



Legislation Text

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**REQUEST FOR CITY COUNCIL AND
CORONA PUBLIC FINANCING AUTHORITY ACTION**

DATE: 07/07/2021

TO: Honorable Mayor and City Council members
Corona Public Financing Authority

FROM: Finance Department

SUBJECT:

Resolution approving the City of Corona's Investment Policy; Resolutions updating the City's authorized officers' contact information for the Local Agency Investment Fund.

EXECUTIVE SUMMARY:

The City's Investment Policy requires annual review and adoption by Resolution. The Treasurer manages the City's portfolio consisting of short and long-term investments to ensure compliance with the City's Investment Policy. The Investment Policy is evaluated annually on substantive issues such as authorized investments, guidelines for managing the portfolio, applicable benchmarks, and performance standards. The City Treasurer, together with the City's investment advisor, Chandler Asset Management, recommended two changes (shown in Attachment A "Allowable Investments") in Fiscal Year 2022's Investment Policy to incorporate the passing of SB 998 on Jan 1, 2021. Both provisions have a sunset date of January 1, 2026:

1. Commercial Paper - increasing the allowable amount the portfolio can be invested in Commercial Paper to 40% from 25%.
2. Zero-Coupon Bond - permitting the investment in zero or negative interest securities backed by the United States Government.

The Treasury Committee concurs with the above recommendations. In addition, the Committee recommends updating the City's authorized officers' contact information for the Local Agency Investment Fund.

RECOMMENDED ACTION:

That the:

- a. City Council adopt Resolution No. 2021-056, approving the City of Corona's Investment Policy.
- b. City Council adopt Resolution No. 2021-057, updating the City's authorized officers' contact information for the Local Agency Investment Fund.
- c. Corona Public Financing Authority adopt Resolution No. 2021-058, updating the City's authorized officers' contact information for the Local Agency Investment Fund.

BACKGROUND & HISTORY:

Investment Policy

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 temporary 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 City of Corona's Investment Policy has been assigned an Administrative Policy Number, which is No. 01200-602 and is evaluated and adopted annually. The Policy was last updated and adopted on June 17th, 2020.

Local Agency Investment Fund

The Local Agency Investment Fund (LAIF) was enacted by statute in 1977 as an investment alternative for California's local governments and special districts. The program acts as a local government investment pool. It offers agencies the opportunity to participate in a major investment portfolio, which invests \$153.4 billion as of May 31, 2021, using the expertise of the State Treasurer's Office professional investment staff at no additional cost to the taxpayer. The City utilizes LAIF for shorter-term investments to maintain the liquidity of the City's portfolio.

LAIF requires a resolution approved by the governing body of participating jurisdictions to establish authorized officers to execute documents related to investment transactions. The Finance Department staff monitors the daily LAIF activity and initiates transfers between LAIF, bank accounts, and investment accounts as appropriate. Establishing Finance Department staff with access to the LAIF system requires the approval of two authorizing officers. The resolutions will update the City's current contact information and add the City Manager as an authorized officer.

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 a queue to be expended on City's projects and services, pursuant to the City's adopted budget. The current balance of the City's investment portfolio is approximately \$349.2 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, Assistant City Manager, and Finance Director. The Investment Policy is a formal statement of objectives and constraints for the City's investment approach.

The City of Corona's Investment Policy is reviewed annually by the City Treasurer, Finance Department, and Chandler Asset Management, and adopted by the City Council pursuant to State law. Chandler Asset Management suggested the following changes to the City's Investment Policy:

In Attachment A - Allowable Investments:

1. Commercial Paper: including language from the passing of SB 998 increasing the allowable amount the portfolio can be invested in Commercial Paper to 40% from 25%. This provision will sunset on January 1, 2026.
2. Zero-Coupon Bonds: including language from the passing of SB 998 permitting the investment in zero or negative interest securities back by the United States Government. This provision will sunset on January 1, 2026.

The Treasury Committee concurs with the above recommendations from Chandler Asset Management. The only other change to the policy was an administrative change updating the title of the position "Administrative Services Director" to "Finance Director", referenced throughout the policy. In addition, the Committee recommends updating the City's authorized officers' contact information for the Local Agency Investment Fund and add the City Manager as an authorized officer. The Treasury Committee recommends no additional 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, 2021, the average market yield of the City's portfolio was 0.45%, which was 0.12% 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:

The Investment Policy is presented for review and approval. 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 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 resolutions approving the City's Investment Policy for Fiscal Year 2022, and there is no possibility that adopting the resolutions approving the Policy will have a significant effect on the environment.

PREPARED BY: CHRISTINE THOMPSON, ACCOUNTING MANAGER

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Resolution No. 2021-056 Approving Investment Policy
2. Resolution No. 2021-057 Investment in LAIF
3. Resolution No. 2021-058 CPFA Investment in LAIF
4. Administrative Policy 01200.602- Investment Policy
5. Investment Policy - Redline