



CITY COUNCIL AND SUCCESSOR AGENCY TO THE COSTA MESA REDEVELOPMENT AGENCY AGENDA REPORT

MEETING DATE: NOVEMBER 18, 2014

ITEM NUMBER: CC-8

SUBJECT: ADOPTION OF THE FY 2014-2015 STATEMENT OF INVESTMENT POLICY

DATE: OCTOBER 10, 2014

FROM: FINANCE DEPARTMENT

PRESENTATION BY: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR

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RECOMMENDED ACTION

City Council and the Successor Agency to the Costa Mesa Redevelopment Agency (Successor Agency) adopt Resolutions approving the Statement of Investment Policies for Fiscal Year 2014-2015 and delegating investment activities to the City Treasurer.

BACKGROUND

The California Government Code Section 53646(a)(2) requires the City Treasurer to submit a "Statement of Investment Policy" to the legislative body each fiscal year. These Investment Policies have been designed and developed according to the specific needs of the City of Costa Mesa and Successor Agency and complies with the California Government Code, guidelines recommended by the California Municipal Treasurer's Association (CMTA), guidelines recommended by the Association of Public Treasurers of the United States and Canada (APTUS&C) and recommendations by Chandler Asset Management, the City's contracted investment manager.

The City Finance Director serves as both the City Treasurer and the Successor Agency Treasurer. The single most important statutory duty of the 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 these statutory responsibilities, the California Municipal Treasurer's Association has established the following guidelines to prudent investment strategy for local treasurers to follow:

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 Treasurer to protect, preserve, and maintain intact cash and investments placed in trust with the 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 Treasurer shall obtain the highest possible yield within the parameters of the City's and Successor Agency's authorized investments, provided the criteria for safety and liquidity have been met.

ANALYSIS

The Fiscal Year 2013-2014 Investment Policies adopted on November 19, 2013, has been revised for Fiscal Year 2014-2015 to reflect the changes described below:

- Section VI Standard of Prudence has been revised to replace the general, historical standard of the "Prudent Person Rule" with the "Prudent Investor" standard used in State Code.
- Section VII Authorized Investments has been substantially revised to incorporate explicit ratings, maturity and concentration limits with each authorized investment type. This revised section is based on State Code overlaid with industry best practices. In addition, it is recommended to add high grade municipal securities to the authorized investment list.
- Former Section XI Derivative Investments has been incorporated into a broader Section XI Portfolio Risk Management based on industry best practices.
- Former Section XIV Qualified Dealers is replaced by a more definitive Section XIV Authorized Financial Institutions, Depositories and Broker/Dealers using best practices dealer language.

These changes to the Investment Policies have been presented to and discussed with the Finance Advisory Committee. The Committee approved the changes on September 30, 2014.

CONCLUSION

The attached Investment Policies have been revised to include the proposed changes referenced above. It is recommended that City Council adopt the attached Resolution Number 14-____ approving the City Statement of Investment Policy for the 2014-15 fiscal year and Resolution Number 14-____ approving the Successor Agency Statement of Investment Policy for the 2014-15 fiscal year.

STEPHEN DUNIVENT
Interim Finance Director

Attachments:

- 1) [FY 2013-14 Red-Lined Statement of Investment Policy for the City and Successor Agency](#)
- 2) [FY 2014-15 City Proposed Statement of Investment Policy](#)
 - Investment Guidelines and Strategy
 - Investment Procedures: Internal Controls - Guidelines
 - Cash Controls
 - Segregation of Responsibilities of the Treasury Functions
 - Glossary
- 3) [FY 2014-15 Successor Agency Proposed Statement of Investment Policy](#)
 - Investment Guidelines and Strategy
 - Investment Procedures: Internal Controls - Guidelines
 - Cash Controls
 - Segregation of Responsibilities of the Treasury Functions
 - Glossary
- 4) [City Resolution 14-____](#)
- 5) [Successor Agency Resolution 14-____](#)