

# AGENDA REPORT



Meeting Date: September 2, 2014

Agenda Item # D-5

City Manager Approval *WA*

**TO:** Honorable Mayor and Members of the City Council

**FROM:** D J Gordy, City Treasurer *DJ Gordy*

**SUBJECT:** ANNUAL STATEMENT OF INVESTMENT POLICY

## RECOMMENDED COUNCIL ACTION:

It is recommended that the City Council approve the City Treasurer's Investment Policy Statement stated above for Fiscal Year 2013-2014.

## SUMMARY:

The City Treasurer as required by Government Code 53646 recommends adoption of a Statement of Investment Policy.

## PREVIOUS COUNCIL ACTION:

A Statement of Investment Policy has been adopted annually.

## DISCUSSION:

The purpose of this statement is to provide guidelines for the prudent investment of the City's surplus cash. The ultimate goal is to enhance the economic status of the City, while protecting its pooled cash (active and inactive deposits)<sup>1</sup>. The attached, submitted for your approval, is the Statement of Investment Policy.

**CITY FISCAL IMPACT:** No cost to adopt the policy.

**ATTACHMENTS:** Recommended City Investment Policy.

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<b>Adopted / Approved</b>	
<b>By Red Bluff City Council</b>	
<i>R</i>	<u>9/2/14</u>
Initial	Date
Deputy City Clerk	
City of Red Bluff	

*The City of Red Bluff is an equal opportunity provider*

<sup>1</sup> G. C. Sec. 53644. Active deposits are subject to withdrawal upon demand of the City Treasurer and authorized City staff. Inactive deposits are subject to notice of at least thirty days before withdrawal.

## STATEMENT OF INVESTMENT POLICY

It is the policy of the City Treasurer and authorized City staff to recommend to the City Council investments based on the following objectives<sup>2</sup>, listed in order of priority:

1. Safety: The primary objective is to safeguard the principal of funds.
2. Liquidity: The secondary objective shall be to meet the liquidity needs of the City.
3. Yield: The third objective shall be to achieve a return on funds<sup>3</sup>.

### Prudent Investor Standards

All governing bodies of local agencies or persons authorized to make investment decisions on behalf of those agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard<sup>4</sup>.

Investments will be recommended to be made only as deemed prudent<sup>4</sup> and as allowable under current legislation of the State of California (Government Code Section 53600 et seq.). When recommending investments, reinvestments, purchases and acquiring, exchanging, selling and managing public funds, the City Treasurer and authorized City staff will act with care, skill, prudence, and diligence under the circumstances then prevailing, 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 City<sup>5</sup>.

### Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial / investment positions that could be related to the performance of the City of Red Bluff.

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<sup>2</sup> G. C. 53600.5

<sup>3</sup> G. C. 53637. The maximum return, consistent with prudent financial management.

<sup>4</sup> G. C. 53600.3

<sup>5</sup> City Treasurer's Handbook, California Municipal Treasurers Association, Revised August 1996, Appendix "F" (Glossary), pg. F-19.

## Governing Authority and Scope

This investment policy shall be operated in conformance with federal, state and other legal requirements, and applies to all financial assets of the City of Red Bluff in the following funds:

- 1) General Funds
- 2) Special Revenue Funds
- 3) Capital Project Funds
- 4) Enterprise Funds

Except for cash in certain restricted and special funds, the City of Red Bluff will consolidate cash and reserve balance from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

## Authorized Investments

Investments may be made in the following media in accordance with Government Code Sections 16429 and 53601, 53635 and Resolution No. 58-2003.

1. Local Agency Investment Fund Demand Deposits (LAIF, a State Pool, G. C. 16429.1).
2. Bonds, notes and warrants of a local agency pursuant to Sections 53601-a & d and 53635-a & d of the Government Code and other applicable laws and regulations.
3. United States Treasury notes, bonds, bills (G. C. 53601 & 35-b).
4. Registered California State warrants or treasury notes or bonds (G.C. 53601 & 35-c).
5. Bankers Acceptance (G.C. 53601 & 35-1-f).
6. Certificates of Deposit or Time Deposits (G.C. 53601 & 35-1-h).
7. Repurchase Agreements (G.C. 53601 & 35-i).
8. Passbook Savings Account Demand Deposits.
9. Other securities, such as securities of the US Government and Commercial Paper of "prime" quality, as authorized in the Government Code (53601-g, 53635-g, et seq.), purchased from a securities dealer approved by the City Council.

## Collateralization

Collateralization<sup>6</sup> will be required on investments. Collateral will always be held by an independent third party with whom the City of Red Bluff has a current agreement. Collateralization may be waived by recommendation of the City Treasurer or other City staff authorized to invest City funds, to the extent that the funds are insured by the Federal Deposit Insurance Corporation (FDIC)<sup>7</sup>.

## Diversification

The City will diversify its investments by security type and institution. With the exception of the U.S. Treasury Securities, the fully FDIC insured Certificates of Deposit, the fully FDIC insured Money Market accounts, and authorized pools (e.g. L.A.I.F.), no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

## Liquidity and Maximum Maturities

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

To the extent possible, the City of Red Bluff will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Red Bluff will not directly invest in securities maturing more than twelve (12) months from the date of purchase. Reserve funds may be invested in securities exceeding twelve (12) months if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

## Yield

Attempts will be made to obtain the highest yield when selecting investments, provided that criteria for safety and liquidity are met. Maturities may be lengthened when interest rates are falling and shortened when interest rates are rising. Maturities normally exceed 30 days because interest rates normally drop significantly for many instruments with shorter maturities. The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs.

## Local Benefit

The City Treasurer and authorized City staff will, within the limits specified in this policy document, strive to recommend investments that benefit the local area and are consistent with municipal plans and policies.

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<sup>6</sup> G. C. 53652

<sup>7</sup> G. C. 53653

## Creditworthiness

In selecting financial institutions for the deposit or investment of City funds, the City Treasurer and authorized City staff will consider the creditworthiness of institutions. The City Treasurer and authorized City staff will continue to monitor financial institution's credit characteristics and financial history throughout the period in which City funds are deposited or invested.

## Reports

In lieu of a Quarterly Report, the City Treasurer will submit a monthly investment report to the City Council pursuant to Section 53646 of the Government Code.

This report will include the following elements:

1. Type of Investment, issuer, date of maturity, par and dollar amounts invested by the City Treasurer and authorized City staff.
2. A statement indicating the investments are in compliance with the Statement of Investment Policy, or the manner in which the portfolio is not in compliance.
3. A statement denoting the ability of the City to meet its pooled expenditure requirements for the next six months, or an explanation as to why sufficient money shall, or may not be available.
4. Additional information or data as required by the City Council.
5. Reconciliation of Finance Department records with checking account, LAIF and other statements from institutions and securities brokers/dealers holding city cash or securities.
6. Cash balances, interest rates, maturity dates and total assets.

## Investment Policy

The City Treasurer will submit annually, for City Council approval, a Statement of Investment Policy. (Government Code 53646)