



CITY COUNCIL AGENDA REPORT

MEETING DATE: JULY 6, 2004

ITEM NUMBER:

SUBJECT: REVIEW OF FY 2004-2005 STATEMENT OF INVESTMENT POLICY

DATE: JUNE 16, 2004

FROM: FINANCE DEPARTMENT

PRESENTATION BY: MARC R. PUCKETT, DIRECTOR OF FINANCE

FOR FURTHER INFORMATION CONTACT: MARC R. PUCKETT (714) 754-5243

RECOMMENDED ACTION

Adopt Resolution approving the Investment Policy for the 2004-05 fiscal year, and delegating the investment activities to the City Treasurer.

BACKGROUND

The California Government Code Section 53646 requires the City Treasurer to submit a "Statement of Investment Policy" to the legislative body each fiscal year. Effective January 1, 1996, this Code Section was reinstated and requires annual adoption of the policy statement. This Investment Policy has been designed according to the specific needs of the City of Costa Mesa and complies with both the California Government Code and the guidelines recommended by the California Municipal Treasurer's Association.

The City Treasurer has the responsibility to submit a monthly Treasurer's Report to the City Council regarding status of receipts, disbursements, cash balances by fund and investment of cash balances. The Finance Department updates revenue and investment activity on a daily basis. The Treasury Management Division of the Finance Department analyzes the cash requirements of the City each morning in conjunction with the Director of Finance. Idle funds are invested daily to effectively maximize the City's investment earnings.

The single most important statutory duty of the City Treasurer is set forth in California Government Code Section 41001 which provides that the "City Treasurer shall receive and safely keep all money coming into the Treasury." In light of this responsibility, the California Municipal Treasurer's Association has established the following as a guideline to prudent investment strategy:

- Legal Investment Authority: Temporary idle monies are to be invested in accordance with state and local statutes and in compliance with California Government Code Sections 53600 et. seq.

- Safety: It is the primary duty and responsibility of the City Treasurer to protect, preserve, and maintain intact cash and investments places in trust with the City Treasurer on behalf of the citizens of the City of Costa Mesa.
- Liquidity: An adequate percentage of the portfolio should be maintained in liquid short-term securities, which can be converted to cash if necessary to meet disbursement requirements.
- Yield: The City Treasurer may obtain the highest possible within the parameters of the City's authorized investments, provided the criteria for safety and liquidity have been met.

ANALYSIS

The 2003-2004 Investment Policy adopted on March 1, 2004, has been revised to reflect only miscellaneous or other "housekeeping" changes such as "date" changes made to various sections of the Investment Policy.

Whenever revisions to the Investment Policy are considered, the proposed revisions are reviewed and discussed with the Investment Oversight Committee at their meetings throughout the fiscal year. During the course of the current fiscal year there were no significant legislative changes to the investment process nor any needed wording changes that I would recommend.

CONCLUSION

It is recommended that the Board adopt the attached Resolution Number ---- approving the Investment Policy for the 2004-05 fiscal year.

MARC R. PUCKETT
Director of Finance/City Treasurer

Attachments:

- (1) Resolution
- (2) 2003-04 Red Lined Statement of Investment Policy
- (3) 2004-05 Proposed Statement of Investment Policy
Investment Guidelines and Strategy
Investment Procedures: Internal Controls - Guidelines
Cash Controls: Independent Auditors' Procedure
Segregation of Treasury Responsibilities
- (4) Glossary