



# City of Huntington Beach

**File #:** 21-063

**MEETING DATE:** 2/1/2021

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## REQUEST FOR CITY COUNCIL ACTION

**SUBMITTED TO:** Honorable Mayor and City Council Members

**SUBMITTED BY:** Oliver Chi, City Manager

**PREPARED BY:** Alisa Backstrom, City Treasurer

**Subject:**

**Adopt Resolution No. 2021-08 approving the 2021 Investment Policy**

**Statement of Issue:**

Pursuant to California Government Code, the Treasurer of the local agency may render an annual statement of investment policy to the legislative body for consideration and adoption. The City Treasurer, with the assistance of the Investment Advisory Board, has prepared an updated investment policy.

**Financial Impact:**

Not applicable.

**Recommended Action:**

Adopt Resolution No. 2021-08, "A Resolution of the City Council of the City of Huntington Beach Approving the Statement of Investment Policy 2021."

**Alternative Action(s):**

Do not adopt Resolution No. 2021-08.

**Analysis:**

The City Treasurer is responsible for the administration of the investments of City of Huntington Beach. The purpose of the Investment Policy is to establish cash management and investment guidelines for the investment of the City's unexpended cash balances, which exclude employee retirement funds, funds governed by bond indenture agreements, and other funds managed separately. This policy shall apply to each investment transaction and the entire portfolio, which must comply with the California Government Code, Sections 53600 through 53683, and all other applicable laws and regulations.

The City's Investment Policy may be rendered annually to the City Council to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return. The attached Investment Policy has been reviewed by the City's Investment Advisory Board and approved as to form by the

City Attorney.

The investment policy has previously been reviewed and certified by the California Municipal Treasurers Association, which was founded in 1958 and whose mission is to lead in promoting and enhancing the fiduciary responsibility and integrity of individuals responsible for public funds. The Investment Advisory Board reviewed the policy at its meeting of January 21, 2021.

There is one update to the Investment Policy for 2021, which is the addition of the Orange County Investment Pool in **Section 10. Authorized and Suitable Investments**.

During 2020, the City became a voluntary participant of the Orange County Investment Pool (OCIP). The City Council approved Resolution No. 2020-40 on June 15, 2020, to allow for investment in the OCIP. This is allowable in the California Government Code 53684 as noted:

Unless otherwise provided by law, if the treasurer of any local agency determines that the local agency has excess funds which are not required for immediate use, the treasurer may, upon the adoption of a resolution by the legislative or governing body of the local agency authorizing the investment of funds pursuant to this section and with the consent of the county treasurer, deposit the excess funds in the county treasury for the purpose of investment by the county treasurer pursuant to Section 53601 or 53635, or Section 20822 of the Revenue and Taxation Code.

This investment option was added to provide additional short-term investing options to the City. With historically low interest rates, the available investment options offered very little yield. As of the end of June 2020, when the City began investing in the OCIP, the 2-year and 5-year US Treasury yields were at 0.16% and 0.29%, respectively, while the gross yield for OCIP for June 2020 was 1.261%. While it is not the first objective to reach for yield in this portfolio, having an additional option for short-term investing with overnight liquidity was a prudent decision.

Government Code Section 27100.1 states that funds deemed to be held in trust by the County Treasurer on behalf of the depositing entity or public official shall not be deemed funds or assets of the County. As such, there is no correlation between the Orange County General Fund cash reserves and the City's funds on deposit in the OCIP. Such invested funds remain the property of the City while on deposit, and they will be returned directly to the City upon demand.

The City may invest up to a maximum limit of \$75 million in the OCIP, similar to the limit of our investment in the California State Pool - LAIF.

The OCIP is governed by the same Government Codes as the City. For further information on the OCIP, please go to: <https://www.ttc.ocgov.com/investments>

**Environmental Status:**

Not applicable.

**Strategic Plan Goal:**

Strengthen long-term financial and economic sustainability

**Attachment(s):**

1. Resolution No. 2021-08 of the City Council of the City of Huntington Beach adopting the 2021 Investment Policy

2. 2021 Investment Policy