

October 16, 2015

## Memorandum

**To:** Tracy Vesely, Director of Finance  
Dustin Claussen, Deputy Director of Finance  
*City of Hayward*

**From:** Monique Spyke, Director  
Michael Joseph, Senior Analyst  
*PFM Asset Management, LLC*

**Re:** City of Hayward Investment Policy Review 2015

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We have reviewed the City of Hayward (the “City”) FY2015 Statement of Investment Policy (the “Policy”). The Policy is comprehensive and well written, and is in compliance with all applicable California Government Code (the “Code”) statutes regulating the investment of public funds. However, we are proposing some revisions to the Policy that we believe will help to add clarity.

### Suggested Revisions

For ease of review, our recommendations are presented in the order in which they appear in the Policy, not necessarily in the order of importance. In addition, we have attached a black-lined copy of the Policy to illustrate our suggested revisions to the Policy language.

#### **Section X. Investment Instruments**

1. We propose revising the language pertaining to issuer limits. As the Policy is currently written, this section limits investments in security types such as repurchase agreements and collateralized certificates of deposit to 5%, which contradicts issuer limits established in the Policy.
2. Additionally, we suggest removing the paragraph discussing minimum ratings criteria, as this information is detailed in section XII.

#### **Section XII. Credit Downgrade**

3. We propose adding a sentence to this section to establish that ratings criteria applies to the purchase date. We also suggest revising the existing language to make it more consistent with the ratings language we proposed removing from Section X.



### **Recent Changes to the California Government Code**

There has been a change to the Code that relates to placement service certificates of deposit that we would like to bring to the City's attention. Assembly Bill 283, which will take effect on January 1, 2016, amended California Government Code Section 53601.8. This section allows local agencies to place a portion of surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of deposits. As FDIC insurance with any one bank is normally restricted to \$250,000 per deposit, placement services take larger deposits and place the funds with multiple banks such that the full amount the deposit is FDIC insured. This section expands the types of deposits that a local agency can invest in using a deposit placement service.

AB 283 created three key changes to section 53601.8 of the California Government Code. It amended the Code sections that comprise the aggregated 30% allocation limit, so that subdivision (i) of Section 53601, which relates to negotiable certificates of deposit, are no longer included in the 30% limit pursuant to Section 53601.8. Additionally, AB 283 eliminated the 10% per issuer limit for non-CD placement services. Finally, the sunset date for 53601.8 was extended to January 1, 2021 from January 1, 2017.

No changes to the Policy are required in relation to this amendment.

As always, we will keep the City apprised of any developments that would impact the City's investments.

Please contact us if you have any questions.

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