



Legislation Text

File #: 21-1001, **Version:** 1

Recommendation to adopt the Statement of Investment Policy for Calendar Year 2022 pursuant to Section 53646(a) of the State of California Government Code. (Citywide)

In accordance with the State of California Government Code, Section 53646, et seq., the City Treasurer must present to the City Council an annual Statement of Investment Policy (Investment Policy). The Investment Policy for the City is based on policies recommended by several professional organizations, including the California Municipal Treasurers' Association and the Government Finance Officers Association.

The California Government Code Section 53601 that governs investment by local agencies was recently amended. The attached Investment Policy for Calendar Year 2022 (Policy) includes updates to align with those changes. The revision to Section 1.4.3 (B) of the Policy reflects the change to Government Code Section 53601.6(b)(2) that permits local agencies to invest in zero or negative-yielding government-issued securities during rare periods of market duress and negative market rates. The revision to Appendix D of the Policy, Section 6 reflects the change to Government Code Section 53601(h) that permits local agencies with investment assets under management exceeding \$100 million to invest up to a maximum 40 percent of the portfolio in Commercial Paper. There are also a number of non-material language improvements to various sections that are updated in Appendix D.

The Policy was reviewed and approved by the Investment Advisory Committee, composed of the Assistant City Auditor, Deputy City Attorney, City Treasurer, City Controller, and designated representatives from the Harbor and Water Departments. The Policy was reviewed by the City's Investment Advisor, Chandler Asset Management. The changes are detailed in Attachment A.

There is also a significant change in the City's investment practices authorized under the State Government Code and City Policy. The change in practice is that the City has resumed investing, on a limited basis, in corporate securities, which were administratively discontinued in response to the global financial crisis of 2008 and the subsequent Great Recession. At that time, Lehman Brothers, a global investment bank, filed for bankruptcy. Many companies and governments, including the City, invested in Lehman Brothers corporate securities and had investment losses. Since then, the City has engaged a professional investment advisor to assist City staff in ensuring that purchased investment securities are safe and the market is continually monitored for risk. In addition, the Treasurer's Office is currently administratively limiting corporate securities to no more than approximately 5 percent of the total portfolio. It is important to note that throughout the Great Recession and into the recovery, corporate securities remained an authorized investment for municipalities under California Government

Code Section 56301. Attachment B provides further background and information on the City's reinstitution of corporate securities investments.

This matter was reviewed by Deputy City Attorney Taylor M. Anderson and Budget Management Officer Rhutu Amin Gharib on August 17, 2021.

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

This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no fiscal or local job impact associated with this recommendation.

Approve recommendation.

KEVIN RIPER
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

THOMAS B. MODICA
CITY MANAGER