



Staff Report

TO: Finance and Audit Committee Members
FROM: Jennifer Ustation, Interim Finance Director
DATE: May 10, 2021
SUBJECT: Review of Proposed Amended Investment Policy

Background and Analysis:

On September 14, 2020, the Finance and Audit Committee reviewed and recommended to City Council to adopt its current investment policy. On September 15, 2020, the City Council adopted the policy. At that time, the topic of engaging an Investment Advisor was discussed to provide many benefits to the City's Investment portfolio by providing professional advice on investment selection, management of the City's investment portfolio and assisting the City in achieving the goals of the investment policy.

On February 16, 2021, City Council approved a contract for investment advisor and portfolio management services with Public Trust Advisors, LLC (Public Trust). As a part of their contractual services, Public Trust will review the City's current investment policy, provide a full analysis and suggest policy recommendations. Public Trust completed this service and met with City staff to walk through their recommended amendments. After recommended changes, Public Trust returned an amended investment policy for Finance and Audit Committee review. City staff agrees that the changes recommended are beneficial to the City's investment policy goals by expanding the investment choices to include all those available under the California Government Code 53600.

City staff would note that the key principals of stability of principle, liquidity and investment return remain unchanged. All of the added investments will meet these standards but allow for greater flexibility and for improved levels of diversification.

Highlights of Recommended Amendments

- Updated language to incorporate most recent changes and legislative updates to the California government code

- Establishes the Finance Committee to provide general oversight and direction regarding policy-driven issues and considerations in connection with the City's investment portfolio
- Added Performance Standards and Evaluation section to clarify the criteria by which the Portfolio's long-term performance will be evaluated
- Add Asset-Backed Commercial Paper as an authorized investment
- Add Medium-term Corporate Notes as an authorized investment
- Add specified Supranational Securities as an authorized investment
- Add Mortgage Pass-Through and Asset-Backed Securities as an authorized investment

Public Trust has advised that the investment policy now meets the standards necessary to certify the policy through the California Municipal Treasurers Association. The benefits of having the Investment Policy certified by the California Municipal Treasurers Association include: demonstrating that due diligence was performed on the Investment Policy, to show transparency of the Governing Body to the public, assist to satisfy auditors when reviewing the Investment Policy, and provides trust, confidence and verification that the policy has been reviewed and certified by a professional organization within California. The policy will be submitted for certification if approved by City Council.

Recommended Action:

Review the amended investment policy and recommend approval by the City Council or provide modifications for consideration by the City Council prior to approval.

Attachments:

- A. Proposed Amended Beaumont Investment Policy – clean draft
- B. Proposed Amended Beaumont Investment Policy – redlined draft