



Legislation Text

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AGENDA REPORT REQUEST FOR CITY COUNCIL ACTION

DATE: 8/1/2018

TO: Honorable Mayor and City Council Members

FROM: Administrative Services Department

SUBJECT:

City Council consideration to adopt Resolution No. 2018-088 approving the City of Corona's Investment Policy

RECOMMENDED ACTION:

That the City Council adopt Resolution No. 2018-088 approving the City of Corona's Investment Policy.

ANALYSIS:

The City of Corona, as with all local governments in California, maintains an investment portfolio to hold its inactive cash. The City's investments allow funds to earn a return while they are in the queue to be expended on City projects and services, pursuant to the City's adopted budget. The current balance of the City's investment portfolio is approximately \$302 million. Through the City's contracted investment advisor, Chandler Asset Management, the City invests in a variety of instruments that provide a reliable yield over a duration of maturity between 3 months to 5 years 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, and the Assistant City Manager/Administrative Services Director.

The City of Corona's Investment Policy is annually reviewed by the City Treasurer, the Administrative Services Department, and Chandler Asset Management, and adopted by the City Council pursuant to State law. The Investment Policy is a formal statement of objectives and constraints for the City's investment approach.

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 credit 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 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 still remain safe and liquid enough to meet the City's financial needs.

The Treasury Committee recommends no modification to the City's Investment Policy for this year's annual review. The Policy remains more conservative than the California Government Code requires, providing Corona taxpayers with adequate protection, while enabling the City additional flexibility to invest in selected assets that are likely to perform better in the current market. Investment strategies were updated last year to adjust the balance between cash and investments on a continuous basis to improve the overall return on investment. This strategy update was within the existing Policy framework and provisions.

As of March 31, 2018, the average market yield of City's portfolio was 2.51%, which was 0.15% 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 official website for the public to provide a clear picture of the status and performance of the current investment.

COMMITTEE ACTION:

Not applicable

STRATEGIC PLAN:

This item supports the City's Strategic Plan Goal 6: Improve Communications with Our Community; Objective a: Commit to transparency in all City actions. The recommended action will help achieve these goals by providing policy and standards for the management and investment of the City's public funds.

FISCAL IMPACT:

The Investment Policy is presented for review and approval. There is no fiscal impact.

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 general rule 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 action is not subject to CEQA. This action merely adopts the resolution and approves the City's Investment Policy for Fiscal Year 2018-19, and there is no possibility that adopting the resolution and approving the Policy will have a significant effect on the environment.

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