



Meeting Date: 09/11/07

| 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, City Treasurer *Dale V. Belcher* Agenda Item No. 0-1
 Reviewed By: City Manager *mmh* City Attorney *[Signature]* Finance *SW* Other N/A

DATE: August 27, 2007

TO: City Council

FROM: Dale V. Belcher, City Treasurer *Dale V. 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 following 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 2006/07, 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

Through fiscal year 2006/07, Federal Reserve Chairman, Dr. Ben Bernanke continued to lead the Federal Open Market Committee (FOMC) in a holding pattern on the federal funds rate. At FY year end 2006, the rate was 5.25 and it ended FY 2007 at the same 5.25. Had this report been given on June 30, 2007, the prediction might have been a "no change" approach through December. However, the current volatility may be an indicator of one or two decreases by calendar year end. With the recent decrease in the Federal Discount Rate, to 5.75, some are of the opinion that this might be sufficient to support the credit market and enable the fed funds rate to remain untouched.

For FY 2006/07, the City earned an average of 4.24 percent compared with the LAIF average annual rate for the same period of 5.11 percent, and the two-year treasury market average of 4.81 percent. Portfolio duration is approximately seventeen months versus twenty four months in comparing to the two years treasury average. Total earnings of *\$8,177,382 were produced from an average daily investment portfolio balance of \$193,080,727. A benchmark rate comparison report was initiated in January as additional information to the quarterly portfolio reports to City Council.

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 and Education Committee.

* 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 Monday.

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 11th day of September, 2007, by the following vote:

AYES:

NOES:

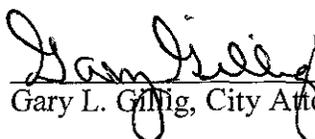
ABSENT:

Dr. Thomas E. Holden, Mayor

ATTEST:

Daniel Martinez, City Clerk

APPROVED AS TO FORM:

 08-29-07

Gary L. Gilig, City Attorney

ATTACHMENT 2
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