



# **CALIFORNIA COUNTY TREASURER'S REFERENCE MANUAL**

CALIFORNIA ASSOCIATION OF  
COUNTY TREASURERS AND TAX COLLECTORS  
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The contents of this manual have been contributed from several sources, including Members and Associate Members of the California Association of County Treasurers and Tax Collectors.

IT IS ONLY TO BE USED AS A GUIDE.

For situations which may involve legal actions, you should seek the advice of your county legal advisor (county counsel or district attorney).

Most code sections refer to the California Government Code, unless otherwise noted.  
Additional information is always available from other county treasurers.

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# INTRODUCTION

The purpose of this manual is to address the powers and duties relevant to the position of county treasurer. This introduction provides a brief overview. The topics presented will be expanded further in the manual.

In county finance, responsibility for the financial decision making is divided between the auditor and the treasurer. The auditor is the chief accountant, responsible for executing transactions and maintaining financial and budgetary records. The treasurer is the cash manager, functioning in a manner similar to a banker. This separation of power provides a system of checks and balances and streamlines operations. Good communication is essential between the two offices in order to properly process the workload.

As cash manager, the treasurer collects all cash received by the county. These receipts can be collected directly or indirectly received through the auditor. The treasurer's office makes all deposits. All county expenditures are made by warrant of the county auditor to the treasurer. The treasurer redeems warrants when presented by the bank. All transactions processed are posted by fund to the treasurer's records. Bank activity of the treasury is balanced with the depository on a daily basis. The treasurer provides evidence of this reconciliation to the auditor on a daily basis to ascertain that both offices' records are in agreement.

The treasurer is the chief investment officer of the county. Through communication with the auditor, the treasurer should match investment timing with cash flow needs. The goal of investing public money is to protect the public money and making it available when needed while at the same time trying to maximize returns using eligible investments purchased in compliance with the law.

Miscellaneous duties performed by the county treasurer include maintaining the bonds of several county officials and sitting on various committees. These committees may include:

# COUNTY GOVERNMENT

## COUNTY OFFICERS

### Who are the officers?

California Government Code [\(CGC\) 24000](#).

The following is a list of officers of a county:

- (a) District Attorney
- (b) Sheriff
- (c) County Clerk
- (d) Controller
- (e) Auditor
- (f) Treasurer
- (g) Recorder
- (h) License collector
- (i) Tax Collector
- (j) Assessor
- (k) Superintendent of Schools
- (l) Public Administrator
- (m) Coroner
- (n) Surveyor
- (o) Members of the Board of Supervisors
- (p) County Veterinarian
- (q) Fish and Game Warden
- (r) County Librarian
- (s) County Health Officer
- (t) Administrative Officer
- (u) Director of Finance
- (v) Road Commissioner
- (w) Public Guardian
- (x) Chief Probation Officer
- (y) Such other officers as are provided by law

### [CGC 24001](#).

Except as provided by law, a person is not eligible to a county or district office, unless he or she is a registered voter of the county or district in which the duties of the office are to be exercised at the time that nomination papers are issued to the person or at the time of the appointment of the person.

The board of supervisors, or any other legally constituted appointing authority in a county or district may, if it finds that the best interests of the county or district will be served, may waive the requirements of this section for an appointed county or district office.

### [Elective or appointive officers; procedures for change in designation](#)

#### [CGC 24009](#).

- (a) Except as provided in subdivision (b), the county officers to be elected by the people are the treasurer, county clerk, auditor, sheriff, tax collector, district attorney, recorder, assessor, public administrator, and coroner.
- (b) Except for those officers named in subdivision (b) of Section 1 of Article XI of the California Constitution, any county office that is required to be elective may become an appointive office pursuant to this subdivision. In order to change an office from elective to appointive,

a proposal shall be presented to the voters of the county and approved by a majority of the votes cast on the proposition. A proposal shall be submitted to the voters by the county board of supervisors or it may be submitted to the voters pursuant to the qualification of an initiative petition as provided in Chapter 2 (commencing with Section 9100) of Division 9 of the Elections Code. Any county office changed from elective to appointive in accordance with this subdivision may be changed back from appointive to elective in the same manner.

#### **Political Reform Act of 1974**

#### **CGC 81000.**

This title shall be known and may be cited as the "Political Reform Act of 1974."

#### **CGC 81001.**

The people find and declare as follows:

- (a) State and local government should serve the needs and respond to the wishes of all citizens equally, without regard to their wealth;
- (b) Public officials, whether elected or appointed, should perform their duties in an impartial manner, free from bias caused by their own financial interests or the financial interests of persons who have supported them;
- (c) Costs of conducting election campaigns have increased greatly in recent years, and candidates have been forced to finance their campaigns by seeking large contributions from lobbyists and organizations who thereby gain disproportionate influence over governmental decisions;
- (d) The influence of large campaign contributors is increased because existing laws for disclosure of campaign receipts and expenditures have proved to be inadequate;
- (e) Lobbyists often make their contributions to incumbents who cannot be effectively challenged because of election laws and abusive practices which give the incumbent an unfair advantage;
- (f) The wealthy individuals and organizations which make large campaign contributions frequently extend their influence by employing lobbyists and spending large amounts to influence legislative and administrative actions;
- (g) The influence of large campaign contributors in ballot measure elections is increased because the ballot pamphlet mailed to the voters by the state is difficult to read and almost impossible for a layman to understand; and
- (h) Previous laws regulating political practices have suffered from inadequate enforcement by state and local authorities.

#### **CGC 81002.**

The people enact this title to accomplish the following purposes:

- (a) Receipts and expenditures in election campaigns should be fully and truthfully disclosed in order that the voters may be fully informed and improper practices may be inhibited.
- (b) (The activities of lobbyists should be regulated and their finances disclosed in order that improper influences will not be directed at public officials.
- (c) Assets and income of public officials which may be materially affected by their official actions should be disclosed and in appropriate circumstances the officials should be disqualified from acting in order that conflicts of interest may be avoided.
- (d) The state ballot pamphlet should be converted into a useful document so that voters will not be entirely dependent on paid advertising for information regarding state measures.
- (e) Laws and practices unfairly favoring incumbents should be abolished in order that elections may be conducted more fairly.
- (f) Adequate enforcement mechanisms should be provided to public officials and private citizens in order that this title will be vigorously enforced.

**CGC 81003.**

This title should be liberally construed to accomplish its purposes.

**CGC 81004.**

- (a) All reports and statements filed under this title shall be signed under penalty of perjury and verified by the filer in compliance with this section and Section 84213, as applicable. The verification shall state that the filer has used all reasonable diligence in its preparation, and that to the best of the filer's knowledge it is true and complete.
- (b) A report or statement filed by a committee which qualifies under subdivision (a) of Section 82013 shall be signed and verified by the treasurer, and a report or statement filed by any other person shall be signed and verified by the filer. If the filer is an entity other than an individual, the report or statement shall be signed and verified by a responsible officer of the entity or by an attorney or a certified public accountant acting as agent for the entity. Every person who signs and verifies any report or statement required to be filed under this title which contains material matter which that person knows to be false is guilty of perjury.
- (c) A report or statement filed online or electronically shall include a secure electronic signature that is submitted under penalty of perjury and that conforms to subdivision (a) of this section and subdivision (b) of Section 1633.11 of the Civil Code.
- (d) A filing made on behalf of a filer by a vendor or service provider authorized by the filer to make such filings is presumed filed under penalty of perjury by the filer.

**CGC 81004.5.**

Any report or statement filed pursuant to this title may be amended by the filer at any time. Amending an incorrect or incomplete report or statement may be considered as evidence of good faith.

**CGC 81006.**

Except as provided in this title, no fee or charge shall be collected by any officer for the filing of any report or statement or for the forms upon which reports or statements are to be prepared.

**CGC 81007.**

When a report or statement or copies thereof required to be filed with any officer under this title have been sent by first-class mail or by any other guaranteed overnight delivery service addressed to the officer, it shall for purposes of any deadline be deemed to have been received by him or her on the date of the deposit in the mail or of receipt by that delivery service. It shall be presumed until the contrary is established that any date stamped by the post office on the envelope or contained on the delivery service receipt containing the report or statement is the date it was deposited in the mail or received by the delivery service. Mail which is not received by the filing officer shall be presumed not to have been sent unless the filer possesses a post office or delivery service receipt establishing the date of deposit and the name and address of the addressee.

**CGC 81007.5.**

- (a) Any report or statement or copies thereof required to be filed with any official under Chapter 4 (commencing with Section 84100) or Chapter 7 (commencing with Section 87100), other than a report or statement that is required to be filed online or electronically with the Secretary of State in accordance with this title or with a local government agency in accordance with an ordinance adopted by the agency pursuant to Section 84615, may be emailed or faxed by the applicable deadline, provided that the required originals or paper copies are sent by first-class mail or by any other personal delivery or guaranteed overnight delivery service within 24 hours of the applicable deadline and provided that the total number of pages of each report or statement emailed or faxed is no more than 30 pages.
- (b) An emailed or faxed report or statement shall not be considered filed if the emailed or faxed report or statement is not a true and correct copy of the original.
- (c) A filing officer who receives an emailed or faxed report or statement shall make the report or statement available to the public in the same manner as provided in Section 81008.

**CGC 81008.**

Every report and statement filed pursuant to this title is a public record open for public inspection and reproduction during regular business hours, commencing as soon as practicable, but in any event not later than the second business day following the day on which it was received. No conditions whatsoever shall be imposed upon persons desiring to inspect or reproduce reports and statements filed under this title, nor shall any information or identification be required from these persons. Copies shall be provided at a charge not to exceed ten cents (\$0.10) per page. In addition, the filing officer may charge a retrieval fee not to exceed five dollars (\$5) per request for copies of reports and statements which are five or more years old. A request for more than one report or statement or report and statement at the same time shall be considered a single request.

**CGC 81009.**

- (a) Statements of organization, registration statements, and original campaign statements of persons holding elective state office, candidates for any such office, committees supporting any such officeholder or candidate, and committees supporting or opposing statewide measures, shall be retained by filing officers indefinitely.
- (b) Original campaign statements of mayors, city council members, county supervisors, candidates for any of these offices, and committees supporting any officeholder or candidate shall be retained indefinitely, except that original campaign statements of candidates not elected to these offices and of committees supporting candidates not elected to these offices shall be retained by filing officers for a period of not less than five years.
- (c) Original campaign statements of all other persons shall be retained by filing officers for a period of not less than seven years.
- (d) Original statements of economic interests of persons holding statewide elective office shall be retained by filing officers indefinitely.
- (e) Original reports and statements not specified above in this section shall be retained by filing officers for a period of not less than seven years.
- (f) Copies of reports or statements shall be retained by the officer with whom they are filed for a period of not less than four years, provided, however, that a filing officer is not required to retain more than one copy of a report or statement.
- (g) After an original report or statement or a copy filed in a paper format has been on file for at least two years, the officer with whom it is filed may comply with this section by retaining an electronic copy available for public inspection instead of the original report or statement or copy. Upon request, the officer shall provide copies of such statements pursuant to Section 81008. Reports and statements filed online or electronically under this title shall be retained and archived pursuant to this section and Section 84602 or 84615.

**CGC 81009.5.**

- (a) Any local government agency which has enacted, enacts, amends, or repeals an ordinance or other provision of law affecting campaign contributions and expenditures shall file a copy of the action with the commission.
- (b) Notwithstanding Section 81013, no local government agency shall enact any ordinance imposing filing requirements additional to or different from those set forth in Chapter 4 (commencing with Section 84100) for elections held in its jurisdiction unless the additional or different filing requirements apply only to the candidates seeking election in that jurisdiction, their controlled committees or committees formed or existing primarily to support or oppose their candidacies, and to committees formed or existing primarily to support or oppose a candidate or to support or oppose the qualification of, or passage of, a local ballot measure which is being voted on only in that jurisdiction, and to city or county general purpose committees active only in that city or county, respectively.



### **CGC 81010.**

For reports and statements filed with a filing officer pursuant to this title, the filing officer shall do all of the following:

- (a) Supply the necessary forms and manuals prescribed by the Commission;
- (b) Determine whether required documents have been filed and, if so, whether they conform on their face with the requirements of this title;
- (c) Notify promptly all persons and known committees who have failed to file a report or statement in the form and at the time required by this title;
- (d) Report apparent violations of this title to the appropriate agencies; and
- (e) Compile and maintain a current list of all reports and statements filed with this office.

### **CGC 81011.5.**

Any provision of law to the contrary notwithstanding, the election precinct of a person signing a statewide petition shall not be required to appear on the petition when it is filed with the county elections official, nor any additional information regarding a signer other than the information required to be written by the signer.

### **CGC 81012.**

This title may be amended or repealed by the procedures set forth in this section. If any portion of subdivision (a) is declared invalid, then subdivision (b) shall be the exclusive means of amending or repealing this title.

- (a) This title may be amended to further its purposes by statute, passed in each house by rollcall vote entered in the journal, two-thirds of the membership concurring and signed by the Governor, if at least 12 days prior to passage in each house the bill in its final form has been delivered to the commission for distribution to the news media and to every person who has requested the commission to send copies of such bills to that person.
- (b) This title may be amended or repealed by a statute that becomes effective only when approved by the electors.

### **CGC 81013.**

Nothing in this title prevents the Legislature or any other state or local agency from imposing additional requirements on any person if the requirements do not prevent the person from complying with this title. If any act of the Legislature conflicts with the provisions of this title, this title shall prevail.

### **CGC 81014.**

Whenever any reference is made in this title to a federal or state statute and that statute has been or is subsequently repealed or amended, the Commission may promulgate regulations to carry out the intent of this title as nearly as possible.

### **CGC 81015.**

If any provision of this title, or the application of any such provision to any person or circumstances, shall be held invalid, the remainder of this title to the extent it can be given effect, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby, and to this end the provisions of this title are severable.

## **GENERAL DUTIES**

### **Liability for failure to complete business before expiration of term**

#### **CGC 24050.**

Each county officer shall complete the business of his office to the time of the expiration of his term. If at the close of his term any officer leaves to his successor any official labor to be performed which it was his duty to perform, he shall be liable to his successor for the full value of such services.

### **Annual inventory of county property**

#### **CGC 24051.**

- (a) On or before July 10th in each year, or at any other interval designated by the board of supervisors, each county officer or person in charge of any office, department, service, or institution of the county, and the executive head of each special district whose affairs and funds are under the supervision and control of the board of supervisors or for which the board is ex officio the governing body shall file with the county clerk, or with the county auditor, according to the procedure prescribed by the board, an inventory under oath, showing in detail all county property in his or her possession or in his or her charge at the close of business on the preceding June 30th.
- (b) By ordinance the board of supervisors may prescribe an annual or any other period, provided that the period shall not be in excess of three years, for preparation of the inventory and a correspondingly different date for its filing, and may prescribe the manner and form in which the inventory shall be compiled. The inventories shall be kept of record by the county clerk or auditor for at least five years. Any inventory which has been on file for five years or more may be destroyed on order of the board of supervisors or may be destroyed at any time after the document has been reproduced in accordance with Section 26205.1.
- (c) A true copy of the inventory shall be delivered by the person who made it to his or her successor in office, who shall receipt for it. The receipt shall be filed with the county clerk or county auditor.

### **Fees for publication of newspaper notices; penalties**

#### **CGC 24052.**

Whenever notice is required by law to be published in a newspaper by any officer of a county or judicial district, the person for whom the notice is to be given shall pay to the officer, if required,

the fees for the publication, in advance. Failure of any officer to publish any notice required by law pertaining to the duties of his office is a misdemeanor.

#### **Liability for illegal allowance of claims**

##### **CGC 24054.**

Any officer authorizing, aiding to authorize, auditing, allowing, or paying any claim or demand upon or against the treasury of any county, or any fund thereof, in violation of law or of the constitution is liable personally and upon his official bond to the person damaged by such illegal action, to the extent of his loss by reason of the nonpayment of his claim.

#### **Administering the oath**

##### **CGC 24057.**

Every county officer and the officer's deputies may administer and certify oaths.

#### **Ethics training**

##### **CGC 53235.**

- (a) If a local agency provides any type of compensation, salary, or stipend to a member of a legislative body, or provides reimbursement for actual and necessary expenses incurred by a member of a legislative body in the performance of official duties, then all local agency officials shall receive training in ethics pursuant to this article.
- (b) Each local agency official shall receive at least two hours of training in general ethics principles and ethics laws relevant to his or her public service every two years.
- (c) If any entity develops curricula to satisfy the requirements of this section, then the Fair Political Practices Commission and the Attorney General shall be consulted regarding the sufficiency and accuracy of any proposed course content. When reviewing any proposed course content, the Fair Political Practices Commission and the Attorney General shall not preclude an entity from also including local ethics policies in the curricula.
- (d) A local agency or an association of local agencies may offer one or more training courses, or sets of self-study materials with tests, to meet the requirements of this section. These courses may be taken at home, in-person, or online.
- (e) All providers of training courses to meet the requirements of this article shall provide participants with proof of participation to meet the requirements of Section 53235.2.
- (f) A local agency shall provide information on training available to meet the requirements of this article to its local officials at least once annually.

##### **CGC 53235.1.**

- (a) Each local agency official in local agency service as of January 1, 2006, except for officials whose term of office ends before January 9, 2007, shall receive the training required by subdivision (a) of Section 53235 before January 1, 2007. Thereafter, each local agency official shall receive the training required by subdivision (a) of Section 53235 at least once every two years.

- (b) Each local agency official who commences service with a local agency on or after January 1, 2006, shall receive the training required by subdivision (a) of Section 53235 no later than one year from the first day of service with the local agency. Thereafter, each local agency official shall receive the training required by subdivision (a) of Section 53235 at least once every two years.
- (c) A local agency official who serves more than one local agency shall satisfy the requirements of this article once every two years without regard to the number of local agencies with which he or she serves.

**CGC 53235.2.**

- (a) A local agency that requires its local agency officials to complete the ethical training prescribed by this article shall maintain records indicating both of the following:
  - (1) The dates that local officials satisfied the requirements of this article.
  - (2) The entity that provided the training.
- (b) Notwithstanding any other provision of law, a local agency shall maintain these records for at least five years after local officials receive the training. These records are public records subject to disclosure under the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1)

## **DEPUTIES**

**Deputy included in principal's name**

**CGC 24100.**

Whenever the official name of any principal officer is used in any law conferring power or imposing duties or liabilities, it includes deputies.

**Appointment: number of deputies**

**CGC 24101.**

Every county or district officer, except a supervisor or judicial officer, may appoint as many deputies as are necessary for the prompt and faithful discharge of the duties of his office.

**Method of appointment; revocation**

**CGC 24102.**

- (a) An appointee shall not act as deputy until:
  - (1) A written appointment by the deputy's principal is filed with the county clerk.
  - (2) A copy of the appointment is filed with the county auditor, if the auditor has so requested.
  - (3) The deputy has taken the oath of office.
- (b) In its discretion, the board of supervisors of a county may require every appointed deputy of that county who legally changes their name, delegated authority, or department, within 10 days from the date of the change, to file a new appointment in the same manner as the

original filing. The county may maintain a record of each person so required to file a new oath of office indicating whether or not the person has complied. Any record maintained pursuant to this subdivision is a public record subject to disclosure under the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1).

- (c) A revocation of the appointment of any deputy shall be made and filed in the same manner as the appointment.
- (d) Five years after the date of revocation of appointment of a deputy, the written oath of office subscribed to by the deputy may be destroyed and no reproduction thereof need be made or preserved.

### **Discharge of principal's duties**

#### **CGC 24105.**

If the office of any of the county officers enumerated in Section 24000 of this code is vacant the duties of such office may be temporarily discharged by a chief deputy, assistant or deputy of such officer, as the case may be, next in authority to such county officer in office at the time the vacancy occurs, with like authority and subject to the same obligations and penalties as such county officer, until the vacancy in the office is filled in the manner provided by law; provided that if the vacancy occurs in the office of sheriff, the duties of such office shall be discharged by the undersheriff, or if that position is vacant, by the assistant sheriff, or if that position is also vacant, by the chief deputy next in line of authority.

## **OFFICIAL BONDS**

### **Prescribing official bonds**

#### **CGC 24150.**

Prior to the primary election immediately preceding the election of county officers, the board of supervisors shall prescribe the amounts of the official bonds of the treasurer, county clerk, auditor, sheriff, tax collector, district attorney, recorder, assessor, surveyor, superintendent of schools, public administrator, and coroner.

### **Additional bond of tax collector**

#### **CGC 24152.**

Before qualifying the tax collector shall give an additional bond as license collector in such sum as is fixed by the board of supervisors.

### **Master bond**

#### **CGC 24154.**

As an alternative or supplementary to the bonds required by this chapter, the board of supervisors may include the county officers listed in this chapter as covered employees in any master bond used in their county in accordance with Section 1481 of this code.

**Self-insurance in lieu of bonds; resolution; county, district and court officers and employees; determination**  
**CGC 24156.**

The board of supervisors of any county may, by resolution, adopt a program of self-insurance in lieu of bonds for any officer or employee employed by such county, or for the officers or employees of any district, the governing board of which is the board of supervisors of the county adopting the resolution, or for any officer or attaché of any court supported in whole or in part by the adopting county. After the resolution is adopted, any or all requirements of law with respect to faithful performance or revolving fund bonds shall be inapplicable to such county, district or court or any officer or employee thereof; provided, however, that such a county shall provide for self-insurance, the amount of which shall be determined pursuant to the provisions of Sections 1480, 1481, 24150 and 24151.

**Exercising functions of office without having qualified**  
**CGC 1303.**

Every person who exercises any function of a public office without taking the oath of office, or without giving the required bond, is guilty of a misdemeanor.

This section does not affect the validity of acts done by a person exercising the functions of a public office in fact, where other persons than himself are interested in maintaining the validity of such acts.

**Necessity of taking constitution oath**  
**CGC 1360.**

Unless otherwise provided, before any officer enters on the duties of his office, he shall take and subscribe the oath or affirmation set forth in Section 3 of Article XX of the Constitution of California.

**Place of filing**  
**CGC 1363.**

- (a) Unless otherwise provided, every oath of office certified by the officer before whom it was taken shall be filed within the time required as follows:
- (1) The oath of all officers whose authority is not limited to any particular county, in the office of the Secretary of State.
  - (2) The oath of all officers elected or appointed for any county, and, except as provided in paragraph (4), of all officers whose duties are local, or whose residence in any particular county is prescribed by law, in the office of the county clerk of their respective counties.
  - (3) Each judge of a superior court, the county clerk, the clerk of the court, the executive officer or court administrator of the superior court, and the recorder shall file a copy of that person's official oath, signed with that person's own proper signature, in the office of the Secretary of State as soon as that person has taken and subscribed the oath.

- (4) The oath of all officers for any independent special district, as defined in Section 56044, in the office of the clerk or secretary of that district.
- (b) In addition to filing pursuant to subdivision (a), a health officer appointed pursuant to Section 101000 or 101460 of the Health and Safety Code shall file their oath in the office of the Secretary of State.
- (c) (1) In its discretion, the board of supervisors of a county may require every elected or appointed officer or department head of that county who legally changes their name, delegated authority, or department, within 10 days from the date of the change, to file a new oath of office in the same manner as the original filing. The county may maintain a record of each person so required to file a new oath of office indicating whether or not the person has complied. Any record maintained pursuant to this paragraph is a public record subject to disclosure under the California Public Records Act (Division 10 (commencing with Section 7920.000)).
- (2) Notwithstanding any other law, including, but not limited to, Sections 1368 and 1369, failure of an elected or appointed officer or department head of a county to file a new oath of office required by the board of supervisors pursuant to this subdivision shall not be punishable as a crime.
- (d) Every oath of office filed pursuant to this section with the Secretary of State shall include the expiration date of the officer's term of office, if any. In the case of an oath of office for an appointed officer, if there is no expiration date set forth in the oath, or the officer leaves office before the expiration date, the appointing authority shall report in writing to the Secretary of State the officer's date of departure from office.
- (e) The powers of an appointed officer of a county are no longer granted upon the officer's departure from office. In its discretion, the board of supervisors of a county may require the appointing authority to rescind these powers in writing by filing a revocation in the same manner as the oath of office was filed.

#### **Payment of expenses**

##### **[CGC 1367.](#)**

No compensation nor reimbursement for expenses incurred shall be paid to any officer by any public agency unless he has taken and subscribed to the oath or affirmation required by this chapter

#### **Bonds of treasurers and certain others; approval**

##### **[CGC 1458.](#)**

The bonds of supervisors, treasurers, county clerks, auditors, sheriffs, tax collectors, district attorneys, recorders, assessors, surveyors, superintendents of schools, public administrators, and coroners shall be approved by the presiding judge of the superior court before the bonds can be recorded and filed.

**Bond of county clerk; recording, filing**  
**CGC 1459.**

After being recorded, the official bond of the county clerk shall be filed in the office of the county treasurer.

**Master bond; form and content; term; beneficiary; approval of department of general services**  
**CGC 1481.**

- (a) When deemed expedient by the appointing power, a master official bond or other form of master bond may be used which shall provide coverage on more than one officer, employee, or agent who is required by the appointing power or the board of supervisors of a chartered or general law county to give bond.
- (b) Notwithstanding any other provision of law, when deemed expedient by the legislative body of a local public agency, a master official bond or other form of master bond may be used which shall provide coverage on more than one officer, employee, or agent of the local public agency, whether elected or appointed, who is required by statute, regulation, the appointing power, the governing board of a local public agency, or the board of supervisors of a chartered or general law county to give bond.
- (c) A master bond under this section shall be in the form and for the term which is approved by the appointing power or the legislative body of a local public agency, and shall inure to the benefit of the appointing power, state, or local public agency by whom the officer, employee, or agent is employed as well as the officer or officers under whom the employee or agent serves. If the master bond provides coverage on a public guardian or public administrator, then that master bond shall be for the joint benefit of the guardianship or administratorship estates, and the county to which the bond is issued.
- (d) "Local public agency" means any city or county, whether general law or chartered, city and county, special district, school district, municipal corporation, political subdivision, joint powers authority or agency created pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1, or any board, commission, or agency thereof, or other local public agency, but shall not mean the state or any agency or department of the state.
- (e) "Legislative body" means the board of supervisors of a county or city, or the governing board, by whatever name called, of a local public agency.
- (f) In the case of the State of California, the form and content of the bond shall be subject to the approval of the Director of General Services.

**Condition of official bond**  
**CGC 1501.**

The condition of an official bond shall be that the principal will well, truly, and faithfully perform all official duties then required of him by law, and also all such additional duties as may be imposed on him by any existing law of the State or law enacted subsequently to the execution of the bond.



**Obligation of bond**  
**CGC 1504.**

Every official bond executed by any officer pursuant to law is in force and obligatory upon the principal and sureties therein for:

- (a) Any and all breaches of the conditions thereof committed during the time such officer continues to discharge any of the duties of or hold the office, and whether such breaches are committed or suffered by the principal officer, his deputy, or clerk except that no officer of a county, city, or city and county, whose sole compensation by virtue of his office is a fixed salary established by the Legislature, the local governing body, or the board of supervisors, shall be personally liable for the negligent act or omission of any deputy or employee serving under him and performing the duties of his office, where the appointment or qualification of such deputy or employee is required to be and has been approved by the local governing body or the board of supervisors, or by the civil service commission, unless the officer failed to exercise due care in the selection appointment or supervision of such deputy or employee, or negligently failed to suspend or secure the discharge of such deputy or employee after knowledge or notice of his inefficiency or incompetency, and except that no state officer shall be personally liable for the negligent act or omission of any deputy or employee serving under him and performing the duties of his office, where the appointment or qualification of such deputy or employee is required to be and has been approved by the State Personnel Board, unless such officer failed to exercise due care in the selection, appointment, or supervision of such deputy or employee, or negligently failed to suspend or secure the discharge of such deputy or employee after knowledge or notice of his inefficiency or incompetency.

Nothing in this section shall be interpreted as placing any liability upon the principal officer for the act of a deputy or employee unless such liability is otherwise imposed upon the principal officer by law, nor shall this section be construed or interpreted as releasing or relieving any such county, city, or city and county of any liability for the negligent act or omission of any such deputy or employee otherwise imposed by law.

- (b) The faithful discharge of all duties which may be required of such officer by any law enacted subsequently to the execution of the bond.

**County and judicial district officers; Nonperformance or misperformance of duties**  
**CGC 1505.**

Whenever, except in criminal prosecutions, any special penalty, forfeiture, or liability is imposed on any officer of a county or judicial district for nonperformance or malperformance of official duties, the liability therefor attaches to the official bond of the officer, and to the principal and sureties thereon.

**Disqualification as surety**  
**CGC 1532.**

A member of the board of supervisors shall not be accepted as surety upon the official bond of any officer of a county or judicial district of his county. The sheriff, county clerk, tax collector,

treasurer, recorder, auditor, assessor, or district attorney of the same county shall not become sureties upon official bonds for each other.

**State, county, district, and city officers; payment of premiums on bonds**  
**CGC 1651.**

The premium or charge for bonds given by surety companies for the officers, herein named, and for their deputies, clerks, assistants or subordinate officers shall be paid as follows:

- (a) State officers, by the State.
- (b) County officers, by the county.
- (c) Officers of a judicial district, by the county in which the district is situated.
- (d) School districts or other special district officers, by the school district or other special district, respectively.
- (e) City officers, by the city.

**Deputies, clerk, assistant or subordinate county Officers**  
**CGC 1653.**

The payment of premiums for all bonds of deputies, clerks, assistants or subordinate officers of county officers shall not be a county charge unless the amount fixed for such bond has been approved by the board of supervisors.

## **RESIGNATIONS**

**Writing required; persons to whom made**  
**CGC 1750.**

Resignations shall be in writing, and made as follows:

- (a) By the Governor and Lieutenant Governor, to the Legislature, if it is in session; and if not, then to the Secretary of State.
- (b) By all officers commissioned by the Governor, to the Governor.
- (c) By Senators and Members of the Assembly, to the presiding officers of their respective houses, who shall immediately transmit the resignation to the Governor.
- (d) By all officers of a county or special district other than an air pollution control district which includes territory in more than one county or a school district, not commissioned by the Governor, to the clerk of the board of supervisors of their respective counties, unless by the terms of the act under which a district is formed appointment to vacancies is made by other than the board of supervisors, in which case the resignation shall be submitted to the appointing body.
- (e) By officers of a superior court, to the presiding judge.
- (f) By officers of a municipal corporation, to the clerk of the legislative body of their corporation.

- (g) By all other appointed officers, to the body or officer that appointed them.

**CGC 1751.**

In all cases not otherwise provided for in this article or elsewhere, a resignation is made by filing the resignation in the office of the Secretary of State.

## VACANCY OF OFFICE

### Events causing vacancy before expiration to term

**CGC 1770.**

An office becomes vacant on the happening of any of the following events before the expiration of the term:

- (a) The death of the incumbent.
- (b) An adjudication pursuant to a quo warranto proceeding declaring that the incumbent is physically or mentally incapacitated due to disease, illness, or accident and that there is reasonable cause to believe that the incumbent will not be able to perform the duties of his or her office for the remainder of his or her term.

This subdivision shall not apply to offices created by the California Constitution nor to federal or state legislators.

- (c) (1) His or her resignation, except as provided in paragraph (2).  
(2) In the case of the office of city council member, upon the delivery of a letter of resignation by the resigning council member to the city clerk. The letter of resignation may specify a date on which the resignation will become effective.
- (d) His or her removal from office.
- (e) His or her ceasing to be an inhabitant of the state, or if the office be local and one for which local residence is required by law, of the district, county, or city for which the officer was chosen or appointed, or within which the duties of his or her office are required to be discharged.
- (f) His or her absence from the state without the permission required by law beyond the period allowed by law.
- (g) His or her ceasing to discharge the duties of his or her office for the period of three consecutive months, except when prevented by sickness, or when absent from the state with the permission required by law.
- (h) His or her conviction of a felony or of any offense involving a violation of his or her official duties. An officer shall be deemed to have been convicted under this subdivision when trial court judgment is entered. For purposes of this subdivision, "trial court judgment" means a judgment by the trial court either sentencing the officer or otherwise upholding and implementing the plea, verdict, or finding.

- (i) His or her refusal or neglect to file his or her required oath or bond within the time prescribed.
- (j) The decision of a competent tribunal declaring void his or her election or appointment.
- (k) The making of an order vacating his or her office or declaring the office vacant when the officer fails to furnish an additional or supplemental bond.
- (l) His or her commitment to a hospital or sanitarium by a court of competent jurisdiction as a drug addict, dipsomaniac, inebriate, or stimulant addict; but in that event the office shall not be deemed vacant until the order of commitment has become final.
- (m) (1) The incumbent is listed in the Excluded Parties List System and all of the following subparagraphs apply:
  - (A) The office is one that the incumbent holds ex officio, by virtue of holding another office, or as an appointee.
  - (B) The appointed or ex officio office is on the governing board of a local agency that is, or may reasonably be expected to be, a participant or principal in a covered transaction, pursuant to federal law.
  - (C) A federal agency head or designee has not granted the incumbent an exception, in writing, permitting the incumbent to participate in a particular covered transaction in which the local agency is, or may reasonably be expected to be, a participant or principal.
- (1) For purposes of this subdivision, the following terms have the following meanings:
  - (A) ("Excluded Parties List System" means the list maintained and disseminated by the federal General Services Administration containing names of, and other information about, persons who are debarred, suspended, disqualified, or otherwise excluded from participating in a covered transaction, pursuant to federal law.
  - (B) "Local agency" includes, but is not limited to, a county, whether general law or chartered, city, whether general law or chartered, city and county, school district, municipal corporation, district, political subdivision, or any board, commission, or agency of one of these entities.
  - (C) "Federal law" includes, but is not limited to, federal regulations adopted pursuant to Section 2455 of Public Law 103-355 (108 Stat. 3327), Executive Order No. 11738, Executive Order No. 12549, and Executive Order No. 12689.
- (2) This subdivision shall not apply to an elective office.

**Disqualification from office**  
[\*\*CGC 1770.1.\*\*](#)

The disqualification from holding office upon conviction, as provided in Section 1021, or the forfeiture of office upon conviction, as provided in subdivision (h) of Section 1770 and Section

3000, is neither stayed by the initiation of an appeal from the conviction, nor set aside by the successful prosecuting of an appeal from the conviction by the person suffering the conviction.

#### **No assumption of office**

##### **CGC 1770.2.**

Upon the entry of a plea of guilty, the entry of a plea of nolo contendere, or the rendering of a verdict of a guilty either by a jury or by the court sitting without a jury of a public offense, the conviction of which would invoke the provisions of Section 1021, subdivision (h) of Section 1770, or Section 3000, the person found guilty shall not assume the office for which the person is otherwise qualified or shall be suspended immediately from the office the person then holds. During the time of inability to assume an office or of suspension from office, the person shall not be entitled to receive the emoluments of the office, including, but not limited to, the exercise of the powers of the office, the rights to be seated in the office, and the compensation, including benefits, prescribed for the office.

In the event the trial court sets aside or otherwise nullifies the plea or verdict before the trial court judgment is entered, the inability to assume office or the suspension from holding office shall be lifted, and the person suspended from office shall be restored to office with its emoluments, including those that would have otherwise accrued during the suspension, excluding, however, interest on any monetary payment.

#### **Rights and obligations of person filling vacancy**

##### **CGC 1777.**

After filing his official oath and bond, any person elected or appointed to fill a vacancy possesses all the rights and powers and is subject to all the liabilities, duties, and obligations of the officer whose vacancy he fills.

#### **Filling vacancy by appointment of board of supervisors**

##### **CGC 25304.**

The board of supervisors shall fill by appointment all vacancies that occur in any office filled by the appointment of the board and elective county officers, except judge of the superior court and supervisors. The appointee shall hold office for the unexpired term or until the first Monday after January 1st succeeding the next general election.

## **ELECTION**

#### **Election date of county officers; beginning of term**

##### **CGC 24200.**

Except as otherwise provided, all elective county officers shall be elected at the general election at which the Governor is elected, and take office at 12 o'clock noon on the first Monday after the January 1st succeeding their election.

## OFFICES AND OFFICE HOURS

### Offices

#### CGC 24250.

Sheriffs, clerks, recorders, treasurers, and auditors, shall have their offices at the county seat in the courthouse, hall of records, jail, or other buildings. However, these officials may situate their offices outside the county seat, provided that the offices are conveniently located and easily accessible to the public, and notice of their location is prominently displayed in the county administration building and other appropriate county facilities.

### Office hours

#### CGC 24260.

In all counties county officers shall keep their offices open for the transaction of business during such hours and on such days as are fixed by the board of supervisors by ordinance or resolution.

## CONSOLIDATION OF OFFICES

### Combinations authorized

#### CGC 24300.

By ordinance the board of supervisors may consolidate the duties of certain of the county offices in one or more of these combinations:

- |   |   |
|---|---|
| (a) Sheriff and Tax Collector.                  | (m) District Attorney and Coroner.  |
| (b) Auditor and Recorder.                       | (n) Sheriff and Coroner.  |
| (c) County Clerk, Auditor, and Recorder.        | (o) Sheriff and Public Administrator.   |
| (d) County Clerk and Public Administrator.      | (p) County Agricultural Commissioner and County Sealer of Weights and Measures.   |
| (e) County Clerk and Recorder.                  | (q) Road Commissioner and Surveyor. <i>A county may create an office entitled public works director, combining the duties of road commissioner and surveyor and any other compatible duties not legally required to be performed by another county officer.</i> |
| (f) County Clerk and Auditor.                   | (r) County Surveyor and Director of Transportation.   |
| (g) Treasurer and Tax Collector.                |   |
| (h) Treasurer and Recorder.                     |   |
| (i) Treasurer and Assessor.                     |   |
| (j) Treasurer and Public Administrator.         |   |
| (k) Public Administrator and Coroner.           |   |
| (l) District Attorney and Public Administrator. |   |

By the ordinance that consolidates the duties of the appointive county offices described in subdivision (p), notwithstanding Section 2122 and Sections 2181 to 2187, inclusive, of the Food and Agricultural Code, and Sections 12200 and 12214 of the Business and Professions Code, the board of supervisors may provide that the first term only of the newly consolidated office expires when the first of the remaining unexpired terms of the two unconsolidated offices would have expired. Where a vacancy in either of the unconsolidated offices exists the term of office of the newly consolidated office shall be the longer of the remaining unexpired terms.

#### **Consolidation of offices of auditor, controller, treasurer, tax collector and director of finance**

##### **CGC 24300.5.**

In addition to the duties of the county offices which may be consolidated under the provisions of Section 24300, the board of supervisors may by ordinance consolidate the offices of auditor, controller, treasurer, tax collector, and director of finance.

#### **Treasurer/tax collector qualifications**

##### **CGC 27000.7.**

- (a) No person shall be eligible for election or appointment to the office of county treasurer, county tax collector, or county treasurer-tax collector of any county unless that person meets at least one of the following criteria:
- (1) The person has served in a senior financial management position in a county, city, or other public agency dealing with similar financial responsibilities for a continuous period of not less than three years, including, but not limited to, treasurer, tax collector, auditor, controller, or the chief deputy or an assistant in those offices.
  - (2) The person possesses a valid baccalaureate, masters, or doctoral degree from an accredited college or university in any of the following major fields of study: business administration, public administration, economics, finance, accounting, or a related field, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.
  - (3) The person possesses a valid certificate issued by the California Board of Accountancy pursuant to Chapter 1 (commencing with Section 5000) of Division 3 of the Business and Professions Code, showing that person to be, and a permit authorizing that person to practice as, a Certified Public Accountant.
  - (4) The person possesses a valid charter issued by the Institute of Chartered Financial Analysts showing the person to be designated a Chartered Financial Analyst, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.
  - (5) The person possesses a valid certificate issued by the Treasury Management Association showing the person to be designated a Certified Cash Manager/Certified Treasury Professional, with a minimum of 16 college semester LBUSTRUU Index units, or their equivalent, in accounting, auditing, or finance.

- (b) This section shall only apply to any person duly elected or appointed as a county treasurer, county tax collector, or county treasurer-tax collector on or after January 1, 1998.

#### **Auditor-controller qualifications**

#### **CGC 26945.**

No person shall hereafter be elected or appointed to the office of county auditor of any county unless the person meets at least one of the following criteria:

- (a) The person possesses a valid certificate issued by the California Board of Accountancy under Chapter 1 (commencing with Section 5000) of Division 3 of the Business and Professions Code showing the person to be, and a permit authorizing the person to practice as, a certified public accountant or as a public accountant.
- (b) The person possesses a baccalaureate degree from an accredited university, college, or other four-year institution, with a major in accounting or its equivalent, as described in subdivision (a) of Section 5081.1 of the Business and Professions Code, and has served within the last five years in a senior fiscal management position in a county, city, or other public agency, a private firm, or a nonprofit organization, dealing with similar fiscal responsibilities, for a continuous period of not less than three years.
- (c) The person possesses a certificate issued by the Institute of Internal Auditors showing the person to be a designated Certified Internal Auditor, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.
- (d) The person has served as county auditor, chief deputy county auditor, or chief assistant county auditor for a continuous period of not less than three years.

#### **CGC 26945.1.**

- (a) Any person serving in the capacity of county auditor shall complete at least 40 hours of qualifying continuing education, pursuant to subdivision (b), for each two-year period, beginning January 1, 1998, and completing at least 10 hours in each year of the two-year period. At least 20 of the 40 hours of continuing education shall be obtained in governmental accounting, auditing, or related subjects.
- (b) Qualifying continuing education may be obtained in the areas of accounting, auditing, or related subjects. In addition, qualifying continuing education may be obtained in any other subject, if it can be demonstrated that the specific educational program contributes to professional competence.
- (c) With respect to a county auditor who is a licensee of the California Board of Accountancy, or of the accountancy licensing authority of any other state, or who possesses a certificate issued by the Institute of Internal Auditors, continuing education obtained for purposes of renewal of the license or certificate may be applied to satisfy the requirements of this section.



## Director of finance

### CGC 26980.

The Board of Supervisors of any county may establish the office of Director of Finance.

- (a) The Board of Supervisors shall submit to the electors of the county the question of whether the office of Director of Finance shall be established. If a majority of the voters voting on the question at that election favor the establishment of the office, the board of supervisors shall, by ordinance, create the office.
- (b) The Board of Supervisors at that election may also submit to the voters the question of whether the office, if so established, shall be elective, or appointed by the Board of Supervisors. If a majority of the voters voting on the question favor making the office elective, the Board of Supervisors shall, in the ordinance creating the office, make it an elective one.
- (c) Any person may be appointed by the Board of Supervisors, or be a candidate for election, to the office of Director of Finance, consolidated from other offices pursuant to this chapter, if he or she meets the qualifications set forth in Section 26945 or Section 27000.7.

## Counties of thirteenth to fifty-seven class, office subject to consolidation

### CGC 24304.

Notwithstanding the provisions of Section 24300, in counties of the 13th to 58th classes, inclusive, the Board of Supervisors by ordinance may consolidate the duties of certain of the county offices in one or more of these combinations:

- (a) Sheriff and Tax Collector.
- (b) Auditor and Recorder.
- (c) County Clerk, Auditor, and Recorder.
- (d) County Clerk and Public Administrator.
- (e) County Clerk and Recorder.
- (f) County Clerk and Auditor.
- (g) Treasurer and Tax Collector.
- (h) Treasurer and Recorder.
- (i) Treasurer and Assessor.
- (j) Treasurer and Public Administrator.
- (k) Public Administrator and Coroner.
- (l) District Attorney and Public Administrator.
- (m) District Attorney and Coroner.
- (n) Sheriff and Coroner.
- (o) Sheriff and Public Administrator.
- (p) County Agricultural Commissioner and County Sealer of Weights and Measures.
- (q) County Clerk and Tax Collector.
- (r) Treasurer, Tax Collector, and Recorder.
- (s) Sheriff, Tax Collector, and Coroner.
- (t) Coroner and Public Health Officer.
- (u) Road Commissioner and Surveyor. *A county may create an office entitled public works director, combining the duties of road commissioner and surveyor and any other compatible duties not legally required to be performed by another county officer.*
- (v) Sheriff, Coroner, and Public Administrator.

(w) Treasurer, Tax Collector, and Public Administrator.

(x) County Clerk, Assessor, and Recorder.

(y) Assessor and Recorder.

(z) Tax Collector/County Clerk and Treasurer.

## **FEES**

### **Collection and payment of fees into county treasury**

#### **CGC 24350.**

Each salaried officer of a county shall charge and collect for the use of his or her county and pay into the county treasury on or before the fifth day of each month the fees allowed by law in all cases, except those or a percentage of them allowed him or her, and those which are a charge against the county. No salaried officer who collects fees pursuant to this section shall be required to accept coin in payment of those fees.

### **Deposit and withdrawal of trust monies**

#### **CGC 24351.**

Unless otherwise specifically provided for by law, each officer of a county shall on the certificate of the auditor immediately deposit in the county treasury all trust money coming into the officer's possession officially. Trust money so deposited shall be withdrawn only on a warrant issued by the county auditor drawn upon requisition of the officer depositing the money.

### **Duty to keep records**

#### **CGC 24352.**

Each officer authorized to receive fees pursuant to this title shall keep, in accordance with the guidelines of the controller, a monthly record of all fees or compensation and fines of whatever nature, kind, or description, collected or chargeable. The record shall be open to public inspection during office hours.

### **Officers authorized to collect monies; payment into county treasury**

#### **CGC 24353.**

Each officer of a county authorized to collect money shall pay into the county treasury all monies collected by him or her, or under his or her control, that is payable into the treasury in a timely manner, and shall remit fee, fine, and forfeiture data within 35 days after the end of the month in which they are collected to the county auditor and treasurer in the form they require. No officer who collects monies as described in this section shall be required to accept payment in coin. If the county auditor finds that an officer of the county has failed to comply with the requirements for payment of monies pursuant to this section or Section 68101, which directly results in the assessment of a financial penalty pursuant to Section 68085, the county department that failed to comply shall reimburse the county general fund in an amount equal to the actual penalty. With the approval of the treasurer as provided in Section 27080.1, each depositing officer may deposit directly into the treasurer's active account all monies payable into the county treasury.

# COUNTY OFFICE OF TREASURER

## GENERAL DUTIES

### Custody and payment of monies

#### CGC 27000.

The county treasurer shall receive and keep safely all money belonging to the county and all other money directed by law to be paid to him and apply and pay it out, rendering the account as required by law.

### Delegation of investment authority

#### CGC 27000.1.

Subject to Section 53607, the board of supervisors may, by ordinance, delegate to the county treasurer the authority to invest and/or reinvest the funds of the county and the funds of other depositors in the county treasury, pursuant to Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5. The county treasurer shall thereafter assume full responsibility for those transactions until the board of supervisors either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in Section 53607. Nothing in this section shall limit the county treasurer's authority pursuant to Section 53635 or 53684.

### Fiduciary responsibility; prudent investor standard

#### CGC 27000.3.

- (a) With regard to county funds deposited in the county treasury, the Board of Supervisors is the agent of the county who serves as a fiduciary and is subject to the prudent investor standard, unless a delegation has occurred pursuant to Section 53607 in which case the county treasurer shall be the agent of the county with respect to these funds, serve as a fiduciary, and be subject to the prudent investor standard and the Board of Supervisors shall not be the agent, serve as a fiduciary, or be subject to the prudent investor standard.
- (b) With regard to funds deposited in the county treasury that are deposited by local agencies other than the county and at the discretion of those local agencies, the county treasurer serves as a fiduciary subject to the prudent investor standard.
- (c) When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, 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 county and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law. Nothing in this chapter is intended to grant investment authority to any person or governing body except as provided in Sections 53601, 53607, and 53635.

**Investment objectives: safety, liquidity and yield**  
**CGC 27000.5.**

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the primary objective of the county treasurer or the board of supervisors, shall be to safeguard the principal of the funds under the treasurer's or the board's control. The secondary objective shall be to meet the liquidity needs of the depositors. The third objective shall be to achieve a reasonable risk-adjusted return on the funds under his or her control.

**Optional board of supervisor ordinance required**  
**CGC 27000.6.**

The provisions of Sections 27000.7, 27000.8, and 27000.9 shall become effective only in those counties in which, prior to the first date of the period for filing declarations of candidacy for the office of county treasurer, county tax collector, or county treasurer-tax collector, the board of supervisors by majority vote at a regular meeting with all members present, enact an ordinance adopting the provisions of those sections. That ordinance may be repealed by the board of supervisors at any time.

**Treasurer and/or tax collector qualifications**  
**CGC 27000.7.**

(a) A person shall not be eligible for election or appointment to the office of county treasurer, county tax collector, or county treasurer-tax collector of any county unless that person meets at least one of the following criteria:

(1) The person has served in a senior financial management position in a county, city, or other public agency dealing with similar financial responsibilities for a continuous period of not less than three years, including, but not limited to, treasurer, tax collector, auditor, auditor-controller, or the chief deputy or an assistant in those offices.

(2) The person possesses a valid baccalaureate, masters, or doctoral degree from an accredited college or university in any of the following major fields of study: business administration, public administration, economics, finance, accounting, or a related field, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.

(3) The person possesses a valid certificate issued by the California Board of Accountancy pursuant to Chapter 1 (commencing with Section 5000) of Division 3 of the Business and Professions Code, showing that person to be, and a permit authorizing that person to practice as, a certified public accountant.

(4) The person possesses a valid charter issued by the Institute of Chartered Financial Analysts showing the person to be designated a Chartered Financial Analyst, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.

(b) (1) This section shall only apply to any person duly elected or appointed as a county treasurer, county tax collector, or county treasurer-tax collector on or after January 1, 1998.

(2) The amendments made by the act adding this paragraph apply to any person duly elected or appointed as a county treasurer, county tax collector, or county treasurer-tax collector on or after January 1, 2024.

#### **Continuing education for elected officer**

##### **CGC 27000.8.**

Any duly elected county treasurer, county tax collector, or county treasurer-tax collector serving in that office on January 1, 1996, may serve for his or her remaining term of office during which period of time the requirements of this section shall not apply. After the election of a county treasurer, county tax collector, or county treasurer-tax collector to office, that person shall complete a valid continuing course of study as prescribed in this section, and shall during the person's four-year term of office on or before June 30 of the fourth year, render to the controller a certification indicating that the person has successfully completed a continuing education program consisting of, at a minimum, 48 hours, or an equivalent amount of continuing education units within the discipline of treasury management, tax collection, public finance, public administration, governmental accounting, or directly related subjects, offered by a recognized state or national association, institute, or accredited college or university, or the California Debt and Investment Advisory Commission, that provides the requisite educational programs prescribed in this section. The willful or negligent failure of any elected county treasurer, county tax collector, or county treasurer-tax collector to comply with the requirements of this section shall be deemed a violation of this section.

#### **Continuing education for appointed officer**

##### **CGC 27000.9.**

Notwithstanding any other requirement of law, any duly appointed county officer serving in the capacity of county treasurer, county tax collector, or county treasurer-tax collector shall, beginning in 2000, complete a valid continuing course of study as prescribed in this section, and shall, on or before June 30 of each two-year period, render to the controller, a certification indicating that the county officer has successfully completed a continuing education program consisting of, at a minimum, 24 hours or an equivalent amount of continuing education units within the discipline of treasury management, public finance, public administration, governmental accounting, or directly related subjects, offered by a recognized state or national association, institute, or accredited college or university, or the California Debt and Investment Advisory Commission, that provides the requisite educational programs prescribed in this section. The willful or negligent failure of any county officer serving in the capacity of county treasurer, county tax collector, or county treasurer-tax collector to comply with the requirements of this section shall be deemed a violation of this section.

**Certificates of auditor; filing**  
**CGC 27001.**

The treasurer shall file and keep the certificates of the auditor delivered to him or her when money is paid into the treasury. Notwithstanding Sections 26201, 26202, and 26205, the treasurer may destroy any certificate pursuant to this section under either of the following circumstances:

- (a) The certificate has been filed for more than five years.
- (b) The certificate has been filed for more than one year, and all of the following conditions are complied with:
  - (1) The record, paper, or document is photographed, microphotographed, reproduced by electronically recorded video images on magnetic surfaces, or recorded on optical disk or reproduced on any other medium that does not permit additions, deletions, or changes to the original document and is produced in compliance with Section 12168.7 for recording of permanent records or nonpermanent records if the copy is kept or maintained for five years from the date of the document.
  - (2) The device used to reproduce the record, paper, or document on film, or any other medium is one that accurately reproduces the original thereof in all details. A duplicate copy of any record reproduced in compliance with Section 12168.7 for the recording of permanent or nonpermanent records, whichever applies, shall be deemed an original.
  - (3) The photographs, microphotographs, or other reproductions on film or any other medium are placed in conveniently accessible files and provision is made for preserving, examining, and using the same.
  - (4) The record, paper, or document is reproduced and preserved utilizing other information technology.

**Account of receipts and expenditures; requisites**  
**CGC 27002.**

The treasurer shall keep an account of the receipt and expenditure of all money received or paid out by him or her in books provided for the purpose. He or she shall enter in the books the amount, the time, from whom, and on what account all money was received by him or her, and the warrant number, the amount, time, and on what account all disbursements were made by him or her.

**CGC 27002.1**

- (a) The treasurer may, in lieu of entering in books an account of the receipt and expenditure of all money received or paid out by him or her as provided in Section 27002, photograph, microphotograph, photocopy, or enter into an electronic data-processing system that utilizes optical transmission and filing, all receipts for money received by him or her and all warrants paid out by him or her.

- (b) Every reproduction described in subdivision (a) shall be deemed and considered an original, and a transcript, exemplification, or certified copy of any of those reproductions shall be deemed and considered a transcript, exemplification, or certified copy, as the case may be, of the original.
- (c) All reproductions described in subdivision (a) shall be properly indexed and placed in convenient, accessible files. Each roll of microfilm shall be deemed and constitute a book, and shall be designated and numbered, and provision shall be made for preserving, examining, and using it.

A duplicate of each roll of microfilm shall be made and kept in a safe and separate place.

### **Photographic records of receipts and expenditures**

#### **CGC 27003.**

The treasurer shall keep his or her books or any other authorized form of record so that the amounts received and paid out on account of separate funds or specific appropriations are exhibited in separate and distinct accounts, and the whole receipts and expenditures shown in one general or cash account.

### **Claims**

#### **CGC 29700.**

Except as otherwise provided herein, this chapter applies to all claims for money or damages against counties including claims which are governed by Part 3 (commencing with Section 900) and Part 4 (commencing with Section 940) of Division 3.6 of Title 1 of this code.

### **Payment of claims**

#### **CGC 53910.**

In addition to any other provision of law for the issuance and payment of warrants of any county, city and county, city, district, or other political subdivision of the state, the governing body thereof, or, in the case of school districts not issuing their own warrants, the governing body of the appropriate issuing officer, may by resolution authorize practices with respect to form, issuance, delivery, endorsement and payment of warrants it deems convenient, efficient and in the public interest, conforming substantially to those practices specified in Sections 53911, 53912, 53913, or 53915.

### **Disbursements to be on warrants only**

#### **CGC 27005.**

The treasurer shall disburse the county money and all other money placed in his or her custody by official authority only on county warrants, checks, or electronic fund transfers issued by the county auditor, except for the making of legal investments.

**What warrants are based on; manner of paying warrants**  
**CGC 27006.**

The treasurer shall disburse the money in the treasury on county warrants only when they are based on orders of the board of supervisors, upon order of the superior court, or as otherwise provided by law. In the payment of the warrants he may issue his order, check, or draft drawn upon proper funds that are on deposit in any bank.

**When warrants become void and when such warrants are replaceable**  
**CGC 29802.**

- (a) Unless otherwise provided by ordinance, any warrant issued is void if not presented to the county treasurer for payment within six months after its date.

Whenever, under the provisions of this section, warrants drawn on trust funds became void, the monies in the county treasury represented by the warrants may be transferred to the general fund of the county by the county auditor unless disposition is otherwise provided by law.

- (b) Any time within two years from the date on which the original warrant became void, the payee or assignee of any warrant which is void as provided in this section may present the warrant to the governing body of the agency on which the warrant was drawn, or declare by affidavit that the warrant has been lost or destroyed, and the governing body may by resolution authorize the auditor to draw new warrants within the limitations prescribed by the resolution without prior individual order of the governing body, provided the limitations prescribed by this section have been complied with. The new warrant shall be subject to the same limitations as the original warrant which it replaces.
- (c) If, at any time after a period of two years from the date on which the original warrant became void, or during such other period of time as specified by ordinance, the payee or assignee presents such warrant to the governing body of the agency on which the warrant was drawn, the governing body may adopt an order instructing the county auditor to draw a new warrant in favor of the payee or assignee in the same amount as the original warrant, or the governing body, by resolution, may authorize the auditor, without prior individual order of the governing body, to draw warrants within the limitations prescribed by the resolution in any case in which the auditor determines that it would be inequitable or unreasonable not to draw the warrant, and money is available in the county treasury to make payment on the indebtedness. If the auditor deems it necessary, he or she may present a voided warrant to the governing body for its review, approval, and appropriation of funds. Any such new warrant shall be subject to the same limitations as the original warrant which it replaces.



**Negotiable paper**  
**CGC 6150.**

Any officer of a county who is not specifically authorized by statute so to do may be authorized by the board of supervisors of the county to accept negotiable paper in payment for any license, permit, or fee, in payment of any other obligation owing to such county, or in payment of any trust deposit. Such authorization may be withdrawn at any time by the board of supervisors and may be given under such conditions as the board of supervisors by resolution shall establish. Any officer so authorized may, at his discretion, accept negotiable paper in payment for any license, permit, or fee, in payment of any other obligation owing to such county, or in payment of any trust deposit.

**Credit cards**  
**CGC 6159.**

- (a) The following definitions apply for purposes of this section:
- (1) "Credit card" means any card, plate, coupon book, or other credit device existing for the purpose of being used from time to time upon presentation to obtain money, property, labor, or services on credit.
  - (2) "Card issuer" means any person, or his or her agent, who issues a credit card and purchases credit card drafts.
  - (3) "Cardholder" means any person to whom a credit card is issued or any person who has agreed with the card issuer to pay obligations arising from the issuance of a credit card to another person.
  - (4) "Debit card" means a card or other means of access to a debit card cardholder's account that may be used to initiate electronic funds transfers from that account.
  - (5) "Draft purchaser" means any person who purchases credit card drafts.
  - (6) "Electronic funds transfer" means any method by which a person permits electronic access to, and transfer of, money held in an account by that person.
- (b) Subject to subdivisions (c) and (d), a court, city, county, city and county, or other public agency may authorize the acceptance of a credit card, debit card, or electronic funds transfer for any of the following:
- (1) The payment for the deposit of bail for any offense not declared to be a felony or for any court-ordered fee, fine, forfeiture, penalty, assessment, or restitution. Use of a card or electronic funds transfer pursuant to this paragraph may include a requirement that the defendant be charged any administrative fee charged by the company issuing the card or processing the account for the cost of the transaction.
  - (2) The payment of a filing fee or other court fee.
  - (3) The payment of any towage or storage costs for a vehicle that has been removed from a highway, or from public or private property, as a result of parking violations.

- (4) The payment of child, family, or spousal support, including reimbursement of public assistance, related fees, costs, or penalties, with the authorization of the cardholder or accountholder.
  - (5) The payment for services rendered by any city, county, city and county, or other public agency.
  - (6) The payment of any fee, charge, or tax due a city, county, city and county, or other public agency.
  - (7) The payment of any monies payable to the Sheriff pursuant to a levy under a writ of attachment or writ of execution. If the use of a card or electronic funds transfer pursuant to this paragraph includes any administrative fee charged by the company issuing the card or processing the account for the cost of the transaction, that fee shall be paid by the person who pays the money to the sheriff pursuant to the levy.
  - (8) The payment of a donation, gift, bequest, or devise made to or in favor of a county, or to or in favor of the board of supervisors of a county, pursuant to Section 25355.
- (c) A court desiring to authorize the use of a credit card, debit card, or electronic funds transfer pursuant to subdivision (b) shall obtain the approval of the Judicial Council. A city desiring to authorize the use of a credit card, debit card, or electronic funds transfer pursuant to subdivision (b) shall obtain the approval of its city council. Any other public agency desiring to authorize the use of a credit card, debit card, or electronic funds transfer pursuant to subdivision (b) shall obtain the approval of the governing body that has fiscal responsibility for that agency.
- (d) After approval is obtained, a contract may be executed with one or more credit card issuers, debit card issuers, electronic funds transfer processors, or draft purchasers. The contract shall provide for the following matters:
- (1) The respective rights and duties of the court, city, county, city and county, or other public agency and card issuer, funds processor, or draft purchaser regarding the presentment, acceptability, and payment of credit and debit card drafts and electronic funds transfer requests.
  - (2) The establishment of a reasonable means by which to facilitate payment settlements.
  - (3) The payment to the card issuer, funds processor, or draft purchaser of a reasonable fee or discount.
  - (4) Any other matters appropriately included in contracts with respect to the purchase of credit and debit card drafts and processing of electronic funds transfer requests as may be agreed upon by the parties to the contract.
- (e) The honoring of a credit card, debit card, or electronic funds transfer pursuant to subdivision (b) hereof constitutes payment of the amount owing to the court, city, county, city and county, or other public agency as of the date the credit or debit card is honored or the electronic funds transfer is processed, provided the credit or debit card draft is paid

following its due presentment to a card issuer or draft purchaser or the electronic funds transfer is completed with transfer to the agency requesting the transfer.

- (f) If a credit or debit card draft is not paid following due presentment to a card issuer or draft purchaser or is charged back to the court, city, county, city and county, or other public agency for any reason, any record of payment made by the court, city, or other public agency honoring the credit or debit card shall be void. If any electronic funds transfer request is not completed with transfer to the agency requesting the transfer or is charged back to the agency for any reason, any record of payment made by the agency processing the electronic funds transfer shall be void. A receipt issued in acknowledgment of payment shall also be void. The obligation of the cardholder or accountholder shall continue as an outstanding obligation as if no payment had been attempted.
- (g) If a credit card, debit card draft, electronic funds transfer, or other payment offered in payment is returned without payment, for any reason, a reasonable charge for the charge back or return, not to exceed the actual costs incurred by the public agency, may be imposed to recover the public agency's processing and collection costs. This charge may be added to, and become part of, any underlying obligation other than an obligation which constitutes a lien on real property, and a different method of payment for that payment and future payments by this person may be prescribed
- (h) (1) Notwithstanding Title 1.3 (commencing with Section 1747) of Part 4 of Division 3 of the Civil Code, a court, city, county, city and county, or any other public agency may impose a fee for the use of a credit or debit card or electronic funds transfer, not to exceed the costs incurred by the agency in providing for payment by credit or debit card or electronic funds transfer. These costs may include, but shall not be limited to, the payment of fees or discounts as specified in paragraph (3) of subdivision (d). A fee imposed by a court pursuant to this subdivision shall be approved by the Judicial Council. A fee imposed by any other public agency pursuant to this subdivision for the use of a credit or debit card or electronic funds transfer shall be approved by the governing body responsible for the fiscal decisions of the public agency.  
  
(2) For purposes of this subdivision, an electronic filing service provider who is required to collect and remit a payment described in paragraph (2) of subdivision (b) to complete an electronic filing transaction is deemed an agent of the court. Unless otherwise specified, the electronic filing service provider is deemed an agent of the court for the sole purpose of collecting and remitting a payment described in paragraph (2) of subdivision (b) for an electronic filing transaction. In case of a duplicate payment by a party or an electronic filing service provider submitting a payment on behalf of a party, the court shall issue any appropriate refund to the entity that made the most recent payment.  
  
(3) A court shall not be held liable for the actions of an agent of the court under this subdivision.  
  
(4) An agent of the court shall report its costs in providing for payment by credit or debit card, or electronic funds transfer. These reports shall be issued pursuant to guidelines

adopted by the Judicial Council. For purposes of verifying the accuracy of these reports and compliance with this subdivision, the Judicial Council, or its authorized representative, shall have the right to access and examine the records and documents of an agent of the court. The agent of the court shall provide the Judicial Council with all relevant information requested, and shall permit access to its premises at reasonable times for purposes of interviewing employees, and inspecting and copying any relevant records. The agent of the court shall maintain all records and documents relating to its fees and costs for a minimum of four years from the date the fee is imposed, or until the verification process is completed, whichever occurs later.

- (i) Fees or discounts provided for under paragraph (3) of subdivision (d) shall be deducted or accounted for prior to any statutory or other distribution of funds received from the card issuer, funds processor, or draft purchaser to the extent not recovered from the cardholder or accountholder pursuant to subdivision (g).
- (j) The Judicial Council may enter into a master agreement with one or more credit or debit card issuers, funds processors, or draft purchasers for the acceptance and payment of credit or debit card drafts and electronic funds transfer requests received by the courts. Any court may join in any of these master agreements or may enter into a separate agreement with a credit or debit card issuer, funds processor, or draft purchaser.
- (k) An electronic filing service provider, as described in subdivision (h), shall not collect or attempt to collect a fee to complete an electronic filing transaction, including a fee to process a payment, a filing fee or other court fee, or a fee charged by the electronic filing service provider for electronically filing documents, from a party who is exempt from paying fees; provided, however, that the electronic filing service provider shall complete the filing notwithstanding the fee exemption.
- (l) A court, or an electronic filing manager that provides a court, pursuant to a contract, with a system for accepting electronically transmitted documents and associated filing and other court fees, shall accept more than one method of payment from an electronic filing service provider described in paragraph (2) of subdivision (h). The court shall determine the methods of payment that will be accepted by the court and the electronic filing manager. The methods of payment may include credit or debit cards, electronic funds transfers, electronic networks for financial transactions such as Automated Clearing House (ACH), and other payment methods that do not charge a transaction cost.

**Possession of money belong to other county or state; special deposits**  
**CGC 27007.**

The treasurer shall keep all money belonging to the State, or any county of the State in his own possession until disbursed according to law. He shall not place the money in the possession of any person to be used for any purpose, nor shall he loan or in any manner use, or permit any person to use it, except as provided by law. This section does not prohibit him from making special deposits for the safe keeping of public money, but he is liable therefore on his official bond.

### **Certificates of auditor necessary for receipt of money**

#### **CGC 27008.**

- (a) The treasurer shall not receive money into the treasury or for deposit with him or her as treasurer, unless it is accompanied by the certificate of the auditor.
- (b) Notwithstanding subdivision (a), the auditor and treasurer may establish alternate control procedures for the treasurer to receive or deposit money without the certificate of the auditor.

### **Receipt for money paid to treasurer; deposit of receipt**

#### **CGC 27009.**

The treasurer shall give a receipt to each person who deposits money into the county treasury.

### **Receipt of gifts and bequests**

#### **CGC 27010.**

The treasurer may receive any money constituting gift, bequest, or devise, and pay it out in accordance with the terms thereof, or, if none are fixed, according to law.

### **Deposit of private money prohibited: penalty**

#### **CGC 27011.**

Any county officer who knowingly accepts or allows any deposit in the county treasury of money from any private and unofficial source is guilty of a misdemeanor, punishable by imprisonment in the county jail for not less than six months nor more than one year, or by a fine of not less than five hundred dollars (\$500) and not more than five thousand dollars (\$5,000), or by both that fine and imprisonment, and shall forfeit his or her office.

### **Conference between controller and treasurer respecting operations, procedures and related matters: expenses**

#### **CGC 27012.**

The controller may summon county treasurers or the authorized representative of any county treasurer to meet with the controller or his or her duly authorized representatives, in those groups and at that place or those places within the state as may be designated by the controller for the purpose of discussing the interpretation, procedures, uniformity of operation, and efficient administration of the Revenue and Taxation Code and the Government Code. The actual and necessary expenses of any county officer or his or her authorized representative that are incurred while traveling to and from or while attending any meeting called pursuant to this section by the controller shall be a charge against the county, to be paid in the same manner as other county charges are paid, provided that prior approval of the board of supervisors has been obtained.

**Administrative costs of investing, depositing or handling funds; reimbursement of the county**

**CGC 27013.**

Notwithstanding any other provision of law, any treasurer, or other authorized county officer, who invests, deposits or otherwise handles funds for public agencies for the purpose of earning interest or other income on such funds as permitted by law, may deduct from such interest or income, before distribution thereof, the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income. Such cost reimbursement shall be paid into the county general fund.

**Unclaimed monies**

**CGC 50050.**

- (a) For purposes of this article, “local agency” includes all districts. Except as otherwise provided by law, money, excluding restitution to victims, that is not the property of a local agency that remains unclaimed in its treasury or in the official custody of its officers for three years is the property of the local agency after notice if not claimed or if no verified complaint is filed and served. At any time after the expiration of the three-year period, the treasurer of the local agency may cause a notice to be published once a week for two successive weeks in a newspaper of general circulation published in the local agency. At the expiration of the three-year period, money representing restitution collected on behalf of victims shall be deposited into the Restitution Fund or used by the local agency for purposes of victim services. If a local agency elects to use the money for purposes of victim services, the local agency shall first document that it has made a reasonable effort to locate and notify the victim to whom the restitution is owed. With respect to moneys deposited with the county treasurer pursuant to Section 7663 of the Probate Code, this three-year period to claim money held by a local agency is extended for an infant or person of unsound mind until one year from the date their disability ceases.
- (b) For purposes of this section, “infant” and “person of unsound mind” have the same meaning as given to those terms as used in Section 1441 of the Code of Civil Procedure.
- (c) This section shall become operative January 1, 2022.

**CGC 50051.**

The notice shall state the amount of money, the fund in which it is held, and that it is proposed that the money will become the property of the local agency on a designated date not less than forty-five days nor more than sixty days after the first publication of the notice.

**CGC 50052.**

Upon or prior to publication, a party of interest may file a claim with the treasurer which must include the claimant's name, address, amount of claim, the grounds on which the claim is founded, and any other information that may be required by the treasurer. The claim shall be filed before the date the unclaimed money becomes the property of the local agency as provided under Section 50051 and the treasurer shall accept or reject that claim. If the claim is rejected by the

treasurer, the party who submitted the claim may file a verified complaint seeking to recover all, or a designated part, of the money in a court of competent jurisdiction within the county in which the notice is published, and serves a copy of the complaint and the summons issued thereon upon the treasurer. The copy of the complaint and summons shall be served within 30 days of receiving notice that the claim was rejected. The treasurer shall withhold the release of the portion of unclaimed money for which a court action has been filed as provided in this section until a decision is rendered by the court.

**CGC 50052.5.**

- (a) Notwithstanding Section 50052, the treasurer may release to the depositor of the unclaimed money, their heir, beneficiary, or duly appointed representative, unclaimed money if claimed prior to the date the money becomes the property of the local agency upon submitting proof satisfactory to the treasurer, unless the unclaimed money is deposited pursuant to Section 7663 of the Probate Code.
- (b) Notwithstanding Section 50052, the treasurer may release unclaimed money deposited with the county treasurer pursuant to Section 7663 of the Probate Code, to any adult blood relative of either the decedent or the decedent's predeceased spouse.
- (c) Notwithstanding Section 50052, the treasurer may release unclaimed money deposited with the county treasurer pursuant to Section 7663 of the Probate Code to the parent who has legal and physical custody of a minor who is a blood relative of either the decedent or the decedent's predeceased spouse without the need to appoint a legal guardian for the minor as follows:
  - (1) If the value of the unclaimed money deposited with the county treasurer is five thousand dollars (\$5,000) or less, the treasurer may release the money according to Section 3401 of the Probate Code.
  - (2) If the value of the unclaimed money deposited with the county treasurer is sixty thousand dollars (\$60,000) or less, and the money is not released under paragraph (1), the unclaimed money may be released by the treasurer to the parent who shall, after payment of any costs incurred in making the claim, hold the money in trust, to be used only for the care, maintenance, and education of the minor, and the parent shall be liable therefor to the minor under the fiduciary laws of this state. The money held in trust shall be released to the minor when the minor reaches the age of majority.
- (d) The claim shall be presented to the county treasurer in affidavit form and signed under penalty of perjury. Notwithstanding Section 13101 of the Probate Code, the claimant, to be entitled to the entire escheated estate, needs only to establish with documentary proof the existence of a blood relationship to either the decedent or of the predeceased spouse, if any, and the documentary proof, if regular on its face, need not be certified. Notwithstanding Section 13101 of the Probate Code, the claimant shall not be required to declare that no other person has an equal or superior claim to the escheated estate.

The county treasurer may rely in good faith on the sworn statements made in the claim and shall have no duty to inquire into the truth or credibility of evidence submitted.

In paying out the escheated estate, the county treasurer shall be held harmless to all. Payment shall act as total acquittance and shall completely discharge the county treasurer from any liability.

If the county treasurer rejects any claim made hereunder, the claimant may take his or her grievance to the Superior Court of the county holding the escheated estate.

Any claim paid hereunder shall be paid without interest.

**CGC 50053.**

When any such money becomes the property of a local agency and is in a special fund, the legislative body may transfer it to the general fund.

**CGC 50054.**

Whenever any city or county or city and county renders construction services or constructs public works for any city, county, city and county or any other governmental agency below the level of the state government, the price charged for such services or construction shall be sufficient to reimburse the governmental body performing such services for the full cost thereof including labor, material, equipment costs or rentals and a reasonable allowance for overhead. In computing overhead, without limitation on other factors properly includable, there shall be allocated to the overhead cost its proportionate share of indirect labor and administrative costs.

**CGC 50055.**

Any other provision of this article notwithstanding, any individual items of less than fifteen dollars (\$15), or any amount if the depositor's name is unknown, which remain unclaimed in the treasury or in the official custody of an officer of a local agency for the period of one year or upon an order of the court may be transferred to the general fund by the legislative body without the necessity of publication of a notice in a newspaper.

**CGC 50056.**

The responsibilities of the treasurer as provided under this article may be delegated by the treasurer to the agency, district, or department that maintains the supporting records of the unclaimed money based on the initial receipt or deposit of that money or both.

**CGC 50057.**

For individual items in the amount of five thousand dollars (\$5,000) or less, the legislative body of any county may, by resolution, authorize the county treasurer to perform on its behalf any act required or authorized to be performed by it under Sections 50050, 50053, and 50055. The resolution shall require that the county auditor be informed of each act performed under the authorization.



**Unclaimed property delivered to county officer (Penal Code)**  
**PEN 1411.**

- (a) If the ownership of the property stolen or embezzled and the address of the owner, and the address of the owner of a security interest therein, can be reasonably ascertained, the peace officer who took custody of the property shall notify the owner, and a person having a security interest therein, by letter of the location of the property and the method by which the owner may obtain it. This notice shall be given upon the conviction of a person for an offense involving the theft, embezzlement, or possession of the property, or if a conviction was not obtained, upon the making of a decision by the district attorney not to file the case or upon the termination of the proceedings in the case. Except as provided in Section 217 of the Welfare and Institutions Code, if the property stolen or embezzled is not claimed by the owner before the expiration of three months after the giving of this notice, or, in any case in which such a notice is not given, before the expiration of six months from the conviction of a person for an offense involving the theft, embezzlement, or possession of the property, or if a conviction was not obtained, then from the time the property came into the possession of the peace officer or the case involving the person from whom it was obtained is disposed of, whichever is later, the magistrate or other officer having it in custody may, on the payment of the necessary expenses incurred in its preservation, deliver it to the county treasurer or other proper county officer, by whom it shall be sold and the proceeds paid into the county treasury. However, notwithstanding any other provision of law, if the person from whom custody of the property was taken is a secondhand dealer or licensed pawnbroker and reasonable but unsuccessful efforts have been made to notify the owner of the property and the property is no longer needed for the criminal proceeding, the property shall be returned to the secondhand dealer or pawnbroker who had custody of the property and be treated as regularly acquired property. If the property is transferred to the county purchasing agent it may be sold in the manner provided by Article 7 (commencing with Section 25500) of Chapter 5 of Part 2 of Division 2 of Title 3 of the Government Code for the sale of surplus personal property. If the county officer determines that any of the property transferred to him or her for sale is needed for a public use, the property may be retained by the county and need not be sold. The magistrate or other officer having the property in custody may, however, provide for the sale of the property in the manner provided for the sale of unclaimed property which has been held for at least three months pursuant to Section 2080.4 of the Civil Code.
- (b) This section shall not govern the disposition of property placed on hold pursuant to Section 21647 of the Business and Professions Code, notwithstanding the current custodial status of the property, unless the licensed pawnbroker or secondhand dealer, after receipt of the written advisement required by subdivision (h) of Section 21647 of the Business and Professions Code, willfully refuses to consent to a statutory hold as provided by Section 21647 of the Business and Professions Code or a search warrant for the business of the licensed pawnbroker or secondhand dealer has resulted in the seizure of the property subject to this section.

**Revolving fund for certain districts for specific purposes**  
**CGC 23014.**

Pursuant to a resolution adopted by its board of supervisors by a four-fifths vote of all of the members of the board of supervisors, a county may appropriate any of its available monies to a revolving fund not to exceed five hundred thousand dollars (\$500,000) to be used by any county sanitation district, county flood control district, or county maintenance district, located wholly within the county for the acquisition of real or personal property, environmental impact studies, fiscal analysis, engineering services, or the construction of structures or improvements needed in whole or in part for district purposes. The revolving fund shall be reimbursed from service fees, connection charges, tax revenues or other monies available to the district, and no sums shall be disbursed from the fund until an agreement with a term not exceeding 10 years has been made between the board of supervisors and the governing board of the district encompassing the method by, and the time within, which the district is to reimburse the fund. Reimbursement of the fund from tax revenue shall not exceed in any one fiscal year an amount equal to one cent (\$0.01) on the tax rate or twenty-five thousand dollars (\$25,000), whichever is less. The district shall reimburse the fund for any amount disbursed to the district within 10 years after disbursement, together with interest at the current rate per annum received on similar types of investments by the county as determined by the county treasurer.

**STATEMENTS AND REPORTS**

**Settlement of accounts**  
**CGC 27061.**

The treasurer shall settle their accounts relating to the collection, care, and disbursement of public revenue of whatsoever nature and kind with the auditor no less frequently than monthly. Upon the request of the auditor, the treasurer shall provide a settlement of cash receipts and disbursements of the prior calendar month to the auditor on or before 10 business days after the treasurer receives the auditor's request.

**Treasurer/auditor state settlement**  
**CGC 30100.**

Upon the order of the State Controller and State Treasurer at any time, the county treasurer shall settle with the State Controller and pay over to the State Treasurer all money in his possession belonging to the State.

**State treasurer-investment policy & compliance reports**  
**CGC 53646.**

- (g) In recognition of the state and local interests served by the actions made optional in subdivisions (a) and (b), the Legislature encourages the local agency officials to continue taking the actions formerly mandated by this section. However, nothing in this subdivision may be construed to impose any liability on a local agency that does not continue to take the formerly mandated action.

## FUNDS AND ACCOUNTS

### Daily payment of collections to treasurer; settlements

#### CGC 27080.

Any officer required to pay into the county treasury taxes, fees, or other money collected by him may pay the money to the treasurer daily without making an account of the sources from which it was collected. The treasurer and auditor shall credit the officer with the amount paid in without apportioning it to any specific fund. The officer shall also make regular settlements and accounts of his collections monthly or otherwise as required by law and shall be credited with all amounts paid to the treasurer and not included in his previous settlements as so much cash.

#### CGC 27080.1.

Where the county treasurer has entered into a contract for the deposit of monies with a depository pursuant to Section 53682, the county treasurer may authorize any county officer, required to deposit into the county treasury all money collected by him or her, to deposit that money directly into the depository with whom the county treasurer has entered into the contract. The county treasurer may also authorize any superior court officer to deposit money collected by the officer that is payable to the county treasury into the depository. All deposits made under authority granted by the treasurer pursuant to this section shall be made in the form as required by the treasurer, and receipts for those deposits shall be given in accordance with Section 27009.

### Deposit of jury or naturalization fees; withdrawal

#### CGC 27081.

The clerk of the court may deposit in the county treasury any money deposited as jury fees or as a portion of the naturalization fees required by law to be paid to the United States. The treasurer shall accept and keep separate accounts of such deposits. The money may be withdrawn at any time by the clerk of the court on the clerk's written order. For the safekeeping of the money the treasurer is liable on the treasurer's official bond.

### Deposit of money found on dead body; payment to representatives

#### CGC 27082.

Upon receiving from the coroner money found on a dead body, the treasurer shall place it to the credit of the county. The money shall be credited to a separate trust fund or trust account. If the legal representatives of the decedent demand the money in the treasury belonging to the decedent within six years, the treasurer shall pay it to them, after deducting the fees and expenses of the coroner and of the county in relation to the matter, or the money may be paid at any time thereafter upon the order of the board of supervisors.

## INSPECTION OF BOOKS

### Biennial audit of financial accounts and records

#### CGC 25250.

At least biennially the board of supervisors shall examine and audit, or cause to be audited, the financial accounts and records of all officers having responsibility for the care, management, collection, or disbursement of money belonging to the county or money received or disbursed by them under authority of law. The audit shall encompass the immediately preceding two-year period, or any portion thereof not included in a prior audit. This financial examination or audit may be performed in coordination with the investigations conducted by the grand jury under Section 925 of the Penal Code, or the board of supervisors may resolve to accept reports delivered pursuant to Section 933 of the Penal Code in lieu of its own separate examination if such reports are found to fulfill some or all of the requirements of this section. In connection with the requirements of this section and Section 25253, the board of supervisors may employ the services of an independent certified public accountant or licensed public accountant to perform an examination of the financial statements in accordance with generally accepted auditing standards.

### Books, accounts and vouchers of treasurer

#### CGC 27100.

The books, accounts, and vouchers of the treasurer, including all books, accounts, vouchers, or other records in his office relating to reclamation districts, are at all times subject to the inspection and examination of the board of supervisors or grand jury, or of any officers or agents designated by the board of supervisors or grand jury to make the inspection and examination.

#### CGC 27100.1.

Notwithstanding any other provision of law, when any public entity or any public official acting in a fiduciary capacity, who is required or authorized by law to deposit funds in the county treasury, makes a deposit, those funds shall be deemed to be held in trust by the county treasurer on behalf of the depositing entity or public official. The funds shall not be deemed funds or assets of the county and the relationship of the depositing entity or public official and the county shall not be one of creditor-debtor.

### Examination of records and count of funds

#### CGC 27101.

The treasurer shall permit the chairman of the board of supervisors, district attorney, and auditor to examine his books and count the money in the treasury, including the books and money of reclamation districts in his custody, whenever they wish to make an examination or counting.

## **Destruction of duplicate records**

### **CGC 26201.**

The board may authorize at any time the destruction or disposition of any duplicate record, paper, or document, the original or a permanent photographic reproduction of which is in the files of any officer or department of the county.

The board may authorize at any time the destruction or disposition of any duplicate or copy of a notice to appear in court, or promise to appear in court, that is filed with any officer or department of the county, 12 months after the original of such notice or promise has been filed with the magistrate or a person authorized by the magistrate to receive a deposit of bail specified therein.

## **VACANCY**

### **Official misconduct of treasurer; suspension**

#### **CGC 27120.**

Whenever an action based upon official misconduct is commenced against the county treasurer, the board of supervisors may suspend him from office until the suit is determined. The board may appoint some person to fill the vacancy, who shall qualify and give such bond as the board determines.

### **Delivery of records and funds to successor of treasurer**

#### **CGC 27121.**

In case of the death of the county treasurer, his legal representatives shall deliver to the person appointed to fill the vacancy all official money, books, accounts, papers, and documents which are or come into their possession.

## **SALARIES**

### **Time for payment**

#### **CGC 28000.**

Unless the board of supervisors of a county provides by ordinance for more frequent pay periods, the salaries of the officers named in this title and all county deputies, clerks, and employees who are entitled to salaries shall be paid monthly out of the county treasury. The sworn statement and copy of the treasurer's receipt for all fees and other money required to be paid into the county treasury required by Section 28005 shall be required to be filed in such event only prior to payment of the final installment of the salary of any officer for any month.

### **Warrants**

#### **CGC 28001.**

Except in those counties in which the board of supervisors has by ordinance fixed a different schedule of dates or pay periods for the payment of salaries of the officers, deputies, clerks and employees of the several departments and institutions of the county government, as authorized

in Section 28003, the auditor shall, on the first day of each month, or the first day following the specified pay period draw his warrant upon the treasurer in favor of each officer, deputy, clerk, and employee for the amount of salary due him for the preceding month or pay period.

#### **Payment of warrants from salary fund**

##### **CGC 28002.**

On presentation the treasurer shall pay the warrants out of the salary fund of the county treasury.

#### **Payment of salaries by warrants**

##### **CGC 28004.**

If the board of supervisors by ordinance so provides, the salaries of all county officers, deputies, clerks, and employees, including the employees of the several road districts, may be paid monthly out of the county treasury on warrants drawn by the auditor upon the treasurer in favor of each of the officers, deputies, clerks, and employees.

#### **Payment after filing statement and receipt**

##### **CGC 28005.**

The auditor shall not draw his or her warrant for the salary of any officer for any month until the officer has first filed with him or her the forms required by Section 24353.

#### **Disbursing agent; designation by board of supervisors; contracts**

##### **CGC 28008.**

The board of supervisors may designate one or more state or national banks, one or more state or federal savings and loan associations, or one or more state or federal credit unions, doing business in the county as disbursing agent for the auditor to pay the salaries of such persons whose salaries are paid from the county treasury as may from time to time elect by a written instrument delivered to the auditor, to receive their salaries from such disbursing agent. In lieu of drawing separate salary warrants for such persons as shall have elected to be paid their salaries by such disbursing agent, the auditor may deliver to such disbursing agent a single warrant for the total combined salaries of such persons on or before the designated payday, together with the information necessary to disburse such salaries. The board of supervisors may enter into written contracts with such state and national banks, state or federal savings and loan associations, or state and federal credit unions, for their services as such disbursing agents on such terms as the board deems appropriate.

# INVESTMENT OF SURPLUS FUND

## Local agency, definition

### [CGC 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.

## Investment objectives

### [CGC 53600.5.](#)

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 control.

## Solvency and creditworthiness of deposits and investment a statewide concern

### [CGC 53600.6.](#)

The Legislature hereby finds that the solvency and creditworthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state. Therefore, to protect the solvency and creditworthiness of the state and all of its political subdivisions, the Legislature hereby declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.

## County treasurer as government investor

### [CGC 6930.](#)

As used in this chapter:

- (a) "Governmental investor" means the treasurer, the Teachers' Retirement Board, and the Board of Administration of the Public Employees' Retirement System. "Governmental investor" also means each county treasurer, each city treasurer, each public governing or investing body or public investing officer, who exercises investment discretion over public funds in excess of ten million dollars (\$10,000,000) or over public pension or retirement funds in excess of ten million dollars (\$10,000,000).
- (b) "Soft dollar and directed brokerage arrangements" means the brokerage and research services described by Section 28 (e) of the Securities Exchange Act of 1934 (15 U.S.C. Sec. 78bb(e)).
- (c) "Transaction cost" means the overall cost of the transaction, including, but not limited to, commissions, services, and the price of the securities.
- (d) "Responsible" means with the due diligence required of a fiduciary to examine a presented transaction for: necessity of soft dollar services provided and for commission cost; quality

of the trade; quality of the broker-dealer's research; the broker-dealer's execution capabilities; and the broker-dealer's quality of service.

### Investment policy and report

#### CGC 53646.

- (a) (1) In the case of county government, the treasurer may annually render to the board of supervisors and any oversight committee a statement of investment policy, which the board shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved by the board at a public meeting.
- (2) In the case of any other local agency, the treasurer or chief fiscal officer of the local agency may annually render to the legislative body of that local agency and any oversight committee of that local agency a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting. Any change in the policy shall also be considered by the legislative body of the local agency at a public meeting.
- (b) (1) The quarterly report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance.
- (2) The quarterly report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance.
- (3) The quarterly report shall include a statement denoting the ability of the local agency to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.
- (4) In the quarterly report, a subsidiary ledger of investments may be used in accordance with accepted accounting practices.
- (c) Pursuant to subdivision (b), the treasurer or chief fiscal officer shall report whatever additional information or data may be required by the legislative body of the local agency.
- (d) The legislative body of a local agency may elect to require the report specified in subdivision (b) to be made on a monthly basis instead of quarterly.
- (e) For local agency investments that have been placed in the Local Agency Investment Fund, created by Section 16429.1, in National Credit Union Share Insurance Fund-insured accounts in a credit union, in accounts insured or guaranteed pursuant to Section 14858 of the Financial Code, or in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in a county investment pool, or any combination of these, the treasurer or chief fiscal officer may supply to the governing body, chief executive officer, and the auditor of the local agency the most recent statement or statements received by the local agency from these institutions in lieu of the information required by paragraph (1) of subdivision (b) regarding investments in these institutions.
- (f) The treasurer or chief fiscal officer shall not be required to render a quarterly report, as required by subdivision (b), to a legislative body or any oversight committee of a school



district or county office of education for securities, investments, or monies held by the school district or county office of education in individual accounts that are less than twenty-five thousand dollars (\$25,000).

- (g) In recognition of the state and local interests served by the actions made optional in subdivisions (a) and (b), the Legislature encourages the local agency officials to continue taking the actions formerly mandated by this section. However, nothing in this subdivision may be construed to impose any liability on a local agency that does not continue to take the formerly mandated action.

#### **County treasury oversight committee**

##### **CGC 27130.**

The Legislature finds and declares that local agencies, including school districts, should participate in reviewing the policies that guide the investment of those funds. The Legislature further finds and declares that by pooling deposits from local agencies and other participants, county treasuries operate in the public interest when they consolidate banking and investment activities, reduce duplication, achieve economies of scale, and carry out coherent and consolidated investment strategies. The Legislature further finds and declares that the creation of county treasury oversight committees will promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return on their funds by providing a more stable and predictable balance for investment by establishing criteria for the withdrawal of funds.

##### **CGC 27131.**

- (a) The board of supervisors in each county or city and county may, if the county or city and county is investing surplus funds, establish a county treasury oversight committee. The board of supervisors, in consultation with the county treasurer, shall determine the exact size of the committee, which shall consist of from 3 to 11 members, and the categories from which the members shall be represented, as specified in subdivisions (a) to (g), inclusive, of Section 27132. Members shall be nominated by the treasurer and confirmed by the board of supervisors.
- (b) In recognition of the state and local interests served by the action made optional in subdivision (a), the Legislature encourages local agencies to continue taking the action formerly mandated by this section. However, nothing in this subdivision may be construed to impose any liability on a local agency that does not continue to take the formerly mandated action.

##### **CGC 27132.**

The county treasury oversight committee, pursuant to Section 27131, shall consist of members appointed from the following:

- (a) The county treasurer.
- (b) The county auditor, auditor-controller, or finance director, as the case may be.

- (c) A representative appointed by the county board of supervisors.
- (d) The county superintendent of schools or his or her designee.
- (e) A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the county.
- (f) A representative selected by a majority of the presiding officers of the legislative bodies of the special districts in the county that are required or authorized to deposit funds in the county treasury.
- (g) Up to five other members of the public.
  - (1) A majority of the other public members shall have expertise in, or an academic background in, public finance.
  - (2) The other public members shall be economically diverse and bipartisan in political registration.

**CGC 27132.1.**

A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer, or (b) contributed 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, in the previous three years or during the period that the employee is a member of the committee.

**CGC 27132.2.**

A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the committee.

**CGC 27132.3.**

A member may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.

**CGC 27132.4.**

Committee meetings shall be open to the public and subject to the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5).

**CGC 27133.**

In any county that establishes a county treasury oversight committee pursuant to this article, the county treasurer shall annually prepare an investment policy that will be reviewed and monitored by the county treasury oversight committee. The investment policy shall include all of the following:

- (a) A list of securities or other instruments in which the county treasury may invest, according to law, including the maximum allowable percentage by type of security.
- (b) The maximum term of any security purchased by the county treasury.
- (c) The criteria for selecting security brokers and dealers from, to, or through whom the county treasury may purchase or sell securities or other instruments. The criteria shall prohibit the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices.
- (d) Limits on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business by any member of the county treasury oversight committee. These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the Fair Political Practices Commission.
- (e) A requirement that the county treasurer provide the county treasury oversight committee with an investment report as required by the board of supervisors.
- (f) The manner of calculating and apportioning the costs, authorized by Section 27013, of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds.
- (g) The terms and conditions under which local agencies and other entities that are not required to deposit their funds in the county treasury may deposit funds for investment purposes.
- (h) Criteria for considering requests to withdraw funds from the county treasury, pursuant to Section 27136. The criteria shall include an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the county treasury.

#### **CGC 27134.**

The county treasury oversight committee shall cause an annual audit to be conducted to determine the county treasury's compliance with this article. The audit may include issues relating to the structure of the investment portfolio and risk.

#### **CGC 27135.**

The costs of complying with this article shall be county charges and may be included with those charges enumerated under Section 27013.

#### **CGC 27136.**

- (a) Notwithstanding any other provision of law, any local agency, public agency, public entity, or public official that has funds on deposit in the county treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the county treasury pool, shall first submit the request for withdrawal to the county treasurer before withdrawing funds from the county treasury pool.

- (b) The county treasurer shall evaluate each proposed withdrawal for its consistency with the criteria adopted pursuant to subdivision (h) of Section 27133. Prior to approving a withdrawal, the county treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the county treasury pool.

**CGC 27137.**

Nothing in this article shall be construed to allow the county treasury oversight committee to direct individual investment decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the county treasury.

**Circumstances authorizing investments; authorized investments**

**CGC 53601.**

This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. For purposes of compliance with this section, 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. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

- (a) Bonds issued by the local agency, 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.
- (b) 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.
- (c) Registered state warrants or treasury 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 by a department, board, agency, or authority of the state.
- (d) Registered treasury notes or bonds of any of the other 49 states in addition to California, 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 of the other 49 states, in addition to California.
- (e) Bonds, notes, warrants, or other evidences of indebtedness of a 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.
- (f) 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.
- (g) Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 30 percent of the agency's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing moneys in its treasury in a manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

- (h) 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 in either paragraph (1) or (2):
  - (1) The entity meets the following criteria:
    - (A) Is organized and operating in the United States as a general corporation.
    - (B) Has total assets in excess of five hundred million dollars (\$500,000,000).
    - (C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.

(2) The entity meets the following criteria:

- (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
- (B) Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
- (C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, that have less than one hundred million dollars (\$100,000,000) of investment assets under management, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, that have one hundred million dollars (\$100,000,000) or more of investment assets under management may invest no more than 40 percent of their moneys in eligible commercial paper. A local agency, other than a county or a city and a county, may invest no more than 10 percent of its total investment assets in the commercial paper and the medium-term notes of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

- (i) Negotiable certificates of deposit 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 federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decisionmaking authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.
- (j) (1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.
- (2) Investments in repurchase agreements may be made, on an investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102

percent 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 percent no later than the next business day.

- (3) Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:
  - (A) The security to be sold using a 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.
  - (B) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.
  - (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 or securities lending agreement and the final maturity date of the same security.
  - (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 or securities lending 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 or securities lending agreement, unless the reverse repurchase agreement or securities lending 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.
- (4)
  - (A) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and 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.
  - (B) For purposes of this chapter, "significant banking relationship" means any of the following activities of a bank:
    - (i) Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.
    - (ii) Financing of a local agency's activities.
    - (iii) Acceptance of a local agency's securities or funds as deposits.

- (5) (A) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.
- (B) "Securities," for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.
- (C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.
- (D) "Securities lending agreement" means 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.
- (E) For purposes of this section, 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.
- (F) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.
- (k) Medium-term notes, 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 subdivision shall be rated in a rating category of "A" or its equivalent or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. A local agency, other than a county or a city and a county, may invest no more than 10 percent of its total investment assets in the commercial paper and the medium-term notes of any single issuer.
- (l) (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending 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, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.
- (2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).
  - (3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:
    - (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
    - (B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000).
  - (4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:
    - (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
    - (B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission 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).
  - (5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).
  - (m) Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
  - (n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for

the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

- (o) (1) A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond.
- (2) For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivision (b) or (f), the following limitations apply:
  - (A) The security shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.
  - (B) Purchase of securities authorized by this paragraph shall not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.
- (p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
  - (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
  - (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
  - (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
- (q) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, 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" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.
- (r) Commercial paper, debt securities, or other obligations of a public bank, as defined in Section 57600.

This section shall remain in effect only until January 1, 2026, and as of that date is repealed.

### [CGC 53601.2.](#)

As used in this article, "corporation" includes a limited liability company.

### **Treasurer's pooled investment authority**

#### [CGC 53635.](#)

- (a) This section shall apply to a local agency that is a county, 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. However, Section 53601 shall apply to all local agencies that pool money in deposits or investments exclusively with local agencies that have the same governing body.

This section shall be interpreted in a manner that recognizes the distinct characteristics of investment pools and the distinct administrative burdens on managing and investing funds on a pooled basis pursuant to Article 6 (commencing with Section 27130) of Chapter 5 of Division 2 of Title 3.

A local agency that is a county, a city and county, or other local agency that pools money in deposits or investments with other agencies may invest in commercial paper pursuant to subdivision (h) of Section 53601, except that the local agency shall be subject to the following concentration limits:

- (1) No more than 40 percent of the local agency's money may be invested in eligible commercial paper.
  - (2) No more than 10 percent of the total assets of the investments held by a local agency may be invested in any one issuer's commercial paper.
- (b) Notwithstanding Section 53601, the City of Los Angeles shall be subject to the concentration limits of this section for counties and for cities and counties with regard to the investment of money in eligible commercial paper.
- (c) A local agency subject to this section may invest in commercial paper, debt securities, or other obligations of a public bank, as defined in Section 57600.

### **Investment of deferred compensation plan funds**

#### [CGC 53609.](#)

Notwithstanding the provisions of this chapter or any other provisions of this code, funds held by a local agency pursuant to a written agreement between the agency and employees of the agency to defer a portion of the compensation otherwise receivable by the agency's employees and pursuant to a plan for such deferral as adopted by the governing body of the agency, may be invested in the types of investments set forth in Sections 53601 and 53602 of this code, and may additionally be invested in corporate stocks, bonds, and securities, mutual funds, savings and loan accounts, credit union accounts, life insurance policies, annuities, mortgages, deeds of trust,

or other security interests in real or personal property. Nothing herein shall be construed to permit any type of investment prohibited by the Constitution.

Deferred compensation funds are public pension or retirement funds for the purposes of Section 17 of Article XVI of the Constitution.

### **Portfolio investment prohibitions**

#### **CGC 53601.6.**

- (a) A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes, or mortgage-derived, interest-only strips.
- (b) (1) Except as provided in paragraph (2), a local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in any security that could result in zero-interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) that are authorized for investment pursuant to subdivision (l) of Section 53601.  
  
(2) Notwithstanding the prohibition in paragraph (1), a local agency 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. A local agency may hold these instruments until their maturity dates.
- (c) This section shall remain in effect only until January 1, 2026, and as of that date is repealed.

### **Temporary/borrowed funds investment prohibitions**

#### ***Borrowed funds investment restrictions***

##### **CGC 53821.5.**

Proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes.

#### ***Not to exceed 85% of tax roll***

##### **CGC 53841.5.**

Proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes.

#### ***Use of funds***

##### **CGC 53852.5.**

Proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes.

### ***Grant anticipation notes***

#### **CGC 53859.02.**

- (a) A local agency may borrow money pursuant to this article, the indebtedness to be represented by a grant anticipation note or notes issued to the lender pursuant to this article. The money borrowed may be used and expended by the local agency solely for the purpose for which the grant or loan is to be received.
- (b) Proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes.

### **Circumstances authorizing investments; authorized investments**

**CGC 53601** (See section on Investment Options)

#### **Prudent Investor Rule**

##### **CGC 53600.3.**

Except as provided in subdivision (a) of Section 27000.3, 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.

### **Investments in financial futures of financial option contracts**

#### **CGC 53601.1.**

The authority of a local agency to invest funds pursuant to Section 53601 includes, in addition thereto, authority to invest in financial futures or financial option contracts in any of the investment categories enumerated in that section.

### **Investments; qualified purchase agent**

#### **CGC 53601.5.**

The purchase by a local agency of any investment authorized pursuant to Section 53601 or 53601.1, not purchased directly from the issuer, shall be purchased either from an institution licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code, or from a member of a federally regulated securities exchange, from a national or state-chartered

bank, from a savings association or federal 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.

**Investments: reciprocal certificates of deposit and reciprocal deposits; private placement CGC 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.

**CGC 53635.8.**

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 for investment 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 30 percent of the agency's funds that may be invested for this purpose.

**Investment in legal investments for savings banks; securities of public districts**  
**CGC 53602.**

The legislative body shall invest only in notes, bonds, bills, certificates of indebtedness, warrants, or registered warrants which are legal investments for savings banks in the State, provided, that the board of supervisors of a county may, by a four-fifths vote thereof, invest in notes, warrants or other evidences of indebtedness of public districts wholly or partly within the county, whether or not such notes, warrants, or other evidences of indebtedness are legal investments for savings banks.

**Broker/dealer relationships**  
**CGC 53690.**

For the purposes of this article:

- (a) "Local agency" means a county, city, city and county, redevelopment agency, public district, joint powers authority, or public nonprofit corporation.
- (b) "Securities" means any bonds, notes, warrants, or other evidences of indebtedness and the interest coupons, if any, attached thereto, issued or proposed to be issued to finance or refinance a public project.
- (c) "Issuer" means a local agency which issues securities.

- (d) "Broker" has the same meaning as "broker-dealer" as defined in Section 25004 of the Corporations Code.
- (e) "Dealer" has the same meaning as "broker-dealer" as defined in Section 25004 of the Corporations Code.
- (f) "Municipal securities dealer" means any person, including a separately identifiable department or division of a bank, trust company, or savings and loan association engaged in the business of buying and selling municipal securities for his or her own account, through a broker or otherwise, but does not include any of the following:
  - (1) Any person insofar as he or she buys or sells those securities for his or her own account, either individually or in some fiduciary capacity, but not as a part of a regular business.
  - (2) A bank, trust company, or savings and loan association, unless the bank, trust company, or savings and loan association is engaged in the business of buying and selling municipal securities for its own account other than in a fiduciary capacity, through a broker or otherwise, unless the bank, trust company or savings and loan association is engaged in that business through a separately identifiable department or division, in which case the department or division, and not the bank, trust company, or savings and loan association, is the municipal securities dealer.

**Financial advisory relationship of broker/dealer**  
**CGC 53691.**

- (a) A financial advisory relationship shall be deemed to exist when a broker, dealer, or municipal securities dealer renders, or enters into an agreement to render, financial advisory or consultant services to, or on behalf of, an issuer, with respect to a new issue or issues of municipal securities, including advice with respect to the structure, timing, and terms of an issue or issues, for a fee or other compensation, or in expectation of compensation for the rendering of the services. Notwithstanding the foregoing, a financial advisory relationship shall not be deemed to exist when, in the course of acting as an underwriter, a municipal securities dealer renders advice to an issuer, including advice with respect to the structure, timing, and terms of a new issue of municipal securities.
- (b) Each financial advisory relationship shall be evidenced by a writing executed prior to, upon, or promptly after, the inception of the financial advisory relationship (or promptly after the creation or selection of the issuer if the issuer does not exist or has not been determined at the time the relationship commences). The writing shall set forth the basis of compensation for the financial advisory services to be rendered, including provisions relating to the deposit of funds or the utilization of fiduciary or agency services offered by the broker, dealer, or municipal securities dealer, or by a person controlling, controlled by, or under common control with the broker, dealer, or municipal securities dealer in connection with the rendering of the financial advisory services.
- (c) No broker, dealer, or municipal securities dealer that has a financial advisory relationship with respect to a new issue of municipal securities shall acquire, as principal, either alone

or as a participant in a syndicate or other similar account formed for the purpose of purchasing, directly or indirectly, from the issuer all or any portion of the issue, nor arrange for the acquisition or participation by a person controlling, controlled by, or under common control with the broker, dealer, or municipal securities dealer, unless one of the following applies:

- (1) If the issue is to be sold by the issuer on a negotiated basis, all of the following conditions have occurred:
  - (A) The financial advisory relationship with respect to the issue has been terminated in writing and, at or after the termination, the issuer has expressly consented in writing to the acquisition or participation in the purchase of the securities on a negotiated basis.
  - (B) The broker, dealer, or municipal securities dealer has expressly disclosed in writing to the issuer, at or before the termination, that there may be a conflict of interest in changing from the capacity of financial adviser to purchaser of the securities with respect to which the financial advisory relationship exists, and the issuer has expressly acknowledged in writing to the broker, dealer, or municipal securities dealer receipt of that disclosure.
  - (C) The broker, dealer, or municipal securities dealer has expressly disclosed in writing to the issuer, at or before the termination, the source and anticipated amount of all remuneration to the broker, dealer, or municipal securities dealer with respect to the issue in addition to the compensation referred to in subdivision (b) and the issuer has expressly acknowledged in writing to the broker, dealer, or municipal securities dealer receipt of that disclosure.

If the issue is to be sold by the issuer at competitive bid, the issuer has expressly consented in writing prior to the bid to that acquisition or participation. The limitations and requirements set forth in this subdivision shall also apply to any broker, dealer, or municipal securities dealer controlling, controlled by, or under common control with the broker, dealer, or municipal securities dealer having a financial advisory relationship. The use of the term "indirectly" in this subdivision shall not preclude a broker, dealer, or municipal securities dealer who has a financial advisory relationship with respect to a new issue of municipal securities from purchasing those securities from an underwriter, either for its own trading account or the account of customers, except to the extent that the purchase is made to contravene the purpose and intent of this section. Each broker, dealer, and municipal securities dealer subject to the provisions of this subdivision shall maintain a copy of the written disclosures, acknowledgments, and consents required by this section in a separate file.

- (d) If a broker, dealer, or municipal securities dealer acquires all or a portion of a new issue of municipal securities or participates in a syndicate or other account that acquires those securities in accordance with subdivision (c), the broker, dealer, or municipal securities dealer shall disclose the existence of the financial advisory relationship in writing to each

customer who purchases those securities from that broker, dealer, or municipal securities dealer, at or before the completion of the transaction with the customer.

### **Sale of local agency securities**

#### **CGC 53692.**

In addition to any other requirement imposed by law, at least 15 days prior to the sale of any public securities that exceed one million dollars (\$1,000,000) but do not exceed ten million dollars (\$10,000,000) at a public sale and at least five days prior to the sale of any public securities that exceed ten million dollars (\$10,000,000) at a public sale, an issuer shall publish notice of the intention to sell the securities in a financial publication generally circulated throughout the state or reasonably expected to be disseminated among prospective bidders for the securities. The notice shall include the date, time, and place of the intended sale and the amount of the securities to be sold.

### **Direct purchase of securities**

#### **CGC 53603.**

The legislative body may make the investment by direct purchase of any issue of eligible securities at their original sale or after they have been issued.

### **Sale or exchange of securities; reinvestment of proceeds**

#### **CGC 53604.**

The legislative body may sell, or exchange for other eligible securities, and reinvest the proceeds of, the securities purchased.

### **Sale of securities, application of proceeds to original purposes**

#### **CGC 53605.**

From time to time, the legislative body shall sell the securities so that the proceeds may be applied to the purposes for which the original purchase money was placed in the sinking fund or the treasury of the local agency.

### **Bonds issued by purchases, cancellations, resale**

#### **CGC 53606.**

The bonds purchased, which were issued by the purchaser, may be canceled either in satisfaction or sinking fund obligations or otherwise. When canceled, they are no longer outstanding, unless in its discretion, the legislative body holds them uncanceled. While held uncanceled, the bonds may be resold.

### **Delegations of duties to treasurer; monthly report**

#### **53607.**

The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those

transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

**Deposits of securities; receipt, delegation of authority**  
**CGC 53608.**

The legislative body of a local agency may deposit for safekeeping with a federal or state association (as defined by Section 5102 of the Financial Code), a trust company or a state or national bank located within this state or with the Federal Reserve Bank of San Francisco or any branch thereof within this state, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System, the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants, or other evidences of indebtedness in which the money of the local agency is invested pursuant to this article or pursuant to other legislative authority. The local agency shall take from such financial institution a receipt for securities so deposited. The authority of the legislative body to deposit for safekeeping may be delegated by the legislative body to the treasurer of the local agency; the treasurer shall not be responsible for securities delivered to and receipted for by a financial institution until they are withdrawn from the financial institution by the treasurer.

# DEPOSIT OF FUNDS

## Definitions

### CGC 53630.

As used in this article:

- (a) "Local agency" means county, city, city and county, including a chartered city or county, a community college district, or other public agency or corporation in this state.
- (b) "Treasurer" means treasurer of the local agency.
- (c) "Depository" means a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, in this state in which the monies of a local agency are deposited.
- (d) "Agent of depository" means a trust company or trust department of a state or national bank located in this state, including the trust department of a depository where authorized, and the Federal Home Loan Bank of San Francisco, which is authorized to act as an agent of depository for the purposes of this article pursuant to Section 53657.
- (e) "Security" means any of the eligible securities or obligations listed in Section 53651.
- (f) "Pooled securities" means eligible securities held by an agent of depository for a depository and securing deposits of one or more local agencies.
- (g) "Administrator" means the Administrator of Local Agency Security of the State of California.
- (h) "Savings association or federal association" means a savings association, savings and loan association, or savings bank as defined by Section 5102 of the Financial Code.
- (i) "Federally insured industrial loan company" means an industrial loan company licensed under Division 7 (commencing with Section 18000) of the Financial Code, the investment certificates of which are insured by the Federal Deposit Insurance Corporation.
- (j) "Corporation" includes a limited liability company.

## Solvency and creditworthiness of deposits and investment a statewide concern

### CGC 53630.1.

The Legislature hereby finds that the solvency and creditworthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state. Therefore, to protect the solvency and creditworthiness of the state and all of its political subdivisions, the Legislature hereby declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.

**Deposits to pay principal and interest of bonds**  
**[CGC 53631.](#)**

Under those conditions as the treasurer of a local agency fixes with the approval of the legislative body, he or she may establish accounts at banks within or without the state and deposit money in those accounts to the extent necessary to pay the principal and interest of bonds to pay any warrant that has been presented for payment, or to fund any electronic disbursement of funds from the treasury of the local agency. This article does not apply to deposits for those purposes.

**Classes of deposits**  
**[CGC 53632.](#)**

There are three classes of deposits:

- (a) Inactive deposits.
- (b) Active deposits.
- (c) Interest-bearing active deposits.

**Classes of security for deposits**  
**[CGC 53632.5.](#)**

There are three classes of security for deposits:

- (a) Securities described in subdivision (m) of Section 53651.
- (b) Securities described in subdivision (p) of Section 53651.
- (c) Securities enumerated in Section 53651, except for those described in subdivisions (m) and (p) of that section.

**Determination of amounts to be deposited in each class**  
**[CGC 53633.](#)**

The treasurer shall determine the amounts of money to be deposited as inactive, active, and interest-bearing active deposits, except as otherwise provided in Section 53679.

**Transfers from inactive to active deposits**  
**[CGC 53634.](#)**

The treasurer may call in money from inactive deposits and place it in active deposits as current demands require. When there is money in his possession for which there is no demand as inactive deposits, he may place it as active deposits.

**Funds of local agency; deposit or investment**  
**[CGC 53635.](#)**

- (a) This section shall apply to a local agency that is a county, 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. However, Section 53601 shall apply

to all local agencies that pool money in deposits or investments exclusively with local agencies that have the same governing body.

This section shall be interpreted in a manner that recognizes the distinct characteristics of investment pools and the distinct administrative burdens on managing and investing funds on a pooled basis pursuant to Article 6 (commencing with Section 27130) of Chapter 5 of Division 2 of Title 3.

A local agency that is a county, a city and county, or other local agency that pools money in deposits or investments with other agencies may invest in commercial paper pursuant to subdivision (h) of Section 53601, except that the local agency shall be subject to the following concentration limits:

- (1) No more than 40 percent of the local agency's money may be invested in eligible commercial paper.
  - (2) No more than 10 percent of the total assets of the investments held by a local agency may be invested in any one issuer's commercial paper.
- (b) Notwithstanding Section 53601, the City of Los Angeles shall be subject to the concentration limits of this section for counties and for cities and counties with regard to the investment of money in eligible commercial paper.
- (c) A local agency subject to this section may invest in commercial paper, debt securities, or other obligations of a public bank, as defined in Section 57600.

**Criteria for eligible depository account for safekeeping**  
**[CGC 53635.2.](#)**

As far as possible, all money belonging to, or in the custody of, a local agency, including money paid to the treasurer or other official to pay the principal, interest, or penalties of bonds, shall be deposited for safekeeping in state or national banks, public banks, savings associations, federal associations, credit unions, or federally insured industrial loan companies in this state selected by the treasurer or other official having legal custody of the money; or may be invested in the investments set forth in Section 53601. To be eligible to receive local agency money, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. Sections 53601.5 and 53601.6 shall apply to all investments that are acquired pursuant to this section.

**Deposit money as in treasury of local agency**  
**[CGC 53636.](#)**

Money so deposited is deemed to be in the treasury of the local agency.



**Selection of depository; interest**  
**CGC 53637.**

The money shall be deposited in any bank, savings association or federal association, state or federal credit union, or federally insured industrial loan company with the objective of realizing maximum return, consistent with prudent financial management, except that money shall not be deposited in any state or federal credit union if a member of the legislative body of a local agency, or any person with investment decision-making authority of the administrative office, manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the state or federal credit union.

**Maximum deposit**  
**CGC 53638.**

- (a) The deposit shall not exceed the shareholder's equity of any depository bank. For the purposes of this subdivision, shareholder's equity shall be determined in accordance with Section 118 of the Financial Code, but shall be deemed to include capital notes and debentures.
- (b) The deposit shall not exceed the total of the net worth of any depository savings association or federal association, except that deposits not exceeding a total of five hundred thousand dollars (\$500,000) may be made to a savings association or federal association without regard to the net worth of that depository, if such deposits are insured or secured as required by law.
- (c) The deposit to the share accounts of any regularly chartered credit union shall not exceed the total of the unimpaired capital and surplus of the credit union, as defined by rule of the Commissioner of Financial Institutions, except that the deposit to any credit union share account in an amount not exceeding five hundred thousand dollars (\$500,000) may be made if the share accounts of that credit union are insured or guaranteed pursuant to Section 14858 of the Financial Code or are secured as required by law.
- (d) The deposit in investment certificates of a federally insured industrial loan company shall not exceed the total of the unimpaired capital and surplus of the insured industrial loan company.

**Expense of transporting money**  
**CGC 53639.**

- (a) Except as otherwise provided in Section 53682, the depository shall bear the expenses of transportation of money to and from the depository. If, pursuant to a contract between the treasurer and the depository, the depository is not required to bear the expense of transportation of money to and from the depository, the treasurer shall secure those transportation services by separate agreement or contract.

- (b) (1) A separate agreement or contract for transportation services includes an agreement to procure bank courier or armored car transport services and a contract for the pickup and transportation of moneys received by the treasurer or any other department requiring secure transportation.
- (2) The terms of a separate agreement or contract for transportation services may include, but are not limited to, a specification of costs, frequency of pickup, locations of pickup, and any other transportation services that are necessary for the conduct of the treasurer's office.

#### **Checks, drafts and other exchange**

##### **[CGC 53640.](#)**

Except as otherwise provided in Section 53682, the depository shall handle, collect, and pay all checks, drafts, and other exchange without cost to the local agency.

#### **Receipt or other evidence of deposit**

##### **[CGC 53641.](#)**

When money is deposited in a depository, the treasurer or other authorized official shall take and preserve a receipt, certificate of deposit, or other evidence of the deposit as he or she requires.

#### **Withdrawals, check or order**

##### **[CGC 53642.](#)**

The money deposited may be drawn out by check or order of the treasurer or other official authorized to make such deposit.

#### **Deposit by treasurer**

##### **[CGC 53643.](#)**

The treasurer may deposit any part of the money as agreed upon between the treasurer and the depository.

#### **Withdrawals on demand; penalties; notices**

##### **[CGC 53644.](#)**

If an agreement is not made:

- (a) Active deposits and interest thereon are subject to withdrawal upon the demand of the treasurer or other authorized official, subject to any penalties which may be prescribed by federal law or regulation.
- (b) Inactive deposits are subject to notice of at least thirty days before withdrawal.

### **Interest computation**

#### **CGC 53645.**

Interest shall be computed and paid by the depository, as follows:

- (a) For active deposits upon which interest is payable, interest shall be computed on the average daily balance for the calendar quarter, and shall be paid quarterly.
- (b) For inactive deposits, interest shall be computed on a 360-day basis, and shall be paid quarterly.

### **Interest payment into fund**

#### **CGC 53647.**

- (a) Interest on all money deposited belongs to, and shall be paid quarterly into the general fund of, the local agency represented by the officer making the deposit, unless otherwise directed by law.
- (b) Notwithstanding the provisions of subdivision (a), and except as otherwise directed by law, if the governing body of the local agency represented by the officer making the deposit so directs, such interest shall be paid to the fund which contains the principal on which the interest accrued.

### **Interest on bail money on deposit**

#### **CGC 53647.5.**

Notwithstanding any other provision of law, interest earned on any bail money deposited by a court in a bank account pursuant to Section 1463.1 of the Penal Code and Section 53679 of this code shall be allocated for the support of that court.

### **Deposits and contracts pursuant to federal law or rule**

#### **CGC 53648.**

Notwithstanding this article, the treasurer may deposit monies in, and enter into contracts with, a state or national bank, savings association or federal association, federal or state credit union, or federally insured industrial loan company, pursuant to a federal law or a rule of a federal department or agency adopted pursuant to the law if the law or rule conflicts with this article in regulating the payment of interest on deposits of public monies by any of the following:

- (a) Banks which are Federal Reserve System members or whose deposits are insured by the Federal Deposit Insurance Corporation.
- (b) Savings associations or federal associations which are federal home loan bank members or whose deposits are insured by the Federal Savings and Loan Insurance Corporation.
- (c) State or federal credit unions whose accounts are insured by the National Credit Union Share Insurance Fund or guaranteed by the California Credit Union Share Guaranty Corporation or insured or guaranteed pursuant to Section 14858 of the Financial Code, unless a member of the legislative body of a local agency, or any person with investment decision making authority of the administrative office, manager's office, budget office,

auditor-controller's office, or treasurer's office of the local agency, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the state or federal credit union.

- (d) A federally insured industrial loan company.

**Termination of agreement with depository**  
**[CGC 53648.5.](#)**

Upon the removal by federal law of the conflicting federal law or rule the agreement between the treasurer or other authorized official and a depository may be terminated by either party.

**Contracts with depositories; contents; filing**  
**[CGC 53649.](#)**

The treasurer is responsible for the safekeeping of money in his or her custody and shall enter into any contract with a depository relating to any deposit which in his or her judgment is to the public advantage. The depository, and the agent of depository to the extent the agent of depository has been notified of deposits and the amount thereof, are responsible for securing monies deposited pursuant to such a contract in accordance with Section 53652. One copy of each contract shall be filed with the auditor, controller, secretary, or corresponding officer of the local agency. The contract shall:

- (a) Fix the duration of deposits, if appropriate.
- (b) Fix the interest rate, if any.
- (c) Provide conditions for withdrawal and repayment.
- (d) Provide for placement of pooled securities in a named agent of depository in accordance with Section 53656.
- (e) Grant authority for agent of depository to place securities for safekeeping in accordance with Section 53659.
- (f) Set forth in accordance with Section 53665 the conditions upon which the administrator shall order pooled securities converted into money for the benefit of the local agency, and the procedure therefor.
- (g) Provide for compliance in all respects with the provisions of this article and other applicable provisions of law.
- (h) Provide, upon notice to the treasurer from the administrator, that a treasurer may withdraw deposits in the event a depository fails to pay the assessments, fines, or penalties assessed by the administrator or may withdraw authorization for the placement of pooled securities in an agent of depository in the event that the agent of depository fails to pay the fines or penalties assessed by the administrator.

**Eligible securities**  
**CGC 53651.**

Eligible securities are any of the following:

- (a) United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations for which the faith and credit of the United States are pledged for the payment of principal and interest, including the guaranteed portions of small business administration loans, so long as the loans are obligations for which the faith and credit of the United States are pledged for the payment of principal and interest.
- (b) Notes or bonds or any obligations of a local public agency (as defined in the United States Housing Act of 1949) or any obligations of a public housing agency (as defined in the United States Housing Act of 1937) for which the faith and credit of the United States are pledged for the payment of principal and interest.
- (c) Bonds of this state or of any local agency or district of the State of California having the power, without limit as to rate or amount, to levy taxes or assessments to pay the principal and interest of the bonds upon all property within its boundaries subject to taxation or assessment by the local agency or district, and in addition, limited obligation bonds pursuant to Article 4 (commencing with Section 50665) of Chapter 3 of Division 1, senior obligation bonds pursuant to Article 5 (commencing with Section 53387) of Chapter 2.7, and revenue bonds and other obligations payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state, local agency or district or by a department, board, agency or authority thereof.
- (d) Bonds of any public housing agency (as defined in the United States Housing Act of 1937, as amended) as are secured by a pledge of annual contributions under an annual contribution contract between the public housing agency and the Public Housing Administration if such contract shall contain the covenant by the Public Housing Administration which is authorized by subsection (b) of Section 22 of the United States Housing Act of 1937, as amended, and if the maximum sum and the maximum period specified in the contract pursuant to that subsection 22(b) shall not be less than the annual amount and the period for payment which are requisite to provide for the payment when due of all installments of principal and interest on the obligations.
- (e) Registered warrants of this state.
- (f) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by the United States Postal Service, federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, consolidated obligations of the federal home loan banks established under the Federal Home Loan Bank Act, bonds, debentures and other obligations of the Federal National Mortgage Association or of the Government National Mortgage Association established under the National Housing Act, as amended, bonds of any federal home loan bank established under that act, bonds, debentures and other obligations of the Federal Home

Loan Mortgage Corporation established under the Emergency Home Finance Act of 1970, and obligations of the Tennessee Valley Authority.

- (g) Notes, tax anticipation warrants or other evidence of indebtedness issued pursuant to Article 7 (commencing with Section 53820), Article 7.5 (commencing with Section 53840) or Article 7.6 (commencing with Section 53850) of this Chapter 4.
- (h) State of California notes.
- (i) Bonds, notes, certificates of indebtedness, warrants or other obligations issued by: (1) any state of the United States (except this state), or the Commonwealth of Puerto Rico, or any local agency thereof having the power to levy taxes, without limit as to rate or amount, to pay the principal and interest of such obligations, or (2) any state of the United States (except this state), or the Commonwealth of Puerto Rico, or a department, board, agency or authority thereof except bonds which provide for or are issued pursuant to a law which may contemplate a subsequent legislative appropriation as an assurance of the continued operation and solvency of the department, board, agency or authority but which does not constitute a valid and binding obligation for which the full faith and credit of such state or the Commonwealth of Puerto Rico are pledged, which are payable solely out of the revenues from a revenue-producing source owned, controlled or operated thereby; provided the obligations issued by an entity described in (1), above, are rated in one of the three highest grades, and such obligations issued by an entity described in (2), above, are rated in one of the two highest grades by a nationally recognized investment service organization that has been engaged regularly in rating state and municipal issues for a period of not less than five years.
- (j) Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development, Inter-American Development Bank, the Government Development Bank of Puerto Rico, the Asian Development Bank, the International Finance Corporation, or the African Development Bank.
- (k) Participation certificates of the Export-Import Bank of the United States.
- (l) Bonds and notes of the California Housing Finance Agency issued pursuant to Chapter 7 (commencing with Section 51350) of Part 3 of Division 31 of the Health and Safety Code.
- (m) Promissory notes secured by first mortgages and first trust deeds which comply with Section 53651.2.
- (n) Any bonds, notes, warrants, or other evidences of indebtedness of a nonprofit corporation issued to finance the construction of a school building or school buildings pursuant to a lease or agreement with a school district entered into in compliance with the provisions of Section 39315 or 81345 of the Education Code, and also any bonds, notes, warrants or other evidences of indebtedness issued to refinance those bonds, notes, warrants, or other evidences of indebtedness as specified in Section 39317 of the Education Code.
- (o) Any municipal securities, as defined by Section 3(a)(29) of the Securities Exchange Act of June 6, 1934, (15 U.S.C. Sec. 78, as amended), which are issued by this state or any local agency thereof.

- (p) With the consent of the treasurer, letters of credit issued by the Federal Home Loan Bank of San Francisco which comply with Section 53651.6.

#### Eligibility requirements of promissory notes

##### CGC 53651.2.

- (a) To be an eligible security under subdivision (m) of Section 53651, a promissory note placed in a securities pool on or after January 1, 1987, shall comply with all of the following provisions:
- (1) Each promissory note shall be secured by a first mortgage or first trust deed on improved 1 to 4 unit residential real property located in California, shall be fully amortized over the term of the note, and shall have a term of no more than 30 years. Any first mortgage or first trust deed which secures a promissory note providing for negative amortization shall be removed from the securities pool and replaced with an eligible security under subdivision (m) of Section 53651 if the loan to value ratio exceeds 85 percent of the original appraised value of the security property as a consequence of negative amortization.
  - (2) Each promissory note shall be eligible for sale to the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation; provided, however, that up to 25 percent of the total dollar amount of any promissory note securities pool established pursuant to Section 53658 may consist of promissory notes with loan amounts which exceed the maximum amounts eligible for purchase by the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, but which do not exceed: (i) five hundred thousand dollars (\$500,000) in the case of a single family dwelling; (ii) one million dollars (\$1,000,000) in the case of a 2, 3, or 4 unit dwelling.
- (b) The following shall not constitute eligible securities under subdivision (m) of Section 53651:
- (1) Any promissory note on which any payment is more than 60 days past due.
  - (2) Any promissory note secured by a mortgage or deed of trust as to which there is a lien prior to the mortgage or deed of trust. For the purposes of this paragraph, no lien specified in Section 766 of the Financial Code shall be considered a prior encumbrance unless any installment or payment thereunder (other than a rental or royalty under a lease) is due and delinquent.
  - (3) Any promissory note secured by a mortgage or deed of trust as to which a notice of default has been recorded pursuant to Section 2924 of the Civil Code or an action has been commenced pursuant to Section 725a of the Code of Civil Procedure.
- (c) The depository may exercise, enforce, or waive any right granted to it by the promissory note, mortgage, or deed of trust.

- (d) For purposes of this article, the market value of a promissory note which is an eligible security under subdivision (m) of Section 53651, shall be determined in accordance with the regulations adopted by the treasurer under paragraph (2) of subdivision (m) of Section 53651, as the regulations and statute were in effect on December 31, 1986. However, if and when regulations on the subject are adopted by the administrator, the market value shall be determined in accordance with those regulations of the administrator.

**Report of independent CPA; depository using eligible securities; state & national bank; fee**

**CGC 53651.4.**

- (a) A depository that uses eligible securities of the class described in subdivision (m) of Section 53651 shall, within 90 days after the close of each calendar year or within a longer period as the administrator may specify, file with the administrator a report of an independent certified public accountant regarding compliance with this article and with regulations and orders issued by the administrator under this article with respect to eligible securities of that class. The report shall be based upon the audit, shall contain the information, and shall be in the form the administrator may prescribe. The depository shall provide a copy of the report to the treasurer on request.
- (b) If a depository that is a state bank files with the administrator, not less than 90 days before the beginning of the calendar year, a notice that it elects to be examined by the administrator instead of filing a report of an independent certified public accountant under subdivision (a) for that calendar year, the depository shall be exempt from subdivision (a) for that calendar year and shall for that calendar year be subject to examination by the administrator regarding compliance with this article and with regulations and orders under this article with respect to eligible securities of the class described in subdivision (m) of Section 53651. The administrator shall provide a report to a treasurer with deposits in the examined state bank upon request of the treasurer.
- (c) A national bank may apply to the administrator to be examined, and the administrator, in his or her discretion, may examine a national bank for the purposes of satisfying the requirements of subdivision (a). The administrator shall provide a report to a treasurer with deposits in the examined national bank upon request of the treasurer.
- (d) Whenever the administrator examines a depository pursuant to subdivision (b) or (c), the depository shall pay, within 30 days after receipt of a statement from the administrator, a fee of seventy-five dollars (\$75) per hour for each examiner engaged in the examination.

**Letter of credit; terms**

**CGC 53651.6.**

- (a) To be an eligible security under subdivision (p) of Section 53651, a letter of credit shall be in such form and shall contain such provisions as the administrator may prescribe, and shall include all of the following terms:
- (1) The administrator shall be the beneficiary of the letter of credit.



- (2) The letter of credit shall be clean and irrevocable and shall provide that the administrator may draw upon it up to the total amount in the event of the failure of the depository savings association or federal association or if the depository savings association or federal association refuses to permit the withdrawal of funds by a treasurer.

**Value required to secure active or inactive deposits; market value**  
**CGC 53652.**

To secure active or inactive deposits a depository shall at all times maintain with the agent of depository eligible securities in securities pools, pursuant to Sections 53656 and 53658, in the amounts specified in this section. Uncollected funds shall be excluded from the amount deposited in the depository when determining the security requirements for the deposits.

- (a) Eligible securities, except eligible securities of the classes described in subdivisions (m) and (p) of Section 53651, shall have a market value of at least 10 percent in excess of the total amount of all deposits of a depository secured by the eligible securities.
- (b) Eligible securities of the class described in subdivision (m) of Section 53651 shall have a market value at least 50 percent in excess of the total amount of all deposits of a depository secured by those eligible securities.
- (c) Eligible securities of the class described in subdivision (p) of Section 53651 shall have a market value of at least 5 percent in excess of the total amount of all deposits of a depository secured by those eligible securities. For purposes of this article, the market value of a letter of credit which is an eligible security under subdivision (p) of Section 53651 shall be the amount of credit stated in the letter of credit.

**Waiver of security**  
**CGC 53653.**

When in his or her discretion local conditions so warrant, the treasurer may waive security for the portion of any deposits as is insured pursuant to federal law, notwithstanding this article. For deposits equivalent to and not less than the maximum amount insured pursuant to federal law for which a treasurer has waived security under this section, a treasurer at his or her discretion may also waive security for the interest accrued on the deposits which, when added to the deposits, would cause the sum of the interest and deposits to exceed the maximum amount insured pursuant to federal law, provided that the interest is computed by the depository on the average daily balance of the deposits, paid monthly and computed on a 360-day basis.

**Addition or substitution of securities; withdrawal or release of securities**  
**CGC 53654.**

- (a) The depository may add securities to the pool or substitute securities of equal value for those in the pool at any time, but shall not interchange classes of security, as defined in Section 53632.5, without prior approval of the treasurer.

- (b) Withdrawal of securities from the pool without replacement at equal value may be ordered only by two duly authorized officers or employees of the depository who satisfy the requirements as may be set by the administrator.
- (c) The agent of depository is responsible for the safekeeping and disbursement of securities placed in its custody by a depository. It shall release securities only upon presentation by the depository of the most reasonably current statement of the total deposits subject to this article held by the depository, such statement to be verified and countersigned by two duly authorized officers, other than those who ordered the withdrawal of securities. A copy of this statement shall be forwarded to the administrator concurrently by the agent of depository.

#### **Perfection of security interest in favor of local agencies**

##### **CGC 53655.**

A placement of securities by a depository with an agent of depository pursuant to this article shall have the effect of perfecting a security interest in those securities in the local agencies having deposits in that depository notwithstanding provisions of the Uniform Commercial Code to the contrary and notwithstanding that the agent of depository may be the trust department of the depository.

#### **Authorization for holding of security by agent of depository; agents of depository; securities subject to order of depository; exception**

##### **CGC 53656.**

- (a) At the time the treasurer enters into a contract with the depository pursuant to Section 53649, he or she shall authorize the agent of depository designated by the depository, but including the trust department of the depository only when acceptable to both the treasurer and the depository, to hold securities of the depository in accordance with this article to secure the deposit of the local agency.
- (b) Only those trust companies and trust departments, or the Federal Home Loan Bank of San Francisco, which have been authorized by the administrator pursuant to Section 53657 shall be authorized by treasurers to act as agents of depository.
- (c) The securities are subject to order of the depository in accordance with Section 53654 except when the provisions of subdivision (i) of Section 53661 and Section 53665 are in effect.
- (d) An agent of depository shall not release any security held to secure a local agency deposit in a depository unless the administrator issues an order authorizing the release where either of the following occurs:
  - (1) A state or federal regulatory agency has taken possession of the depository.
  - (2) A conservator, receiver, or other legal custodian has been appointed for the depository.

**Authorization to act as agent of depository; application; agents eligible on December 31, 1986**

**CGC 53657.**

- (a) No person shall act as an agent of depository unless that person is a trust company located in this state, the trust department of a bank located in this state, or the Federal Home Loan Bank of San Francisco, and is authorized by the administrator to act as an agent of depository.
- (b)
  - (1) An application for authorization shall be in such form, shall contain such information, shall be signed in such manner, and shall (if the administrator so requires) be verified in such manner, as the administrator may prescribe.
  - (2) The fee for filing an application for authorization with the administrator shall be five hundred dollars (\$500).
  - (3) If the administrator finds, with respect to an application for authorization, that the applicant is competent to act as an agent of depository and that it is reasonable to believe the applicant will comply with all applicable provisions of this article and of any regulation or order issued under this article, the administrator shall approve the application. If the administrator finds otherwise, the administrator shall deny the application.
  - (4) When an application for authorization has been approved, the applicant shall file with the administrator an agreement to comply with all applicable provisions of this article and of any regulation or order issued under this article. The agreement shall be in such form, shall contain such provisions, and shall be signed in such manner as the administrator may prescribe.
  - (5) When an application for authorization has been approved, the applicant has complied with paragraph (4), and all conditions precedent to authorizing the applicant to act as agent of depository have been fulfilled, the administrator shall authorize the applicant to act as agent of depository.

**Maintenance of separate pool for each depository; security interest of local agency**

**CGC 53658.**

An agent of a depository may hold and pool securities to secure deposits for one or more depositories pursuant to Section 53656, but shall maintain a separate pool for each said depository. Each local agency shall have an undivided security interest in the pooled securities in the proportion that the amount of its deposits bears to the total amount of deposits secured by the pooled securities.

**Placement of securities with federal reserve or other approved bank; authority by contract  
CGC 53659.**

Whenever an agent of depository accepts securities pursuant to Section 53656 it may, with the authorization of the depository, place such securities for safekeeping with a Federal Reserve Bank or branch thereof or with any bank located in a city designated as a reserve city by the Board of Governors of the Federal Reserve System or with the Federal Home Loan Bank of San Francisco or with a trust company located in this state. Authority for such placement together with the names of the banks or, including the Federal Home Loan Bank of San Francisco, trust companies to be so used, shall be contained in the contract between the treasurer and the depository required in Section 53649.

**Certification and report by agent of depository  
CGC 53660.**

When deposits of a local agency are secured by pooled securities pursuant to Section 53656, the agent of depository shall make available to the treasurer for review at a mutually agreed upon time and location all of the following information which may be in the form of a copy of the report required in subdivision (e) of Section 53661:

- (a) A certification that there are securities in the pool in the amounts required by Section 53652 to secure deposits.
- (b) A certified report of the individual securities then on deposit in the pool with the location and total market value thereof.
- (c) The total amount of deposits then reported by the depository to be secured by the pool.

**Administrator; powers  
CGC 53661.**

- (a) The Commissioner of Business Oversight shall act as Administrator of Local Agency Security and shall be responsible for the administration of Sections 53638, 53651, 53651.2, 53651.4, 53651.6, 53652, 53654, 53655, 53656, 53657, 53658, 53659, 53660, 53661, 53663, 53664, 53665, 53666, and 53667.
- (b) The administrator shall have the powers necessary or convenient to administer and enforce the sections specified in subdivision (a).
- (c) (1) The administrator shall issue regulations consistent with law as the administrator may deem necessary or advisable in executing the powers, duties, and responsibilities assigned by this article. The regulations may include regulations prescribing standards for the valuation, marketability, and liquidity of the eligible securities of the class described in subdivision (m) of Section 53651, regulations prescribing procedures and documentation for adding, withdrawing, substituting, and holding pooled securities, and regulations prescribing the form, content, and execution of any application, report, or other document called for in any of the sections specified in subdivision (a) or in any regulation or order issued under any of those sections.

- (2) The administrator, for good cause, may waive any provision of any regulation adopted pursuant to paragraph (1) or any order issued under this article, where the provision is not necessary in the public interest.
- (d) The administrator may enter into any contracts or agreements as may be necessary, including joint underwriting agreements, to sell or liquidate eligible securities securing local agency deposits in the event of the failure of the depository or if the depository fails to pay all or part of the deposits of a local agency.
- (e) The administrator shall require from every depository a report certified by the agent of depository listing all securities, and the market value thereof, which are securing local agency deposits together with the total deposits then secured by the pool, to determine whether there is compliance with Section 53652. These reports may be required whenever deemed necessary by the administrator, but shall be required at least four times each year at the times designated by the Comptroller of the Currency for reports from national banking associations. These reports shall be filed in the office of the administrator by the depository within 20 business days of the date the administrator calls for the report.
- (f) The administrator may have access to reports of examination made by the Comptroller of the Currency insofar as the reports relate to national banking association trust department activities which are subject to this article.
- (g) (1) The administrator shall require the immediate substitution of an eligible security, where the substitution is necessary for compliance with Section 53652, if (i) the administrator determines that a security listed in Section 53651 is not qualified to secure public deposits, or (ii) a treasurer, who has deposits secured by the securities pool, provides written notice to the administrator and the administrator confirms that a security in the pool is not qualified to secure public deposits.
- (2) The failure of a depository to substitute securities, where the administrator has required the substitution, shall be reported by the administrator promptly to those treasurers having money on deposit in that depository and, in addition, shall be reported as follows:
- (A) When that depository is a national bank, to the Comptroller of the Currency of the United States.
- (B) When that depository is a state bank, to the Commissioner of Business Oversight.
- (C) When that depository is a federal association, to the Office of the Comptroller of the Currency.
- (D) When that depository is a savings association, to the Commissioner of Business Oversight.
- (E) When that depository is a federal credit union, to the National Credit Union Administration.
- (F) When that depository is a state credit union or a federally insured industrial loan company, to the Commissioner of Business Oversight.

- (h) The administrator may require from each treasurer a registration report and at appropriate times a report stating the amount and location of each deposit together with other information deemed necessary by the administrator for effective operation of this article. The facts recited in any report from a treasurer to the administrator are conclusively presumed to be true for the single purpose of the administrator fulfilling responsibilities assigned to him or her by this article and for no other purpose.
- (i) (1) If, after notice and opportunity for hearing, the administrator finds that any depository or agent of depository has violated or is violating, or that there is reasonable cause to believe that any depository or agent of depository is about to violate, any of the sections specified in subdivision (a) or any regulation or order issued under any of those sections, the administrator may order the depository or agent of depository to cease and desist from the violation or may by order suspend or revoke the authorization of the agent of depository. The order may require the depository or agent of depository to take affirmative action to correct any condition resulting from the violation.
- (2)(A) If the administrator makes any of the findings set forth in paragraph (1) with respect to any depository or agent of depository and, in addition, finds that the violation or the continuation of the violation is likely to seriously prejudice the interests of treasurers, the administrator may order the depository or agent of depository to cease and desist from the violation or may suspend or revoke the authorization of the agent of depository. The order may require the depository or agent of depository to take affirmative action to correct any condition resulting from the violation.
- (B) Within five business days after an order is issued under subparagraph (A), the depository or agent of depository may file with the administrator an application for a hearing on the order. The administrator shall schedule a hearing at least 30 days, but not more than 40 days, after receipt of an application for a hearing or within a shorter or longer period of time agreed to by a depository or an agent of depository. If the administrator fails to schedule the hearing within the specified or agreed to time period, the order shall be deemed rescinded. Within 30 days after the hearing, the administrator shall affirm, modify, or rescind the order; otherwise, the order shall be deemed rescinded. The right of a depository or agent of depository to which an order is issued under subparagraph (A) to petition for judicial review of the order shall not be affected by the failure of the depository or agent of depository to apply to the administrator for a hearing on the order pursuant to this subparagraph.
- (3) Whenever the administrator issues a cease-and-desist order under paragraph (1) or (2), the administrator may in the order restrict the right of the depository to withdraw securities from a security pool; and, in that event, both the depository to which the order is directed and the agent of depository which holds the security pool shall comply with the restriction.
- (4) In case the administrator issues an order under paragraph (1) or (2) suspending or revoking the authorization of an agent of depository, the administrator may order the agent of depository at its own expense to transfer all pooled securities held by it to such agent of depository as the administrator may designate in the order. The agent

of depository designated in the order shall accept and hold the pooled securities in accordance with this article and regulations and orders issued under this article.

- (j) In the discretion of the administrator, whenever it appears to the administrator that any person has violated or is violating, or that there is reasonable cause to believe that any person is about to violate, any of the sections specified in subdivision (a) or any regulation or order issued thereunder, the administrator may bring an action in the name of the people of the State of California in the superior court to enjoin the violation or to enforce compliance with those sections or any regulation or order issued thereunder. Upon a proper showing a permanent or preliminary injunction, restraining order, or writ of mandate shall be granted, and the court may not require the administrator to post a bond.
- (k) In addition to other remedies, the administrator shall have the power and authority to impose the following sanctions for noncompliance with the sections specified in subdivision (a) after a hearing if requested by the party deemed in noncompliance. Any fine assessed pursuant to this subdivision shall be paid within 30 days after receipt of the assessment.
  - (1) Assess against and collect from a depository a fine not to exceed two hundred fifty dollars (\$250) for each day the depository fails to maintain with the agent of depository securities as required by Section 53652.
  - (2) Assess against and collect from a depository a fine not to exceed one hundred dollars (\$100) for each day beyond the time period specified in subdivision (b) of Section 53663 the depository negligently or willfully fails to file in the office of the administrator a written report required by that section.
  - (3) Assess against and collect from a depository a fine not to exceed one hundred dollars (\$100) for each day beyond the time period specified in subdivision (e) that a depository negligently or willfully fails to file in the office of the administrator a written report required by that subdivision.
  - (4) Assess and collect from an agent of depository a fine not to exceed one hundred dollars (\$100) for each day the agent of depository fails to comply with any of the applicable sections specified in subdivision (a) or any applicable regulation or order issued thereunder.
- (l)
  - (1) In the event that a depository or agent of depository fails to pay a fine assessed by the administrator pursuant to subdivision (k) within 30 days of receipt of the assessment, the administrator may assess and collect an additional penalty of 5 percent of the fine for each month or part thereof that the payment is delinquent.
  - (2) If a depository fails to pay the fines or penalties assessed by the administrator, the administrator may notify local agency treasurers with deposits in the depository.
  - (3) If an agent of depository fails to pay the fines or penalties assessed by the administrator, the administrator may notify local agency treasurers who have authorized the agent of depository as provided in Sections 53649 and 53656, and may by order revoke the authorization of the agent of depository as provided in subdivision (i).

- (m) The amendments to this section enacted by the Legislature during the 1999-2000 Regular Session shall become operative on January 1, 2001.

**Report by depository and agent; time; transaction in securities; amount of deposits**  
**CGC 53663.**

- (a) Each agent of depository shall report in writing to the administrator within two business days after any withdrawal, substitution or addition of pooled securities and shall state the name and market value of the securities withdrawn, substituted or added together with the total deposits then secured by the pool. This information shall be available from the administrator to the treasurer upon request.
- (b) Each depository shall report in writing to the administrator weekly, giving the total amount of all deposits held by such depository pursuant to this article. Such report shall be as of close of business on Wednesday of each week and shall be delivered to the office of the administrator or deposited in the United States mail, postage prepaid, addressed to the office of the administrator, within five business days. Where there has occurred no change in the deposits required to be held by the depository pursuant to this article, the report required by this subdivision need only state that fact.

**Individual reports; privileged status**  
**CGC 53664.**

The individual reports specified in Sections 53654, 53660, 53661, and 53663 are not public documents and are not open to inspection by the public.

**Default by depository; payment by agent of depository; excess finds; drawings on letter of credit**  
**CGC 53665.**

If a depository fails to pay all or part of the deposits of a local agency secured by pooled securities in accordance with the contract provided for in Section 53649, and on demand of its treasurer or other authorized official and the treasurer files a report with the administrator, or if the depository fails:

- (a) In case the pooled securities consist of securities other than securities of the class described in subdivision (p) of Section 53651, the administrator shall order the agent of depository holding the pooled securities to convert into money that portion of the pooled securities necessary to produce an amount equal to the sum of (i) the deposits of the local agency, (ii) any accrued interest due on the deposits, and (iii) the reasonable expenses of the agent of depository in complying with the order of the administrator and to pay the sum of items (i) and (ii) to the treasurer in satisfaction of the deposits. The agent of depository shall be reimbursed out of the proceeds of the conversion for its reasonable expenses in complying with the order of the administrator, as approved by the administrator. Any excess monies resulting from the conversion shall be retained by the agent of depository as part of the securities pool until the depository substitutes for the excess monies securities having a market value sufficient to bring the total of pooled securities up to the amount required by Section 53652.



- (b) In case the pooled securities consist of a security of the class described in subdivision (p) of Section 53651, the administrator shall draw on the letter of credit an amount equal to the sum of (i) the deposits of the local agency, (ii) any accrued interest on the deposits, and (iii) the reasonable expenses of the administrator in paying the deposits and pay the sum of items (i) and (ii) to the treasurer in satisfaction of the deposits.

#### **Liability of administrator**

##### **CGC 53666.**

The only liability that shall attach to the administrator as the result of the operation of this article is that which would attach as a result of other laws of this state.

#### **Expenses of administrator; levy of assessment on depositories; payments; penalty**

##### **CGC 53667.**

- (a) Expenses incurred by the administrator in carrying out the duties and responsibilities assigned to the administrator by the sections specified in subdivision (a) of Section 53661, shall be borne by the Local Agency Deposit Security Fund, which is hereby created and continuously appropriated to the administrator for the administration of the sections specified in subdivision (a) of Section 53661. This fund shall consist of fines levied pursuant to Section 53661, fees collected pursuant to the sections specified in subdivision (a) of Section 53661, and assessments levied pursuant to this section.
- (b) Each fiscal year the administrator shall levy an assessment on a pro rata basis on those depositories which at any time during the preceding fiscal year held local agency deposits. The total assessment levied on all of those depositories shall be in an amount which, when added to the amount of fines and fees that the administrator estimates will be collected during the fiscal year when the assessment is levied, is sufficient in the judgment of the administrator to meet the expenses of the administrator in administering the sections specified in subdivision (a) of Section 53661 and to provide a reasonable reserve for contingencies. The basis of the apportionment of the assessment among the depositories assessed shall be the proportion that the average amount of local agency deposits held by each of those depositories bears to the average total amount of local agency deposits held by all of those depositories as shown by the reports of depositories to the administrator for the preceding fiscal year, as required in subdivision (e) of Section 53661; provided, however, that the amount of the assessment levied on each of those depositories shall be not less than twenty-five dollars (\$25).
- (c) The administrator shall notify each depository by mail of the amount levied against it. The depository shall pay the amount levied within 20 days after such notice into the Local Agency Deposit Security Fund for the administration of the sections specified in subdivision (a) of Section 53661. If payment is not made to the administrator within such time, the administrator shall assess and collect, in addition to the annual assessment, a penalty of 5 percent of the assessment for each month or part thereof that the payment is delinquent. If a depository fails to pay the assessment or penalties assessed by the administrator, the administrator may notify local agency treasurers with deposits in the depository.

### **Responsibility for money on deposit**

#### **CGC 53669.**

The treasurer or other authorized official is not responsible for money while it is deposited pursuant to this article.

### **Responsibility of treasurer for securities delivered to bank, savings and loan assoc., credit union or trust company**

#### **CGC 53676.**

The treasurer is not responsible for securities delivered to and receipted for by any bank, savings and loan association, credit union, federally insured industrial loan company, or trust company.

### **Charges for handling and safekeeping of securities**

#### **CGC 53678.**

The charges for the handling and safekeeping of any such securities are not a charge against the treasurer but shall be paid by the depository owning the securities.

### **Money under control or coming into possession of officers and employees other than treasurer**

#### **CGC 53679.**

So far as possible, all money belonging to a local agency under the control of any of its officers or employees other than the treasurer shall, and money deposited as bail coming into the possession of a judge or officer of a superior court may, be deposited as active deposits in the state or national bank, inactive deposits in the state or national bank or state or federal association, federal or state credit union, or federally insured industrial loan company in this state selected by the officer, employee, or judge of the court. For purposes of this section, an officer or employee of a local agency and a judge or officer of a superior court are prohibited from depositing local agency funds or money coming into their possession into a state or federal credit union if an officer or employee of the local agency, or a judge or officer of a superior court, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the particular state or federal credit union. That money is subject to this article except:

- (a) Deposits in an amount less than that insured pursuant to federal law are not subject to this article.

For deposits in excess of the amount insured under any federal law a contract in accordance with Section 53649 is required and the provisions of this article shall apply.

- (b) Interest is not required on money deposited in an active deposit by a judge or officer of a superior court.
- (c) Interest is not required on money deposited in an active deposit by an officer having control of a revolving fund created pursuant to Chapter 2 (commencing with Section 29300) of Division 3 of Title 3.

- (d) Interest is not required on money deposited in an active deposit by an officer having control of a special fund established pursuant to Article 5 (commencing with Section 29400) or Article 6 (commencing with Section 29430) of Chapter 2 of Division 3 of Title 3.

#### **Money under control of tax collectors**

##### **CGC 53680.**

A tax collector of a local agency shall immediately deposit with the treasurer all money under his control, unless he deposits the money in a depository pursuant to this article under permission and instructions of the treasurer having authority to make such deposit.

#### **Deposit in other than prescribed manner, forfeiture of office**

##### **CGC 53681.**

An officer or employee of a local agency who deposits money belonging to, or in the custody of, the local agency in any other manner than that prescribed in this article is subject to forfeiture of his office or employment.

#### **Contracts for services by depository; requirements**

##### **CGC 53682.**

Notwithstanding any other provision in this article except Section 53652, the treasurer may deposit monies in and enter into contracts with any depository, as defined in subdivision (c) of Section 53630, for services to be rendered by that depository that in the treasurer's judgment are to the public advantage. One copy of each contract entered into under this section shall be filed with the auditor or corresponding officer of the local agency. The contract shall:

- (a) Fix the duration of compensating deposits, if any.
- (b) Fix the interest rate of that compensating deposit, if any.
- (c) Specify the services to be rendered by the depository.
- (d) Indicate whether the depository shall bear the expenses of transportation of the money to and from the depository.
- (e) Fix the consideration payable by the agency for such services.
- (f) Specify who may deposit monies into the treasurer's active account and how those persons are to make those deposits.

#### **Consideration as costs applied pro rata against earned interest**

##### **CGC 53683.**

Notwithstanding any other provision in this article, the consideration payable by the agency as specified in subdivision (e) of Section 53682 shall be paid by the treasurer by applying such consideration as costs applied on a pro rata basis against the interest earned by all the agencies for which the treasurer invests.

#### **Local agencies; excess funds; investments by county treasurer**

##### **CGC 53684.**

- (a) Unless otherwise provided by law, if the 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 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 Section 53601 or 53635, or Section 20822 of the Revenue and Taxation Code.
- (b) The county treasurer shall, at least quarterly, apportion any interest or other increment derived from 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 to the total average daily balance of deposits in the investment pool. In apportioning and distributing that interest or increment, the county treasurer may use the cash method, the accrual method, or any other method in accordance with generally accepted accounting principles.  
  
Prior to distributing that interest or increment, the county treasurer may deduct the actual costs incurred by the county in administering this section in proportion to the average daily balance of the amounts deposited by the local agency and to the total average daily balance of deposits in the investment pool.
- (c) The county treasurer shall disclose to each local agency that invests funds pursuant to this section the method of accounting used, whether cash, accrual, or other, and shall notify each local agency of any proposed changes in the accounting method at least 30 days prior to the date on which the proposed changes take effect.
- (d) The treasurer or other official responsible for the funds of the local agency may withdraw the funds of the local agency pursuant to the procedure specified in Section 27136.
- (e) 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.
- (f) This section is not operative in any county until the board of supervisors of the county, by majority vote, adopts a resolution making this section operative in the county.
- (g) It is the intent of the Legislature in enacting this section to provide an alternative procedure to Section 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 Section 51301.

# OTHER GOVERNMENT CODE PROVISIONS CONCERNING THE FUNCTIONS AND DUTIES OF COUNTY TREASURER

## Uniform facsimile signatures of Public Officials Act [CGC 5500](#).

As used in this chapter:

- (a) "Public security" means a bond, note, certificate of indebtedness, or other obligation for the payment of money, issued by any county, city, or public district.
- (b) "Instrument of payment" means a check, draft, warrant, or order for the payment, delivery, or transfer of funds.
- (c) "Authorized officer" means any official of this State or any of its departments, agencies, or other instrumentalities, or any county, city, or public district whose signature to a public security or instrument of payment is required or permitted, or any deputy of such official who has been authorized by such official in writing to affix the official's signature.
- (d) "Facsimile signature" means the reproduction by engraving, imprinting, stamping, or other means of the manual signature of an authorized officer.

## Temporary borrowing [CGC 53821](#).

Subsequent to approval of the final budget and levy of taxes, if funds are needed for the immediate requirements of a local agency in any fiscal year to pay obligations lawfully incurred in the fiscal year and before the receipt of income for the fiscal year sufficient to meet the payments, money may be borrowed by:

- (a) The legislative body of a county on the recommendation of the auditor and treasurer.
- (b) The legislative body of the county having the largest area within the regional park district on the recommendation of the auditor and treasurer.
- (c) A school district, county board of education, or community college district on the request of two-thirds of the members of its governing board, approved by the county auditor and treasurer.
- (d) A regional park district on the request of four-fifths of the members of its legislative body, approved by the auditor and treasurer of the county having the largest area within the district.
- (e) The legislative body of a city on the recommendation of the city treasurer and chief accounting officer.
- (f) The legislative body of any other municipal or public corporation or district on the recommendation of the officers performing the functions of auditor and treasurer.

**CGC 53821.5.**

Proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes.

**CGC 53822.**

Money may be borrowed on notes, tax anticipation warrants, or other evidences of indebtedness on behalf of the local agency in an amount not to exceed 50 percent of:

- (a) The revenue from taxes for the current fiscal year or that portion of the taxes not collected at the time of borrowing, where the borrowing is by a county, city, or municipal or public corporation or district, other than a school district, county board of education, or community college district.
- (b) The estimated income and revenue for the current fiscal year or that portion not collected at the time of borrowing, where the borrowing is by a school district, county board of education, or community college district.

**CGC 53823.**

In addition, a school district, county board of education, or community college district may borrow money at any time between July 15th and August 30th of any fiscal year in an amount not to exceed 25 percent of the estimated income and revenue to be received during the current fiscal year by the district or county office of education from apportionments of the state, high school, or community college fund and of the State General Fund, based on the average daily attendance of pupils in the schools or colleges of the district or in schools operated by the county board of education for the preceding school year. The notes shall be repaid not later than December 31st in the fiscal year exclusively from the state apportionments.

**CGC 53824.**

All such notes, tax anticipation warrants, or other evidences of indebtedness shall be issued only after the adoption of a resolution by a four-fifths vote of all members of the legislative body.

**CGC 53825.**

The resolution shall state the necessity for the borrowing and:

- (a) The amount of revenue from taxes provided for the county, city, or municipal or public corporation or district, other than a school district, county board of education, or community college district, for the current fiscal year.
- (b) The amount of income and revenue provided for the current fiscal year for the school or community college district or the estimated amount of income and revenue to be received during the current fiscal year from apportionments from the State School Fund, high school fund, or community college fund and from the State General Fund, if the borrowing is by

a school district, county board of education, or community college district and occurs before taxes are levied.

**CGC 53826.**

All such notes, tax anticipation warrants, or other evidences of indebtedness shall be offered at public sale by the legislative body after not less than two days advertising in a newspaper of general circulation within the county, within the county having the largest area within the regional park district, or within the city, as the case may be, and not less than three days after the last day on which the advertisement is published.

**CGC 53827.**

The sale shall be made to the bidder offering the lowest rate of interest or whose bid represents the lowest net cost to the local agency. Notwithstanding the provision of Section 53531, the rate of interest shall not exceed 15 percent a year.

**CGC 53828.**

The notes, tax anticipation warrants, or other evidences of indebtedness shall be signed by:

- (a) The chairman of the board of supervisors and countersigned by the auditor and treasurer of the county or of the county having the largest area within the regional park district.
- (b) The mayor, and countersigned by the city treasurer and chief accounting officer, for a city.
- (c) The presiding officer of the legislative body, and countersigned by the officers performing the functions of auditor and treasurer of the municipal or public corporation or district.

**CGC 53829.**

The repayment of money borrowed by a county, city, or municipal or public corporation or district other than a school district, county board of education, or community college district constitutes a first lien and charge against the taxes levied for the fiscal year in which it was borrowed and shall be repaid from the first money received by the county, city, or municipal or public corporation or district other than a school district, county board of education, or community college district from the taxes.

**CGC 53830.**

The repayment of money borrowed by any school district, county board of education, or community college district constitutes a first lien and charge against the taxes, revenue, and other income collected during the fiscal year in which the money was borrowed and shall be repaid from the first money received by such school district, county board of education, or community college district from the taxes, revenue, and income.

[CGC 53830.5.](#)

(a) As to any notes, tax anticipation warrants, or other evidences of indebtedness issued by a school district, county board of education, or community college district pursuant to this article on or after January 1, 1993, the governing board may elect, by the adoption of a resolution by affirmative vote of the number of governing board members required for the adoption of the resolution described in Section 53825, to guarantee payment in accordance with the following:

- (1) The governing board making the election authorized by this subdivision shall so notify the controller. That notice shall include a schedule of payment for the notes, tax anticipation warrants, or other evidences of indebtedness, and shall identify the trustee appointed by the governing board for the purposes of paragraphs (2) and (3). For purposes of this section, "notes, tax anticipation warrants, or other evidences of indebtedness" means any debt with a maximum maturity not exceeding one year from the date of issue and a maturity date that is within the fiscal year of issue.
- (2) If, for any reason, the funds otherwise available to the agency for any payment due under the terms of the notes, tax anticipation warrants, or other evidences of indebtedness will not be sufficient for that purpose at the time payment is required as to any one or more of the notes, tax anticipation warrants, or other evidences of indebtedness, the agency shall so notify the trustee.

The trustee immediately shall communicate that information to the affected person or persons holding the notes, tax anticipation warrants, or other evidences of indebtedness, and to the controller.

If the agency is a school district, the trustee also shall communicate that information immediately to the county superintendent of schools.

- (3) When the controller receives from the trustee the notice described in paragraph (2), or the agency fails to make any payment of one or more of the notes, tax anticipation warrants, or other evidences of indebtedness at the time that payment is required, the controller shall make one or more apportionments to the trustee, subject to paragraph (4), in a total amount equal to the amount of the required payment from monies appropriated to the State School Fund, and the trustee thereupon shall make that payment. The controller shall withhold the amount of any payment made under this paragraph, including reimbursement of the controller's administrative costs as determined under a schedule approved by the California Debt Advisory Commission, from any subsequent apportionment or apportionments to be made to the agency from the State School Fund.
- (4) The amount apportioned to a trustee pursuant to paragraph (3) in any month shall not exceed the amount that otherwise would be apportioned to the agency for that month from the State School Fund.



This paragraph does not prohibit the controller from making two or more apportionments to a trustee pursuant to paragraph (3) as necessary to satisfy a required payment in accordance with that paragraph.

- (5) The resolution shall state both of the following:
- (A) That the agency maintains an overall positive fund equity as of the date of the adoption of the resolution, and that the governing board anticipates that the agency will maintain an overall positive fund equity at the end of the fiscal year in which the notes, tax anticipation warrants, or other evidences of indebtedness are issued.

For purposes of this section, "overall positive fund equity" means that the sum of the cash available to the agency and its accounts receivable exceeds the amount of the accounts payable by the agency.

- (B) That the governing board of the agency understands, in authorizing the controller to make the payment described in paragraph (3) and, accordingly, to withhold certain funds that otherwise would be apportioned to the agency, that the nonpayment of salaries or other obligations of the agency may result.
- (6) Upon the adoption of a resolution as described in this section by the governing board of a school district, that governing board shall file a copy of the resolution with the appropriate county superintendent of schools at least 20 days prior to the sale of any notes, tax anticipation warrants, or other evidences of indebtedness authorized pursuant to the resolution. At the request of the school district governing board, the county superintendent of schools may waive or reduce the 20-day requirement described in this paragraph.

(b) This section shall not be construed to obligate the State of California to make any payment to or on behalf of any school district, county board of education, or community college district from the State School Fund in any amount, or pursuant to any particular allocation formula, or to make any other payment to or on behalf of a school district, county board of education, or community college district, including, but not limited to, any payment in satisfaction of any debt or liability incurred or guaranteed by a school district, county board of education, or community college district pursuant to this section or any other provision of this article.

(c) This section shall not be applied so as to impair the obligation of any contract that is in effect as of January 1, 1993, in a manner that would violate either Section 9 of Article I of the California Constitution or Section 10 of Article I of the United States Constitution.

(d) Any apportionment made by the controller pursuant to paragraph (3) of subdivision (a) shall be deemed to be an allocation to a school district for purposes of subdivision (b) of Section 8 of Article XVI of the California Constitution, and for purposes of Chapter 2 (commencing with Section 41200) of Part 24 of the Education Code.

**CGC 53831.**

All such notes, tax anticipation warrants, or other evidences of indebtedness issued for funds borrowed prior to December 31st in any fiscal year shall be repaid not later than that date.

All other evidences of indebtedness for funds borrowed in any fiscal year shall be repaid not later than May 30th of such fiscal year.

Notes, tax anticipation warrants, or other evidences of indebtedness shall not be issued after December 31st in any fiscal year if funds borrowed prior to December 31st are not repaid prior to that date.

**CGC 53832.**

Loans made pursuant to this article shall be made solely for the purpose of anticipating income. In the case of a county, a city, or a municipal or public corporation or district other than a school district, county board of education, or community college district, the loans shall be made solely upon the credit of revenue from taxes provided for the fiscal year in which loans are made. In the case of a school district, county board of education, or community college district, the loans shall be made solely upon the credit of income and revenue provided for the fiscal year in which loans are made.

**CGC 53833.**

The legislative body of each local agency may include in its budget, separately stated, amounts of anticipated disbursement to meet the interest to be paid on any funds borrowed pursuant to this article.

**Alternate Procedure for Temporary Borrowing**

**CGC 53840.**

It is hereby declared the intention of the Legislature by the enactment of this article to provide an alternative procedure under which short term loans may be procured by those counties in which the board of supervisors has declared it to be county policy to make advances of current operating requirements to subsidiary political subdivisions required by law to deposit their funds in the county treasury as such advances are authorized by the provisions of Section 25 of Article XIII of the State Constitution. In any such county the board of supervisors, upon recommendation of the county treasurer with the approval of the county auditor, may borrow on July 1st or thereafter such amounts as may be required to meet current obligations payable by the county treasury, pending collection of the revenue provided for the year in progress. Amounts so borrowed shall be evidenced by notes signed by the chairman of the board of supervisors, the county auditor and the county treasurer, and the liability created thereby shall be secured by a lien on all revenue to accrue to the county treasury from any source during the year then in progress.

**CGC 53841.**

Any amounts borrowed by a county as provided in the preceding section shall not exceed 85 percent of the total of taxes levied for all purposes on said county's tax roll for the next preceding fiscal year, and at no time during the year for which borrowed shall the unpaid total of the amounts so borrowed as shown by the auditor's accounts at the close of any month be allowed to remain at more than 85 percent of the uncollected balance of taxes for the current year as shown by said accounts.

**CGC 53841.5.**

Proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes.

**CGC 53842.**

Amounts borrowed as above provided shall be entered to the credit of the county's general reserve fund and may be used to make advances to operating funds in the county treasury as authorized by Section 25 of Article XIII of the State Constitution. Payment of the notes upon their due dates shall be made by warrants drawn by the county auditor on the general reserve fund.

**CGC 53843.**

In any county which finds it necessary to borrow current operating requirements, as provided in the foregoing sections, the board of supervisors shall either:

- (1) Advertise for bids by publication for two weeks in a newspaper of general circulation in the county, setting forth the date upon which the amount will be required, which shall be not less than three weeks following the date of the first publication, the amount required and the repayment date. Bids shall be opened at the time set forth in the notice which shall be during a regular meeting of the board; and the board, unless it rejects all bids, shall accept the bid which offers the loan to the county at the lowest net interest cost not in excess of 10 percent, or
- (2) After finding that time is of the essence, direct the county treasurer to negotiate for a loan to the county and to solicit and receive bids without advertising for them. The board of supervisors, unless it rejects all bids, shall accept the bid which offers the loan to the county at the lowest net interest cost not in excess of 10 percent, or
- (3) After finding that any political subdivision subject to this article periodically requires advances of current operating requirements prior to receipt of tax revenues, direct the county treasurer, upon request of such political subdivision, to solicit and receive bids for loans from time to time without advertising for them. The board of supervisors, unless it rejects all bids, shall accept the bid which offers the loan to the county at the lowest net interest cost not in excess of 10 percent.

**CGC 53844.**

In any county which qualifies as set forth in Section 53840 to use the foregoing procedure for short-term financing, all interest payments on the loans may, in the discretion of the board of supervisors, be charged to the general fund of any district or fund for which loans have been made. All interest earned on funds in the county treasury shall be credited to said general fund of the county, excepting therefrom the interest on deposits of school districts which shall accrue to the general funds of the respective school districts, the interest earned on specific investments of a local agency as authorized by Section 53601 of this code or by Section 5007 of the Education Code, and monies on deposit in court in eminent domain actions pursuant to Article 1 (commencing with Section 1255.010) of Chapter 6 of, or Article 2 (commencing with Section 1268.110) of Chapter 11 of, Title 7 of Part 3 of the Code of Civil Procedure.

**Another alternate procedure for temporary borrowing**  
**CGC 53851.**

The powers conferred by this article are in addition to and an alternative to any power conferred by any other law for borrowing by a local agency and any amount borrowed hereunder shall not be considered in any limitation on the amount which may be borrowed by any such local agency under any other law.

**CGC 53852.**

On or after the first day of any fiscal year a local agency may borrow money pursuant to this article, the indebtedness to be represented by a note or notes issued to the lender pursuant to this article. The money borrowed may be used and expended by the local agency for any purpose for which the local agency is authorized to use and expend monies, including but not limited to current expenses, capital expenditures, investment and reinvestment, and the discharge of any obligation or indebtedness of the local agency.

**CGC 53852.5.** Proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes.

**CGC 53853.**

- (a) The note or notes shall be issued pursuant to a resolution adopted by the legislative body of the local agency authorizing the issuance of the note or notes, except that the note or notes of a county board of education, school district, charter school, or community college district that has not been accorded fiscal accountability status pursuant to Section 1080, 42647, 42650, or 85266 of the Education Code shall be issued in the name of the school district, charter school, or community college district by the board of supervisors of the county, the county superintendent of which has jurisdiction over the school district, charter school, or community college district, as soon as possible following receipt of a resolution of the governing board or body of the school district, charter school, or community college district requesting the borrowing and the note or notes of a county board of education shall be issued in the name of the county board of education by the board of supervisors of the

county as soon as possible following receipt of a resolution of the county board of education requesting that the county assist in that borrowing. The school district, charter school, community college district, or county board of education that submits that resolution to the county board of supervisors shall simultaneously provide a copy of the resolution to the county superintendent of schools and the county treasurer.

- (b) Notwithstanding subdivision (a), if the appropriate county board of supervisors fails to authorize, by resolution, the issuance of a note or notes in the name of a county board of education, school district, charter school, or community college district as specified by that subdivision within 45 calendar days following its receipt of the resolution of the county board of education, the governing board of the school district or community college district, or the governing body of the charter school requesting that issuance, or if the county board of supervisors notifies the county board of education, school district, charter school, or community college district that it will not authorize that issuance within that 45-day period, then the note or notes may be issued by the county board of education, school district, charter school, or community college district in its name pursuant to the previously adopted resolution. The resolution adopted by the governing board or body of the school district, charter school, or community college district, or by the county board of education, shall not contain direction to the county treasurer for the investment of any proceeds of the note or notes while deposited in the county treasury, but may direct the investment of proceeds of the note or notes held by a trustee and any other amounts held by that trustee or pledged for repayment or security of the note or notes. This subdivision applies only in the case of a note or notes of a county board of education, school district, charter school, or community college district to be issued in conjunction with a note or notes of one or more other county board of education, school district, charter school, or community college district. A county board of supervisors, county treasurer, or county Auditor shall not be deemed to have any fiduciary responsibility with regard to any note or notes issued pursuant to this subdivision. This subdivision shall not apply to a county board of education, school district, charter school, or community college district that is under the authority of a trustee as a result of accepting an emergency apportionment.
- (c) Notes authorized to be issued may be issued from time to time as provided in the resolution. The resolution of the county board of education, school district, charter school, or community college district shall set forth the form and the manner of execution of the note or notes.

**[CGC 53854.](#)**

Any note issued under this article may be negotiable, may be payable to order or to bearer and may be in any denomination. Such note shall be payable not later than the last day of the fiscal year in which it is issued; provided that such note may be made payable during the fiscal year succeeding the fiscal year in which issued, but in no event later than 15 months after the date of issue, when such note is payable only from revenue received or accrued during the fiscal year in which issued. Such note may bear interest not to exceed 10 percent per annum, payable as provided therein. Such interest may be represented by coupons attached to said note.

**CGC 53855.**

The resolution authorizing the issuance of any note may provide that such note shall be subject to call and redemption prior to maturity, at the option of the local agency, at such price or prices as may be fixed in the resolution, not exceeding a premium of 3 percent of the par value of the note so subject to redemption. The resolution shall fix the method of giving notice of redemption to the holder of the note to be redeemed and the price or prices at which the note shall be subject to redemption. A note so subject to call and redemption prior to maturity shall contain a recital to that effect on its face, and no note shall be subject to call or redemption prior to its fixed maturity date unless it contains such recital.

**CGC 53856.**

Any taxes, income, revenue, cash receipts, or other moneys of the local agency, including moneys deposited in inactive or term deposits, may be pledged to the payment of the note or notes and the interest thereon, except, however, that no moneys which, when received by the local agency, will be encumbered for a special purpose may be pledged for the payment of the note or notes or the interest thereon unless an equivalent amount of the proceeds from said note or notes is set aside for and used for said special purpose. The resolution authorizing the issuance of the note or notes shall specify what taxes, income, revenue, cash receipts or other moneys are pledged for the payment thereof. The note or notes and the interest thereon shall be a first lien and charge against, and shall be payable from the first moneys received by the local agency from, such pledged moneys.

For the purposes of this section, "revenue" includes, but is not limited to, revenue from the state and federal governments.

**CGC 53856.1.**

- (a) The Board of Supervisors of Orange County, in the resolution authorizing the issuance of any note or notes, may provide that the board elects to guarantee payment of the note or notes in accordance with the following:
  - (1) If Orange County elects to participate under this section, it shall provide notice to the Controller of that election, which notice shall include a schedule for the repayment of principal and interest on the notes, and identify a note trustee appointed by Orange County for the purposes of this section.
  - (2) In the event that, for any reason, the funds made available pursuant to this article for the payment of principal and interest of the notes will not be sufficient for that purpose at the time payment on principal, interest, or both, is required as to any one or more of those notes, Orange County shall so notify the trustee. The trustee shall immediately communicate that information to the affected note holders and to the Controller.
  - (3) When the Controller receives notice from the trustee as described in paragraph (2) that the funds made available pursuant to this article for the payment of principal and interest of the notes is not sufficient for that purpose at the time payment on principal,

interest, or both, is required as to any one or more of those notes, the Controller shall make an apportionment to the trustee in the amount of that required payment for the purpose of making that payment. The Controller shall make that payment only from monies credited to the Motor Vehicle License Fee Account in the Transportation Tax Fund to which Orange County is entitled at that time under Chapter 5 (commencing with Section 11001) of Part 5 of Division 2 of the Revenue and Taxation Code, and shall thereupon reduce, by the amount of the payment, the subsequent allocation or allocations to which Orange County would otherwise be entitled under that chapter.

(4) As an alternate to the procedure set forth in paragraphs (2) and (3), Orange County may specify in the notice provided to the Controller pursuant to paragraph (1) a schedule of payments to be made on specified dates to the trustee, and the Controller shall, subject to the limitation in the second sentence of paragraph (3), make apportionments to the trustee in the amount of the required payments on the specified dates.

(b) This section shall not be construed to obligate the State of California to make any payment to Orange County from the Motor Vehicle License Fee Account in the Transportation Tax Fund in any amount or pursuant to any particular allocation formula, or to make any other payment to Orange County, including, but not limited to, any payment in satisfaction of any debt or liability incurred or guaranteed by Orange County in accordance with this section.

**[CGC 53857.](#)**

Notwithstanding the provisions in Section 53856, any note issued pursuant to this article shall be a general obligation of the local agency, and, to the extent not paid from the taxes, income, revenue, cash receipts or other monies of the local agency pledged for the payment thereof shall be paid with the interest thereon from any other monies of the local agency lawfully available therefor; provided, however, that any tax levied by a county for interest on notes for borrowed money shall be in addition to all other taxes and shall not be less than sufficient to pay the interest on notes for borrowed money as is to become due before the time for making the next general tax levy.

**[CGC 53858.](#)**

Notes shall not be issued pursuant to this article in any fiscal year in an amount which, when added to the interest payable thereon, shall exceed 85 percent of the estimated amount of the then uncollected taxes, income, revenue, cash receipts, and other monies of the local agency which will be available for the payment of said notes and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes is secured by a pledge of the amount in any inactive or term deposit of the local agency, the term of which will terminate during said fiscal year, such principal and interest may be disregarded in computing said limit.

For the purposes of this section, "revenue" includes, but is not limited to, revenue from the state and federal governments.

**State and local jurisdiction appropriation limits**  
**CGC 7902.1.**

(a)

- (1) If, beginning with the 1980–81 fiscal year or any fiscal year thereafter, the proceeds of taxes of a school district, community college district, or county superintendent of schools, exceed its appropriations limit determined pursuant to Section 7902 for that fiscal year, the governing body of the school district or community college district, or the county superintendent of schools, shall increase its appropriations limit to an amount equal to its proceeds of taxes.
- (2) Any increase in a local jurisdiction’s appropriations limit pursuant to this section shall, in the fiscal year in which the change is made, reduce the appropriations limit of the state by an equal amount.

(b)

- (1) If, in the 2021–22 fiscal year or any fiscal year thereafter, the appropriations limit determined pursuant to Section 7902 for that fiscal year of a school district, community college district, or county superintendent of schools exceeds its proceeds of taxes, the governing board of the school district or community college district, or the county superintendent of schools, shall decrease its appropriations limit to an amount equal to its proceeds of taxes.
- (2) Any decrease in a local jurisdiction’s appropriations limit pursuant to this section shall increase the appropriations limit of the state by an equal amount.



# OTHER COUNTY DEPARTMENT TREASURY REQUIREMENTS

## **Board of supervisors public fund responsibility**

### **[CGC 25303.](#)**

The board of supervisors shall supervise the official conduct of all county officers, and officers of all districts and other subdivisions of the county, and particularly insofar as the functions and duties of such county officers and officers of all districts and subdivisions of the county relate to the assessing, collecting, safekeeping, management, or disbursement of public funds. It shall see that they faithfully perform their duties, direct prosecutions for delinquencies, and when necessary, require them to renew their official bond, make reports and present their books and accounts for inspection.

This section shall not be construed to affect the independent and constitutionally and statutorily designated investigative and prosecutorial functions of the sheriff and district attorney of a county. The board of supervisors shall not obstruct the investigative function of the sheriff of the county nor shall it obstruct the investigative and prosecutorial function of the district attorney of a county.

Nothing contained herein shall be construed to limit the budgetary authority of the board of supervisors over the district attorney or sheriff.

## **District attorney's treasury responsibilities**

### **[CGC 26503.](#)**

The district attorney shall deliver receipts for money or property received in his official capacity and file duplicates with the county treasurer.

## **Auditor's treasury responsibilities**

### **[CGC 26900.](#)**

The auditor shall examine and settle the accounts of any persons indebted to the county or holding money payable into the county treasury, and shall certify the amount to the treasurer. Upon the presentation and filing of the treasurer's receipt therefor, the auditor shall give to such person a discharge and charge the treasurer with the amount received by him.

## **Tax collector's treasury responsibilities**

### **[CGC 27401.](#)**

At least once a month the tax collector shall pay the public money in his hands into the county treasury, taking the receipt of the treasurer therefor.

## **County clerk's treasury responsibilities**

### **[CGC 70017.](#)**

The county clerk shall, on or before the first day of each calendar month, transmit to the county treasurer all money paid to him pursuant to this article during the preceding calendar month, or

up to the day immediately preceding the day on which he transmits such money, and such money shall be deposited in the salary fund of such county.

### **Coroner's treasury responsibilities**

#### **CGC 27466.**

If, within 90 days after the inquest, no legal representative makes a demand upon the coroner for the money or property found upon the body of the decedent, the coroner shall deliver to the treasurer any money, and the proceeds of the sale of any property found upon the body. At the same time, the coroner shall deliver an affidavit to the treasurer showing:

- (a) The amount of money belonging to the estate of the deceased person which has come into his possession since the coroner's last statement.
- (b) The disposition made of any property.

# COUNTY BUDGET REQUIREMENTS

## Department budget requirements

### [CGC 29040.](#)

On or before June 10 of each year, each official in charge of any budget unit shall provide the administrative officer or the auditor, as the board directs, an itemized request detailing the estimate of financing sources, financing uses, and any other matter required by the board.

## Proposed budget

### [CGC 29060.](#)

The administrative officer or auditor, as designated by the board, shall compile the budget requests.

## Final budget

### [CGC 29080.](#)

On or before September 8 of each year, the board shall publish a notice in a newspaper of general circulation stating that:

- (a) The recommended budget documents are available to members of the public.
- (b) On the date stated in the notice, not fewer than 10 days after the recommended budget documents are available, and at a time and place also stated in the notice, the board will conduct a public hearing on the recommended budget.
- (c) Any member of the public may appear at the hearing and be heard regarding any item in the recommended budget or for the inclusion of additional items.
- (d) All proposals for revisions shall be submitted in writing to the clerk of the board of supervisors before the close of the public hearing.

## Budget appropriations and transfers

### [CGC 29120.](#)

Except as otherwise provided by law, the board and every other county or dependent special district official and person shall be limited in the incurring or paying of obligations to the amounts of the appropriations allowed for each budget unit as originally adopted or as thereafter revised by addition, cancellation, or transfer.

## Miscellaneous budget documents

### [CGC 29141.](#)

The adopted budget shall include a schedule showing the managerial budget of each service activity financed by a proprietary fund established pursuant to Sections 25260 and 25261. The schedule shall set forth expected operations of the activity in such detail for revenues, expenses,

and reserves as will adequately display the nature and the approximate size of its operations. Comparative data as prescribed in Section 29006 shall be provided.

#### **Emergencies – exceeding the budget**

##### **CGC 53790.**

Notwithstanding budget limitations and restrictions imposed by law except limitations imposed by the Constitution, a city, county, or district may incur all necessary expenses, expend public funds, and expend, use, or permit the use of public property or personnel to meet a national or local emergency created by war, military, naval, or air attack, or sabotage, or to provide for adequate national or local defense.

#### **Funds – miscellaneous shortages**

##### **CGC 29390.**

The board of supervisors may, by a resolution incorporating such limitations and safeguards as may be deemed in the best interests of the county, provide that county officers and employees who are responsible for receiving and paying out money may be relieved of shortages in their accounts, where there is no proof of fraud or gross negligence in connection with the shortage and where the loss is not covered by insurance. If the board of supervisors after an investigation and report by the county auditor approves the coverage of such shortage, it shall be entered in its minutes and shall be a charge against the general fund of the county.

# COUNTY FUNDS

## Separate funds

### [CGC 29300.](#)

The income and revenue paid into the county treasury shall be at once appropriated to and kept in separate funds.

## General fund

### [CGC 29301.](#)

The general fund consists of money received into the treasury and not specially appropriated to any other fund.

## Revolving funds

### [CGC 29321.](#)

The board of supervisors may establish a revolving fund for the use of any officer of the county by adopting a resolution setting forth: (a) the necessity for the fund, (b) the office, department, service, or institution for which the fund is available, and (c) the amount of the fund, which shall not exceed two hundred fifty thousand dollars (\$250,000).

## Salary fund

### [CGC 29350.](#)

All fees directed to be paid into the county treasury shall be set apart as a separate salary fund, and shall be applied to the payment of salaries.

## County officer's cash difference fund

### [CGC 29370.](#)

The board of supervisors may establish a county officers cash difference fund for the use of any county officer or administrative head of any county department handling county funds by adopting a resolution setting forth the amount of the fund. Certified copies of the resolution shall be transmitted to the county auditor and to each county officer or administrative head of a county department who has such fund.

## Overage fund

### [CGC 29371.](#)

If the board elects to establish a cash difference fund, it shall by the same resolution also establish an overage fund for the use of each county officer or administrative head of a county department affected.

**Borrowing from funds**  
**CGC 29501.**

Whenever the principal or interest on any bonds legally issued by the county or any district within the county which becomes due and there is not sufficient money in the fund established for the payment of the principal or interest to pay it, the board of supervisors may order the amount of money necessary to pay the principal or interest, or both, to be transferred from the general fund to the debt service fund provided for the payment of such principal and interest pending the collection of any taxes or ad valorem assessment which have been levied for that purpose.

The amount transferred is a loan to the fund, and the auditor shall retransfer it to the general fund not later than the apportionment of the second installment of taxes collected on the current secured roll. The board shall not advance to any debt service fund an amount greater than the amount of uncollected taxes or ad valorem assessments levied for the payment of the principal and interest on the bonds.

**Temporary transfer of funds**  
**CA Constitution Article XVI, Sec 6**

The Legislature shall have no power to give or to lend, or to authorize the giving or lending, of the credit of the State, or of any county, city and county, city, township or other political corporation or subdivision of the State now existing, or that may be hereafter established, in aid of or to any person, association, or corporation, whether municipal or otherwise, or to pledge the credit thereof, in any manner whatever, for the payment of the liabilities of any individual, association, municipal or other corporation whatever; nor shall it have power to make any gift or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation whatever; provided, that nothing in this section shall prevent the Legislature granting aid pursuant to Section 3 of Article XVI; and it shall not have power to authorize the State, or any political subdivision thereof, to subscribe for stock, or to become a stockholder in any corporation whatever; provided, further, that irrigation districts for the purpose of acquiring the control of any entire international water system necessary for its use and purposes, a part of which is situated in the United States, and a part thereof in a foreign country, may in the manner authorized by law, acquire the stock of any foreign corporation which is the owner of, or which holds the title to the part of such system situated in a foreign country; provided, further, that irrigation districts for the purpose of acquiring water and water rights and other property necessary for their uses and purposes, may acquire and hold the stock of corporations, domestic or foreign, owning waters, water rights, canals, waterworks, franchises or concessions subject to the same obligations and liabilities as are imposed by law upon all other stockholders in such corporation; and

Provided, further, that this section shall not prohibit any county, city and county, city, township, or other political corporation or subdivision of the State from joining with other such agencies in providing for the payment of workers' compensation, unemployment compensation, tort liability, or public liability losses incurred by such agencies, by entry into an insurance pooling arrangement under a joint exercise of powers agreement, or by membership in such publicly-owned nonprofit corporation or other public agency as may be authorized by the Legislature; and

Provided, further, that nothing contained in this Constitution shall prohibit the use of state money or credit, in aiding veterans who served in the military or naval service of the United States during the time of war, in the acquisition of, or payments for, (1) farms or homes, or in projects of land settlement or in the development of such farms or homes or land settlement projects for the benefit of such veterans, or (2) any business, land or any interest therein, buildings, supplies, equipment, machinery, or tools, to be used by the veteran in pursuing a gainful occupation; and

Provided, further, that nothing contained in this Constitution shall prohibit the State, or any county, city and county, city, township, or other political corporation or subdivision of the State from providing aid or assistance to persons, if found to be in the public interest, for the purpose of clearing debris, natural materials, and wreckage from privately owned lands and waters deposited thereon or therein during a period of a major disaster or emergency, in either case declared by the President. In such case, the public entity shall be indemnified by the recipient from the award of any claim against the public entity arising from the rendering of such aid or assistance. Such aid or assistance must be eligible for federal reimbursement for the cost thereof.

And provided, still further, that notwithstanding the restrictions contained in this Constitution, the treasurer of any city, county, or city and county shall have power and the duty to make such temporary transfers from the funds in custody as may be necessary to provide funds for meeting the obligations incurred for maintenance purposes by any city, county, city and county, district, or other political subdivision whose funds are in custody and are paid out solely through the treasurer's office. Such temporary transfer of funds to any political subdivision shall be made only upon resolution adopted by the governing body of the city, county, or city and county directing the treasurer of such city, county, or city and county to make such temporary transfer. Such temporary transfer of funds to any political subdivision shall not exceed 85 percent of the anticipated revenues accruing to such political subdivision, shall not be made prior to the first day of the fiscal year nor after the last Monday in April of the current fiscal year, and shall be replaced from the revenues accruing to such political subdivision before any other obligation of such political subdivision is met from such revenue.

**CGC 23010.**

- (b) Pursuant to a resolution adopted by its board of supervisors, a county may lend any of its available funds to any community services district, county waterworks district, mosquito abatement district, pest abatement district, fire protection district, flood control and water conservation district, recreation and park district, resource conservation district, regional park district, regional park and open-space district, regional open-space district, resort improvement district, or public cemetery district located wholly within the county, if its funds are or when available will be in the custody of the county or any officer of the county, in order to enable the district to perform its functions and meet its obligations. The loan shall not exceed 85 percent of the district's anticipated revenue for the fiscal year in which it is made or for the next ensuing fiscal year, and shall be repaid out of that revenue before the payment of any other obligation of the district.

- (b) (1) Pursuant to a resolution adopted by its board of supervisors, a county may loan any of its available funds to a special district, in order to enable the district to perform its functions and meet its obligations. The loan shall not exceed 85 percent of the special district's anticipated property tax revenue projected to be generated for the fiscal year in which it is made or for the next ensuing fiscal year within that portion of the district's territory that is located within the county. The loan shall be repaid out of any available revenue of the special district before the payment of any other obligation of the district.
- (2) For purposes of this subdivision, "special district" means a special district, as defined in Section 54775, that is located in more than one county.
- (c) (1) The board of supervisors may borrow funds from the county or from other garbage disposal districts, not to exceed 85 percent of the district's anticipated revenue for the fiscal year in which they are borrowed or for the next ensuing fiscal year. In levying taxes or prescribing and collecting fees or charges as authorized by this division, the board of supervisors may raise sufficient revenues to repay the loans.
- (2) The board of supervisors may lend available district funds to another garbage disposal district, subject to the terms and conditions set forth in this section.
- (3) Nothing contained in this section shall prohibit the board of supervisors from borrowing funds from banks or other financial institutions when the best interests of the district are served thereby.
- (d) Notwithstanding any other law, funds, when borrowed by a garbage disposal district pursuant to subdivision (c), shall forthwith increase the appropriations of the district for which they are needed. The governing body of the entity from which the funds are borrowed may specify the date and manner in which the funds shall be repaid. The loan shall not exceed 85 percent of the district's anticipated revenue for the fiscal year in which it is made or for the next ensuing fiscal year, and shall be repaid out of that revenue before the payment of any other obligation of the district.
- (e) The district shall pay interest on all funds borrowed from the county at the same rate that the county applies to funds of the district on deposit with the county.

**CGC 23010.1.**

Pursuant to a resolution adopted by its board of supervisors, a county may lend any of its available funds to any fire protection district located wholly within the county if the funds of the fire protection district are or, when available, will be in the custody of the county treasurer, for the acquisition of real or personal property and the construction of structures needed for district purposes.

The board of supervisors in the resolution shall specify the date and manner in which the funds shall be repaid. The resolution may require the repayment of the loan in equal annual installments. The loan shall be repaid within the time specified in the resolution which shall not in any event exceed 10 years.



**CGC 23010.2.**

The board of supervisors may loan to any city within its limits which has been incorporated for less than one year an amount not exceeding eighty-five percent (85%) of the city's anticipated revenues for the fiscal year in which such loan is made. Such loans shall be repaid within the fiscal year in which made.

**CGC 23010.3.**

Upon adoption of an authorizing resolution by the board of supervisors, in connection with the construction of any sanitary sewer, storm sewer, or drainage improvements, a county may expend any of its available funds for any additional cost of construction of any conveyance works in excess of the construction required for the current project, or for a portion of the cost of conveyance works directly benefiting properties in an area outside the area to be served by the current project, if the board of supervisors first finds and declares in that resolution, that there is an area outside the area to be served by the current project which may in the future utilize the conveyance works; that additional construction of conveyance works for the current project is necessary to serve the outside area in the future; and that the board of supervisors will have the right in the future to use, or to permit the use of, the conveyance works and the additional construction which will benefit the outside area. In lieu of a county contribution of funds for additional construction or for a portion of the cost of the conveyance works where an outside area is directly benefited, the board of supervisors may agree to reimburse, from future connection fees, any entity or person described in subdivisions (a) to (g), inclusive.

The provisions of this section shall be applicable in cases in which improvements are to be constructed by any of the following:

- (a) A county pursuant to the "The Improvement Act of 1911," Division 7 (commencing with Section 5000) of the Streets and Highways Code.
- (b) A county pursuant to the "Municipal Improvement Act of 1913," Division 12 (commencing with Section 10000) of the Streets and Highways Code.
- (c) A county in any other manner.
- (d) Any district which is governed by the board of supervisors of the county in which the work is to be performed.
- (e) Any district, not governed by the board of supervisors of the county in which the work is to be performed, with which the board of supervisors has contracted so as to assure the right of the county to use the conveyance works and the additional construction, for the future benefit of the outside area.
- (f) Any incorporated city with which the board of supervisors has contracted so as to assure the right of the county to use the conveyance works and the additional construction, for the future benefit of the outside area.
- (g) Any person, if the works when completed are to be dedicated or conveyed to the county or to a district governed by the board of supervisors of the county in which the work is to be performed.

The board of supervisors may impose a connection fee upon any person or district in the outside area to be paid to the county as a condition to connecting to any conveyance works which have been augmented by additional construction, or which have been found by the board of supervisors to directly benefit the outside area, pursuant to this section. The connection fee shall be a prorated share of the total cost of the additional construction, or of the portion of the costs of the conveyance works where an outside area is directly benefited. The fee may include a reasonable amount for administrative costs associated with the collection of the fee and to provide reimbursement to an entity or person described in subdivisions (a) to (g), inclusive. In computing the total cost of the additional construction, or of the portion of the costs of the conveyance works where an outside area is directly benefited, the board of supervisors shall include an amount attributable to interest from the date of completion of the construction to the date of connection and, in the event the board of supervisors agrees to reimburse, from future connection fees, any entity or person described in subdivisions (a) to (g), inclusive, all accrued interest shall be payable to that entity or person.

This section shall not decrease or limit any other power vested in counties or boards of supervisors.

#### **[CGC 23010.4.](#)**

Upon receipt of an application from the governing body of any school district maintaining a school within a county, requesting to borrow funds from the county for the purpose of removing or replacing asbestos-derived materials used in constructing, insulating, or furnishing one or more of those schools, and declaring the existence of such asbestos-derived material to be potentially detrimental to the health of pupils, teachers, and others using the school, the county board of supervisors may loan, and the school district may borrow, the requested county funds upon such terms and conditions as are mutually agreed upon by the respective governing bodies, provided that the loan shall be repaid only from the school district's deferred maintenance fund established pursuant to Section 39618 of the Education Code.

#### **Transportation fund**

##### **[CGC 29530.](#)**

- (a) If the board of supervisors so agrees by contract with the State Board of Equalization, the board of supervisors shall establish a local transportation fund in the county treasury and shall deposit in the fund all revenues transmitted to the county by the State Board of Equalization under Section 7204 of the Revenue and Taxation Code, which are derived from that portion of the taxes imposed by the county at a rate in excess of 1 percent, and on and after July 1, 2004, until the rate modifications in subdivision (a) of Section 7203.1 of the Revenue and Taxation Code cease to apply, at a rate in excess of three-quarters of 1 percent, pursuant to Part 1.5 (commencing with Section 7200) of Division 2 of that code, less an allocation of the cost of the services of the State Board of Equalization in administering the sales and use tax ordinance related to the rate in excess of 1 percent, and on and after July 1, 2004, until the rate modifications in subdivision (a) of Section 7203.1 of the Revenue and Taxation Code cease to apply, to the rate in excess of three-quarters of 1 percent, and of the Director of Transportation and the Controller in

administering the responsibilities assigned to him or her in Chapter 4 (commencing with Section 99200) of Part 11 of Division 10 of the Public Utilities Code.

- (b) Any interest or other income earned by investment or otherwise of the local transportation fund shall accrue to and be a part of the fund.

## County charges

### *Expenses of officers attending conventions*

#### **CGC 29610.**

The expenses of any elected county officer incurred while traveling to and from and while attending the annual convention of his or her respective association, are county charges which do not require prior approval of the board of supervisors. The board of supervisors may require prior approval by the board of supervisors for any other officer or employee to incur those expenses as county charges.

### *Necessary litigation expenses*

#### **CGC 29611.**

The necessary expenses, incurred by the auditor and treasurer in the defense and prosecution of any action brought by or against them to test the validity or constitutionality of any act of the Legislature or of the board of supervisors or of any order providing for the payment of any funds held in the county treasury are county charges.

### *Charges incurred against county – sheriff, district attorney*

#### **CGC 29600.**

Charges incurred against the county pursuant to this title are county charges.

# WARRANTS

## General information

### [CGC 29800.](#)

All warrants issued by the county auditor shall be numbered consecutively within each series. The number, date, amount of each, and the name of the person to whom payable, shall be stated thereon. The auditor shall enter the warrants in the register at the time they are issued.

## Warrant payment

### [CGC 29820.](#)

When a warrant is presented for payment, if there is money in the fund for that purpose, the treasurer shall pay it by any of the following methods:

- (a) By stamping thereon or perforating therein the word "Paid" and the date of payment.
- (b) In accordance with those practices with respect to form, issuance, delivery, endorsement, and payment as approved by the governing board pursuant to Section 53910.
- (c) By accepting the paid data per the treasurer's bank.

At the option of the treasurer, warrants may be payable at the treasurer's office or at any bank at which money of the county is deposited.

## Registered warrants

### [CGC 29821.](#)

Whenever an issuing officer draws a warrant upon the fund in an amount that exceeds the balance of the fund and the issuing officer determines that the warrant requires registration, the issuing officer shall, prior to the issuance of that warrant, present it to the treasurer for registration pursuant to Section 29823.

## Duplicate warrants

### [CGC 29850.](#)

If any warrant issued by the county auditor is lost or destroyed before it is paid by the treasurer, the amount due may be recovered by the legal owner or custodian by filing with the auditor or designee, an affidavit setting forth the fact of the loss or destruction of the warrant, the number, date, amount, and name of the payee, and all material facts relative to its loss or destruction. The legal owner or custodian is entitled to file this affidavit at any time prior to the time the warrant becomes void.

# TREASURY CASH MANAGEMENT

## **GENERAL**

Treasury Cash Management is the utilization of information available to the county treasurer so as to maximize interest income while maintaining strict compliance with state statutes and county ordinances.

The importance of effective treasury cash management is becoming increasingly clear to all of those involved in the financial affairs of local government. Increasing reliance on aid from other governmental agencies combined with limitations on property tax revenues, tend to make local government less self-reliant. In terms of cost-benefit, no other sources of locally generated revenue can match the attractiveness of an effectively administered Treasury Cash Management Program.

Cash management includes cash flow analysis and projection, the deposit of funds, the making of investments and the apportionment of earnings.

It is recognized that the size of the county and the treasurer's office staff, the volume of transactions, the system of record keeping, the availability and extent of electronic data processing and the cooperation of other county departments and local agencies will all influence the degree of sophistication of your cash management program.

### **Legality of Actions**

The actions of a county treasurer in administering a cash management program must conform to law. It is recommended that you become thoroughly familiar with the contents of the section on the Investment of Surplus Funds of this manual.

### **Safety of Principal**

The primary duty of a county treasurer is to hold safely all public funds under his/her control.

Ability to meet demands of treasury

Active funds should be sufficient to meet daily demands upon the treasury.

### **Maximize Earnings**

The county treasurer has an obligation to attempt to obtain the highest possible yield that is consistent with the first two priorities and the public interest.

## CASHIERING OPERATION

(Processes and Forms)

\*This section is in progress\*

## CUSTODY AND INVESTMENT OF FUNDS

(Processes and Forms)

### CGC 53601.

This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

1. Securities purchased shall be held in the county treasurer's name and deposited for safekeeping with the custodian bank that has contracted to provide the county treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third-party trust department arrangements provide the County with a perfected interest in, ownership of, and control over the securities held by the custodian bank on the County's behalf, and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.
2. Security holdings shall be reconciled monthly by the county treasurer and audited at least quarterly by the county's external auditors. Authorized staff, not directly supervised by investment personnel, shall compare the safekeeping statements provided by the custodian bank with the statements generated by the treasury investment management system utilized by the county treasurer.

3. Security transactions are to be conducted on a “delivery vs. payment basis.” This ensures that securities are deposited in the county treasurer account with the custodian bank prior to the release of funds.
4. A list of individuals, who are authorized to handle investment transactions and wire transfers, together with their signatures, shall be provided to the custodian bank and the depository banks.
5. Trade instructions to the custodian banks shall be made for all investment purchases or sale transactions, either by electronic transmission or facsimile.



## CASH BUDGET AND FORCAST

(Processes and Forms)

\*This section is in progress\*

## **APPORTIONMENT OF INTEREST EARNED**

(Processes and Forms)

### **CGC 27013.**

Notwithstanding any other provision of law, any Treasurer, or other authorized county officer, who invests, deposits or otherwise handles funds for public agencies for the purpose of earning interest or other income on such funds as permitted by law, may deduct from such interest or income, before distribution thereof, the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income. Such cost reimbursement shall be paid into the county general fund.

### **CGC 27135.**

The costs of complying with this article shall be county charges and may be included with those charges enumerated under Section 27013.

### **CGC 53684.**

- (b) The county treasurer shall, at least quarterly, apportion any interest or other increment derived from 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 to the total average daily balance of deposits in the investment pool. In apportioning and distributing that interest or increment, the county Treasurer may use the cash method, the accrual method, or any other method in accordance with generally accepted accounting principles.

Prior to distributing that interest or increment, the county Treasurer may deduct the actual costs incurred by the county in administering this section in proportion to the average daily balance of the amounts deposited by the local agency and to the total average daily balance of deposits in the investment pool.

1. Interest is earned based on the average daily balance apportioned at least on a quarterly basis, after deducting costs as allowed by California Government Code §27013, §27135 and §53684 (see section on Treasurer's Service Costs and Fees). In some counties, the County Treasurer has delegated apportionment of interest to the county auditor-controller.
2. Investment Pool income and/or losses may be calculated using the cash method, the accrual method, or any other method in accordance with generally accepted accounting principles.
3. Investment Pool income shall be reconciled daily against cash receipts, and quarterly prior to distribution.
4. All monies deposited in the Investment Pool by the participants represent an individual interest in all assets and investments in the Investment Pool based upon the amount deposited. Except for specific investments in which the interest income is to be

credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the fiscal quarter.

5. The county treasury prepares a document which summarizes the Investment Pool's income, costs, and the net interest amount for distribution.

## DISBURSEMENT OF FUNDS

(Processes and Forms)

\*This section is in progress\*

## SHORT-TERM BORROWING

(Processes and Forms)

\*This section is in progress\*

## RISK MANAGEMENT

\*This section is in progress\*

## **BANKING RELATIONSHIP**

### **CGC 53631.**

Under those conditions as the treasurer of a local agency fixes with the approval of the legislative body, he or she may establish accounts at banks within or without the state and deposit money in those accounts to the extent necessary to pay the principal and interest of bonds to pay any warrant that has been presented for payment, or to fund any electronic disbursement of funds from the treasury of the local agency. This article does not apply to deposits for those purposes.

### **CGC 53635.2.**

As far as possible, all money belonging to, or in the custody of, a local agency, including money paid to the treasurer or other official to pay the principal, interest, or penalties of bonds, shall be deposited for safekeeping in state or national banks, public banks, savings associations, federal associations, credit unions, or federally insured industrial loan companies in this state selected by the treasurer or other official having legal custody of the money; or may be invested in the investments set forth in Section 53601. To be eligible to receive local agency money, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. Sections 53601.5 and 53601.6 shall apply to all investments that are acquired pursuant to this section.

### **CGC 53637.**

The money shall be deposited in any bank, savings association or federal association, state or federal credit union, or federally insured industrial loan company with the objective of realizing maximum return, consistent with prudent financial management, except that money shall not be deposited in any state or federal credit union if a member of the legislative body of a local agency, or any person with investment decision-making authority of the administrative office, manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the state or federal credit union.

### **CGC 53638.**

- (a) The deposit shall not exceed the shareholder's equity of any depository bank. For the purposes of this subdivision, shareholder's equity shall be determined in accordance with Section 463 of the Financial Code, but shall be deemed to include capital notes and debentures.
- (b) The deposit shall not exceed the total of the net worth of any depository savings association or federal association, except that deposits not exceeding a total of five hundred thousand dollars (\$500,000) may be made to a savings association or federal association without

regard to the net worth of that depository, if such deposits are insured or secured as required by law.

- (c) The deposit to the share accounts of any regularly chartered credit union shall not exceed the total of the unimpaired capital and surplus of the credit union, as defined by rule of the Commissioner of Financial Institutions, except that the deposit to any credit union share account in an amount not exceeding five hundred thousand dollars (\$500,000) may be made if the share accounts of that credit union are insured or guaranteed pursuant to Section 14858 of the Financial Code or are secured as required by law.
- (d) The deposit in investment certificates of a federally insured industrial loan company shall not exceed the total of the unimpaired capital and surplus of the insured industrial loan company.

#### **CGC 53649.**

The treasurer is responsible for the safekeeping of money in his or her custody and shall enter into any contract with a depository relating to any deposit which in his or her judgment is to the public advantage. The depository, and the agent of depository to the extent the agent of depository has been notified of deposits and the amount thereof, are responsible for securing monies deposited pursuant to such a contract in accordance with Section 53652. One copy of each contract shall be filed with the auditor, controller, secretary, or corresponding officer of the local agency.

#### **CGC 53652.**

To secure active or inactive deposits a depository shall at all times maintain with the agent of depository eligible securities in securities pools, pursuant to Sections 53656 and 53658, in the amounts specified in this section. Uncollected funds shall be excluded from the amount deposited in the depository when determining the security requirements for the deposits.

- (a) Eligible securities, except eligible securities of the classes described in subdivisions (m) and (p) of Section 53651, shall have a market value of at least 10 percent in excess of the total amount of all deposits of a depository secured by the eligible securities.
- (b) Eligible securities of the class described in subdivision (m) of Section 53651 shall have a market value at least 50 percent in excess of the total amount of all deposits of a depository secured by those eligible securities.
- (c) Eligible securities of the class described in subdivision (p) of Section 53651 shall have a market value of at least 5 percent in excess of the total amount of all deposits of a depository secured by those eligible securities. For purposes of this article, the market value of a letter of credit which is an eligible security under subdivision (p) of Section 53651 shall be the amount of credit stated in the letter of credit.



**\*FDIC Regulatory Capital Ratios of a Well Capitalized bank:**

[https://www.fdic.gov/regulations/laws/federal/2013/2013-09-10\\_final-rule-interim.pdf](https://www.fdic.gov/regulations/laws/federal/2013/2013-09-10_final-rule-interim.pdf)

The county treasurer's intent is to enter into long-term relationships with Depository Institutions therefore, the integrity of the firm and the personnel assigned to the county treasury's account is of primary importance.

The county treasurer should consider and monitor the credit worthiness and approve each depository institution maintained on the authorized list which he or she determines is in the best interests of the county. For a nationally or state-chartered bank, savings bank, savings association, federal association, and credit union, the county treasurer should consider the following:

1. Strong capitalization (per FDIC definition\*):
  - a. Total risk-based capital ratio of at least 10%.
  - b. Common Equity Tier 1 risk-based capital ratio of at least 6.5%.
  - c. Tier 1 risk-based capital ratio of at least 8%.
  - d. Tier 1 leverage ratio of at least 5%.
  - e. Not subject to directive, order, or written agreement to meet and maintain specific capital levels.
2. Favorable credit ratings from nationally known ratings agencies.
3. Consistent profitability.
4. Meets banking and other requirements of the county treasurer (i.e., electronic handling of deposits and redemption of maturing deposits).
5. Has received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low and moderate-income neighborhoods, pursuant to governmental regulations.

## **RATING AGENCIES**

**\*This section is in progress\***

## RECLAMATION DISTRICTS

\*This section is in progress\*

## DEBT FINANCING

\*This section is in progress\*

## MARKET NEWS AND ANALYSIS

\*This section is in progress\*

## COMMUNITY REINVESTMENT

\*This section is in progress\*

## OUTSOURCING INVESTMENT

\*This section is in progress\*

## FEDERAL AGENCIES AND REGULATIONS

\*This section is in progress\*



## TECHNOLOGY FOR 21<sup>ST</sup> CENTURY

\*This section is in progress\*

## LIST OF VENDORS USED BY CACTTC MEMBERS

\*This section is in progress\*

## STATISTICAL PERFORMANCE MEASURES

\*This section is in progress\*

## TREASURER'S OPERATING BUDGET

\*This section is in progress\*

## TREASURER'S SERVICE COSTS AND FEES

### CGC 27013.

Notwithstanding any other provision of law, any treasurer, or other authorized county officer, who invests, deposits or otherwise handles funds for public agencies for the purpose of earning interest or other income on such funds as permitted by law, may deduct from such interest or income, before distribution thereof, the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income. Such cost reimbursement shall be paid into the county general fund.

CGC 27135. The costs of complying with this article shall be county charges and may be included with those charges enumerated under Section 27013.

### CGC 53684.

- (b) The county treasurer shall, at least quarterly, apportion any interest or other increment derived from 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 to the total average daily balance of deposits in the investment pool. In apportioning and distributing that interest or increment, the county treasurer may use the cash method, the accrual method, or any other method in accordance with generally accepted accounting principles.

Prior to distributing that interest or increment, the county treasurer may deduct the actual costs incurred by the county in administering this section in proportion to the average daily balance of the amounts deposited by the local agency and to the total average daily balance of deposits in the investment pool.

The county treasurer is permitted to deduct the actual cost of managing the Investment Pool as allowed by California Government Code §27013, §27135, and §53684. The county treasurer shall deduct the actual cost incurred for banking and investment related services, including but not limited to: banking fees, custodial safekeeping charges, necessary capital outlays, the costs of investment advisory services, credit ratings, and the pro-rata annual cost of the salaries including fringe benefits for the personnel in the county treasurer's office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions. This includes a portion of the county treasurer's time and his or her assistants.

## INVESTMENT GLOSSARY

**ACCRUED INTEREST** – The amount of interest that is earned but unpaid since the last interest payment date.

**AGENCIES OR FEDERAL AGENCIES** – (See **GOVERNMENT-SPONSORED ENTERPRISES**)

**AMORTIZATION** – The repayment of a debt through regular installments of principal and interest scheduled over a period of time which is completed by maturity date.

**AMORTIZATION SCHEDULE** – A complete schedule which contains the periodic debt repayment dates and the total amount of payments with a breakdown of principal and interest.

**ASK or ASKED PRICE or ASKING PRICE** – The price a seller is willing to accept for a security, also known as the offer price. (Also see **BID**)

**BANKER'S ACCEPTANCE** – A time draft drawn on a bank and accepted by that bank as ultimate liability for payment. Used most often to finance import and export transactions. Bankers' acceptances are also collateralized by the underlying merchandise being contracted in the import-export transaction, i.e., a shipload of televisions from Japan, or rice from Thailand. With the credit strength of a bank behind it, the banker's acceptance usually qualifies as a money market instrument.

**BASIS POINT** – One hundredth of a percent. Example: 0.25% is twenty-five basis points.

**BID or BID PRICE** – The price a buyer is willing to pay for a security. (Also see **ASK**)

**BOND** – A long-term debt instrument in which the investor lends money to the bond issuer, which agrees to pay a stated rate of interest over a specified period of time at a fixed interest rate. Bonds are commonly referred to as fixed-income securities.

**BOND RATING** – A grade given to bonds that indicates their credit quality. Bond ratings are issued by various Nationally Recognized Statistical Rating Organizations (NRSROs) which provide their evaluations of a bond issuer's financial strength, or its ability to pay timely a bond's principal and interest.

**BOOK ENTRY** – The system maintained by the Federal Reserve, by which securities are delivered, electronically, to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire system.

**BOOK VALUE** – The value an investor holds on their books as their invested amount in a security. This may be more or less than the current face value of the security, depending if the security was purchased at a price more or less than the face value.

**BROKER** - A financial institution that facilitates transactions by matching up buyers and sellers. A broker does not buy securities for inventory purposes. (Also see **DEALER** and **PRIMARY DEALER**)

**CALLABLE SECURITIES** – A callable security is a bond, preferred stock, or debenture, which may be redeemed or “called” by the issuing company prior to its maturity. The company may have the right to redeem all or part of the debt. Usually done by the company when interest rates drop or when the company can refinance their debt at a lower interest rate.

**CASH (SETTLEMENT)** – Regarding the settlement date on the purchase of a security, a “cash settlement” is one where the delivery of securities and settlement of the transaction occurs on the same date that the trade is made.

**CASH MANAGEMENT BILLS (CMB)** – Short-term obligations of the United States Government, sold at a discount from their face value. The discount rate is determined at auction. The U.S. Treasury issues CMBs which range from as little as four days to several months. A CMB is the most flexible instrument of the U.S. Treasury because this can be issued on an as-needed basis to meet temporary shortfalls, in contrast to a regular schedule that the Treasury follows for issuing its other bills and notes. CMBs tend to pay higher yields than bills issued on a regular schedule.

**CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SERVICE (CDARS)** – CDARS is a service operated by Promontory Financial Network, an independent private sector company. About 3,000 banks participate in the CDARS network. After a deposit for investment is made with one participating network bank, that bank uses the CDARS service to distribute those funds into individual CDs issued by other members of the CDARS Network. Each such CD is issued in an amount below the standard FDIC insurance maximum (\$250,000) so that both principal and interest are eligible for FDIC insurance. The original bank or institution receiving the deposit provides a single statement and reporting to the depositor. The actual CDs are held by a separate custodian bank for safekeeping. More information can be found at [www.cdars.com](http://www.cdars.com).

**CERTIFICATE OF DEPOSIT (CD)** – A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CD." Institutional CDs are usually issued in denominations of \$100,000 or more. Maturities range from a few weeks to several years. Interest rates are set by competitive forces in the marketplace. (Also see **NEGOTIABLE CERTIFICATES OF DEPOSIT**)

**COLLATERAL** – Assets or securities which are used to secure a loan or deposit. In the event of default, the lender or depositor assumes ownership of the asset or securities. When securities are used as collateral for government deposits, they must comply with California law.

**COLLATERALIZED DEBT OBLIGATIONS OR CDOs** – Investment grade securities backed by a pool of bonds, loans, and other assets. CDOs do not specialize in one type of debt but are often non-mortgage loans or bonds. CDOs have a similar structure to collateralized mortgage obligations but are unique in that they represent different types of debt and credit risk. These different types of debt are often referred to as “tranches” or “slices”. Each slice has a different maturity and risk associated with it. The higher the risk, the more the CDO pays.

**COLLATERALIZED MORTGAGE OBLIGATIONS OR CMOs** – Debt obligations issued by a special purpose entity that are collateralized by and payments linked to a pool of mortgages or mortgage-backed securities. The special purpose entity (usually a trust) is set up by the sponsor who owns the loans. A different entity purchases a group of mortgages using the proceeds of an offering of securities collateralized by the mortgage (CMOs). The trustee (the issuer) uses the underlying cash flows or the collateral to fund the debt service on the CMOs. The CMOs are priced based on their own maturity and rate of return rather than that of the underlying mortgages.

**COMMERCIAL PAPER** – Short-term unsecured obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers to investors with idle cash. Such instruments are usually discounted, although some are interest bearing. It is issued only by top rated companies and is nearly always backed by bank lines of credit. Ratings are assigned by a Nationally Recognized Statistical Rating Organization (NRSRO).

**CONFIRMATION** – Formal memorandum from a broker/dealer to the County Treasury giving the details of a securities transaction, i.e., purchase or sale. The confirmation is compared to the investment tracking system by authorized staff not directly supervised by investment personnel. Discrepancies shall be referred immediately to the assistant county treasurer, other authorized management personnel, or the county treasurer (provided that they did not execute the transaction). (See **DISCREPANCY**)

**COUNTERPARTY** – The other party that participates in a financial transaction. For example, a buyer of a security must be paired up with a seller that is willing to sell and vice versa.

**COUPON OR COUPON RATE** – The stated rate of interest on a bond. Stated as a percentage of par (face value). For example, a \$1 million bond with a 6% coupon rate pays \$60,000 interest annually. Treasury bond coupons are usually set to pay every six (6) months, so in this case, there would be two (2) coupons per year, each of which is \$30,000 interest payment.

**CREDIT RISK** – The risk that an issuer or other counterparty to an investment will not fulfill its obligation.

**DEALER** – A financial institution that participates in the financial markets by taking securities (usually in extremely large volumes) into inventory from which they are later sold. (Also see **BROKER** and **PRIMARY DEALER**)

**DEFAULT** – The failure to pay debt obligations as agreed in the terms of the debt.

**DELIVERY VS. PAYMENT (DVP)** – Refers to the practice of using an escrow procedure to process a transaction through a third-party safekeeper. This practice ensures that the transaction settles after the transaction terms and conditions of the parties involved have been met. In other words, payment will not be forwarded to the seller until securities have been delivered and vice versa.

**DERIVATIVE** – An investment whose characteristics and value are based on the performance of an underlying financial asset, index, or other investment. Derivatives include inverse floaters,



range notes, or mortgage derived, interest-only strips and any security that could result in zero interest if held to maturity.

**DISCOUNT** – When a security is sold for less than its par or face value, it is said to be sold at a discount. The discount is simply the difference between the price paid and the par or face value. For example, if an investment with a par value of \$1,000,000 is selling for \$998,000, it is selling at a discount of \$2,000.

**DISCREPANCY** – Regarding the purchase of a security, a difference or variance from what is expected or stated. Any of the following discrepancies found in the county treasury investment confirmation process are referred immediately to the assistant county treasurer, other authorized management personnel, or the county treasurer (provided that they did not execute the transaction). (See **CONFIRMATION**)

- A. Description of a security
- B. Broker information
- C. Purchase or maturity date
- D. Full value of a security
- E. Purchase price
- F. Interest amount
- G. Confirmation not received within ten (10) business days

**DIVERSIFICATION** – The spreading of risk by investing in a variety of securities offering independent returns.

**FACE VALUE** – The amount the issuer agrees to pay upon maturity. The same as par value or maturity value.

**FED WIRE SYSTEM** – The national banks system for moving money and securities.

**FEDERAL AGRICULTURAL MORTGAGE CORPORATION (Farmer Mac)** – A government-sponsored enterprise which is a stockholder-owned, publicly-traded company that was chartered by the United States Federal Government in 1988 to serve as a secondary market in agricultural loans such as mortgages for agricultural real estate and rural housing.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)** – A federal agency created by Congress in 1933 to maintain stability and public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions, examining and supervising financial institutions for safety and soundness and consumer protection, and managing receiverships. The current standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category.

**FEDERAL FARM CREDIT SYSTEM (Farm Cr)** – The oldest government-sponsored enterprise created by Congress in 1916, this nationwide system of banks and associations provides mortgage loans, credit and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. Currently, there are four (4) Farm Credit Banks and one (1) Agricultural Credit Bank which provide funds and support services to approximately 94 locally owned Farm Credit Associations and numerous cooperatives nationwide. Farm Credit Banks Consolidated Systemwide Debt Securities are issued through the Farm Credit Banks Funding Corporation. Both discount notes and bonds are issued.

**FEDERAL HOME LOAN BANK (FHLB)** – A government-sponsored enterprise which consists of a system of 12 regional banks, created in 1932, which are owned by private member institutions and regulated by the Federal Housing Finance Board (FHFB). Functioning as a credit reserve system, they facilitate extension of credit through owner-members in order to provide access to housing and to improve the quality of communities. On July 30, 2008, the Housing and Economic Recovery Act of 2008 became law which replaced the FHFB with the Federal Housing Finance Agency (FHFA) as the FHLB's regulator. Both discount notes and bonds are issued.

**FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac)** – A government-sponsored enterprise which is a stockholder-owned, publicly-traded company established by Congress in 1970 to provide a continuous flow of funds to mortgage lenders through developing and maintaining an active nationwide secondary market in conventional residential mortgages to provide opportunities for homeownership and affordable rental housing across the nation. On September 6, 2008, the Director of the Federal Housing Finance Agency (FHFA) appointed the FHFA as the conservator of Freddie Mac. Both discount notes and bonds are issued.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae)** – A government-sponsored enterprise which is a stockholder-owned, publicly traded company established as a federal agency in 1938 and chartered by Congress in 1968 to promote a secondary market for conventional, Federal Housing Administration, and Veterans Administration single and multi-family mortgages. On September 6, 2008, the Director of the Federal Housing Finance Agency (FHFA) appointed FHFA as the conservator of Fannie Mae. Both discount notes and bonds are issued.

**FEDERAL RESERVE (BANK) SYSTEM** – System established by the Federal Reserve Act of 1913 to regulate the U.S. monetary and banking system. It is the central bank of the United States which is composed of a central governmental agency in Washington, D.C. (the Board of Governors) and 12 regional Federal Reserve Banks in major cities throughout the United States.

**FEDERALLY INSURED CASH ACCOUNT (FICA)** – The FICA Program is managed by StoneCastle, Cash Management, LLC, an asset management and financial services company. A FICA is an interest-bearing bank deposit, and per CGC §53644, is not an investment. This account is similar to a Certificate of Deposit Account Registry Service (CDARS) account, where a single large deposit is placed through a pass-through bank into individual deposits of less than \$250,000 each, with banks that participate in the FICA network. As a result, full FDIC insurance

is maintained. Unlike a CDARS account, however, the full balance may be withdrawn upon demand without a dollar limit or penalty.

**FINANCIAL INSTITUTION** – An institution with which the county treasurer engages to purchase or sell securities.

**FITCH RATINGS (FITCH)** – One of the NRSROs utilized by the county treasurer in determining eligibility for securities purchases. (Also see **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**)

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae)** – A wholly owned corporation within the United States Department of Housing and Urban Development created by the United States Federal Government through a 1968 partition of the Federal National Mortgage Association to provide financial assistance to low-to-moderate income homebuyers by promoting mortgage credit. GNMA issues long-term debt backed by mortgages with repayment guaranteed by the U.S. Government.

**GOVERNMENT-SPONSORED ENTERPRISES (GSE)** – A general term for several privately owned, publicly chartered agencies created to reduce borrowing costs for certain sectors of the economy such as agriculture and home finance. The GSEs that issue debt instruments include Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit System, and Federal Agricultural Mortgage Corporation.

**INFORMAL COMPETITIVE BID** – A verbal or written bid submitted to the county treasury by a broker/dealer for a specific security issue at a specific price or yield.

**INTEREST** – The amount earned while owning a debt security or interest-bearing active deposit account, generally calculated as a percentage of the principal.

**INVERTED OR NEGATIVE YIELD CURVE** – A normal yield curve occurs when where progressively long-term securities offer higher yields. When long-term securities offer lower yields than short-term securities, the yield curve is said to be inverted or negative. An inverted yield curve may predict economic recession.

**INVESTMENT GRADE** – A rating that indicates that a corporate or municipal bond has a relatively low risk of default. Investment grade usually includes only the top three rating categories of the nationally recognized statistical rating organizations.

**INVESTMENT POOL** – The county maintains an investment pool with cash and investments which provide cash flow for the funding needs of the participants. Participants include county departments, agencies, schools, and special districts. The investment pool is managed by the county treasurer. The investment pool portfolio is carried at amortized cost and includes accrued interest. By pooling their funds, participants benefit from lower management and investment costs.

**ISSUER** – Legal entity that has the power to issue and distribute a security. Issuers include corporations, municipalities, foreign and domestic governments and their agencies, and investment trusts.

**LETTER OF CREDIT** – An instrument issued by a bank guaranteeing the payment of a customer's obligations up to a stated amount for a stated period of time. These instruments are widely used in the financing of international trade.

**LIQUIDITY** – For an entity, its cash and marketable security position with respect to its short-term debt obligations. For an individual asset, the ability to sell the asset at a reasonable price on short notice. It is also the ability to meet cash requirements by structuring the portfolio so that maturities meet anticipated cash flow needs as well as unanticipated cash flow needs by including marketable securities in the portfolio.

**LOCAL AGENCY** – A 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.

**LONDON INTERBANK OFFERING RATE (LIBOR)** – The rate of interest that the most creditworthy international banks dealing in the London interbank market charge each other for large loans.

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

**MARKETABLE SECURITIES** – Marketable securities are securities that are easily sold. They are assets that can be readily converted into cash, i.e., treasuries, agencies, bankers' acceptances, and commercial paper.

**MATURITY DATE** – The date on which the issuer or borrower repays the principal in total. Either paid in a lump sum at the maturity date or the final payment date on amortized debt.

**MEDIUM-TERM NOTES (MTNs)** – Corporate notes usually with maturities from five (5) to ten (10) years offered by a company through a dealer. This type of debt program is used by a company to tailor its debt issuance to meet its financing needs. MTNs can be issued on a fixed or floating rate basis.

**MOODY'S INVESTORS SERVICE, INC. (MOODY'S)** – One of the NRSROs utilized by the county treasurer in determining eligibility for securities purchases. (Also see **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**)

**MONEY MARKET MUTUAL FUNDS** – An investment fund that holds the objective to earn interest for shareholders while maintaining a net asset value of \$1 per share. Mutual funds, brokerage firms, and banks offer these funds. Portfolios are comprised of short-term (less than one year) securities representing high quality, liquid debt and monetary instruments.

**MORTGAGE-BACKED SECURITIES (MBS)** – Are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a governmental, quasi-governmental, or private entity. The entity then issues securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool. Most MBS are issued by the GNMA, FNMA, and FHLMC. GNMA, backed by the full faith and credit of the U.S. government, guarantees that investors receive timely payments. FNMA and FHLMC also provide certain guarantees and, while not backed by the full faith and credit of the U.S. government, have special authority to borrow from the U.S. Treasury. Some private institutions, such as brokerage firms, banks, and homebuilders, also securitize mortgages, known as “private label” mortgage securities.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO)** – Rating agencies whose credit ratings are used under the Security and Exchange Commission’s regulations. There are currently ten (10) officially designated NRSROs: A.M. Best Company, Inc., Dominion Bond Rating Service, Inc., Egan-Jones Rating Company, Fitch Ratings, HR Ratings de Mexico, S.A. de C.V., Japan Credit Rating Agency, Ltd., Kroll Bond Rating Agency, Inc., Moody’s Investor Service, Inc., Morning Star Credit Ratings, LLC, and Standard & Poor’s Ratings Services.

**NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD)** – A large dollar amount short-term certificate of deposit with a fixed amount of interest. NCDs are issued by large banks and bought mainly by corporations and institutional investors. They are payable either to the bearer or to the order of the depositor, and, being negotiable, they enjoy an active secondary market but cannot be cashed-in before maturity. Although NCDs can be issued in any denomination from \$100,000 up, the typical amount is \$1 million and frequently in round lots of \$5 million. They trade at a discount to the face value which is repaid on maturity. Maturities vary from 14 days to 12 months. (Also see **CERTIFICATE OF DEPOSIT**)

**NON-STATUTORY DEPOSITOR** – A depositor who is not mandated or legally required to deposit their funds in the county treasury.

**PAR VALUE** – The same as face value or maturity value.

**PORTFOLIO** – A group of securities held by an investor.

**POSITIVE OR NORMAL YIELD CURVE** - A yield curve in which short-term interest rates are lower than long-term interest rates. This is the prevailing case most of the time. Changes in the yield curve can be used to interpret market and economic conditions.

**PREMIUM** – When a security is sold for greater than its par or face value, it is said to be sold at a premium. The premium is simply the difference between the price paid and the par or face value. For example, if an investment with a par value of \$1,000,000 is selling for \$1,002,000, it is selling at a premium of \$2,000. (Also see **DISCOUNT**)

**PRIMARY DEALER** – Financial institutions so designated by the New York Federal Reserve Bank. Primary dealers must undergo rigorous financial and ethical examination by the New York

Federal Reserve Bank to obtain and maintain primary dealership status. They are also expected to provide a market for U.S. Treasury securities and to participate in the Federal Reserve's periodic auction of new issue Treasury securities. The Federal Reserve's purpose in establishing a network of primary dealers is to ensure the efficient and sound marketability of U.S. Treasury securities. Primary dealers include Securities and Exchange Commission registered securities broker/dealers and banks.

**PRINCIPAL** – The face or par amount of a security not taking into account discounts or premiums. The unpaid amount remaining on amortized debt.

**RECEIVABLE-BACKED SECURITIES** – Securities collateralized with consumer receivables, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

**RECEIVABLE PASSTHROUGH CERTIFICATE** – A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution.

**REGISTERED STATE WARRANT** - A short-term obligation of a state governmental body issued in anticipation of revenue.

**REPURCHASE AGREEMENT/TRI-PARTY, OR BI-PARTY** - An agreement between a seller and a buyer, usually of government securities, whereby the seller agrees to repurchase the securities at an agreed upon price at a stated time. A TRI-PARTY repurchase agreement is where the purchased securities are held in safekeeping with a custodian other than the seller or the buyer. A BI-PARTY repurchase agreement is one where the purchased securities are in safekeeping with the seller.

**RETURN ON AVERAGE ASSETS (ROAA)** – ROAA is a measure of profits relative to size that is commonly used in analyzing banks and financial companies. It is calculated by dividing net income by average assets.

**REVENUE ANTICIPATION NOTES (RAN)** – Notes issued for 13 months or less which are used to finance cash flow in anticipation of future tax revenue. Used by agencies having cash flow gaps between revenues and expenses that require short-term interim financing. (Also see Tax Anticipation Notes and Tax and Revenue Anticipation Notes).

**REVERSE REPURCHASE AGREEMENT** – A sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date.

**RISK-ADJUSTED ASSETS** – The assets shown in the balance sheet of a bank that have had a risk weighting (percentage weight) applied to them.

**RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD** – Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

**SAFEKEEPING** – Storage and protection of securities provided as a service by an institution serving as custodian where securities are held and registered in the client’s name.

**SECURITIES AND EXCHANGE COMMISSION (SEC)** – Federal agency created by Congress in 1934 to protect investors in securities transactions by administering securities acts. The statutes administered by the SEC are designed to promote full public disclosure and protect the investing public against malpractice in the securities market.

**SECURITIES LENDING AGREEMENT** – 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.

**SETTLEMENT DATE** – The date on which a securities transaction will occur and ownership legally changes. (Also see **TRADE DATE**)

**SUPRANATIONALS** – International development institutions that provide financing, advisory services, and/or other financial services to their member countries to achieve overall goal of improving living standards through sustainable economic growth. The eight supranationals are: International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Inter-American Development Bank (IADB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Nordic Investment Bank (NIB), African Development Bank (AfDB), and Asian Development Bank (ADB). IBRD, IFC, and IADB (also known as the Washington Supras) were established by international treaties known as Articles of Agreement (“the Articles”). The Articles were incorporated into U.S. federal law by Congressional Act which authorized the United States’ membership and participation in the institutions. The U.S. Secretary of the Treasury sits on the Board of Governors of each of these institutions. The U.S. government is also the largest shareholder of each owning 16%, 24%, and 30%, respectively. Of the eight supranationals, California Government Code only allows investments in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the IBRD, IFC, or IAD, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States.

**STANDARD AND POOR’S RATINGS SERVICES** – One of the NRSROs utilized by the county treasurer in determining eligibility for securities purchases. (Also see **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**)

**STATUTORY DEPOSITOR** – A depositor whose funds are mandated by state statute or other legal requirement to be deposited into the county treasury.

**STEP-UP BOND** – A bond that pays an initial coupon for the first period, and then a higher coupon rate for the following periods. It is a bond in which subsequent future coupon payments are received at a higher, predetermined amount than previous or current periods.

**TAX ANTICIPATION NOTES (TAN)** – Notes issued for 13 months or less which are used to finance cash flow in anticipation of future tax revenue. Commonly used by California local governments whose primary revenues are property taxes that are collected in December and April. (Also see Revenue Anticipation Notes and Tax and Revenue Anticipation Notes).

**TAX AND REVENUE ANTICIPATION NOTES (TRAN)** – Notes issued for 13 months or less. They are a combination of Tax Anticipation Notes and Revenue Anticipation Notes. (Also see Revenue Anticipation Notes and Tax Anticipation Notes).

**TIER 1 CAPITAL** – For a bank, this consists of common stock, non-redeemable non-cumulative preferred stock, and disclosed reserves or retained earnings.

**TIER 2 CAPITAL** – For a bank, this consists of supplementary capital categorized as undisclosed reserves, revaluation reserves, general provisions, hybrid instruments, subordinated debt, and loan loss reserves.

**TIER 1 LEVERAGE RATIO** – It is calculated by dividing Tier 1 Capital by its average total consolidated assets.

**TIER 1 RISK-BASED CAPITAL RATIO** – A core measure of a bank's financial strength. It is also seen as a metric of a bank's ability to sustain future losses. It is calculated by dividing the bank's equity by its total risk-adjusted assets.

**TOTAL ASSET CLASSIFICATION RATIO** – This measures the volume of classified assets of the bank relative to the "cushion" of capital that may be used to absorb inherent losses in classified assets. Values for this ratio above 40 to 50 percent often represent less than satisfactory asset quality. It is calculated by dividing Total Adversely Classified Assets (substandard assets, doubtful assets, loss assets) by the total of Tier 1 Capital and Allowance for Loans and Leases Losses.

**TOTAL RISK-BASED CAPITAL RATIO** – A measure of a bank's financial strength, taking into account capital reserves for loans, investments, and certain other items not on the balance sheet. It is calculated by dividing the total of Tier 1 Capital and Tier 2 Capital by risk-adjusted assets.

**TRADE DATE** – The date that the terms of a securities transaction are agreed upon, including the settlement date. (Also see **SETTLEMENT DATE**)

**TREASURY BILL (T-BILL)** – Short-term debt obligations of the United States Government, sold at a discount from their face value. They are issued through a competitive bidding process at auctions. The discount rate is determined at auction. The U.S. Treasury issues these bills for terms of 4, 13, 26, and 52 weeks.

**TREASURY BONDS** – Long-term debt obligations of the United States Government. They are issued through a competitive bidding process at auctions. Treasury bonds earn a fixed rate of interest every six (6) months until maturity and are issued in a term of 30 years.



**TREASURY NOTES (T-NOTES)** – Intermediate-term debt obligations of the United States Government. They are issued through a competitive bidding process at auctions. Treasury notes earn a fixed rate of interest every six (6) months until maturity and are issued in terms of 2, 3, 5, 7, and 10 years.

## **EXAMPLES OF REQUEST FOR PROPOSAL**

- BANKING SERVICES RFP
- LOCKBOX RFP
- PAYMENT GATEWAY SERVICES RFP
- BROKER/DEALER QUESTIONNAIRE

## INDEX

\*This section is in progress\*