



DATE: December 13, 2016

TO: Mayor and City Council
Hayward Housing Authority Board
Hayward Redevelopment Successor Agency Board
Hayward Public Financing Authority Board

FROM: Acting Director of Finance

SUBJECT

Adoption of Fiscal Year 2017 Statement of Investment Policy and Delegation of Investment Authority

RECOMMENDATION

That the Council adopts the attached resolutions reaffirming the updated Fiscal Year 2017 Statement of Investment Policy and extending the delegation of investment authority to the Director of Finance.

BACKGROUND

The City's Statement of Investment Policy (the Policy) requires that staff submits to the City Council for approval any recommended changes to the Policy. In addition, the State statutes that govern investment activity require the City Council to annually affirm the Statement of Investment Policy and to annually confirm the delegation of investment authority, which in the City of Hayward, is to the Director of Finance.

DISCUSSION

In coordination with PFM Asset Management (the City's investment portfolio management consultant), Finance Department staff have reviewed the City's Policy and recommend two minor adjustments. These changes have been reviewed by the Investment Advisory Committee and the Council Budget and Finance Committee and both bodies concur with the recommendations. The changes are summarized below and shown in a red-line version of the Policy (Attachment VI):

1. In August, the California Legislature approved Senate Bill 974 which, among other things, clarifies the rating language in California Government Code Section 53601. In the past, although it was assumed that a rating requirement of "A", for example, included securities rated A- and A+, California Government Code was not explicitly clear on this matter. SB974 addresses this issue and updates the rating language in

California Government Code Section 53601 so that the requirement of “A”, for example, includes A- and A+ rated securities. While SB974 does not go into effect until January 1, 2017, staff has incorporated the new language into the Policy.

2. The State Treasurer’s Office increased the limit that can be held in each Local Agency Investment Fund (LAIF) account as set by the Pooled Money Investment Account (PMIA) policy. The City proposes to adopt the policy of the PMIA as it relates to the deposit limit. LAIF currently has a maximum deposit limit of \$65 million per agency account. The City would like to change its policy so that its limits match those established by the State Treasurer. Currently, the City of Hayward has three general accounts: City of Hayward, the Hayward Housing Authority and the Hayward Public Financing Authority. It is not the intent of staff to invest the maximum amount in all three accounts. Instead, staff will pursue a diversified portfolio that conforms to the City’s Investment Policy.

FISCAL IMPACT

There is no fiscal impact related to approving the recommended changes to the Statement of Investment Policy.

PUBLIC CONTACT

The recommended changes to the Statement of Investment Policy were discussed by the Investment Advisory Committee during its quarterly meeting on October 17, 2016, and by the Council Budget and Finance Committee on November 16, 2016.

Prepared and Recommended by: Dustin Claussen, Acting Director of Finance

Approved by:



Kelly McAdoo, City Manager