

RESOLUTION NO. 6045

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MAYWOOD
ADOPTING THE ANNUAL INVESTMENT POLICY FOR FISCAL YEAR
2019-2020**

WHEREAS, Government Code Section 53646 recommends that local agencies review and approve an investment policy on an annual basis at a public meeting;

WHEREAS, the City Council desires to update and make minor revisions to its current investment policy;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MAYWOOD DOES HEREBY FIND, DETERMINE AND RESOLVE AS FOLLOWS:

Section 1. The recitals set forth above are true and correct and incorporated herein as if set forth in full.

Section 2. The City Council hereby adopts the updated investment policy attached hereto as Exhibit A for the 2019-2020 fiscal year. Such policy supersedes all prior investment policies adopted by the City Council.

Section 3. The City Clerk shall certify to the adoption of the resolution and shall cause a certified resolution to be filed in the book of original resolutions.

PASSED, APPROVED AND ADOPTED this 10th day of July, 2019.




Eduardo De La Riva, Mayor

ATTEST:



Gerardo Mayagoitia, City Clerk

APPROVED AS TO FORM:



Roxanne Diaz, City Attorney

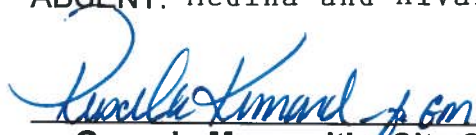
I, Gerardo Mayagoitia, City Clerk of the City of Maywood, do hereby certify that the foregoing Resolution No. 6045 was adopted at a regular meeting of the City Council of the City of Maywood held on the 10th day of July, 2019, by the following vote:

AYES: Marquez, Lara and DeLaRiva

NOES:

ABSTAINED:

ABSENT: Medina and Alvarez



Gerardo Mayagoitia, City Clerk

EXHIBIT A
INVESTMENT POLICY



CITY OF MAYWOOD INVESTMENT POLICY Fiscal Year 2019-2020

The purpose of this statement is to comply with California Government Code Sections 53600 et seq. and to provide clear guidelines for the prudent investment of the City and its component unit's pooled cash assets.

The investment policies and practices of the City take into consideration the City's particular investment needs including preservation of capital, appropriate levels of liquidity and yield on invested assets. This Statement of Investment Policy (Policy) is based upon principles of prudent money management and California state law. The City's investment program will be conducted in accordance with the state law, however, where the Policy is more restrictive than the state law, the Policy shall govern investment practices.

OBJECTIVE

The City's investment objectives are to maintain, in order of priority:

Safety – Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default or erosion of market value.

Liquidity – Refers to the ability to “cash in” at any moment in time with minimal chance of losing some portion of principal or accrued interest. Liquidity is an important quality especially when the need for unexpected funds occurs.

Yield – Yield is the potential dollar earnings an investment can provide and sometimes is described as the rate of return. The City desires to obtain the highest possible rate of return consistent with the foremost objectives of safety and liquidity.

POLICY

The City's investment philosophy is to invest conservatively in order to minimize risk. The City is held to the prudent investor standard set forth in Section 53600.3 of the Government Code which states: “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 principle and maintain the liquidity needs of the agency.”

Accordingly, this is the standard of prudence to be used and applied by the City in managing its investment portfolio.

This policy will enhance the economic status of the City of Maywood by (a) safeguarding the pooled cash assets of the City and (b) ensuring that the City receives the highest possible rate of return on its money commensurate with the priority of safety. The basic premise underlying the City’s investment philosophy is to ensure that the City’s cash assets are always safe and available when needed.

LOCAL INVESTMENT VS. DIRECT MARKET INVESTMENT

As a matter of public policy, one of the goals of a public agency's investment program may be local economic development.

Placing funds in a local bank is one method of promoting this goal. It can be argued that the total return to the Government from keeping the money at "home" is the sum of the direct yield on the time deposits and the indirect yield that comes from the added tax revenues generated by local economic growth.

In general, however, it is hard to measure the costs and benefits of such a policy. Private financial institutions that receive public funds can allocate those funds to many different assets. Bank credit is mobile and can be directed to other areas and banks and savings and loans invest in whatever assets will realize the greatest income to them.

The City of Maywood places investments in local banks and savings to the extent it can without sacrificing the other goals of our investment policy; i.e., safety, liquidity and high yield.

A VARIED INVESTMENT PROGRAM

The City of Maywood uses a varied investment program to accomplish all of our goals-safety, liquidity and high yield as well as local investment. Following are the types of investments available to the City and some of the advantages of each: (i) Our savings account allows us to transfer money from checking to savings and earn short-term interest on odd amounts of money which are not available for longer investment; and (ii) The Local Agency Investment Fund of the

State of California offers high liquidity because our deposits can be wired to our checking account in twenty-four hours. Interest is computed on a daily basis.

DEPOSITORY SERVICES AS THEY RELATE TO THE CITY OF MAYWOOD

Legal Constraints

Money must be deposited in state or national banks, state or federal savings associations or state or federal credit unions in the state. It may be in inactive deposits, active deposits or interest-bearing active deposits. The deposits cannot exceed the amount of the bank's or savings and loan's paid up capital and surplus.

The bank or savings and loan must secure the active and inactive deposits with eligible securities having a market value of 110% of the total amount of the deposits. State law also allows as an eligible security, first trust deeds having a value of 150% of the total amount of the deposits. A third class collateral is letters of credit drawn on the Federal Home Loan Bank (FHLB). As a matter of policy, the City of Maywood does not accept 150% collateral in first trust deeds or 105% Letters of Credit drawn on the FHLB, even though the state statutes allow municipalities to accept them.

The treasurer may at his discretion waive security for that portion of a deposit which is insured pursuant to federal law. Currently, the first \$250,000 of a deposit is federally insured. It is to the City's advantage to waive this collateral requirement for the first \$250,000 because we receive a higher interest rate. If funds are to be collateralized, the collateral we accept is 110% of the deposit in government securities.

Depository Services

Active deposits are demand or checking accounts which receive revenues and pay disbursements. The City of Maywood has four demand accounts:

- General checking account
- Restricted Funds checking account
- Payroll checking account
- Trust & Agency Fund Accounts

Interest-bearing active deposits are money market accounts at a financial institution (i.e., bank, savings and loan, credit union). These accounts are demand accounts (i.e., checking accounts) with restricted transaction activity. The City of Maywood has one account of this type.

Inactive deposits are certificates of deposit issued in any amount for periods of time as short as fourteen days and as long as several years. Interest must be calculated on a 360 day basis, actual number of days. At any given time, the City may have certificates of deposit in one to five financial institutions. As a matter of policy, we no longer invest in CD's.

We would require that each financial institution submit current financial statements which are evaluated by staff prior to the investment of funds.

We also require that interest be paid to the City on a monthly basis (current state law only requires quarterly payment).

INVESTMENT VEHICLES AS THEY RELATE TO THE CITY OF MAYWOOD

Legal Constraints

Surplus funds of local agencies may only be invested in certain eligible securities. The City of Maywood invests only in these securities. See Government Code, Section 53601(a) through (o).

Investment Vehicles

Local Agency Investment Fund (LAIF)

This is a special fund in the state Treasury which local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of \$15,000,000 for any agency. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via a direct wire to our bank.

The State keeps an amount for reasonable costs of making the investments, not to exceed one-quarter of one percent of the earnings.

The interest rates are fairly high because of the pooling of the State surplus cash with the surplus cash deposited by local governments. This creates a multi-billion dollar money pool and allows diversified investments. In a high interest rate market, we can do better than LAIF, but in times of low interest rates, LAIF yields are higher. The City of Maywood continually invests in LAIF.