



Legislation Text

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Report regarding resolution approving the City's Investment Policy for Fiscal Year 2019-20. (*Frank Risso, City Treasurer and Justin Lovell, Financial Services Manager*)

RECOMMENDATION

It is recommended that the City Council approve the City's investment policy for Fiscal Year 2019-20.

BACKGROUND/DISCUSSION

Each fiscal year, the City's Investment Policy is presented to the City Council for consideration. On June 12, 2019, staff met with the Budget Standing Committee to discuss the proposed changes.

For FY 2019-20 staff is recommending minor modifications to the Investment Policy to include changes made by the recently adopted Assembly Bill 1770 (Stienforth) ("AB 1770") relating to local government and investments. The intent of this bill was to clarify the question of whether securities issuers must be rated "A" or its equivalent for the issuer's debt by a nationally recognized statistical rating organization. Practically, because the issuers of these securities tend to be unrated trusts, they often do not possess an "A" or equivalent rating. The bill amended state law to eliminate the "A" rating requirement for the issuer's debt. The modifications to the City's Investment Policy would conform to the bill's changes.

The City's investment portfolio managers, Chandler Asset Management ("Chandler"), has been taking a conservative approach due to the rating ambiguity prior to AB 1770 and have looked to the ultimate sponsor/originator of asset backed securities for the A rating. With the proposed modifications to the City's Investment Policy, Chandler's process will continue to be the same where credit analysis of the sponsor/originator is a key aspect to the investment.

The proposed FY 2019-20 Investment Policy is included as Exhibit A to the accompanying resolution.

RELATIONSHIP TO STRATEGIC PLAN

Investing the City's funds to the fullest extent possible within the Investment Policy guidelines while meeting the City's liquidity needs is part of Priority Area 3, Financial Sustainability.

CONCLUSION

Staff will continue to work with the City's investment advisor to review the City's Investment Policy to ensure compliance with best practices and alignment with state law.