Local Agency Investment Fund (LAIF), an investment alternative for California's local governments and special districts that is under the oversight of the State Treasurer. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest or principal. Under Federal Law, the State of California cannot declare bankruptcy, thereby providing some assurance that the investments are secure. HACCC's remaining investments are in certificates of deposit, money market accounts and government securities.

As a result of HUD's recapture of the Section 8 housing assistance payment reserves from every housing authority, the percentage of HACCC's invested funds held by LAIF has decreased to 1.83%.

In order to monitor HACCC's compliance with the Investment Policy, staff provide the Board of Commissioners with quarterly reports showing HACCC's investments and any recent activity or changes in those investments as required by CGC Section 53646(b). Compliance with the Investment Policy is also reviewed during HACCC's independent audit. HACCC has had no findings or comments regarding its investment activity.

Staff's recommendation is to maintain HACCC's current policy (see attachment). The attached policy was originally approved by the Board in 2007.

### FISCAL IMPACT

This policy requires the HACCC to take a prudent approach to investing and that HACCC will not make any speculative investments, considering the probable safety of the capital as well as the probable income to be derived. The primary objectives of HACCC's investment activities, in order of priority, are: safety; liquidity; return on investment.

### CONSEQUENCE OF NEGATIVE ACTION

Should the Board of Commissioners elect not to adopt Resolution No. 5213 approving the Investment Policy for the Housing Authority of the County of Contra Costa, HACCC would not be in compliance with HUD regulations and California Government Code.

ATTACHMENTS

Board Order Investment Policy