



## Legislation Text

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**File #:** 19-0295, **Version:** 1

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**TO:**

Honorable Mayor and Members of the City Council

**THROUGH:**

Bruce Moe, City Manager

**FROM:**

Steve S. Charelian, Finance Director

Henry Mitzner, Controller

Libby Bretthauer, Senior Financial Analyst

**SUBJECT:**

Adoption of Annual Investment Policy for Fiscal Year 2019-2020 and Delegation of Responsibility for Investing Funds to the City Treasurer (Finance Director Charelian).

**ADOPT**

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**RECOMMENDATION:**

The Finance Subcommittee and City staff recommend that the City Council adopt the Fiscal Year (FY) 2019-2020 Investment Policy and continue the existing delegation of responsibility for investing funds to the City Treasurer.

**FISCAL IMPLICATIONS:**

There are no fiscal implications from the recommended action.

**BACKGROUND:**

The City's adopted Financial Policies state the Finance Subcommittee and City Council shall annually review and update, as appropriate, the City's Investment Policy. Furthermore, the Investment Policy shall be adopted by the City Council based upon the Finance Subcommittee's recommendations.

The Finance Subcommittee reviewed and approved the FY 2019-2020 Investment Policy at their July 15, 2019, meeting in advance of the City Council's review and adoption.

**DISCUSSION:**

The City's current Investment Policy was reviewed by the City's investment brokers and City staff, taking into consideration current laws and regulations, and changing market conditions. City staff also reviewed Investment Policy Certification Program guidelines issued by the California Municipal Treasurers Association (CMTA), California Debt and Investment Advisory Commission (CDIAC) and the Association of Public Treasurers of the United States and Canada (APT US&C).

There is one noteworthy change to the Investment Policy on page five. In the Permitted Instruments

table, the Ratings Minimum for Medium-Term Corporate Notes has been changed to reflect equivalent ratings among the nationally recognized statistical rating organizations. Previously, the City's Policy identified the minimum rating requirement as either "Aa3" from Moody's or "A+" from Standard and Poor's. For context, some of the City's current investments are also identified with each rating below.

Moody's	S&P	Rating Description	Sample Current Holdings
Aaa	AAA	Prime	Microsoft, Johnson & Johnson
Aa1	AA+	High Grade	Apple, Exxon Mobil
Aa2	AA	High Grade	Berkshire Hathaway
<b>Aa3</b>	AA-	High Grade	Proctor & Gamble, Toyota Motor Credit
A1	<b>A+</b>	Upper Medium Grade	Costco, Coca-Cola, Oracle, Unilever, UPS
A2	A	Upper Medium Grade	
A3	A-	Upper Medium Grade	

The minimum Moody's rating was lowered to "A1" to align with the minimum rating in place for Standard & Poor's ("A+"). These rating minimums are still more conservative than the State statute, which limits purchases to "A" or better (see Attachment A of Investment Policy for details).

The change, as presented, was reviewed and approved by the Finance Subcommittee for recommendation to the full City Council.

#### *Delegation of Investment Authority to the City Treasurer*

Pursuant to the California Government Code Section 53607, the legislative body (City Council) of the local agency may invest funds of the local agency or delegate that responsibility to the Treasurer of the local agency. The Treasurer assumes full responsibility for all investment transactions and makes a monthly report of those transactions to the legislative body until the delegation is revoked or expired. The legislative body may renew the delegation of authority each year.

The City Council has previously delegated Investment Authority to the City Treasurer, most recently in August 2018. Staff recommends that the City Council renew that delegation of responsibility for FY 2019-2020. This recommendation, if accepted, continues the long-standing City Council delegation of authority to the City Treasurer that is vital to the efficient operation of the City's treasury management.

#### **PUBLIC OUTREACH:**

After analysis, staff determined that public outreach was not required for this issue.

#### **ENVIRONMENTAL REVIEW:**

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that there is no possibility that the activity may have a significant effect on the environment; therefore, pursuant to Section 15061(b)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

**LEGAL REVIEW:**

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

**ATTACHMENT:**

1. Investment Policy for Fiscal Year 2019-2020