



City Manager's Report
September 25, 2018, City Council Meeting
Prepared by: Dave Warren, Director of Finance
Item #: 8.4

Subject: Adopt a Resolution approving the City's investment policy for Fiscal Year 2018/2019 as presented.

Purpose:

To help ensure the City's investments achieve a reasonable rate of return while minimizing the potential for capital losses arising from market changes or issuer default.

Background:

Section 53646 of the California Government Code requires the City Council to review and approve the City's investment policy annually. Staff is not proposing any changes to the City's existing investment policy which has served the City well. California Government Code Sections 16481.2, 53601, 53635, and 53646 stipulate the investment practices to which the City must adhere to. The City's investment policy reflects the stipulations outlined in the Government Code. Tonight, staff is requesting the City Council to approve the investment policy for Fiscal Year 2018/2019 as presented.

Discussion:

The City's primary investment goal is to achieve a reasonable rate of return while minimizing the potential for capital losses arising from market changes or issuer default. Accordingly, the following objectives are sought to achieve this goal:

1. Safety
2. Liquidity
3. Yield

Safety: It is the primary duty and responsibility of the City's Finance Department to protect, preserve and maintain cash and investments placed in the department's trust on behalf of the citizens of Placerville. **Liquidity:** An adequate percentage of the City's investments should be maintained in liquid short-term securities which can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investments in authorized and active secondary or resale markets are recommended. Emphasis should be on marketable securities with low sensitivity to market risk (price fluctuation of a security due to a rise or drop in market interest rates). **Yield:** Yield should become a consideration only after the basic requirements of safety and liquidity are met.

Since 1978, the City has invested most of its unrestricted cash, (e.g., cash other than funds held in interest bearing bank accounts to facilitate ongoing operations or held by the City's bond trustee), in the Local Agency Investment Fund (LAIF). This is common practice in many

California cities because LAIF meets all three key objectives. The money invested in LAIF represents a majority of the City's unrestricted funds available for investment. Restricted proceeds from the 2006 Waste Water Refinancing and Improvement Bonds are invested by the City's Trustee, Union Bank, in a money market fund.

The City's existing investment policy has served the City well and is compliant with California Government Code which regulates the City's investment practices. Tonight, staff respectfully requests the City Council to adopt the investment policy as presented.

Options:

1. Adopt the investment policy as presented.
2. Adopt a revised investment policy
3. Adopt another investment policy.

Cost:

There are no additional costs associated with the proposed policy.

Budget Impact:

The proposed policy aligns with the investments assumed in the adopted Fiscal Year 2018/2019 Operating Budget.

Recommendation:

Adopt a Resolution approving the City's investment policy for Fiscal Year 2018/2019 as presented.


M. Cleve Morris, City Manager


Dave Warren, Director of Finance