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## BPC Policy No. 115-A

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**SUBJECT:** LOCAL DEPOSITORY INACTIVE DEPOSIT PROGRAM

**PURPOSE:** To stimulate economic growth in the member cities that comprise the San Diego Unified Port District (District) by providing lendable funds to member city depositories.

**POLICY STATEMENT:**

It is the goal of the District to stimulate economic growth in the member cities that comprise the District. One method by which the District can achieve this goal is to be a provider of lendable funds to member city depositories. The mechanism for providing lendable funds shall be a commitment of District capital in the form of inactive deposits.

The placement of District funds shall be made with the same prudence and care that governs the investment decisions as established by Board of Port Commissioners Policy No. 115 (Guidelines for Prudent Investments). This program shall at all times be in compliance with California Government Code Section 53630 et seq. and the criteria governing this program is set forth below.

**I. Qualified Depositories**

Any state or national bank, savings association, savings and loan association, savings bank, or state or federal credit union with an office located in San Diego County. Preference will be shown for depositories located in member cities (San Diego, Coronado, National City, Imperial Beach, and Chula Vista). All financial institutions are required to execute a deposit agreement as provided by the District.

In accordance with State Government Code Section 53637, funds may not be deposited in any state or federal credit union if a member of the legislative body, or an employee of the administrative office, manager's office, budget office, auditor-controller's office, or treasurer's office 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.

In accordance with State Government Code Section 53635, to be eligible to receive funds, 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 in 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.

**II. Maximum Deposit**

No more than five percent (5%) of the bank's total assets net of risk-based capital and no more than ten percent (10%) of program funds may be deposited with any one institution. The program will strive to place deposits so as to distribute funds proportionately to member cities.

**III. Collateral Requirements**

FDIC insurance will be accepted for the maximum amount allowed by the FDIC for funds on deposit. For any amounts beyond the maximum FDIC amount, deposits must be collateralized in accordance with California Government Code Section 53652. Collateral may be either (1) delivered into safekeeping at the District's custodial trust department or (2) maintained under tri-party agreement with the institution's custodial bank. All collateral must be held in the District's name and the market value of such collateral must be maintained at all times to meet statutory minimums. Financial institutions are required to execute a safekeeping agreement as provided by the District.

**IV. Payment of Interest and Principal**

Interest shall be remitted to the District at intervals requested by the District, but no later than five business days after interest payment due date. Principal maturities shall be remitted by Fedwire to the District's demand deposit account on the stated due date.

**V. Rate of Return**

As directed by California Government Code Section 53637, funds shall be deposited with the objective of realizing maximum return consistent with prudent financial management. Therefore, the deposit rate must be competitive to the market. The District will place funds in inactive deposits when the quoted rate meets or exceeds the equivalent maturity treasury-bill rate.

**VI. Percent of Portfolio Dedicated to Program**

A maximum of five percent (5%) of the cost value of the portfolio.

**VII. Monitoring the Bank of Deposit**

Although inactive deposits are insured by the FDIC up to the current FDIC maximum amount allowed and deposits in excess of FDIC insurance are collateralized with readily marketable securities, treasury staff will monitor bank capital ratios for the period funds are on deposit. Capital ratios will be monitored by evaluating the financial statements of the depository. The Treasurer may elect not to renew maturing inactive deposits in depositories with deteriorating credit quality.

RESOLUTION NUMBER AND DATE: 2019-070 dated June 18, 2019 (*Supersedes BPC Policy 115-A, 2008-193, dated October 7, 2008; Resolution 2001-117, dated June 19, 2001; and Resolution 96-166, dated June 25, 1996*)