**CITY OF MARTINEZ** **CITY COUNCIL AGENDA**
**May 20, 2015**

**TO:** Mayor and City Council

**FROM:** Carolyn Robinson, City Treasurer

**SUBJECT:** Approval of Investment Policy

**DATE:** May 4, 2015

**RECOMMENDATION:**

Approve the City of Martinez Investment Policy.

**BACKGROUND:**

The Government Code requires the City Council to approve the City's Investment Policy on an annual basis. The Investment Policy, as attached, continues to affirm the City's fiduciary responsibility to safeguard public assets. The policy places a high priority on ensuring safety of principal followed by guaranteeing the liquidity needs for payment of payroll and other City obligations are met prior to considering yield on the investment.

The Government Code states:

> *The Investment Policy shall be reviewed and approved annually by the local governing body. An investment report shall be provided to the governing body that includes:*
>
> *a) The market value of securities.*
> *b) Source(s) of market valuation.*
> *c) Statement confirming that current liquidity is adequate to meet expenditures for the next six months.*

The Investment Policy was last approved in May 2014; there is one change found on page 3 to delete "for Administrative Services" after Assistant City Manager. The City's Investment Policy follows California Government Code 53601 governing investments.

**FISCAL IMPACT:**

None.

**ACTION:**

Motion to approve the City of Martinez Investment Policy.

Attachment:
Investment Policy

Adopted :

# CITY OF MARTINEZ INVESTMENT POLICY

## I. Statement of Purpose

It shall be the Investment Policy of the City of Martinez that all funds not required for immediate budgeted expenditures be invested in compliance with this statement as well as applicable Federal and State legislation. The Investment Policy follows the provisions of California Government Code 53601 governing investments.

Safeguards will be set into place to ensure that adequate reserves are established and maintained to provide that cash in sufficient amounts will be available for those immediate expenditures as authorized by the City's budget. Funds so maintained will be deposited in a manner best serving the City.

It will be further recognized that the City has a responsibility to ensure the security of its assets and always maintain a level of quality so that the public at large will have the highest confidence that its best interests are being served.

The purpose of this document is to identify various policies and procedures that enhance opportunities for a systematic investment process. The initial step toward a prudent investment policy is to organize and formalize investment related activities. Related activities that comprise good cash management include accurate cash projection, the expeditious collection of revenue, the control of disbursements, cost effective banking relations, and a short-term borrowing program, which coordinates working capital requirements and investment opportunity. In concert with these requirements are the many facets of an appropriate and secure short-term investment program.

## II. Scope

It is intended that this policy cover all short-term operating funds and investment activities under the direct authority of the City. These funds are described in the most current annual financial report and include:

General Fund
Capital Projects Fund
Special Revenue Fund
Enterprise Fund
Internal Service Funds
Fiduciary Funds

This investment policy applies to all transactions involving the financial assets and related activities of the foregoing funds.

## III. Objectives

A. Safety: Safety of principal is the foremost objective of the City, followed by liquidity and yield. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they be from securities default or erosion of market value.

Investment decisions should not incur unreasonable investment risks in order to obtain current investment income.

B. Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. This need for investment liquidity may be tempered to the extent that the City is able to issue short-term notes to meet its operating requirements. Emphasis will be on marketable securities with low sensitivity to market risk.

C. Yield: The investment portfolio shall be designed to attain a market average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and State and local laws, ordinances or resolutions that restrict the placement of short term funds.

D. The investment portfolio shall be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institution.

E. The City shall adhere to the guidance provided by the "prudent person rule," which obligates a fiduciary to ensure that:

"...Investment shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment considering the probable safety of their capital as well as the probable income to be derived." (Also see Section VI.)

F. All participants in the investment process shall act reasonably as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public scrutiny 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 investment return, provided that adequate diversification has been implemented.

G. Investments are to be made that will bear in mind the responsibility of city government to its citizens. Investments that encourage the betterment of the human condition will be sought. Alternative investments that enhance the quality of life will be given full consideration. Investments that serve to only enrich a few to the detriment of the people will be strictly avoided.

H. No investment is to be made in a company that receives revenues from the production or manufacturer or sale of tobacco products. No investment is to be made in an investment pool such as LAIF, County Treasury, CAMP, etc. that receives more than 15% of gross revenues from the production or manufacture or sale of tobacco products.

## IV. Delegation of Authority

Section 53636 of the Government Code of the State of California provides that money on deposit is deemed to be in the treasury of the City.

Although the responsibility for conducting the City's investment program resides with the Treasurer, the day-to-day investment function is hereby delegated to the Assistant City Manager ~~for Administrative Services~~.

## V. Investment Instruments

A. United States Treasury notes, bonds, bills, or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

B. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

C. Shares of beneficial interest issued by diversified management companies, that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services or (2) retain an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of $500,000,000.

The purchase price of shares shall not exceed 20 percent of the investment portfolio of the City.

D. The State of California Local Agency Investment Fund. The LAIF portfolio should be reviewed periodically.

## VI. Prudence

The standard of prudence to be used by investment officers shall be the "prudent person rule," and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence will be relieved of personal liability for an individual security credit risk or market price changes, provided that deviations from expectations are reported on a timely fashion, and appropriate action is taken to control adverse developments. (Also see Section III.E.)

Certified by:

Carolyn L. Robinson

City Treasurer

Amended: May 2005