



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: June 16, 2020
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 Interim Finance Director/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 Interim 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 4, 2019, the City Council confirmed the appointment of Finance Director Susan Hsieh as the City Treasurer and adopted its investment policy (Resolution No. 19-59). Due to her departure, the City Council will consider the appointment of an Interim Finance Director and Interim City Treasurer by way of another item on this meeting's Agenda. This item will be considered after that item has been approved and staff will recommend conforming changes to the proposed Resolution.

Prior to the dissolution of redevelopment, the City and Redevelopment Agency (RDA) pooled cash and investments; after 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, minor changes were made to the policy to include information regarding credit risk. The following was added to the Diversification and Other Guidelines section:

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk will be mitigated by limiting investments to the types of securities authorized by this policy, using pre-qualified financial institutions, and diversifying the investment portfolio.

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 2019. 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 2019 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 2019-20 audit.

ADVISORY BODY REVIEW

The Statement of Investment Policy was reviewed by the Budget Advisory Committee on May 14, 2020.

CONFLICT OF INTEREST

None.

CONCLUSION

Staff recommends that the City Council approve the updated Statement of Investment Policy and delegate authority for investment transactions to the Interim 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