



## Legislation Text

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**File #:** 08-1172, **Version:** 1

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Recommendation to adopt the Statement on Investment Policy for Calendar Year 2009 pursuant to Section 53646 (a) of the State of California Government Code. (Citywide)

In accordance with the State of California Government Code, Section 53600, et seq., the City Treasurer must present an annual Statement of Investment Policy to the City's legislative body for adoption. The Investment Policy is based on the California Government Code, as well as standards recommended by professional organizations including the California Debt and Investment Advisory Commission, the California Municipal Treasurers' Association and the California Society of Municipal Finance Officers.

The Statement of Investment Policy for calendar year 2009 was presented for review on November 5, 2008 to the Investment Committee, which consists of the following or their representatives: City Manager, City Attorney, City Auditor, Director of Financial Management/CFO, City Treasurer, City Controller, Budget and Performance Management Bureau Manager, and designated representatives from the Harbor, Water and Community Development Departments.

In light of the current global financial crisis, the Investment Committee re-evaluated the City's Investment Policy to ensure compliance with applicable regulatory Codes and the City's needs. After careful consideration, the Investment Committee has decided not to recommend any changes to the City's Investment Policy as it is in compliance with the California Government Code, and in fact, is actually more restrictive than California law in most regards. An overview of the differences between the City of Long Beach's Investment Policy and the California Government Code is attached. In fact, the City has even stricter and more conservative policies relating to its investments than the California Government Code in at least ten of the City's 15 permitted investment categories. Specifically, the City's Investment Policy sets minimum rating requirements for certain types of securities; sets limits on how much of the City's portfolio can be invested in certain investments; and, sets caps per issuer to diversify the portfolio while simultaneously minimizing risk.

However, it is important to note that the Investment Committee has made several recommendations for the committee to undertake including: 1) Evaluating the value of hiring an outside, independent Investment Advisor to review the City's investment portfolio on a monthly and as needed basis; 2) Identifying other alternative quantitative and qualitative investment criteria for review; 3) Reviewing daily investment activity reports; and, 4) Increasing the meeting schedule from quarterly to monthly meetings, with emergency meetings scheduled to address extenuating issues.

While these recommendations do not provide an absolute guarantee that the City's investment portfolio will be completely free of risk, the Investment Committee agreed that more frequent communication and transparency is prudent during this period of financial uncertainty.

Lastly, please be reminded that the City Auditor's Office conducts quarterly audits of the City's investment portfolio to ensure compliance with the City Council Adopted Investment Policy.

The Government Code requires the City Council's adoption of the City's Investment Policy annually.

The City's Investment Policy governs the investment of all City funds in the direct custody of the City Treasurer. There is no cost for the implementation of the Investment Policy for calendar year 2009.

Approve recommendation.

Lori Ann Farrell  
Director of Financial Management/CFO

NAME  
TITLE

APPROVED:

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PATRICK H. WEST  
CITY MANAGER