



Legislation Text

File #: 19-496, **Version:** 1

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SUBJECT: Adoption of Resolution Approving an Update to the City's Investment Policy Which Includes Modifications Related to Authorized and Suitable Investments and Prohibited Investment Vehicles and Practices

REPORT IN BRIEF

Considers approving an update to the City's Investment Policy.

RECOMMENDATION

City Council - Adopt a motion adopting **Resolution 2019-58**, a Resolution of the City Council of the City of Merced, California, adopting Investment Policy.

ALTERNATIVES

1. Adopt as recommended by staff; or
2. Refer back to staff with specific direction.

AUTHORITY

California Government Code Section 53646, subdivision (a)(2)

CITY COUNCIL PRIORITIES

As provided for in the 2019-20 Adopted Budget

DISCUSSION

Current investment law states that the Finance Officer may annually render to the legislative body a statement of investment policy, which the legislative body shall consider at a public meeting.

A good investment policy drives the cash, treasury, and investment management functions of an agency. It serves as a guide for setting and achieving program objectives, defines rules and establishes benchmarks, and reduces the exposures to liability of the investment staff and the governing board.

On April 2, 2018, the City Council approved major revisions to the City's Investment Policy based on what is allowed by California Government Code, California best practices and to ensure it appropriately embodies the City's investment objectives, risk profile and expected outcomes.

Due to some changes in California Government Code, as well as updates with latest California best practices, staff is recommending minor changes to the Investment Policy. The redlined version is

attached. A brief summary of the changes is below.

Authorized and Suitable Investments

- Section O. includes some deletions and additions:
 - AB1770 became effective January 1, 2019, it made language specifying the credit requirements for pass-through securities less confusing so it is recommended removing some of the language in this section regarding securities.
 - Due to the removal of some language, it is recommended to augment the paragraph language so that it is clear the requirements apply to non-governmental pass-through securities.

Prohibited Investment Vehicles and Practices

- Includes additional language prohibiting:
 - Use of reverse repurchase agreements as well as any form of leverage or borrowing to fund investment activities.
 - This is a financing activity in which funds are borrowed for investing. This is a high risk investing activity and it is recommended it be prohibited from city practice.
 - Foreign currency denominated securities
 - All current investments are denominated in U.S. dollars and this an added guarantee that it will remain this way.

IMPACT ON CITY RESOURCES

No appropriation of funds is needed.

ATTACHMENTS

1. Current Adopted Investment Policy-Redlined
2. Resolution with Investment Policy 2019-58