



Staff Report

File #: 23-0515

REQUEST FOR CITY COUNCIL ACTION

DATE: 06/21/2023

TO: Honorable Mayor and City Council Members

FROM: Finance Department

SUBJECT:

RESOLUTION APPROVING THE CITY OF CORONA'S INVESTMENT POLICY

EXECUTIVE SUMMARY:

This staff report asks the City Council to adopt Resolution No. 2023-052 approving the City's Investment Policy. The City's Investment Policy requires City Council annual review and adoption by Resolution. The City Treasurer, together with the City's investment advisor, Chandler Asset Management, have reviewed the Investment Policy and recommended a few changes. The Treasury Committee concurs with the recommended changes.

RECOMMENDED ACTION:

That the City Council adopt Resolution No. 2023-052, approving the City of Corona's Investment Policy.

BACKGROUND & HISTORY:

California Government Code Sections 53600 through 53659 defines 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's Investment Policy establishes strategies, practices, and procedures which are used in the administration of the City's portfolio to ensure compliance with the laws and regulations governing the City's investments.

The City of Corona's Investment Policy is intended to provide guidelines for the prudent investment of the City's temporarily inactive cash and outlines the policies for maximizing the efficiency of the City's cash management system. The goal of the City's Investment Policy is 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 policy is evaluated and adopted annually, and it was last updated and adopted on June 15, 2022.

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 expended on City's projects and services, pursuant to the City's adopted budget. The current market value of the City's investment portfolio is approximately \$488.3 million. Through the City's contracted investment advisor, Chandler Asset Management, the City invests in a variety of 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 Policy, with the oversight of the Treasury Committee, which is comprised of the City Manager, City Treasurer, Assistant City Manager, and Finance Director. The Investment Policy is a formal statement of objectives and constraints for the City's investment approach.

ANALYSIS:

The City of Corona's Investment Policy is reviewed annually by the Treasury Committee and Chandler Asset Management and adopted by the City Council pursuant to State law. It aligns to the best practices set forth by California Municipal Treasurers Association and Government Finance Officers Association. During the Treasury Committee meeting of February 22, 2023, Chandler Asset Management suggested the following changes to the City's Investment Policy this year (refer to the redlined policy in Exhibit 3 for additional details):

- a. Update maturity date definition to be based on settlement date, rather than the practice of trade date pursuant to SB 1489 (2022).
- b. Add a limit for callable agency securities to reduce reinvestment risk.
- c. Align language for Federal Agencies, CMO/ABS, and supranationals to California code.

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

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 in terms of the requirement of credit rating and limiting the percentage of funds that are invested into variable-rate assets. This approach has yielded returns that are higher than the industry benchmark yet remain safe and liquid enough to meet the City's financial needs. Investment strategies are utilized to adjust the balance between cash and investments continuously to improve the overall return on investment.

As of March 31, 2023, the average market yield of the City's portfolio was 4.43%, which was 0.41% above the benchmark Bank of America Merrill Lynch 1-5 year US Treasury/Agency Index. The Treasury Committee believes that the current Investment Policy is prudent and will continue to meet or exceed this benchmark, 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 posted on the City's website for the public, to provide a clear picture of the status and performance of the current investments.

FINANCIAL IMPACT:

There is no fiscal impact from 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, ACCOUNTING MANAGER

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Exhibit 1 - Resolution No. 2023-052 Approving City of Corona's Investment Policy.
2. Exhibit 2 - Administrative Policy 01200.602- Investment Policy.
3. Exhibit 3 - City of Corona's Investment Policy - Redline.