INVESTMENT CHAPTER 5.03

SUBJECT: INVESTMENT	**NUMBER:** TITLE 5, CHAPTER 5.03
ADOPTED DATE:	**RESOLUTION NUMBER:**
LAST AMENDED:	**RESOLUTION NUMBER:**
COUNCIL POLICY CONTACT: City Manager	**CITY DEPARTMENT CONTACT:** CFO, Administrative Services Department, City Treasurer

POLICY

The City of Stockton will invest funds in a manner that provides foremost for the safety of principal while meeting the short and long term cash flow demands of the City and conforming to all statutes governing the investment of City funds.

The City Council authorizes the City Manager to delegate the authority to the Chief Financial Officer (CFO) to be responsible for the implementation and management of the City of Stockton's financial investments related to all cash, operating, and surplus funds included within the City's audited financial statements and held directly by the City.

Investments shall be made with judgment and care, under the 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.

Investments shall be made in accordance with the "Prudent Investor" standard, as described in California Government Code Section 53600.3, which states: "Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

Within the overriding requirement of compliance with all Federal, State and local laws governing the investment of monies under the control of the Treasurer, and as specified in the California Government Code section 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

1. Safety. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective,
2. Liquidity. The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
3. Return on Investment. The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow requirements.

DELEGATION OF AUTHORITY

California Government Code section 53607 allows for the delegation of investment activities to the Treasurer of the City for periods of one year. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in the absence of the Treasurer. The delegation, subject to review, is renewable on an annual basis and is to be included as part of the adoption of the annual budget to have the authority in place at July 1 of each year.

The Treasurer may delegate the day-to-day execution of investments to a SEC-registered investment advisor, via written agreement approved by City Council. The Advisor, in coordination with the Treasurer, will manage the City's investment portfolio in accordance with this Investment Policy, the stated investment objectives of the City, and any such other written instructions provided by the Treasurer. The Advisor will also assist in security settlement.

I. Ethics and Conflicts of Interest

The Treasurer and any designated employees are prohibited from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions, or which could give the appearance thereof. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business to the Treasurer. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Furthermore, these same individuals are prohibited from undertaking personal investment transactions with any individual with whom business is conducted on behalf of the City. The State of California Fair Political Practices Commission Statement of Economic Interests, Form 700, shall be completed on an annual basis by the Treasurer and any designee of the Treasurer.

II. Internal Controls

The Treasurer is responsible for establishing and maintaining a control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. Internal controls shall separate transaction authority from accounting and record keeping, safekeeping assets, and maintain written records for all investments and wire transfers.

A. Objectives of Internal Control
Internal control is the plan of organization and all the related systems established by management's objective of ensuring, as far as practicable:

- Orderly and efficient conduct of its business, including adherence to management policies.
- Safeguarding of assets.
- Prevention and detection of errors and fraud.
- Accuracy and completeness of the accounting records; and
- Timely preparation of reliable financial information.

An internal control system, however elaborate, can provide only reasonable assurance that the objectives are met. Internal controls are reviewed periodically to ensure effectiveness.

III. Reporting

A. Monthly: As described in California Government Code section 53607, a report of investment transactions will be made to the City Council monthly.

B. A report shall be rendered to the City Manager, City Council, and City Auditor at least four times per fiscal year and shall include:

- A complete description of the portfolio, the type of investments, the issuers, maturity dates, par and dollar amounts invested in all securities, the current market values of each component of the portfolio, the source of the portfolio valuation, investments and monies held by the City.
- A description of any of the City's funds, investments, or programs that are under the management of contracted parties, including lending programs.
- The following certifications:
  - All investment actions executed since the last report have been made in full compliance with the Investment Policy.
  - The City of Stockton will meet its expenditure obligations for the next six months as described in California Government Code section 53646(b)(3).

RESPONSIBILITIES

The Chief Financial Officer is responsible for implementation of financial policies related to the subject matter of City Council Policy Title – 5 Financial Management.

RELEVANT AUTHORITY

California Government Code section 53607 allows for the delegation of investment activities to the Treasurer of the City for periods of one year. That delegation, subject to review, is renewable on an annual basis and is to be included as part of the adoption of the annual budget to have the authority in place at July 1 of each year.

Chapter 2.20.050 of the City of Stockton Municipal Code (SMC) defines "Treasurer" as the Director of Administrative Services. Chapter 2.20.060 of the SMC provides that management responsibility for the investment program is delegated to the Administrative Services Director. Under the provision of California Government Code section 53600.3, the Treasurer is a trustee and therefore a fiduciary subject to the prudent investor standard outlined in the section below.

The City may engage the services of an external investment manager to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such an external manager may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

RELATED ADMINISTRATIVE DIRECTIVE, CITY POLICY, CITY PROCEDURE

Chapter 17.01 – Citywide Directive – Financial Management
Chapter 17.01 – Citywide Policy 17.01.030

RELATED FORMS, DOCUMENTS, OR LINKS

Not applicable

FREQUENTLY ASKED QUESTIONS

Not applicable

UPDATE HISTORY

Not applicable
