



ANNUAL INVESTMENT POLICY REVIEW

CITY COUNCIL MEETING

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Jovan Grogan, City Manager and Acting Finance Director
Jim Steele, Financial Consultant, Management Partners

Objective



- Receive Investment Policy Report
- Adopt Resolution Approving Amended City Investment Policy



Background & Legal Authority

- ❑ California Government code sections 53600-53610
 - ❑ Outlines three primary objectives for managing public funds...
 1. Safeguard the principal.
 2. Meet the liquidity needs of the organization
 3. Achieve a return on the funds invested as a third priority



Background & Legal Authority

□ City Investment Policy

- Ensures compliance with State Code
- Outlines allowable investment vehicles for City funds
- Protects principal dollars through safe investments and diversification
- Generates the maximum amount of income consistent with eligible investments
- Meets the cash flow demands of the City

Key Terms



- **US Treasury Bonds**
- **US Gov't Agency Issued Bonds**
- **Local Agency Investment Fund (LAIF)** – State investment pool offers local agencies the opportunity to participate in a major portfolio, using the investment expertise of the State Treasurer's Office investment staff at no cost to the taxpayer.



State **cannot** commingle LAIF funds with its own



Key Terms

- **San Mateo County Investment Pool** – Each County in California invests funds in a Pool on behalf of local governments and school districts.
- **Money Market Funds** – Diversified pools of very short term debt securities that are AAA rated and designed to maintain principal value. Example: overnight bank reserves.
- **Laddered Portfolio** – Once an entity chooses a target maturity duration for its investments (typically 2-3 years), it invests in securities that mature monthly. Each security that matures gets reinvested again to the 2-3 year target. The “ladder” increases diversification by time.



Investment Strategies

- ❑ **Increase amount that can be invested in LAIF:**
 - LAIF funds are safe, subject to same Government Code investment restrictions as San Bruno.
 - Interest rates in LAIF are currently attractive relative to other investments such as U.S. Treasuries and Agencies;
 - At time when interest rates rise, begin to invest more from LAIF into US Treasuries and Agencies in a laddered portfolio approach.
- ❑ **Consider other public sector investment pools in the future:**
 - One example is CalTrust, a Joint Powers Authority that has over 140 participating agencies, and which has several portfolio options to choose from (*not proposed at this time*)

Recommended Policy Changes



	Current Challenge	Proposed Policy Change
1	Attractive yields while maintaining safety and liquidity	<ul style="list-style-type: none"> Increase LAIF maximum from 30% to State Limit (\$65 million). <i>Very common for city policies</i>
2	Minimize risk	Decrease San Mateo County Pool maximum from 50% to 20% .
3	Add other sources to diversify:	-Other Public Sector investment pools complying with California Government Code and with high ratings. <i>None proposed at this time.</i>
		-AAA rated Money Market Funds for added cash flow flexibility.

Next Steps & Request to City Council



- ❑ Adopt Resolution Approving Amended City Investment Policy

Questions

