

REPORT TO THE CITY COUNCIL



DATE: May 21, 2019

TITLE: Delegation of Investment Authority to the City Treasurer

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Reviewed by: Linda Kelly, Finance Director

RECOMMENDATION

Adopt a Resolution of the City Council approving delegation of investment authority and other related duties to the City Treasurer, as authorized by the City's Investment Policy, and approve and adopt the attached Investment Policy for Fiscal Year 2019-2020.

DISCUSSION

This Investment Policy helps ensure that the City follows best practices and safeguards the principal of City investments, as well as meeting the liquidity needs of the City.

The purpose of the attached Investment Policy ("Policy") is to provide guidelines for the deposit and investment of public monies on behalf of the City of Desert Hot Springs ("City") that are intended to protect the solvency and creditworthiness of the City consistent with the terms and provisions of California Government Code Section 53600 et seq., and any amendments thereto. However, since the State Legislature has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern, should any conflicts arise between the terms and provisions of the proposed Policy and the terms and provisions of California Code Sections 53600 et seq., the terms and provisions of said Government Code sections will control.

As permitted per California Government Code Section 53607, it is recommended that the City Council delegate the authority to invest or to reinvest funds of the City, or to sell or exchange securities so purchased, for a one-year period to the City Treasurer ("Treasurer"), who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. To protect the City from any misdeeds of the Treasurer with respect to his/her investment duties, California Government Code Section 36518 requires the Treasurer to execute a bond to the City that conforms to the provisions of the California Government Code relating to bonds of public officers. The penal sum of the bond must be in a reasonable amount recommended by the City Attorney and fixed by the City Council, by resolution, which the City Council is authorized to change during the Treasurer's term of office, as permitted under California Government Code Section 36518. Also, the Treasurer's bond must be filed with the City Clerk pursuant to California Government Code Section 36520.

The City Council will be required to annually review and consider whether to renew the delegation of investment authority to the Treasurer, as required by California Government Code Section 53607. In addition, the Treasurer will be required to make a monthly report of all investment-related transactions to the City Council, as required by California Government Code Section 53607.

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing City funds, the Treasurer is required to act pursuant to the prudent investor standard as set forth in California Government Code Section 53600.3. Further, when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the objectives shall be: (a) to safeguard the principal of the funds; (b) to meet the City's liquidity needs; and (c) to achieve a return on the funds, as set forth in California Government Code Section 53600.5.

The Treasurer will be permitted to invest any City funds contained in a sinking fund or not required for the immediate needs of the City in those investments set forth in California Government Code Sections 53601 and 53601.1. The Treasurer may also invest a portion of the City's surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of deposits, subject to the conditions set forth in California Government Code Section 53601.7.

The Treasurer will also be permitted to invest a portion of City's surplus funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit, subject to the limitations and conditions set forth in Government Code Section 53601.8.

With respect to deferred compensation plans for the employees, those funds may be invested in the types of investments set forth in Government Code Sections 53601 and 53602 and in corporate stocks, bonds, and securities, mutual funds, savings and loan accounts, credit union accounts, life insurance policies, annuities, mortgages, deeds of trust, or other security interests in real or personal property, as set forth in California Government Code Section 53609.

The Treasurer will be prohibited from investing any funds in any securities that could result in zero interest accrual if held to maturity or any instruments such as, inverse floaters, range notes, or mortgage-derived, interest-only strips, as proscribed in California Government Code Section 53601.6.

Finally, the Treasurer may:

- (a) Invest only in notes, bonds, bills, certificates of indebtedness, warrants, or registered warrants which are legal investments for savings banks in the state as set forth in California Government Code Section 53602;
- (b) Invest by direct purchase of any issue of eligible securities at their original sale or after they have been issued as set forth in California Government Code Section 53602;
- (c) Sell, or exchange for other eligible securities, and reinvest the proceeds of, the securities purchased, as set forth in California Government Code Section 53604;
- (d) Sell securities so that the proceeds may be applied to the purposes for which the original purchase money was placed in a sinking fund or the City's treasury as set forth in California Government Code Section 53605;
- (e) Cancel purchased bonds either in satisfaction or sinking fund obligations or otherwise, subject to the provisions set forth in California Government Code Section 53606; and
- (f) Deposit for safekeeping with a federal or state association, a trust company or a state or national bank located within the state or with the Federal Reserve Bank of San Francisco or any branch thereof within the state, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System, the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants, or other evidences of indebtedness in which the money of the City is invested pursuant to the provisions of California Government Code Section 53608.

FISCAL IMPACT

None.

EXHIBITS

- 1) Resolution – Delegation of Investment Authority
- 2) Investment Policy