

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

Agenda Date:12/19/05
Date Prepared:12/7/05
Reviewed by_____

Subject: Annual Adoption of City Investment Policy

Resolution #05-58: 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

Approve Resolution #05-58 – 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.

DISCUSSION/ANALYSIS

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.

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 is 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notice to LAIF and as a practical matter, funds necessary for all of the City's disbursement requirements may be withdrawn from LAIF without notice.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 investments 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 base on the dollars deposited, not the market value of the investments. *(You will note in the 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.

Investment of funds directly in government securities may be advantageous when there is certainty that the funds will not be required for a known period of time, and the amount to be invested is large enough that the fixed costs of trading transactions and safekeeping of securities does not exceed the additional earnings that may be achieved in a direct investment.

FINANCIAL IMPACT

None.