



ADMINISTRATIVE SERVICES DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: May 16, 2023

Subject

Consider accepting the City's Investment Policy

Recommended Action

Adopt Resolution No. 23-XXX accepting the City's Investment Policy

Reasons for Recommendation

Background

To ensure the City's investment policy is up-to-date and aligned with its investment objectives, the Audit Committee conducts an annual review before presenting it to the City Council. City Council approved the current City Investment Policy on May 19, 2022. The Audit Committee reviewed and accepted a revised Investment Policy on April 24, 2023, which will be considered for City Council adoption on May 16, 2023.

The investment policy is the foundation of the City's investment goals and priorities. It can help protect the City's assets if it is carefully researched, effectively drafted, and regularly reviewed to assure that it continues to meet the City's investment objectives. The existence of an approved investment policy demonstrates that the City is performing its fiduciary responsibilities, thereby inspiring trust and confidence among the public that it serves.

The policy also provides guidance on the proper management of the City's temporary idle cash, outlining protocols to maximize cash efficiency.

California Government Code (Code) section 53646(a)(2) states:

[T]he 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.

Assembly Bill 2853 (Chapter 889, Statutes of 2004) amended section 53646(a)(2) to make presentation of the investment policy to the City Council optional. While no longer required by Code, the City annually presents the investment policy to the Audit Committee before submitting it to City Council for approval.

Chandler Asset Management

In FY 2018-19, the City conducted a Request for Proposal (RFP) for investment management services and selected Chandler Asset Management. Under the City's Treasurer's direction, Chandler Asset Management manages the City's investment portfolio in accordance with the City's investment objectives. The City's investment objectives, in order of priority, are to provide:

- Safety to ensure the preservation of capital in the overall portfolio
- Sufficient liquidity for cash needs
- A market rate of return consistent with the investment program

The performance objective is to earn a total rate of return through a market cycle equal to or above the return on the benchmark index. To achieve the objective, Chandler Asset Management invests in high-quality fixed-income securities consistent with the City's investment policy and Code.

Investment Policy Review

Chandler Asset Management reviewed the City's investment policy. The review of the policy focused on compliance with the statutes of Code that govern the investment of public funds, as well as on the inclusion of current best practices.

The proposed policy incorporates revisions to address an amendment to Government Code section 53601, consistent with the recommendation made by Chandler Asset Management. Pursuant to Senate Bill 1489, effective January 1, 2023, the Code specified that an investment's term or remaining maturity shall be measured from the settlement date to final maturity rather than from the trade date. The Maximum Maturities and Mitigating Market Risk in the Portfolio sections of the policy have been revised to incorporate those changes.

Sustainability Impact

No sustainability impact.

Fiscal Impact

No fiscal impact.

California Environment Quality Act

Not applicable.

Prepared by: Thomas Leung, Budget Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services and City Treasurer

Approved for Submission by: Matt Morley, Assistant City Manager

Attachments:

A – Draft Resolution

B – Investment Policy - Redline

C – Investment Policy - Clean

D – Chandler Investment Policy Statement Review Memo