



Agenda Report

Fullerton City Council

MEETING DATE: JUNE 4, 2019

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: KENNETH A. DOMER, CITY MANAGER / ACTING CITY TREASURER

PREPARED BY: RAMONA CASTAÑEDA, REVENUE MANAGER

SUBJECT: THIRD QUARTER TREASURER'S REPORT FOR FISCAL YEAR 2018-19 AND REVISIONS TO INVESTMENT POLICY

SUMMARY

The Treasurer's Report for the third quarter of Fiscal Year 2018-19 provides an update on the City's investment portfolio.

The Acting City Treasurer and Investment Advisory Committee (Committee) recommend minor changes to the City's Investment Policy to provide greater flexibility in the investment of funds and comply with the State Government Code.

RECOMMENDATION

1. Receive and file third quarter treasurer's report for Fiscal Year 2018-19.
2. Approve the recommended changes to City's Investment Policy.

BUDGET POLICY PRIORITY STATEMENT

This item matches the following Budget Policy Priority Statement/s:

- Fiscal and Organizational Stability.

FISCAL IMPACT

Potential additional investment return opportunities.

DISCUSSION

Treasurer's Report – Third Quarter

The City's operating portfolio ended the third quarter with investments totaling \$115.7 million, increased approximately \$8 million from the prior quarter due to receipt of the second installment of property tax and sales tax revenues. Investments included:

- \$42.2 million in the State's Local Agency Investment Fund
- \$55.2 million in U.S. Treasury Notes
- \$5.9 million in Federal Agency issues
- \$7.7 million in corporate notes
- \$3.2 million in Certificates of Deposit
- \$1.4 million in Asset Backed Securities
- \$0.15 million in money market funds.

The market yield was 2.34% at March 31, 2019 and the net income realized for the quarter was \$399,503.58.

Revised Investment Policy

The City's Investment Policy was extensively revised in 2015 and updated in 2018 to reflect changes in the Government Code and allow for greater investment performance. Staff and the Investment Advisory Committee are now recommending additional revisions to one section of the policy in order to incorporate a statutory change which became effective January 1, 2019.

The proposed revisions to the investment policy are designed to ensure the investment policy remains consistent with state statutes. In particular, the state legislature made the following changes to Government Code Section 53601 that clarified any investment in asset-backed securities must (1) have a remaining final term to maturity of five years or less and (2) the security must be rated in the category of "AA" or better by a Nationally Recognized Statistical Rating Organization but no longer must be issued by an issuer with a rating of "A" or better. Please see Section 8.J. (Page 5) of Attachment 2 for the proposed revisions to the section.

The City's portfolio averages between \$80 and \$115 million during the year. To maximize performance, the Investment Advisory Committee has set an initial goal of maintaining \$20 million in the State's highly liquid Local Agency Investment Fund (LAIF); \$20 million in the 1 – 5 year portfolio and the balance in the 1 - 3 year portfolio which is currently \$52.6 million. After allowing for some time to evaluate the performance of each, the Committee will determine if an asset reallocation is needed.

The Investment Advisory Committee has reviewed and approved the recommended changes to this Policy.

Attachments:

- Attachment 1 - Quarterly Investment Report
- Attachment 2 - Investment Policy