

DATE: October 6, 2009

TO: Mayor and City Council, Housing Authority, Redevelopment Agency

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, accepting the Annual Investment Report, reaffirming the Statement of Investment Policy, and delegating investment authority to the Director of Finance.

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.

DISCUSSION

FY 2009 Statement of Investment Policy

The objectives of the City's Investment Policy include capital preservation(safety); minimizing potential for capital losses from market changes by remaining sufficiently liquid to meet operating requirements (safety and liquidity); and achieving a reasonable rate of return (yield). The Investment Review outlines how performance is related to these objectives.

The Statement of Investment Policy meets the requirements of the California Government Code. For the Fiscal Year ended June 30, 2008, the City auditors identified no violations of the Investment Policy and proposed no changes. The Statement of Investment Policy was presented, reviewed, and recommended for approval without modification by the Investment Advisory Committee on July 28, 2009. Staff did not recommend any changes to the policy this year.

Although City Policy allows the City to invest in commercial paper and corporate notes, midway during the Fiscal Year 2009 the City refrained from investing in these investment instruments due to the volatility of the financial markets. Staff will continue to review the stability of these types of investments and discuss when to reinstate them into the City's investment strategy with the Investment Advisory Committee.

The City Manager appoints the Investment Advisory Committee (IAC) for the purpose of overseeing the implementation of the City's investment program and assuring it is consistent with the investment policy as approved by the Council. The IAC consists of the Assistant City Manager, Director of Finance, City Attorney, two department heads chosen by the City Manager, a representative from California State University East Bay (CSUEB), and a member of the financial community. The current committee is comprised of the following members: Assistant City Manager David, Director of Finance Auker, Assistant City Attorney Conneely, Fire Chief Bueno, Maintenance Service Director McGrath, CSUEB Professor Zock, and Investment Community Member Mr. Stoddard.

FY 2009 Investment Review

Safety - During FY 2009, the City's portfolio did not experience any losses of capital investment or principal. Credit ratings on investments were closely watched. All investments were held in a safekeeping trust account by Bank of the West.

Liquidity - During periods of declining interest rates, the City takes advantage of the Local Agency Investment Fund (LAIF), which provides for 100% liquidity and rates that are higher than other short term rates. The City policy requires that no more than 40% of the portfolio may be invested beyond 12 months and that the average maturity shall not exceed 400 calendar days. The City has met this liquidity requirement throughout the fiscal year.

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

(\$ in 000's)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Annual Average Portfolio Yield	2.38%	3.79%	5.06%	4.59%	3.06%
Annual Average Accrued Interest	\$3,386	\$5,881	\$8,643	\$8,434	\$5,524
Annual Average Portfolio Balance	\$147,642	\$162,458	\$177,590	\$184,095	\$180,424

For FY 2009, the portfolio gross accrued interest declined \$3 million (from \$8.4 to \$5.4 million) or 36%, as the annual portfolio yield declined 153 basis points (from 4.59% to 3.06%). The decrease in total accrued interest was expected due to the effects of a severe economic recession, which resulted in a reduction in the interest rates available for investment.

The City's portfolio yield/ rate of return exceeded the established goal every month during FY 2009. The goal yield is established in the Investment Policy as a rate that is 50 basis points greater than the average of the 3 and 6 month US Treasury Bill rates.

Annual Adoption of Delegation of Investment Authority

The Council annually affirms the delegation of investment authority, authorizing the Director of Finance to conduct investment activities for the City, Redevelopment Agency, and Housing Authority.

FISCAL IMPACT

The City's investment portfolio generated approximately \$5.4 million in gross interest revenue during FY 2009. The City's General Fund earned more than budgeted (\$401,359 versus \$200,000), while the City's non-general funds earned \$3.6 million more than budgeted. This was due to variations in cash flow and the City budgeting very conservatively for interest earnings.

PUBLIC CONTACT

The Investment Advisory Committee reviewed the Statement of Investment Policy on July 28, 2009, and meets quarterly to review general investment strategies and monitor results. The Budget and Finance Committee reviewed the Annual Investment Review and Statement of Investment Policy on September 23, 2009.

SCHEDULE

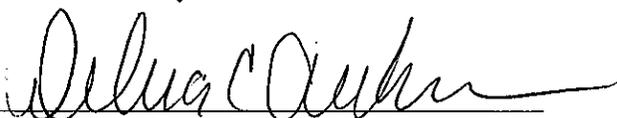
This report is prepared annually in compliance with the City and State requirements.

Prepared by:



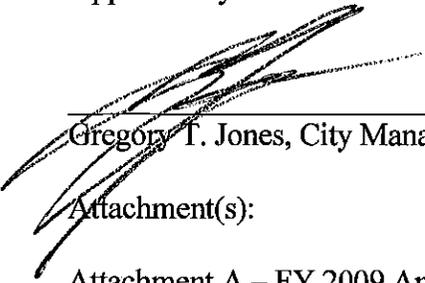
Denise Blohm, Budget Administrator

Recommended by:



Debra Auker, Director of Finance

Approved by:



Gregory T. Jones, City Manager

Attachment(s):

- Attachment A – FY 2009 Annual Investment Review
- Attachment B – FY 2010 Statement of Investment Policy
- Attachment C – Resolutions (3)

**DUE TO THE COLOR AND LENGTH
OF ATTACHMENTS A AND B, THEY
HAVE BEEN ATTACHED AS
SEPARATE LINKS**

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. 09-

Introduced by Council Member _____

mbl
9/25/09

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. 08-129, dated September 16, 2008, the City Council adopted a Statement of Investment Policy for the City of Hayward; and

WHEREAS, the Director of Finance has submitted the annual report to the City Council in accordance with the Investment Policy; 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 2009 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, 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.

DRAFT

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA- 09-

*Mel
9/25/09*

Introduced by Agency Member _____

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. RA 08-09, dated September 16, 2008, the Agency Members adopted a Statement of Investment Policy for the RDA for the City of Hayward; and

WHEREAS, the Director of Finance has submitted the annual report to the City Council in accordance with the Investment Policy; 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 Agency Members of the RDA of the City of Hayward that the report entitled "FY 2009 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, 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.

DRAFT

HOUSING AUTHORITY OF THE CITY OF HAYWARD

RESOLUTION NO. 09-

Introduced by Commissioner _____

*Mike
9/25/09*

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

WHEREAS, by Resolution No. HA 08-01, dated September 16, 2008, the Housing Authority Board adopted a Statement of Investment Policy for the City of Hayward; and

WHEREAS, the Director of Finance has submitted the annual report to the City Council in accordance with the Investment Policy; 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 report entitled "FY 2009 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, 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.

