

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ALAN ALTON, CHIEF FINANCIAL OFFICER, FINANCE
SUBJECT: AMEND COUNCIL POLICY 000-26 – STATEMENT OF
INVESTMENT POLICY

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Finance Department that the Council, by resolution, amend Council Policy No. 000-26– Statement of Investment Policy, as revised.

EXECUTIVE SUMMARY

The Council Policy No. 000-26 – Statement of Investment Policy (“Policy”) was adopted by Resolution No. 17133 in January 1985, and was last updated in April 2013. While the Policy is comprehensive and in compliance with current California Government Code (“Code”) statutes regulating the investment of public funds, staff, in conjunction with the City’s investment advisor, PFM Asset Management, has reviewed the current policy and is recommending a number of revisions to update and enhance the policy.

BACKGROUND

The Policy was adopted by Resolution No. 17133 in January 1985. It has gone to City Council fifteen times since then to update and amend the policy. PFM Asset Management met with the Chief Financial Officer and the Budget Team to discuss proposed changes. The Budget Team then held a meeting to collaborate with other stakeholders in the Parks & Recreation and Water Departments and Housing Authority to review and discuss the proposed changes. There was an overall consensus to move forward with the revisions.

PRIOR CITY COUNCIL REVIEW

In January 1985 the City Council, by Resolution No. 17133, adopted Council Policy No. 000-26 - Statement of Investment Policy.

In December 1989 the Council, by Resolution No. 19745, amended Statement of Investment Policy No. 000-26.

AMEND COUNCIL POLICY 000-26 – STATEMENT OF INVESTMENT POLICY
PAGE 2 OF 4

In February 1993 the Council, by Resolution No. 21236, amended Statement of Investment Policy No. 000-26.

In August 1996 the Council, by Resolution No. 22809, amended Statement of Investment Policy No. 000-26.

In October 1997 the Council, by Resolution No. 23329, amended Statement of Investment Policy No. 000-26.

In October 1998 the Council, by Resolution No. 23735, amended Statement of Investment Policy No. 000-26.

In November 2000 the Council, by Resolution No. 24616, amended Statement of Investment Policy No. 000-26.

In October 2001 the Council, by Resolution No. 24994, amended Statement of Investment Policy No. 000-26.

In October 2002 the Council, by Resolution No. 25441, amended Statement of Investment Policy No. 000-26.

In November 2003 the Council, by Resolution No. 25810, amended Statement of Investment Policy No. 000-26.

In October 2004 the Council, by Resolution No. 26091, amended Statement of Investment Policy No. 000-26.

In October 2005 the Council, by Resolution No. 26413, amended Statement of Investment Policy No. 000-26.

In December 2006 the Council, by Resolution No. 26740, amended Statement of Investment Policy No. 000-26.

In December 2007 the Council, by Resolution No. 27000, amended Statement of Investment Policy No. 000-26.

On September 13, 2011, the City Council, by Resolution No. 27979, amended Statement of Investment Policy No. 000-26.

On April 9, 2013, the City Council, by Resolution No. 28260, amended Statement of Investment Policy No. 000-26.

ANALYSIS

The Policy has been revised to reflect the changes that PFM Asset Management is recommending to the City's list of authorized and suitable investments are done with the purpose of aligning the Policy language more with Code language to create additional investment opportunities for the City, or to respond to changes to Code since the Policy's last review.

- **Section VI Introductory paragraphs** Effective January 1, 2023, language was added to Code stating that a security purchased shall not have a forward settlement date exceeding 45 days from the time the investment is purchased. The policy is being updated to include this language.
- **Section VI.3 California Municipal Investments** added language to lower the minimum credit rating on municipal obligations from "AA" to "A" rating. Code places no minimum rating requirement on municipal obligations.
- **Section VI.4 State Municipal Investments** added language to lower the minimum credit rating on municipal obligations from "AA" to "A" rating. Code places no minimum rating requirement on municipal obligations.
- **Section VI.6 Commercial Paper** In 2021, Code was modified to allow public agencies with more than \$100 million of assets to invest up to 40% in commercial paper. The previous limit was 25% for all agencies, other than a county or a city and county which already had a 40% maximum. Language has been added to adopt this Code change to allow for additional opportunities should it fit the City's investment strategy.
- **Sections VI.15 Supranationals** added language to allow for investment in select supranational organizations, as allowed by Code Section 53601(q). The language added to the Policy matches Code language, allowing for purchases of bonds issued by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a minimum rating of "AA" and a maximum sector allocation of 30%. While Code does not have an issuer limit, added language to the Policy to include a 10% issuer limit.
- **Section VI.16 Asset-Backed Securities** added language to allow for investment in asset-backed securities, as allowed by Code Section 53601(o). The language added to the Policy matches the Code language, except added a minimum rating requirement of "AAA," while Code's minimum rating requirement is "AA," and added a per issuer limit of 5%, while Code has no issuer limit. The sector limit suggested is 20%, matching the maximum allowed by Code.
- **Section VIII Introductory Paragraphs - Maximum Maturities** effective January 1, 2023 Code language was updated to include an investment's term or

remaining maturity shall be measured from the settlement date to final maturity.
Added language to match the City's Policy.

- **Section VIII Introductory Paragraphs – Socially Responsible Investing (SRI)**
Added language from the City's resolution prohibiting investment in the fossil fuel industry. Also added language describing the methodology used to determine which issuers to exclude based on the City's parameters. The methodology described in the Policy is the methodology used by the City's investment manager, PFM Asset Management.
- **Section IX Collateralization** Added a section on collateralization to describe which security types require collateral and the details of the requirement, as required by Code.
- **Section XII Investment Policy Adoption** added a section describing the Policy review procedure, which continues to require Council approval of all amendments to the Policy.

FISCAL IMPACT

Approval of this action does not have a fiscal impact on the General Fund.

ENVIRONMENTAL IMPACT

This action is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Sections 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment and no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable

ATTACHMENTS

- Attachment 1 – Council Policy No. 000-26 - Statement of Investment Policy – Redlined
- Resolution/ Exhibit A – Council Policy No. 000-26 - Statement of Investment Policy (Amended)

PRESENTER

Veronica Conner, Budget and Financial Analysis Manager