



**LOCAL AGENCY
INVESTMENT
GUIDELINES**

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

Update for 2025

Reflects state law changes
effective as of January 1, 2025
CDIAC 24.12

FIGURE 1

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2025)^A APPLICABLE TO ALL LOCAL AGENCIES^B

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY ^C	MAXIMUM SPECIFIED % OF PORTFOLIO ^D	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations—CA And Others	5 years	None	None	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40% ^E	None	53601(g)
Commercial Paper—Non-Pooled Funds ^F (under \$100,000,000 of investments)	270 days or less	25% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H	53601(h)(2)(c)
Commercial Paper—Non-Pooled Funds ^I (min. \$100,000,000 of investments)	270 days or less	40% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H	53601(h)(2)(c)
Commercial Paper—Pooled Funds ^J	270 days or less	40% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% ^K	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50% ^L	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50% ^L	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^M	20% of the base value of the portfolio	None ^N	53601(j)
Medium-Term Notes ^O	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20% ^P	Multiple ^{Q, R}	53601(l) and 53601.6(b)
Collateralized Bank Deposits ^S	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities ^T	5 years or less ^T	20%	"AA" rating category or its equivalent or better ^T	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple ^U	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund ^V	N/A	None	None	16340
Supranational Obligations ^W	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

TABLE OF NOTES FOR FIGURE 1

- ^A Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.
- ^B Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- ^C Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years from the settlement date. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- ^D Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- ^E No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.
- ^F Applies to local agencies, other than counties or a city and county, with less than \$100 million of investment assets under management. Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
- ^G Local agencies, other than counties or a city and county, may purchase no more than 10% of the outstanding commercial paper and medium-term notes of any single issuer.
- ^H Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating organization.
- ^I Applies to counties or a city and county, and the City of Los Angeles that have \$100 million or more of investment assets under management.
- ^J Includes agencies defined as 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. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).
- ^K No more than 30% of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
- ^L Effective January 1, 2020, no more than 50% of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30%. Investments made pursuant to 53635.8 remain subject to a maximum of 30% of the portfolio.
- ^M Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- ^N Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- ^O "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."
- ^P No more than 10% invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- ^Q A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635.
- ^R A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
- ^S Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed 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, among other specific collateral requirements.
- ^T Security types authorized under Section 53601(o) that are issued or guaranteed by an issuer identified in subdivisions (b) or (f), are not subject to the limitations placed on privately issued securities authorized in Section 53601(o)(2)(A)(B).
- ^U A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
- ^V Local entities can deposit between \$200 million and \$1 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- ^W Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

2019

AB 857 **AUTHOR: CHIU** **SECTION(S): 53601(R),
53635(C) AND 53635.2**

Summary of Changes: Adds to Government Code 53601: "(r) Commercial paper, debt securities, or other obligations of a public bank, as defined in Section 57600." In addition, Government Code 53635 is amended by the addition of "(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." Lastly, Government Code 53635.2 is amended to add public banks to the list of depository institutions.

AB 945 **AUTHOR: MCCARTY** **SECTION(S): 53601.8
AND 53635.8**

Summary of Changes: Amends a local agency's authorization to invest and deposit surplus funds in deposits, certificates of deposit or another form, at specified types of financial institutions. Beginning January 1, 2020, until January 1, 2026, the percentage of surplus funds that can be invested by a city, district, or other local agency that does not pool money in deposits or investments with other local agencies with a different governing body increases to 50%. On and after January 1, 2026, the portfolio limitation of cities, districts, and agencies returns to 30% of the agency's surplus funds.

2020

SB 998 **AUTHOR: MOORLACH** **SECTION(S): 53601(H),
53601(K) AND 53601.6**

Summary of Changes: Amends the authorization of local agencies, other than counties or a city and county pursuant to subdivision (a) of Section 53635, to invest no more than 10% of its total investment assets in commercial paper and the medium-term notes of any single issuer. Authorizes federally recognized Indian tribes in California to invest in JPA investment pools. Beginning January 1, 2021, until January 1, 2026, local agencies that have \$100 million or more of investment assets, are authorized to invest up to 40% of their moneys in eligible commercial paper. Also, beginning January 1, 2021, until January 1, 2026, local agencies are authorized to 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. Local agencies are authorized to hold these instruments until their maturity dates. On and after January 1, 2026, the portfolio limitation of local agencies authorized under 53601(h) returns to 25% of eligible commercial paper and local agencies are no longer permitted to invest any funds in securities that could result in zero interest accrual if held to maturity.

2021

No changes

2022

SB 1489 **AUTHOR: SENATE** **SECTION(S): 53601**
GOVERNANCE AND **AND 53646**
FINANCE COMMITTEE

Summary of Changes: Amends an investment's term or remaining maturity to be measured from the settlement forward date to final maturity. A security purchased pursuant to 53601 is prohibited from having a settlement date exceeding 45 days from the time of investment. In addition, Government Code 53646 is amended to extend the time that the treasurer or chief fiscal officer has to render a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency by 15 days, from 30 to 45, following the end of the quarter.

2023

SB 882 **AUTHOR: SENATE** **SECTION(S): 53601(O)**
GOVERNANCE AND **AND 27000.7**
FINANCE COMMITTEE

Summary of Changes: Clarifies that privately backed securities, which include 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, are permissible investments by local agencies. The security must 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. In addition, purchased securities shall not exceed 20% of the agency's surplus moneys that may be invested pursuant to this section. Furthermore, Government Code 27000.7 is amended to eliminate the requirement for the offices of county treasurer, county tax collector, or county treasurer-tax collector to have a valid certificate issued by the Treasury Management Association.

2024

AB 2618 **AUTHOR: CHEN** **SECTION(S): 53601(K)**

Summary of Changes: This bill extends the authority for a local agency to invest up to 50% (rather than 30%) of its surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union under specified conditions, until January 1, 2031. This bill would also require the California Debt and Investment Advisory Commission to submit a prescribed report to the appropriate policy committees of the Legislature on the deposit of surplus funds pursuant to existing law by local agencies on or before January 1, 2030.