



Agenda Item No. _____

File Code No. 260.01

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 26, 2012

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Statement Of Investment Policy And Delegation Of Investment Authority for Fiscal Year 2013

RECOMMENDATION: That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Adopting the Investment Policy for the City and Rescinding Resolution No. 11-043; and
- B. Authorize the City Administrator/City Clerk/City Treasurer to invest or reinvest funds, or to sell or exchange securities so purchased for the City of Santa Barbara and the City of Santa Barbara Acting as the Redevelopment Successor Agency for Fiscal Year 2013.

DISCUSSION:

The Government Code of the State of California does not require local agencies to adopt or submit to the State a Statement of Investment Policy. The State Code specifies permitted investments for local governments, but the City's Statement of Investment Policy defines the suitable and authorized investments for the City. In some cases, the City's policy is more restrictive than State Code. Moreover, the policy serves as a guide for setting and achieving the City's own investment objectives and defines guidelines for the management of the portfolio. Therefore, staff strongly recommends that Council adopt the investment policy on an annual basis.

Except for County governments, the State Code does not contain any provisions specifying what must be included in the investment policy of a local agency. The City has developed a comprehensive investment policy that includes all critical components recommended by various professional agencies and organizations, and the policy has been awarded several certifications. Therefore, staff recommends that the policy be updated annually to incorporate any statutory and/or internal policy changes, thereby maintaining this standard of excellence.

If a local agency's policy is submitted to the legislative body, it must be an agenda item at a public meeting and should be approved by a vote of the legislative body no later than the end of the first quarter of the year to which it applies. In this case, staff is bringing the Statement of Investment Policy for Fiscal Year 2013 for review and approval prior to the start of the fiscal year to which the policy applies.

Staff Recommended Changes

Revisions to the annual investment policy are made each year, as needed, to incorporate policy or statutory changes affecting the City's investment program and daily investing activities. Policy revisions are generally technical in nature, such as process changes or language clarifications. Statutory changes are changes in state law affecting allowable investments or procedures related to investing activities. Over the past year, there have been no State statutory changes requiring changes to the City's policy. The policy, as submitted, contains no recommended policy or statutory changes from last year.

There is sufficiently broad language in the policy to allow for any changes that may occur during the year to be accommodated on an administrative basis rather than a formal revision to the policy. The policy, as submitted, contains only one administrative change that was made since the policy was adopted by Council in June 2012. For investment of funds in non-negotiable certificates of deposit, the core capital requirement for banking institutions was increased from 3 percent to 4 percent (page 8 of the policy) to be consistent with the current federal bank regulation definition of "adequately capitalized" institutions.

By separate action, Council formally delegates authority to the City Treasurer to invest and reinvest funds and to sell or exchange securities for a one-year period, as specified on page 3 of the proposed Investment Policy. Management and oversight of the investment program is delegated to the Finance Director. The Treasury Manager is authorized to conduct daily investment activities under supervision of the Finance Director. All investment purchases and sales require signature approval from the Finance Director or City Administrator by the close of business on the next business day following the purchase or sale.

PREPARED BY: Jill Taura, Treasury Manager

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office