



DATE: October 24, 2017

CATEGORY: Consent

DEPT.: Investment Review Committee/
Finance and Administrative Services

TITLE: **Annual Report of the Investment
Review Committee for Fiscal Year
2016-17**

RECOMMENDATION

Accept the Annual Report of the Investment Review Committee for Fiscal Year 2016-17.

BACKGROUND

This Council report transmits the Annual Report of the Investment Review Committee (IRC or Committee) (Attachment 1) as required by City Council Policy B-2, Investment Policy ([Policy](#)). The IRC is comprised of the members of the Council Finance Committee (CFC) and two public members appointed by the City Council with expertise in the area of fixed-income investments. The two appointed public members are Steven Permut, Vice President, Senior Portfolio Manager, and Director of Municipal Investments for American Century Investment Management, Inc., and Janice Phan, Corporate Treasurer for Lumentum. The CFC is comprised of Councilmembers Margaret Abe-Koga, Lisa Matichak, and Mayor Ken S. Rosenberg, Chair of the IRC. Appreciation is expressed to the IRC's public members for their advice, expertise, time, and assistance in fulfilling the responsibilities of the Committee.

The Policy requires that the IRC meet annually to review the performance, Policy compliance, and management of the City's investment portfolio. This meeting was held on September 7, 2017 (Attachment 2). The Committee is also required to submit an annual report to the City Council containing the Committee's findings and any recommendations to amend the Investment Policy.

Acceptance of this report by the City Council also constitutes voluntary compliance with California Government Code Section 53646(a)(2), which states that "...the treasurer or chief fiscal officer of the local agency may annually render to the legislative body of that local agency and any oversight committee of that local agency a statement

of investment policy, which the legislative body of the local agency shall consider at a public meeting.”

ANALYSIS

Staff and the consultant reviewed the City’s portfolio. The portfolio was in compliance with the Policy throughout the fiscal year. The total portfolio increased to \$535 million (cost value), compared to \$432.7 million at the end of the prior fiscal year. This is the first time the City’s portfolio has reached over \$500 million.

At the September 7, 2017 meeting, the Committee discussed the following aspects of the portfolio:

- The Committee discussed the Social Responsibility provisions under Section 6.0 of the Policy, specifically the corporate note investments in Chevron and Exxon. While the Policy does not specifically exclude energy companies, the Committee discussed whether investing in such companies was socially responsible. There was discussion about not wanting to preclude all energy companies as socially irresponsible, as some energy companies are investing in renewable energies, and discussion ensued about the ability to use a social responsibility rating. Chandler also advised that if the two current energy companies were prohibited as well as possibly other energy companies, this would limit the corporate notes available that meet the City’s rating criteria and that Chandler would recommend for the City’s investment portfolio. There are ratings that may be available, but currently there may not be standards on ratings. The Committee directed staff to research potential ratings and return to the Committee with findings.
- The Committee discussed the growth of the portfolio and whether it would be appropriate to segregate a portion of the portfolio not needed for cash flow purposes to be invested in longer-term maturities. Any maturities greater than five years would require Council approval pursuant to the California Government Code. The Committee directed staff to consider and review this and return to the Committee with findings.

No action is needed on the two discussion items above and there are no recommended changes to the Investment Policy. The Committee’s annual report is attached to this memo (Attachment 1).

FISCAL IMPACT – None.

ALTERNATIVES

1. Recommend one or more change(s) to the Investment Policy.
2. Provide other direction.

PUBLIC NOTICING – Agenda posting.

Prepared by:

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Finance and Administrative
Services Director

Approved by:

Mayor Ken S. Rosenberg, Chair
Investment Review Committee

PJK/7/CAM
546-10-24-17CR-E

- Attachments:
1. Annual Report of the Investment Review Committee for Fiscal Year 2016-17
 2. [Agenda and Reports from the Investment Review Committee Meeting, September 7, 2017](#)