



Legislation Text

File #: 16-140, **Version:** 1

Staff Report for Resolution Approving the City of San Leandro's Investment Policy for Fiscal Year 2016-17

SUMMARY AND RECOMMENDATION

Staff recommends City Council approval of the City of San Leandro Investment Policy for fiscal year 2016-17. The policy is approved annually and there are five proposed updates for the policy for 2016-17.

BACKGROUND AND PROPOSED UPDATES

California Government Code Section 53600 et seq. and Section VIII "Reporting" of the San Leandro Investment Policy requires the City Council to annually review and approve the City's Investment Policy. This policy was last adopted on June 15, 2015.

The City of San Leandro Investment Policy (Investment Policy) provides specific guidelines for the City's investment management functions and remains in compliance with the model policy approved by the Association of Public Treasurers of the United States and Canada and California Government Code Section 53601. The Investment Policy serves as a guide for setting and achieving investment objectives, defines rules and established benchmarks, prohibits and/or restricts investment instruments and reduces exposure to liability of both staff and Council. Compliance with the policy is an element of fiscal discipline considered by the auditors and rating agencies during their respective reviews.

Staff has reviewed the current policy and has five recommended updates for 2016-17. The policy update allows for investments in Asset Backed, Mortgage Backed, Mortgage Pass-through Securities, and Collateralized Mortgage Obligations, consistent with California Government Code. Appendix A has also been updated to include specific language to the asset class and Appendix B is updated to include Supranational Securities. The following are the specific changes to the policy:

1. Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations, provided that:
 - a. The securities are rated "AA" or higher by a nationally recognized statistical rating organization (NRSRO).
 - b. They are issued by an issuer having long-term debt obligations rated "A" or higher by at least one NRSRO.
 - c. No more than 20% of the total portfolio may be invested in these securities.
 - d. No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer. There is no issuer limitation on any Mortgage security where the issuer is the US Treasury or a Federal Agency/GSE.
 - e. The maximum legal final maturity does not exceed five (5) years.
2. Appendix A:
 - a. City Issued Securities:

- i. Maximum maturity - N/A
 - ii. Maximum Amount - N/A
 - iii. Other requirements - usually purchased when originally issued
 - b. Asset-backed, Mortgage backed, Mortgage Pass-through Securities, Collateralized Mortgage Obligations:
 - i. Maximum maturity - 5 years
 - ii. Maximum Amount - 20% of portfolio
 - iii. Other requirements - Securities rated "AA" or higher by one Nationally Recognized Statistical-rating Organization (NRSO) issuer, rating of "A" or higher by one NRSO no limitation on mortgage securities when issuer is US Treasury of Agency
 - c. Supranational Securities:
 - i. Maximum maturity - 5 years
 - ii. Maximum Amount - 30% of portfolio, 10% per issuer
 - iii. Other requirements - Permitted issuers are International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) and Inter-American Development Bank (IADB)
3. Appendix B:
- a. Supra National Securities - US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, the long-term obligations of which are rated at least "AA-/Aa-" or equivalent by at least two of the three rating agencies (S&P, Moody's, and Fitch). No more than 10 percent of the City's portfolio may be invested in eligible Supra National securities. The maximum maturity of Supra National securities is five (5) years. No more than 10 percent of the portfolio may be invested in eligible Supra National securities.

Previous City Council Action(s)

The Investment Policy is reviewed annually and was last reviewed by the City Council on June 15, 2015 by Resolution No. 2015-111.

ATTACHMENTS

None.

PREPARED BY: David Baum, Finance Director, Finance Department