



Agenda Item No. _____

File Code No. 260.01

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 21, 2009

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Statement Of Investment Policy And Delegation Of Investment Authority For Fiscal Year 2010

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. 08-068; 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 Redevelopment Agency of the City of Santa Barbara for Fiscal Year 2010.

DISCUSSION:

The Government Code of the State of California no longer requires local agencies to submit to the State an annual 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; additionally, the policy serves as a guide for setting and achieving program objectives and defines guidelines for the management of the portfolio. Therefore, staff strongly recommends that Finance Committee review and approve, and 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.

There are two staff recommended changes to the policy, neither of which will affect the investment activity of the City. The policy revisions are generally technical in nature, i.e. process changes or language clarifications. Over the past year, there have been no State statutory changes requiring changes to the City's policy.

Staff Recommended Changes

1. *Page 5, Section VII.A.1., Investment Types.* This section has been changed for clarification from: "Bonds issued by the City, including bonds payable solely out of the revenues from a revenue producing property owned, controlled, or operated by the City or by a department, board, agency, or authority of the local agency" to: "Bonds, notes, or other forms of indebtedness issued by the City, including bonds payable solely out of the revenues from a revenue producing property owned, controlled, or operated by the City or by a department, board, agency, or authority of the City", in order to include other debt instruments allowable under existing State law in Government Code section 53601 governing investments.
2. *Page 5, Section VII.A.4., Investment Types.* This section has been changed for clarification from: "Notes eligible for investment shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations" to: "Notes eligible for investment, other than those issued by the City or operated by a department, board, agency, or authority of the City, shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations, in order to include other debt instruments allowable under existing State law in Government Code section 53601 governing investments.

In addition to the proposed changes to the policy, as described in this report, 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. For example, Section VII in the policy states: "If the Government Code is amended to allow additional investments or is changed regarding the limits on certain categories of investments, staff is authorized to conform to the changes in the revised Government Code, provided the changes are not specifically prohibited by City policy. Staff shall present those changes to the City Council in the annual review of the policy and make recommendations to the City Council to incorporate the new legislation within the policy." And, Section IX, Subsection D2, refers to the City's conformance with any Government Accounting Standards Board (GASB) pronouncements rather than citing a specific ruling currently in effect, which may be updated in the future. If there are any changes throughout the year to the investment program, staff will, of course, bring these items to the attention of Finance Committee.

By separate action, Council formally delegates the authority to invest or reinvest funds or to sell or exchange securities to the City Treasurer for a one-year period, as specified on page 3 of the 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 City Administrator,

Finance Director or the Assistant Finance Director by the close of business on the next business day following the purchase or sale.

On July 14, 2009, the Finance Committee reviewed the proposed Investment Policy for Fiscal Year 2010 and recommended that Council adopt the policy as proposed.

PREPARED BY: Jill Taura, Treasury Manager

SUBMITTED BY: Robert D. Peirson, Finance Director

APPROVED BY: City Administrator's Office