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Title: Approve the City of Fresno Investment Policy for Fiscal Year 2016-2017

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Attachments: 1. Investment Policy Resolution Attach 1.pdf, 2. Investment Policy Exhibit A.pdf

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6/23/2016	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

June 23, 2016

FROM: MICHAEL A. LIMA, Controller/Finance Director/(ex-officio)Treasurer
Finance Department

BY: GREGORY S. WILES, Treasury Officer
Finance Department

SUBJECT

Approve the City of Fresno Investment Policy for Fiscal Year 2016-2017

RECOMMENDATION

Staff recommends that Council approve the accompanying Resolution to adopt the City Investment Policy (the "Policy") for Fiscal Year 2016-2017.

EXECUTIVE SUMMARY

The Fresno Municipal Code ("FMC") requires that Council annually approve and adopt an Investment Policy, and delegate its authority to invest City funds to the City Treasurer. State Law refers to "surplus money" that is not needed for current operations. Good cash management includes investing these funds, in accordance with an approved Investment Policy. Interest earnings on investments are allocated to all Funds based on the amount of cash a specific Fund has invested in the City-wide Pool. There is one change in the Investment Policy from last Fiscal Year. The State Treasurer's Office has raised the limit for the Local Agency Investment Fund (LAIF) to \$65,000,000 per account. The Investment Policy has been amended to increase the limit for LAIF deposits. Also,

the investing duties for an Accountant-Auditor II position in Treasury have been clarified.

BACKGROUND

Although State Law no longer requires it, good cash management necessitates a detailed plan for handling cash resources. The FMC therefore requires that Council annually adopt an investment policy for public funds. An investment policy establishes the objectives, guidelines, and types of investments for a government's public funds investment program. State Law does contain numerous other stipulations that pertain to the City's investment program.

Government Code Section 53601("Section 53601") sets forth certain parameters that govern a local agency's investment program. This Law states that "The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient ..."

The Treasury Section of the Finance Department is responsible for balancing the operating cash needs of the City with the amount of money available for investment. Operating cash is thus differentiated from surplus cash. These monies are aggregated together in a City-wide Pool for investment purposes. Each City Fund owns "shares" in the Pool, based on the Fund's cash balance. Cash from the Pool is invested in financial instruments allowed by State Law, and the interest earnings are credited back to each Fund.

Section 53601 sets forth the types of investment instruments eligible for purchase by a local agency, the investment grade of those instruments, and the percentage of the local agency's surplus monies that can be invested in each type of security. Since the City's first investment objective is conformity with State Law, the Investment Policy generally conforms to Section 53601.

Section 16429.1 created the LAIF and gives the State Treasurer the authority to set the limits for local agencies with regard to the total amount which may be invested in the Fund. LAIF's current limit is now \$65,000,000 per account and the City's Investment Policy has been changed to reflect the new limit.

Also, Section IV. B. 4. of the Policy has been changed to reflect the investing duties of an Accountant-Auditor II position in Treasury.

Staff recommends that Council approve the City's Investment Policy for Fiscal Year 2016-2017.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378, this item does not qualify as a "project" and is therefore exempt from the California Environmental Quality Act requirements.

LOCAL PREFERENCE

Local preference was not considered because this Resolution does not include a bid or award of a construction or service contract.

FISCAL IMPACT

Approving this Resolution adopting an Investment Policy for Fiscal Year 2016-2017 will provide staff with direction on how to manage the City's cash resources, specifically, how they shall be used to fund operations or invested to obtain interest earnings if not currently needed. Interest earnings are allocated to City Funds based on their cash balances.

Attachment:

Attachment 1: Resolution adopting Investment Policy for Fiscal Year 2016-2017

Exhibit A: Investment Policy for Fiscal Year 2016-2017