

Capitola City Council

Agenda Report



Meeting: August 24, 2023

From: Finance Department

Subject: City Investment Policy Amendment

Recommended Action: Approve changes to Administrative Policy Number III-1: Investment Policy, as recommended by the Finance Advisory Committee.

Background: California Government Code §53630 et seq. contains State requirements for the deposit of City funds. Government Code §53635 requires all money belonging to, or in the custody of, a local agency be deposited in certain allowable instruments. The current Investment Policy was approved by the City Council on August 9, 2001, by adoption of Resolution No. 3149, affirming the City's Investment Policy. This resolution was then incorporated into the City's Administrative Policies. California Government Code requires a city to annually review its investment policy.

Discussion: The California Debt and Investment Advisory Committee annually updates the Local Agency Investment Guidelines which lists the allowable investment options for local public agencies. The City's current investment policy is considered conservative, permitting the City to invest in five of the twenty-five investment instruments allowable by California Government Code.

The City's FY 2023-24 Investment Policy was confirmed by the City Council on May 11, 2023. Since that time, staff has met with Santa Cruz County Bank to discuss products and services that they can offer, including keeping City funds invested in the local community. The City's Investment Policy states that the investment policy, or any modification thereof, shall be formulated by the City Treasurer and approved by the City Council.

At the August 15, 2023, Finance Advisory Committee (FAC) meeting, the City Treasurer presented suggested revisions to the investment policy for consideration. Understanding the order of importance, the investment policy shall:

1. Provide for the safety of the funds;
2. Assure the liquidity of the funds; and
3. Acquire earnings of the funds.

Amending the Investment Policy would allow the City to participate in the IntraFi Networks Deposits for Public Funds program with Santa Cruz County Bank as the selected depository institution. The City would deposit funds with Santa Cruz County Bank who would then invest those funds with other financial institutions in \$250,000 amounts or less to maintain FDIC Insurance on those invested funds. Those financial institutions in turn would invest an equal amount with Santa Cruz County Bank essentially keeping the City's investment dollars working within the local economy while maintaining the order of priorities of safety, liquidity, and yield. The suggested revisions are as follows:

- Add Placement Service Deposits
- Add Placement Service Certificates of Deposit

Following a discussion on the suggested revisions, the FAC recommended approval of all changes to the Investment Policy. The amended Investment Policy and City's investment portfolio continue to comply with all applicable state law requirements.

Fiscal Impact: None. The City has approximately \$10 million deposited and invested with the California Local Investment Agency (LAIF) managed by the State Controller's Office and currently earning a little over 3% monthly. Santa Cruz County Bank will match the LAIF monthly interest rate. If approved, staff would move a portion of the deposits at LAIF to Santa Cruz County Bank and investment returns would remain unchanged, however the amended Investment Policy will provide a vehicle for the City's funds to be invested locally.

Attachments:

1. Administrative Policy Number III-1, Investment Policy

Report Prepared By: Report Prepared By: Jim Malberg

Reviewed By: Julia Moss, City Clerk; Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager