



DATE: October 17, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT: Investment Portfolio Review and FY 2019 Statement of Investment Policy Update

RECOMMENDATION

That the Committee reviews and comments on the 2017-2018 Year-End Portfolio Review (Attachment II) and recommends Council approval of the Fiscal Year 2019 Statement of Investment Policy.

SUMMARY

This report provides an overview of the 2017-2018 year-end City investment portfolio. Additionally, there was a recent clarification to the language related to asset backed securities and mortgage backed securities in CA Government Code 53601(o). AB-1770 was Chaptered on September 6, 2018 and will take effect on January 1, 2019. Staff is recommending an update to the City's investment policy as the additional language included is meant to provide clarification on the maturity of these types of bonds. In bold below, staff has highlighted the additional language from the code revision that has been included in the redline version of the attached policy.

- "Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO **and have a maximum remaining maturity of five years or less.**"

BACKGROUND

The City's Statement of Investment Policy (the Policy) requires that Council approve any staff recommended changes to the Policy. This year's policy is minimally changed with minor updates and is in compliance with current statutes. Staff worked in conjunction with the City's portfolio manager, PFM Asset Management, to review and update the policy.

DISCUSSION

Staff recommends that the Committee approve the revised FY 2019 Statement of Investment Policy (Policy) and reviews the 2017-2018 year-end investment portfolio review. The recommended changes are noted in the attached redline version of the investment policy and

Attachment II “Summary of Proposed Changes” highlights the recommended change.

FISCAL IMPACT

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

PUBLIC CONTACT

The recommended changes to the Statement of Investment Policy (Attachment IV) will be presented to the Investment Advisory Committee on October 22, 2018 and to the full City Council on December 11, 2018 for adoption.

Prepared and Recommended by: Dustin Claussen, Director of Finance

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is written over a horizontal line.

Kelly McAdoo, City Manager