



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: June 4, 2019
TO: Christine Daniel, 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 above-entitled resolution approving the attached annual Statement of Investment Policy and delegating authority for investment transactions to the Finance Director/Treasurer.

BACKGROUND

California Government Code Section 53646 authorizes the Treasurer of a local agency to provide the legislative body with an annual investment policy, which the legislative body shall consider and accept at a public meeting. At its meeting on June 19, 2018, the City Council confirmed the appointment of Finance Director Susan Hsieh as the City Treasurer and adopted the City's investment policy (Resolution No. 18-63).

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

The City continues to abide by the highest professional standards in the management of public funds. While the 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, there are changes proposed to reflect the updated investment guidelines issued by the State: the five-year maximum maturity on certain investments allowed by the State is now changed to a maximum remaining maturity of five years or less. The proposed change will ensure the policy is consistent with the terms used by the State.

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
- Negotiable certificates of deposit
- Medium term corporate notes rated “AA” or better
- Money market mutual funds

A five (5) year maximum remaining maturity is allowed unless an extension of maturity is granted by 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 June 2018. 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

The Policy conforms to California Government Code and reflects best practices designed to meet the City’s investment objectives and cash flow needs by managing safety, liquidity and return on investments in a prudent manner.

LEGAL IMPACT

The Statement of Investment Policy dated June 2018 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 2018-19 audit.

ADVISORY BODY REVIEW

The Statement of Investment Policy was reviewed by the Joint Budget and Governance and Budget Advisory Committees on May 16, 2019.

CONCLUSION

Staff recommends that the City Council approve the updated Statement of Investment Policy and delegate authority for investment transactions to the Finance Director/Treasurer.

PREPARED BY: Susan Hsieh, Finance Director

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



Christine Daniel, City Manager

ATTACHMENTS

- Draft Statement of Investment Policy
- Draft Resolution
 - Exhibit A - Statement of Investment Policy