



STAFF REPORT

AGENDA NO: 10a

MEETING DATE: June 7, 2021

To: Honorable Mayor and City Council

Date: June 7, 2021

From: Carol Augustine, Finance Director – (650) 558-7222

Subject: Approval of Revisions to the Investment Policy for Fiscal Year 2021-22

RECOMMENDATION

Staff recommends that the City Council approve the revised Investment Policy for the City of Burlingame.

BACKGROUND

The investment of funds by a California local agency, including the types of securities in which an agency may invest, is governed by the California Government Code. The law requires that the legislative body of each agency adopt an investment policy, which may add further limitations than those established by the State. In addition, an agency's investment policy must be reviewed annually, and any changes must be adopted at a public meeting.

Finance staff and the City's investment advisors, PFM Asset Management (PFM), review the City's Investment Policy on an annual basis. The City Council last reviewed the policy on June 1, 2020, for use in the current fiscal year. At that time, minor adjustments were made to (1) allow indirect (through joint powers authorities) investment in the debt obligations of public banks established by local agencies; and (2) delete the reference to the maximum deposit limit for LAIF (Local Agency Investment Fund).

DISCUSSION

PFM completed their annual review of the City of Burlingame's Investment Policy and found it to be very comprehensive and in compliance with the sections of the California Government Code that govern the investment of public funds by general law cities. This year PFM recommended two minor adjustments, as per their memo attached to this staff report. Both adjustments are the result of Senate Bill No. 998, which updates and clarifies California Government Code governing the investment of public funds, effective January 1, 2021. PFM included a summary of the major provisions of the bill to assist in explaining their recommendations.

Both changes recommended by PFM relate to the City's investments in commercial paper. Prior to SB 998, local agencies (except counties) were prohibited from investing more than 25% of their investable assets in commercial paper, and from purchasing more than 10% of the outstanding commercial paper of any single issuer. The bill increases the limitation to 40% of investable assets

in commercial paper for local agencies with more than \$100 million of assets. (This authorization to invest in commercial paper has a sunset provision, and will expire on January 1, 2026). In addition, it combines the issuer limitation of a local agency's investment in commercial paper and medium-term notes to 10% of any single issuer. As the City has a narrower single-issuer limit already in place, PFM did not recommend a change in this provision. However, a deletion of the language placing a 10% limitation of the outstanding commercial paper of any single issuer was recommended.

FISCAL IMPACT

The recommended changes to the City of Burlingame's Investment Policy will not necessitate any change to the City's current portfolio composition. As revised, the Investment Policy continues to support the City's overall investment strategy, providing a portfolio that is safe, diversified, and has lower volatility than comparable market benchmarks.

Exhibits:

- Memo from PFM re: 2021 Investment Policy Review
- Investment Policy (redlined)
- Investment Policy (proposed)