

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: 6/6/11
Reviewed by: BP

SUBJECT: Annual Adoption of City Investment Policy. Resolution No. 2011-27, A Resolution of the Albany City Council Re-Delegating Investment Authority to the City Treasurer and Adopting the Investment Policy for the City of Albany

REPORT BY: Kim Denton, City Treasurer
Charles A. Adams, Finance & Administrative Services Director

STAFF RECOMMENDATION

Adopt Resolution No. 2011-27 – A Resolution of the Albany City Council Re-Delegating Investment Authority to the City Treasurer and Adopting the Investment Policy for the City of Albany.

BACKGROUND

Pursuant to Government Code Section 53607 the City Council must annually delegate investment authority either to itself or to the City Treasurer, as appropriate. In addition, pursuant to Government Code Section 53646, the City Treasurer must annually render to the City Council a statement of investment policy to be considered at a public meeting.

There are no changes to the investment policy from that which was adopted last year.

DISCUSSION/ ANALYSIS

The composition of the City's investment portfolio is reported quarterly in the Cash and Investments Treasury Report. The majority of the City monies are invested in the Local Agency Investment Fund (LAIF), which is part of the State of California's Pooled Money Investment Account (PMIA). The investment policy for the PMIA closely mirrors that of the City of Albany's, and their policy is attached for your reference.

Participation in LAIF has the following advantages and benefits for the City:

- Maximum liquidity is obtained while the higher yields of medium and long-term investments are obtained. All of the City's funds are available with 24-hour notice to LAIF and as a practical matter, funds necessary for all of the City's disbursement requirements may be withdrawn from LAIF without notice.

- The safety of principal through diversity of investment securities is provided by LAIF, and this diversity could not be achieved if the City's funds were invested directly in securities.
- While trading expenses are incurred by LAIF, these costs are much lower as a percentage of funds invested or earning received than the expenses that would be incurred by the City in direct investment of short-term funds.
- By investing in LAIF the City avoids any potential loss on redemption of securities prior to maturity (interest rate risk), as withdrawal of funds from LAIF is done based on the dollars deposited, not the market value of the investments. *(You will note in the Certified Annual Financial Report (CAFR) that our LAIF investments are carried at cost not market).*
- Investment in LAIF allows the City to maximize the earnings potential of available cash, as there is no transaction cost, to limit the number or size of deposits.

To ensure liquidity and to enhance the safety of short-term investments, a portion of City funds are invested in CalTRUST, which is a Joint Powers Agency Authority created in 2003 by local public agencies to provide a mechanism for local public agencies to pool their assets for short and medium-term investments. CalTRUST is similar in purpose and operation to LAIF run by the California Treasurer.

When interest rates rise again, and to further diversify the Cities portfolio, a portion of City funds will most likely be invested in Certificate of Deposits at various Bay Area banks. These CDs will be FDIC insured.

SUSTAINABILITY IMPACT

Not applicable

FINANCIAL IMPACT

No financial impact.

Attachments:

1. Resolution No. 2011-27
2. Exhibit A City of Albany Investment Policy
3. Attachment A Code of Ethics, Calif. Municipal Treasurer's Association
4. Attachment B-PMIA Investment Policy
5. Attachment C-CalTRUST Investment Policy