



# City of Emeryville

CALIFORNIA

## MEMORANDUM

**DATE:** June 20, 2017

**TO:** Carolyn Lehr, City Manager

**FROM:** Susan Hsieh, Finance Director

**SUBJECT:** Resolution Of The City Council Of The City Of Emeryville Adopting The Annual Statement Of Investment Policy And Delegation Of Authority To The Treasurer

### RECOMMENDATION

Staff recommends that the City Council adopt the resolution approving the attached annual Statement of Investment Policy and delegate authority for investment transactions to the Finance Director/Treasurer.

### BACKGROUND

California Government Code Section 53646 requires the Treasurer of a local agency to render to the legislative body an annual investment policy, which the legislative body shall consider at a public meeting. The intent is to provide the local governing body with the authority to accept the policy. At its meeting on June 7, 2016, the City Council confirmed the appointment of Finance Director Susan Hsieh as the City Treasurer (Resolution No. 16-56). The City last adopted its investment policy in July 2016 (Resolution No. 16-106).

Prior to the dissolution of redevelopment, the City and Redevelopment Agency (RDA) pooled cash and investments; after the dissolution, the former RDA cash and investment balances are classified as accounts under the control of the City as Successor Agency to the RDA and not pooled with City assets. These Successor Agency assets will continue to be invested by the Treasurer and will follow the Investment Policy.

The Investment Policy affirms the Treasurer's fiduciary responsibility to safeguard public assets. The policy places a high priority on ensuring safety of principal first and then ensuring that the liquidity needs for payment of City obligations are met prior to considering yield on investments.

The City continues to abide by the highest professional standards in the management of public funds. While investment strategy is flexible and can change based on market and economic conditions, the legal and policy guidelines governing these investment

decisions remain relatively static. After staff's review of the investment policy, the following changes were made to the policy.

- The Authorized Financial Institutions and Dealers section was updated to reflect review of financial reports of key banks through the Federal Financial Institutions Examination Council's website and request of financial reports from brokers.
- The **Socially Responsible Investing** section was replaced with **Sustainable and Responsible Investing** based on the Budget Committee's recommendation in February 2017.
- A statement was added to the Safekeeping and Custody section to emphasize the City's desire for sustainable and impact investing.
- The Fair Value Measurement and Application section was added to meet the Governmental Accounting Standards Board (GASB) requirement. GASB Statement 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for applying fair value to certain investments. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- The definition of Direct Investment was added to the Glossary section.
- A cover page and a table of contents were also added to the policy.

## ANALYSIS

### Summary of the City's Investment Policy

The objectives of the City's Investment Policy include capital preservation (safety of principal); minimizing the potential for capital losses from market changes by having sufficient funds on hand to meet operating requirements (liquidity) and achieving a reasonable rate of return (yield).

#### Allowable Investments:

- California State Local Agency Investment Pool (LAIF)
- U.S. Treasuries maturing within five years
- Insured or fully collateralized certificates of deposit or passbook savings accounts
- Obligations issued by agencies or instrumentalities of the U.S. Government
- Obligations issued by the City of Emeryville
- Commercial paper
- Negotiable certificates of deposit
- Medium term corporate notes rated "AA" or better
- Money market mutual funds

There is a five-year maximum maturity unless specifically extended by grant of the City Council.

Certain investments allowed by State Code will continue to be excluded from the policy. These include: Repurchase agreements, reverse repurchase agreements, commercial paper, interest only strips, collateralized mortgage obligations, County investment pools, other investment pools, notes and bonds issued by the State of California and local agencies within California.

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

California Government Code Section 53607 authorizes a legislative body to delegate its authority over investment transactions to the Treasurer. The authority may be delegated for a one-year period. Subject to review, the legislative body may renew the delegation of authority each year.

As noted above, the City Council adopted the current Investment Policy in July 2016. Part of that Investment Policy delegated authority of Investment Transactions to the Treasurer, as authorized by Government Code Section 53607. The updated Investment Policy proposed by staff continues the delegation of investment transactions to the Treasurer.

### **FISCAL IMPACT**

None.

### **LEGAL IMPACT**

The Statement of Investment Policy dated July 2016 has been reviewed by the City's auditors for compliance with the California Government Code. The revised policy will be reviewed by our auditors as part of the fiscal year 2016-17 audit.

### **ADVISORY BODY REVIEW**

The Statement of Investment Policy was reviewed by the Budget Advisory Committee on June 7, 2017.

**PREPARED BY:** Susan Hsieh, Finance Director/Treasurer

**APPROVED AND FORWARDED TO THE  
CITY COUNCIL OF THE CITY OF EMERYVILLE:**



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Carolyn Lehr, City Manager

**ATTACHMENTS**

1. Resolution
2. Draft Statement of Investment Policy
3. Statement of Investment Policy - Clean Version