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INVESTMENT ADVISORY AND MANAGEMENT

City Council

INVESTMENT POLICY

XIV. Policy Review

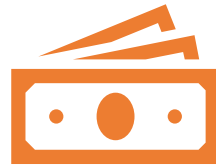
This Policy shall be reviewed annually by the City Council at a public meeting, to ensure it **meets the changing needs of the City, is consistent with the overall objectives of preservation of principals, liquidity, and return, is relevant to current financial and economic conditions, and to ensure that the City's ongoing investment practices and procedures are consistent with the Policy.** The City Manager, City Treasurer, and the City Attorney shall review the Policy for Compliance with the State Government Code and other related laws prior to submittal to City Council.

Any changes, whether legislative or internal, which impact the Policy will be promptly reported to the City Council.

CURRENT PORTFOLIO



**Managed by Director of
Finance – City Treasurer**



**As of June 30, 2022
approximately \$159 million**



**Passively managed in Local
Government Investment
Pools (LGIP)**

LAIF – State Investment Pool

OCIP – County of Orange

CAMP – California Asset
Management Pool

INVESTMENT POLICY



Conduct annual
review of Investment
Policy



Allow all investment
opportunities
authorized by
Government Code



Move towards
standard language
allowing approved
use of investment
advisor



Update Policy to
adopt industry-wide
best practices that
conform with
compliance
standards

RECOMMENDED CHANGES TO POLICY

To increase diversification and safeguard the City's investment program, explore adding highly-rated issuers and sectors as permitted by California Government Code.



To augment the portfolio's safety, the City should define a benchmark and duration target.



The City should consider enhancing reporting to include quarterly updates to monitor and evaluate portfolio performance relative to the chosen benchmark(s).



Currently the City does not have language that allows the engagement of external investment advisors.

STATE INVESTMENT POOL MATURITY

- Policy
 - Average maturity per Policy: 120 days to 18 months
- Effective maturity

Month and Year	Average Life/ Maturity
June 2021	291 days
June 2022	311 days

ACTIVELY MANAGED PORTFOLIO

-  Size of the City's investment portfolio
-  Depth of knowledge and expertise available via a professional investment advisory firm
-  Increased time dedicated to managing the City's investment portfolio
-  Day to day monitoring of investment yields available in the market
-  Rebalancing of the portfolio's duration (average maturity) to take advantage of interest rate trends
-  Credit monitoring and analysis
-  Investment selection
-  Competitive shopping of investments to obtain the best rates
-  Assistance in developing and implementing investment strategies within the parameters of the City's Investment Policy
-  Monthly statements and quarterly reports
-  Portfolio Compliance

PROPOSED CHANGES AND LANGUAGE EXAMPLES

Mission Viejo:

- The City Council may, upon recommendation of the Investment Advisory Commission, engage the services of one or more external investment managers to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives

Laguna Niguel:

- The City Treasurer, with approval from the City Council, may employ the services of professional investment managers to assist in the management of the City's investment portfolio.

Costa Mesa:

- 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.

Tustin

- The Treasurer may engage the services of outside professionals for evaluation and advice regarding the City's investment program. An authorized investment advisor may provide investment management services, which may also include facilitating trade executions under the direction of the Treasurer or designated representative.



RECOMMENDED ACTION

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1. Provide policy direction to revise the City's Investment Policy to allow all investment opportunities authorized in the Government Code.
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2. Provide policy direction to revise the City's Investment Policy to allow for the use of an investment advisory firm to actively manage the City's investment portfolio.

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THANK YOU