



Staff Report

File #: 24-0508

REQUEST FOR CITY COUNCIL ACTION

DATE: 07/03/2024

TO: Honorable Mayor and City Council Members

FROM: Finance Department

SUBJECT:

RESOLUTIONS APPROVING THE CITY OF CORONA'S INVESTMENT POLICY AND THE PENSION STABILIZATION TRUST INVESTMENT POLICY

EXECUTIVE SUMMARY:

This staff report asks the City Council to adopt Resolution No. 2024-073, approving the City of Corona's Investment Policy, and Resolution No. 2024-074, approving the Pension Stabilization Trust Investment Policy. Both policies require City Council's annual review and adoption by Resolution. The City Treasurer and the City's investment advisor, Chandler Asset Management, have reviewed the investment policies. There are a few recommended changes for the City of Corona Investment Policy, while no changes for the Pension Stabilization Trust Investment Policy.

RECOMMENDED ACTION:

That the City Council

- a. Adopt Resolution No. 2024-073, approving the City of Corona's Investment Policy.
- b. Adopt Resolution No. 2024-074, approving the Pension Stabilization Trust Investment Policy.

BACKGROUND & HISTORY:

California Government Code Sections 53600 through 53659 define the types of investments that municipal governments can include in their portfolio, limits on the level of these investments, and the oversight required for the portfolio. The City of Corona's Investment Policy and the Pension Stabilization Trust Investment Policy establish strategies, practices, and procedures that are used in the administration of the City's portfolio to ensure compliance with the laws and regulations governing the City's investment.

The City of Corona's Investment Policy and the Pension Stabilization Trust Investment Policy are

intended to provide guidelines for the prudent investment of the City's temporarily inactive cash and outline the policies for maximizing the efficiency of the City's cash management system. The policies aim to meet the short- and long-term cash flow demands in a manner that will provide for the safety of principal and sufficient liquidity while providing a suitable investment return. The policies are evaluated and adopted annually.

The City of Corona maintains an investment portfolio to hold its inactive cash. The City's investments allow funds to earn a return while they are in a queue to be spent on City's projects and services, pursuant to its adopted budget. The current market value of the City's investment portfolio is approximately \$494.6 million, and \$46.1 million for the Pension Stabilization Trust portfolio. Through the City's investment advisor, Chandler Asset Management, the City invests in various instruments that provide a reliable yield and adequate liquidity to ensure that cash is available to meet the City's needs. Chandler Asset Management makes these investments according to the City's Investment Policies, with oversight of the City's Treasury Committee and the Pension Stabilization Trust's Board of Trustees. The Investment Policies are formal statements of objectives and constraints for the City's investment approach.

ANALYSIS:

The City of Corona's Investment Policy and the Pension Stabilization Trust Investment Policy are reviewed annually by the Treasury Committee, the Board of Trustees, and Chandler Asset Management and adopted by the City Council pursuant to State law. They align with the best practices set forth by the California Municipal Treasurers Association and the Government Finance Officers Association.

Chandler Asset Management suggested the following changes to the City's Investment Policy to reflect the latest changes to the California Government Code (CGC) and incorporate industry best practices (refer to the redlined policy in Exhibit 4 for additional details).

- a. A line has been added to clarify that limits are based on time of purchase for the "total portfolio," based on the new CDIAC LAIG FAQ in 2024.
- b. Added the word "rating category" in Attachment A to clarify the inclusion of rating modifiers and numbers by NRSROs SB 974.
- c. Added "not to exceed 30%" of the portfolio to match CGC for supranational in Attachment A; no effect expected to individual supranational issuers.

The Treasury Committee reviewed the proposed changes and concurred with Chandler Asset Management, thus recommending modifications to the City's Investment Policy for this year's annual review.

There are no changes to the Pension Stabilization Trust Investment Policy, other than updating the date of adoption.

California Government Code 53600 et. seq. sets legal parameters around the degree of risk any municipal treasury can take in its investments. These parameters ensure that public investments are sufficiently diversified, of high quality, and have terms of length that enable the treasury to maintain liquidity and protect against longer-term shifts in the market. Historically, the City of Corona's

Investment Policy has been more conservative than the California Government Code regarding the credit rating requirement and limiting the percentage of funds invested into variable-rate assets. This approach has yielded higher returns than the industry benchmark yet remains safe and liquid enough to meet the City's financial needs. Investment strategies are utilized to continuously adjust the balance between cash and investments to improve the overall return on investment.

As of March 31, 2024, the average market yield of the City's portfolio was 4.90%, which was 0.33% above the benchmark Bank of America Merrill Lynch 1-5-year US Treasury/Agency Index. The total rate of return for the Pension Stabilization Trust investment was 13.46%, which was 5.34% higher compared to the benchmark of the Multi Asset Class Index. The City's Treasury Committee and the Board of Trustees of the Pension Stabilization Trust believe that the current Investment Policies are prudent and will continue to meet or exceed the benchmarks, thereby ensuring that funds remain available to support the City's cash flow needs to deliver City services expected by the public.

Monthly investment reports are filed with the City Council and publicly posted on the City's website to provide a clear picture of the status and performance of the current investments.

FINANCIAL IMPACT:

There is no financial impact associated with the approval of the recommended actions.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action merely approves the City's Investment Policy and there is no possibility that adopting this resolution will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: CHRISTINE THOMPSON, CPA, CGFM, CPFO, ACCOUNTING MANAGER

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Exhibit 1 - Resolution No. 2024-073 Approving the City of Corona's Investment Policy.
2. Exhibit 2 - Resolution No. 2024-074 Approving the Pension Stabilization Trust Investment Policy
3. Exhibit 3 - Administrative Policy 01200.602- City of Corona's Investment Policy
4. Exhibit 4 - Administrative Policy 01200.602 -City of Corona's Investment Policy - Redline
5. Exhibit 5 - Administrative Policy 01200.606- Pension Stabilization Trust Investment Policy