

DATE: September 16, 2008

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT: Annual Investment Review, Adoption of Statement of Investment Policy, and Delegation of Investment Authority

RECOMMENDATION

That Council adopts the attached resolutions.

SUMMARY

The FY 2008 Annual Investment Review is presented to Council for review. Council is also requested to reaffirm the Statement of Investment Policy, and adopt Delegation of Investment Authority resolutions.

BACKGROUND

The Annual Investment Review provides an overview of the year's investment activities. The annual report is provided to the City Council as a supplement to monthly investment reports. The annual report is prepared in compliance with the City of Hayward Investment Policy and the State of California. The purpose of the report is to apprise the members of the City Council on the performance, composition, quality, diversity, and liquidity of the City investment portfolio during the preceding fiscal year.

FY 2008 Investment Review

The following chart provides a five year performance overview for the investment program:

| Annual Averages (<i>\$ in 000's</i>) | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 |
|---|-----------|-----------|-----------|-----------|-----------|
| Annual Portfolio Yield | 1.82% | 2.38% | 3.79% | 5.06% | 4.59% |
| Annual Accrued Interest | \$2,483 | \$3,386 | \$5,881 | \$8,643 | \$8,434 |
| Average Annual Portfolio Balance | \$136,411 | \$147,642 | \$162,458 | \$177,590 | \$184,095 |

For FY 2008, the portfolio gross accrued interest declined \$209,000 (from \$8.6 to \$8.4 million) or 2.4%, as the annual portfolio yield declined 47 basis points (from 5.06 to 4.59%). The decrease in total accrued interest was expected due to the combined effects of a reduction in the interest rates available for investment, offset by greater cash available for investment. As available interest rates declined, we shifted our short-term investments into Local Agency Investment Fund (LAIF), due to LAIF's competitive rate of return.

For FY 2008, average cash available for investment went up \$6.5 million (from \$177.6 to \$184 million), or 3.7%, which helped to minimize the effect of declining interest rates on investment earnings. Staff continued to maintain our emphasis on safety, liquidity, and yield.

FY 2009 Statement of Investment Policy

The Statement of Investment Policy was presented, reviewed, and recommended for approval by the Council Budget and Finance Committee on August 27, 2008. Staff did not recommend any changes to the policy this year.

Annual Adoption of Delegation of Investment Authority

The Council annually adopts the delegation of investment authority, authorizing the Director of Finance to conduct City Investment activities.

DISCUSSION

The Annual Investment Review provides an opportunity for the City Council to conduct its review, and annually adopt the Statement of Investment Policy in accordance with City and State requirements; and to amend the policy as required to meet local needs or comply with legal requirements. In addition, resolutions pertaining to the 1) Acceptance of Annual Report, 2) Reaffirmation of the Statement of Investment Policy, and 3) Delegation of investment authority must be annually adopted in accordance with City and State requirements.

Attached for reference are the FY 2009 Statement of Investment Policy and the FY 2008 Annual Investment Review.

FISCAL AND ECONOMIC IMPACT

None.

PUBLIC CONTACT

None.

SCHEDULE

This report is prepared annually in compliance with the City and State requirements.

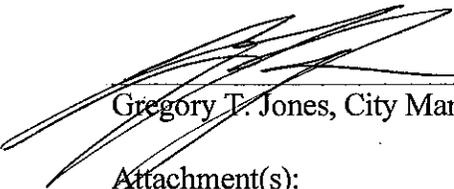
Prepared by:


Denise Blohm, Budget Administrator

Recommended by:


Debra Auker, Director of Finance

Approved by:


Gregory T. Jones, City Manager

Attachment(s):

Attachment A – FY 2009 Statement of Investment Policy
Attachment B – FY 2008 Annual Investment Review
Resolutions (3)

**DUE TO THE COLOR OR
QUALITY OF THE
ATTACHMENT, IT HAS BEEN
ATTACHED AS A
SEPARATE LINK**

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. 08-

Introduced by _____

me
9/10/08

RESOLUTION ACCEPTING THE ANNUAL REPORT ON
INVESTMENT PROGRAM AND ACTIVITY FOR THE CITY
OF HAYWARD, REAFFIRMING THE STATEMENT OF
INVESTMENT POLICY AND RENEWING THE
DELEGATION OF AUTHORITY TO MAKE INVESTMENTS
TO THE DIRECTOR OF FINANCE

WHEREAS, by Resolution No. 07-125, dated September 11, 2007, the City Council adopted a Statement of Investment Policy for the City of Hayward; and

WHEREAS, the Director of Finance and Internal Services has submitted the annual report to the City Council; and

WHEREAS, Under section 53607 of the California Government Code, the authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward that the report entitled "FY 2008 Annual Investment Review," a copy of which is on file in the office of the City Clerk of the City of Hayward, is hereby accepted as the annual report required by the investment policy of the City of Hayward.

BE IT FURTHER RESOLVED that the Statement of Investment Policy is hereby reaffirmed, and that the authority of the Director of Finance and Internal Services, or his or her designee, to make investments pursuant to the Policy is hereby renewed.

BE IT FURTHER RESOLVED that the Director of Finance and Internal Services and his/her successors in office is authorized to order the deposit or withdrawal of money in the accounts of the City of Hayward, the Redevelopment Agency, and the Housing Authority within the Local Agency Investment Fund of the State of California for the purpose of investment in accordance with the provisions of Section 16429.1 of the California Government Code; and further authorized to delegate responsibility for daily deposits or withdrawals of money in the above referenced accounts as required to ensure proper functioning of the fiscal operations of the City and these agencies.

DRAFT

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA 08-

Introduced by Agency Member _____

*mal
9/10/08*

RESOLUTION ACCEPTING THE ANNUAL REPORT ON INVESTMENT PROGRAM AND ACTIVITY FOR THE REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD, REAFFIRMING THE STATEMENT OF INVESTMENT POLICY AND RENEWING THE DELEGATION OF AUTHORITY TO MAKE INVESTMENTS TO THE DIRECTOR OF FINANCE

WHEREAS, by Resolution No. 07-018 dated September 11, 2007, the Redevelopment Agency adopted a Statement of Investment Policy for the City of Hayward; and

WHEREAS, the Assistant City Manager has submitted the annual report to the Redevelopment Agency along with recommendations for amendments of the investment program to the Redevelopment Agency; and

WHEREAS, under section 53607 of the California Government Code, the authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Hayward that the certain report entitled "FY 2008 Annual Investment Review," a copy of which is on file in the office of the City Clerk of the City of Hayward, is hereby accepted as the annual report required by the investment policy of the City of Hayward, and the change recommended therein is approved.

BE IT FURTHER RESOLVED that the Statement of Investment Policy is hereby amended and reaffirmed, and that the authority of the Director of Finance, or his or her designee, to make investments pursuant to the Policy is hereby renewed.

DRAFT

HOUSING AUTHORITY OF THE HAYWARD CITY COUNCIL

RESOLUTION NO. 08-

Introduced by Commissioner _____

me
9/10/08

RESOLUTION ACCEPTING THE ANNUAL REPORT ON INVESTMENT PROGRAM AND ACTIVITY FOR THE HOUSING AUTHORITY OF THE CITY OF HAYWARD, REAFFIRMING THE STATEMENT OF INVESTMENT POLICY AND RENEWING THE DELEGATION OF AUTHORITY TO MAKE INVESTMENTS TO THE DIRECTOR OF FINANCE

WHEREAS, by Resolution No. 07-03 dated September 11, 2007, the Housing Authority Board adopted a Statement of Investment Policy for the City of Hayward; and

WHEREAS, the Assistant City Manager has submitted the annual report to the Housing Authority Board along with recommendations for amendments of the investment program to the Housing Authority Board; and

WHEREAS, under section 53607 of the California Government Code, the authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

NOW, THEREFORE, BE IT RESOLVED by the Housing Authority Board of the City of Hayward that the certain report entitled "FY 2008 Annual Investment Review," a copy of which is on file in the office of the City Clerk of the City of Hayward, is hereby accepted as the annual report required by the investment policy of the Housing Authority Board of the City of Hayward and the change recommended therein is approved.

BE IT FURTHER RESOLVED that the Statement of Investment Policy is hereby amended and reaffirmed, and that the authority of the Director of Finance, or his or her designee, to make investments pursuant to the Policy is hereby renewed.

BE IT FURTHER RESOLVED that the Director of Finance and his/her successors in office is authorized to order the deposit or withdrawal of money in the accounts of the City of Hayward, the Redevelopment Agency, and the Housing Authority within the Local Agency Investment Fund of the State of California for the purpose of investment in accordance with the provisions of Section 16429.1 of the California Government Code; and further authorized to delegate responsibility for daily deposits or withdrawals of money in the above referenced accounts as required to ensure proper functioning of the fiscal operations of the City and these agencies.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2008

ADOPTED BY THE FOLLOWING VOTE:

AYES: COMMISSION MEMBERS:
CHAIR:

NOES: COMMISSION MEMBERS:

ABSTAIN: COMMISSION MEMBERS:

ABSENT: COMMISSION MEMBERS:

ATTEST: _____
Secretary of the Housing Authority
of the City Of Hayward

APPROVED AS TO FORM:

Counsel of the Housing Authority for
the City of Hayward