



City of Chula Vista

Staff Report

File#: 14-0108, Item#: 4.

A. RESOLUTION NO. 2014-039 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA ACKNOWLEDGING RECEIPT OF COUNCIL POLICY 220-01, THE CITY OF CHULA VISTA INVESTMENT POLICY AND GUIDELINES; AMENDING THE EXISTING POLICY; AND ANNUAL DELEGATION OF INVESTMENT ACTIVITY AUTHORITY TO THE DIRECTOR OF FINANCE/TREASURER

B. INVESTMENT REPORT FOR THE QUARTER ENDED DECEMBER 31, 2013

RECOMMENDED ACTION

Council adopt the resolution and accept the report.

SUMMARY

Per California Government Code Section 53607, on an annual basis the City Council may delegate to the City Treasurer the authority to conduct the investment activities of the City. And, per Government Code Section 53646, the City Treasurer may annually present the City's Investment Policy to the City Council to reaffirm or make any changes to the existing policy. The Investment Policy provides guidelines for the investment of idle funds and affords the City various investment opportunities, as long as the investment is deemed prudent and is allowable under Government Code Section 53600, et seq. The City received the Certificate of Excellence Award from the Association of Public Treasurers United States and Canada (APT-US&C) in August 2007 for its Investment Policy, and most recently, the Policy was reviewed and adopted by City Council on February 26, 2013. At this time, staff is recommending amendments specifying the debt issued by the Federal Farm Credit Banks is an authorized investment, and adjusting the FDIC insured deposit limit to reflect the current \$250,000 limit per deposit.

Transmitted herewith is the City's investment report for the quarter ended December 31, 2013. To meet the reporting requirements set forth in the California Government Code Sections 53600 et seq. and the City of Chula Vista Investment Policy, a separate report was distributed to the City Council in January 2014.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" in accordance with Section 15378(b)(5) of the State CEQA Guidelines because it involves only acknowledgment of a Council Policy and Guidelines regarding the City's Investment Policy, delegation of investment activity authority to the Director of Finance/Treasurer and acceptance of the Quarterly Investment Report; therefore it is an organizational or administrative activity of government

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that will not result in a direct or indirect physical change in the environmental; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

BOARD/COMMISSION RECOMMENDATION

Not Applicable

DISCUSSION

Investment Policy

The City's Investment Policy and Guidelines adopted on February 26, 2013, by Resolution 2013-020 intended to provide direction for the prudent investment of temporarily idle cash, and for maximizing the efficiency of the cash management process. The stated goal is to enhance the economic condition of the City while ensuring the safety of funds invested. The policy includes a list of specific investment instruments available under the relevant California Government Code sections, 53600 et seq. and 53635. Each investment transaction is made in the context of first ensuring the "safety" of principal, second, investing only for that timeframe that the cash is not needed for operational purposes ("liquidity"), and last seeking the highest return possible ("yield") provided that the first two factors are met.

Per section 18.0 of the Investment Policy, each fiscal year the Finance Director shall provide a copy of the Policy for adoption by the City Council. At this time, staff recommends specifying that debt of the Federal Farm Credit Banks, which is a merger of previously authorized issuers of Federal Intermediate Credit Banks (FICB) and Federal Land Banks (FLB) debt, is sponsored and related to the federal government, and is therefore also an authorized investment under section 9.0 F. FEDERAL AGENCIES. In addition, staff recommends adjusting the FDIC insured deposit limit from the previous \$100,000 amount to the current \$250,000 per deposit amount.

Quarterly Investment Report

The total cash and investment portfolio held by the City as of December 31, 2013 was \$205,981,781. For the quarter ended December 31, 2013, the earned interest yield was 0.66%, which is no change from the previous quarter. The weighted average maturity as of December 31, 2013 was 2.12 years which was a small decrease from the previous quarter's 2.18 years. The weighted average maturity remains sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site specific and consequently, the 500-foot rule found in California Code of Regulations section 18704.2 (a)(1), is not applicable to this decision. Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The investment

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portfolio supports the Operational Excellence goal as it seeks to maintain the safety and liquidity of the City's cash while contributing investment earnings to the bottom line.

CURRENT YEAR FISCAL IMPACT

Considering the projected timing of cash receipts and disbursements and the structure of the Pooled Investment Portfolio, the City should be able to comfortably meet overall cash flow needs over the next six months. There is no direct fiscal impact by this action.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact by this action.