

TOWN OF SAN ANSELMO
STAFF REPORT
September 11, 2014

For the Meeting of September 23, 2014

TO: Town Council

FROM: Daria Carrillo, Finance & Admin Services Director

SUBJECT: Approval of Resolution Setting a Statement of Investment Policy for
Fiscal Year 2014-2015

RECOMMENDATION

That Council approve the attached Resolution setting the Statement of Investment Policy for fiscal year 2014-2015.

BACKGROUND AND DISCUSSION

The purpose of the Town's investment policy is to ensure, through prudent investment of its idle cash, that the Town obtains the highest yield possible without risk to the safety and liquidity of its funds.

The Town has maintained a Statement of Investment Policy since 1985. Town staff reviews the policy on an annual basis and updates the policy as needed to comply with the California Government Code Section 53600 et seq.

ANALYSIS

Staff has reviewed the attached Statement of Investment Policy. The policy presented for Council consideration complies with the California Government Code Section 53600 et seq.

In compliance with the policy, the Town's idle cash is invested with the Local Agency Investment Fund (LAIF) program when the LAIF interest exceeds the interest generated by the operating fund bank account. In years when the Town issues a Tax Revenue Anticipation Note (TRAN), the proceeds are also invested in LAIF when the LAIF interest exceeds the interest generated by the operating fund bank account. The Finance and Administrative Services Director reconciles all Town accounts on a monthly basis. The Town Treasurer reviews the reconciliation reports and, together with the Director, prepares a Quarterly Investment Report for presentation to the Town Council.

CONCLUSION

It is recommended that the Town Council adopt the attached Resolutions setting the Statement of Investment Policy for fiscal year 2014-2015.

Respectfully submitted,



Daria Carrillo
Finance and Admin Services Director

Attachment #1: Resolution of the San Anselmo Town Council Setting A Statement of Investment Policy for Fiscal 2014-2015

Attachment #2: Statement of Investment Policy, Fiscal Year 2014-2015

TOWN OF SAN ANSELMO

TOWN COUNCIL RESOLUTION NO. _____

A RESOLUTION OF THE SAN ANSELMO TOWN COUNCIL SETTING A STATEMENT OF INVESTMENT POLICY FOR FISCAL YEAR 2014-2015

WHEREAS, the State of California Government Code requires the Town to review and update the Town's Statement of Investment Policy annually;

NOW THEREFORE BE IT RESOLVED, that the San Anselmo Town Council hereby adopts the Statement of Investment Policy for Fiscal Year 2014-2015 attached hereto.

PASSED AND ADOPTED by the San Anselmo Town Council at a regularly scheduled meeting on September 23, 2014 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Tom McInerney, Mayor

ATTEST:

Barbara Chambers, Town Clerk

TOWN OF SAN ANSELMO

STATEMENT OF INVESTMENT POLICY Fiscal Year 2014-2015

PURPOSE

This Statement is intended to provide guidelines for the prudent investment of the Town's temporary idle cash, and to outline the policies for maximizing the efficiency of the Town's cash management system. The ultimate goal is to enhance the economic status of the Town while protecting its pooled cash. The Statement of Investment Policy is reviewed annually by the Town Council, and any modifications to the statement must be approved by the Town Council.

OBJECTIVE

The Town's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the town to invest funds to the fullest extent possible. The town attempts to obtain the highest yield obtainable as long as investments meet the criteria established for safety and liquidity.

POLICY

San Anselmo operates its temporary pooled idle cash investments under the prudent investor standard as defined in Government Code Section 53600.3. "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence... that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency." This affords the Town a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under Government Code Section 53600, et seq.

Criteria for selecting investments and the order of priority are:

1. **Safety:** The safety and risk associated with an investment refers to the potential loss of principal and interest, or a combination of these elements. There is safety if there is assurance that principal will be preserved.
2. **Liquidity:** An investment is liquid if it can be converted to cash with a minimal chance of losing principal or interest.
3. **Yield:** Yield is the potential earnings of an investment, or its rate of return.

Investments may be made in the following instruments:

- **United States Treasury obligations.**
- **United States Agency obligations.**
- **Federal Instrumentalities.**
- **State of California Bonds and Registered Warrants.**
- **Bonds, Notes, Warrants** or other evidence of indebtedness of a **local agency** within the State of California.
- **Bankers acceptances** not to exceed 180 days to maturity or at the time of purchase forty percent (40%) of the Town's money that may be invested. However, no more than thirty percent (30%) of the Town's money may be invested in the bankers acceptances of any one commercial bank.
- **Commercial paper** rated A-1 or P-1 or better, to be chosen from among corporations with assets in excess of \$500,000,000 and having an "A" or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by a nationally recognized statistical rating organization; not to exceed 270 days in maturity or more than ten percent (10%) of the outstanding paper of a single issuer. Purchase of eligible commercial paper may not exceed twenty-five percent (25%) of the Town's money.
- **Negotiable certificates of deposit** issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a state-licensed branch of a foreign bank. Negotiable certificates of deposit may not exceed thirty percent (30%) of the Town's money.
- **Medium-term notes** of a maximum of five years maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Purchase of eligible medium-term notes may not exceed thirty percent (30%) of the Town's surplus money.
- **Repurchase agreements** on any investment authorized by this investment policy where the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities, and the value shall be adjusted no less than quarterly.
- **California State Local Agency Investment Fund (LAIF) Pooled Money Investment Program** operated by the State Treasurer's office.

- **Passbook Savings Account Demand Deposits.**

Other investment instruments authorized by State legislation shall not be used unless Town Council approval is obtained.

Safekeeping:

Securities purchased from broker/dealers shall be held in third party safekeeping by the trust department of the Town's bank, or other designated third party trust, and in the Town's name and control whenever possible.

Town Constraints:

The Town strives to maintain the level of investment of all funds as near to 100% as possible through daily and projected cash flow determinations. Idle cash management and investment transactions are the responsibility of the Finance and Administrative Services Director.

All participants in the investment process shall act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. Nevertheless, in a diversified portfolio, it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. The basic premise underlying the Town's Investment Policy is to ensure the Town's financial integrity.

Debra Stutsman, Town Manager

Dated: _____