TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: JUNE 17, 2002 CMR: 275:02

SUBJECT: ANNUAL ADOPTION OF THE CITY’S INVESTMENT POLICY

RECOMMENDATION
The City of Palo Alto Statement of Investment Policy requires review and approval by Council as part of the annual budget process. Staff recommends that Council:

1. Approve the addition of the Deputy Director of Administrative Services to the authorized investment personnel list, with investment authority equivalent to the Assistant Director of Administrative Services.

2. Eliminate the informational item showing the Local Agency Investment Fund’s (LAIF) maximum investment limit.

BACKGROUND
During the annual budget process, staff submits the Investment Policy to Council for review and approval.

Customarily, staff presents annual changes in the Investment Policy to the Finance Committee. Since there are no significant or material changes to the policy and in order to expedite the review process, staff is presenting its recommendations directly to the full Council.

DISCUSSION
The Deputy Director of Administrative Services (Deputy) is the supervisor of the Manager, Investments, Debt and Projects (Manager). Based on this organizational structure, staff recommends that the Deputy have the same authority as the Assistant Director (Attachment A, Page 7-8). This includes: authorizing the Manager and/or the Senior Financial Analyst to enter into investments; authorizing transfers of more than $5 million a day from the City’s general account to any one financial institution; and authorizing other staff members to perform investment functions. This authorization will allow the Deputy to perform his
supervisory duties and enhance management of the City’s investment portfolio.

The California Government Code (Sections 53600 et seq.) and the City’s investment policy allows the investment of funds in the Local Agency Investment Fund (LAIF). Periodically that limit is changed by the California legislature to reflect the investment needs of California’s local jurisdictions. For example, during fiscal year 2001-02 the limit was increased from $30 million to $40 million midyear. To prevent staff having to return to Council to change the maximum amount in the Investment Policy, staff recommends changing the Policy to generically state that the “investment pool may be used up to the maximum amount permitted by California State Law (Attachment A, Page 5). To keep Council informed of that maximum amount and the status of the City investment in LAIF, staff will show this information in its quarterly investment reports to Council.

**ATTACHMENT**
1. Proposed 2002-03 Investment Policy with strikeouts of existing language and highlights of new language (Attachment A).

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