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Title: ***RESOLUTION - To Adopt an Investment Policy for Public Funds for Fiscal Year 2019-2020 (Subject to Mayor's Veto)

Sponsors: Finance Department

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Attachments: 1. Attachment 1 Resolution adopting Investment Policy for FY 2019-2020.pdf, 2. Exhibit A Investment Policy for FY 2019-2020.pdf

Date	Ver.	Action By	Action	Result
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REPORT TO THE CITY COUNCIL

June 20, 2019

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

BY: CORRINA BARBARITE, Treasury Officer
Finance Department

SUBJECT

*****RESOLUTION - To Adopt an Investment Policy for Public Funds for Fiscal Year 2019-2020 (Subject to Mayor's Veto)**

RECOMMENDATION

Staff recommends that Council approve the accompanying Resolution to adopt the City Investment Policy (the "Policy") for Fiscal Year 2019-2020.

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 the Fund has invested in the City-wide Pool. There is one change from the FY 2018-2019 Investment Policy: Section III (A) (1) (a) (16) - Authorized Investments and Appendix C - Glossary of Cash Management Terms have been amended to clarify the inclusion of non-negotiable certificates of deposit as an authorized investment.

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 monies in a sinking fund or monies in its treasury not required for the immediate needs of the local agency may invest any portion of the monies 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 PeopleSoft 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. The one policy change included this year is the addition of non-negotiable Certificates of Deposit. These investments are allowed by State law but have not been reflected in the City's policy in the past. The investment opportunities in these instruments have improved and staff is therefore requesting the addition.

Government Code Section 16429.1 created the Local Agency Investment Fund 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 \$65,000,000 per account and is reflected in the City's Investment Policy.

Staff recommends that Council approve the City's Investment Policy for Fiscal Year 2019-2020.

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 2019-2020 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 for operations. Interest earnings are allocated to PeopleSoft Funds based on their cash balances.

Attachment: Attachment 1: Resolution Adopting Investment Policy for Fiscal Year 2019-2020
Exhibit A: Investment Policy for Fiscal Year 2019-2020