



Meeting Date: 8/01/06

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input checked="" type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

Prepared By: Dale V. Belcher ^{*DB*} City Treasurer Agenda Item No. 0-1
 Reviewed By: City Manager ^{*YJB*} City Attorney ^{*PK*} Finance ^{*MM*} Other N/A

DATE: July 19, 2006

TO: City Council

FROM: Dale V. Belcher, City Treasurer ^{*Dale Belcher*}

SUBJECT: Investment Policy and Annual Report of Investment Activity

RECOMMENDATION

That City Council:

1. Approve the Investment Policy for the City of Oxnard.
2. Adopt a resolution delegating investment authority to the City Treasurer.

DISCUSSION

Mandated by Government Code Section 53646, as amended effective January 1996, this statement of investment policy is to be provided to the City Council at a public meeting. Although the State waived this mandate for the current year, the City Treasurer will continue to provide an investment report and an update of the Investment Policy at fiscal year end.

The Investment Policy (Attachment 1), which was awarded Certification of Excellence by the Municipal Treasurer's Association of the US & Canada, has been carefully reviewed. In FY 2005/06, there were minor legislative changes related to treasury matters. No changes were necessary to the Policy, however, Attachment 1, Appendix 5 has been reprinted to reflect new language in descriptions of allowable investments. The Investment Policy has proven to be a document which provides direction with the flexibility to maintain portfolio performance in changing interest rate markets.

Investment Procedures

The City of Oxnard's portfolio is conservative and planned with safety of principal as the first objective followed by provision for funds when needed. Yield is important after these two objectives have been met. The portfolio is diversified as to type of investment, financial institution and maturity. Securities with maturities of more than thirty days are delivered to the City's third-party safekeeping account. City funds are consolidated in the pooled money investment fund to provide maximum investment opportunity. Analysis of cash-flow provides data for anticipated income, clearance of outstanding checks, and dates for extraordinary expenditures to manage liquidity requirements.

Interest Earnings

In his first six months as Federal Reserve Chairman, Dr. Ben Bernanke continued to lead the Federal Open Market Committee (FOMC) through increasing interest rate hikes. Calendar year end December 31, 2005 showed rate of 4.25, since that time increases of 25 basis points in January, March, May and June have brought the current rate to 5.25%. Market analysts are beginning to predict that rates are "almost there" with the potential of one more interest rate hike in August. A year ago, there was expectation of at least one more increase, subsequently rates were increased eight times based on the continued economic growth and strength of the economy. Perhaps one more increase will occur in August – and then what? A general slowing is certainly on the horizon.

For FY 2005/06, the City earned an average of 3.70 percent compared with the LAIF average annual rate for the same period of 3.84 percent, and the two-year treasury market average of 4.46 percent. Portfolio duration is approximately fifteen months versus twenty four months in comparing to the two years treasury average. Total earnings of *6,568,081 were produced from an average daily investment portfolio balance of \$193,409,513.

GASB Reporting Requirements

Quarterly portfolio reports stating market value of each investment have been presented to City Council. In addition to this reporting requirement, the difference between the book value and the market value of the portfolio is shown at yearend as either profit, when market value exceeds book value, or a loss. As stated in the investment policy, instruments are purchased with defined maturities and held to maturity thus receiving full value of the investment. Holding investments to maturity provides a stable portfolio with no actual loss of principal.

Effective Cash Management

The City Treasurer's Department coordinates with the Finance Department, General Accounting, for amounts and payment dates of bond, interest, and other wired payments as well as anticipated accounts payable disbursements to manage cash flow and liquidity needs.

California Municipal Treasurers' Association

The California Municipal Treasurer's Association (CMTA) is a valuable resource to the City. The Treasurer's participation continues on this state organization's Conference Planning Committee, Education Committee and Board Parliamentarian.

* Adjustment at year-end closing may require minor modification to this amount.

FINANCIAL IMPACT - None

Attachment #1 – Statement of Investment Policy

#2 - Resolution

Note: The Statement of Investment Policy has been provided to the City Council. Copies are available for review at the Circulation Desk in the Library after 6:00 p.m. on the Thursday prior to the Council meeting and at the City Clerk's Office after 8:00 a.m. on Friday.

CITY COUNCIL OF THE CITY OF OXNARD

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OXNARD
DELEGATING INVESTMENT AUTHORITY TO THE CITY TREASURER

WHEREAS, effective January 1, 1997, Government Code Section 53607 was amended to provide in part:

“The authority of the [city council]...to invest or to reinvest funds..., or to sell or exchange securities so purchased, may be delegated for a one-year period by the [city council]...to the [city] treasurer..., who shall thereafter assume full responsibility for those transactions until the delegation is revoked or expires, and shall make a monthly report of those transactions to the [city council] ... Subject to review, the [city council] ... may renew the delegation of authority pursuant to this section each year.”

WHEREAS, on September 15, 1992, the City Council adopted Resolution No. 10,455, delegating to the City Treasurer the authority to invest and reinvest the City funds; and

WHEREAS, the City Council annually approves a Statement of Investment Policy for the City, which in Section 5.0 delegates to the City Treasurer authority to invest City funds; and

WHEREAS, it remains the intention of the City Council to delegate such authority to the City Treasurer.

NOW, THEREFORE, the City Council of the City of Oxnard resolves to delegate to the City Treasurer authority to invest and reinvest City funds and to sell or exchange securities so purchased; to reaffirm such delegation of authority contained in Resolution No. 10,455; and to state that the City Council’s annual review and approval of a Statement of Investment Policy that includes such delegation of authority constitutes the City Council’s delegation of such authority.

PASSED AND ADOPTED this 1st day of August, 2006, by the following vote:

AYES:

NOES:

ABSENT:

Dr. Thomas E. Holden, Mayor

ATTEST:

Daniel Martinez, City Clerk

APPROVED AS TO FORM:

Paula Kimmick for

Gary L. Gillig, City Attorney

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ATTACHMENT 2
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