



Administrative Report

J.2., File # BF21-2622

Meeting Date: 6/10/2021

TO: BUDGET AND FINANCE COMMISSION
FROM: STEVEN DIELS CITY TREASURER

TITLE
REVIEW OF CITY'S STATEMENT OF INVESTMENT POLICY
EXECUTIVE SUMMARY

The City Treasurer strives to maintain a well-balanced and diversified investment portfolio that meets the investment criteria and performance objectives of the City's Statement of Investment Policy.

The governing body of public funds should regularly review and approve investment guidelines. The City Council approves the City's Statement of Investment Policy.

California Government Code Section 53646(a)(2) states that the treasurer or chief fiscal officer of a local agency may annually render to his/her legislative body and any oversight committee an investment policy, that the legislative body shall consider at a public meeting. This raises questions about whether or not the policy should be adopted officially by the legislative body, and the time during the year that this "consideration" should take place.

The consensus recommendation of the California Debt and Investment Advisory Commission (CDIAC) states: "An investment policy should always be in place. While not required by statute, it is in the best interest of the local agency to present and discuss the policy with the agency's legislative body or oversight committee, and then have the policy approved by a vote of the legislative body. A public vote signifies that the legislative body shares fiduciary responsibility with the treasurer, increases the authority and legitimacy of the investment policy, and provides transparency and disclosure."

Section IV.B. of the City's Investment Policy specifies that the City Treasurer present the City's statement of investment policy for annual review and adoption by the City Council, as well as annual review by the Budget and Finance Commission. Review of the investment policy incorporates input and analysis of the State of California government code; Legislative changes impacting investment management reflects state law changes effective as of January 1, 2021; and information from the California Debt and Investment Advisory Committee's (CDIAC) annual update of local agency investment policy guidelines. Local Agency Investment Guidelines may be found at: <http://www.treasurer.ca.gov/cdiac/LAIG/guideline.pdf>.

The 2021 Local Investment Guidelines incorporates the following statutory changes:

- Agencies that have more than one hundred dollars of investment assets under management may not invest more than 40% of the portfolio in eligible commercial paper. Furthermore, a

25% maximum investment in commercial paper remains in effect for agencies with assets less than one hundred million dollars. Also, no more than 10% of total assets may be invested in the commercial paper and medium term notes of any single issuer. The City's investment policy is in compliance with the changes.

- Additionally, the SEC adopted amendments to the definition of "accredited investor" and "qualified institutional buyer." Per the 2021 Local Investment Guidelines "The "accredited investor" definition amendments add a new category for any entity, including Indian tribes, governmental bodies, funds, and entities organized under the laws of foreign countries, that own "investments," as defined in Rule 2a51-1(b) under the Investment Company Act, in excess of \$5 million and that was not formed for the specific purpose of investing in the securities offered. The SEC's amendments expand the definition of "qualified institutional buyer" in Rule 144A to include any institutional investors included in the accredited investor definition that are not otherwise enumerated in the definition of "qualified institutional buyer," provided they satisfy the \$100 million threshold." The City's investment policy is in compliance with the changes.

BACKGROUND

Section XV of the City's Statement of Investment Policy calls for the annual review of the investment policy by both the City Council and the Budget and Finance Commission, to ensure the policy's consistency with the overall objectives of preservation of investment principal, liquidity, and yield; relevance to current financial and economic trends; and ability to meet the cash flow operational needs of the City. Section XV of the investment policy further states that following review of the investment policy, in accordance with the requirements of the California Government Code, the City Council will adopt the City's statement of investment policy, inclusive of any annual recommended amendments responding to legislative changes impacting the manner of investment of public funds.

COORDINATION

The City's statement of investment policy, as amended, was reviewed by the City Attorney.

FISCAL IMPACT

There is no direct fiscal impact as a result of the review and approval of this amended Investment Policy.

ATTACHMENTS

Exhibit A - City of Redondo Beach Statement of Investment Policy 2020

Exhibit B - Registered investment advisor and list of qualified brokers from which the City may purchase investments.

Exhibit C - Investment Procedures Manual