

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Matthew Fertal
Dept.: City Manager
Subject: 2012 INVESTMENT POLICY;
APPOINTMENT OF A CITY TREASURER
AND A DEPUTY CITY TREASURER; AND
DELEGATION OF INVESTMENT
AUTHORITY

From: Kingsley Okereke
Dept.: Finance
Date: January 24, 2012

OBJECTIVE

To comply with California Government Code Section 53646, which requires the Treasurer or Chief Fiscal Officer to annually submit a written Investment Policy (attached) to a public meeting of the local agency's legislative body; to appoint a City Treasurer and Deputy City Treasurer; and to delegate to the City Treasurer and Deputy City Treasurer authority to invest City funds.

BACKGROUND

The current City of Garden Grove Investment Policy as established in the early 1980's has continued to remain in compliance with State guidelines including the following stipulations:

1. The Chief Fiscal Officer may submit a quarterly report to the legislative body containing detailed information on all securities, investments, and moneys of the local agency.
2. Prohibition of governments investing in inverse floaters.
3. Prohibition of governments investing in any security that could result in zero interest accrual if held to maturity.

With the passage of Chapter 687, Statutes of 2000 (AB 943 Dutra) effective January 1, 2001, cities and counties are required to forward copies of their second and fourth quarter calendar year investment portfolio reports and copies of their investment policies to the California Debt and Investment Advisory Commission (CDIAC).

Also, the State authorizes the City Council each year to appoint a City Treasurer, and appoint the Finance Director, or his designee, as Deputy City Treasurer, as the persons responsible for the investments.

ANALYSIS

In compliance with the California law, monthly the Finance Director, acting as Deputy City Treasurer as outlined in Resolution No. 6177-81, submits to the City Council through the Managers Memo a copy of the investment portfolio. Also, the City's Investment Policy is presented to the City Council for review and approval at a public meeting annually. The Investment Policy outlines the City's investment guidelines and investing strategy. The policy requires the City to hold the securities or have safekeeping by a recognized financial institution. Currently, the Bank of New York, U.S. Bank and Union Bank, N.A. (which is a custodial service completely separate from Union Bank operations) provides custodial/safekeeping services to the City.

The City Investment Policy applies to secure the investment principal, allows for ease of liquidation, and provides a reasonable return on the investments. In addition, the Investment Policy allows the City of Garden Grove to maintain sufficient cash so all payments due in at least the next six months may be made in a timely manner.

The requirements and strategies outlined in the City's Investment Policy have allowed the City of Garden Grove to have no losses in principal while maintaining a very reasonable return on the portfolio. Last fiscal year the City's Investment Portfolio return was approximately 3.05%. All of the investments held in the portfolio at this time are either Federal Securities or invested in LAIF.

RECOMMENDATION

It is recommended that the City Council take the following actions:

- Approve the attached 2012 Investment Policy;
- Re-appoint John D.R. Clark as City Treasurer, and Kingsley Okereke as the Deputy City Treasurer; and
- Delegate to the City Treasurer and Deputy City Treasurer the responsibility to invest or to reinvest City funds.


KINGSLEY OKEREKE
Finance Director


By: Monica Neely
Revenue Manager

Recommended for Approval


Matthew Fernal
City Manager

Attachment: City of Garden Grove Investment Policy