

City of San Diego

City Treasurer's Investment Policy

Pooled Investment Funds



November 2008

Deleted: 2007

Note: The only recommended change to the Investment Policy is the removal of the requirement to submit copies of the Investment Policy and investment reports to CDIAC per California SB 1124. (Page 6)

THE CITY OF SAN DIEGO

INVESTMENT POLICY POOLED INVESTMENT FUNDS

I. SCOPE

In accordance with the Charter of the City of San Diego, and under authority granted by the City Council on December 19, 1974, and on January 7, 2003, the Treasurer is responsible for investing the unexpended cash in the City Treasury. This investment policy applies to all the investment activities of the City of San Diego, except for the employees retirement funds, which are administered separately, the proceeds of certain debt issues which are invested in qualified mutual funds or managed and invested by trustees appointed under indenture agreements, and the assets of trust funds which are placed in the custody of the Funds Commission by Council ordinance. All financial assets of all other funds shall be administered in accordance with the provisions of this policy.

1. Definitions

"CGC" means California Government Code.

"Corporation" means a legal entity created under the laws of a state to carry on some business or other authorized activity. Limited liability companies are also considered a corporation under CA Govt Code 53601. This definition applies to individual securities like corporate notes/bonds.

"Credit Risk" means the risk of loss due to failure of the issuer of a security.

"DVP" means delivery versus payment.

"Leverage" means 1) the use of borrowed funds to increase earnings on existing investments, e.g. reverse repurchase agreement or 2) with structured notes, leveraging can take place when the coupon rate is determined by leveraging an index, e.g. 2 times 3mos Libor minus 18%.

"Market Risk" means the risk of market value fluctuations due to overall changes in the general level of interest rates.

"NRSRO" means Nationally Recognized Statistical-Rating Organization, e.g. Moody's, Standard & Poor's, and Fitch.

II. OBJECTIVES

A. Safety of principal

Safety of principal is the foremost objective of the City of San Diego. Investment decisions shall seek to minimize net capital losses on a portfolio basis. This policy recognizes that market conditions may warrant the sale of individual securities that would incur market losses in order to protect further capital losses. The intent of this policy is to ensure that capital losses are minimized on a portfolio level rather than on each transaction. The City shall seek to preserve principal by mitigating various types of risk, including credit risk and market risk.

1. Credit risk - Credit or default risk shall be mitigated by investing in only very safe securities (see Section IX for detailed limitations on credit risk), and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the City's cash flow.
2. Market risk - Market or interest-rate risk shall be mitigated by establishing two portfolios with target durations based upon the expected short and long-term cash needs of the City. The liquidity portfolio will be structured with an adequate mix of highly liquid securities and maturities to meet major cash outflow requirements for at least the next six months (per CGC Section 53646). The liquidity portfolio will use the Merrill Lynch 3-6 month Treasury Index as a benchmark and seek to maintain a duration of plus or minus 40% of the duration of that benchmark. The core portfolio will use the Merrill Lynch 1-3 year Treasury Index as a benchmark and maintain a duration of plus or minus 20% of the duration of that benchmark. It will consist of high quality liquid securities with a maximum maturity of 5 years and will be structured to meet the longer-term cash needs of the City and seek to match or exceed the performance of the index. The use of leverage is strictly limited to the use of reverse repurchase agreements as outlined in Section IX (G). And at no times will the use of any such reverse repo, structured product or derivative security violate the maximum security limits or maximum maturity limits as stated in this policy.

B. Liquidity

The City's pooled investment fund cash will be composed of two portfolios (core and liquidity). While both portfolios will invest in liquid securities with an emphasis on the safety of principal, the liquidity portfolio will be designed to ensure that the projected pool expenditure requirements of the City for the next six months can be met with anticipated revenues and a combination of

maturing securities, coupon payments and/or highly liquid investments at all times, as required by California Government Code Section 53646.

C. Performance Measurement

The portfolios shall be designed to attain a market average rate of return through economic cycles.

The performance of the City's core portfolio shall be measured on a total return basis against the Merrill Lynch 1-3 year Treasury Index. It is explicitly recognized herein, however, that in a diversified portfolio managed on a total return basis, realized and unrealized losses are inevitable, and must be considered within the context of the overall investment return. The Treasurer will coordinate trading activity with the Chief Financial Officer when the realization of portfolio losses will have a significant impact on budgeted interest revenues and will inform Financial Management and the Auditor and Comptroller of such losses.

The return for the liquidity portfolio should, on average, equal or exceed the return on the Merrill Lynch 3-6 month bill index over a rolling three year period.

III. **DELEGATION OF AUTHORITY**

The City Council, as permitted under California Government Code 53607, delegates the responsibility to invest or reinvest the funds of the City of San Diego or to sell or exchange securities so purchased, to the City Treasurer.

Within the Treasurer's Department, the responsibility for the day to day investment of City funds is delegated to the Chief Investment Officer. In the absence of the Chief Investment Officer and Investment Officer, the Treasurer shall take responsibility for the daily investment of City funds.

IV. **ETHICS AND CONFLICT OF INTEREST**

In accordance with California Government Code Sections 1090 et seq., 87100 et seq., 89502(c) and 89503(c) and City of San Diego Administrative Regulation 95.60, officers and employees of the City will refrain from any activity that could conflict with the proper execution of the investment program or which could impair their ability to make impartial investment decisions. All investment personnel shall comply with the reporting requirements of the Political Reform Act, to include the annual filing of Statements of Economic Interest.

Investment staff are prohibited from engaging in trading for the personal account where there would be a perceived conflict of interest, e.g. trading in a broker/bank stock that had a relationship with the City, or would otherwise be in violation of the law or a conflict of interest as stated above. The investment staff are required to report their personal trading activity concurrently or on a monthly basis and are required to provide a signed statement of all of their personal transactions annually to the City Treasurer.

V. SAFEKEEPING OF SECURITIES

To protect against potential losses caused by collapse of individual securities dealers, all securities owned by the City, including collateral on repurchase agreements, but necessarily excluding securities used as collateral for reverse repurchase agreements, shall be held in safekeeping by the City's custodian bank or a third party bank trust department, acting as agent for the City under the terms of a custody or trustee agreement executed by the bank and by the City. All securities will be received and delivered using standard delivery-versus-payment (DVP) procedures and in accordance with State Code. Any exception to this standard delivery practice, e.g. DVP failure necessitating delivery other than by simultaneous exchange, will require written procedural approval by the City Treasurer.

VI. INTERNAL CONTROL

The City Treasurer has established a system of internal controls to ensure compliance with the policies and procedures of the City of San Diego and the California Government Code. These policies and procedures are reviewed during the year by the Accounting Division of the City Treasurer's Office and the staff of the Auditor and Comptroller's Office. At least annually an independent audit is conducted by a public accounting firm which includes a review of the investment procedures and activities of the City Treasurer's Office.

The Investment Advisory Committee, established in March 1990, is charged with the responsibility to review on an on-going basis the investment policy and practices of the City Treasurer and to recommend changes.

VII. REPORTING

The City Treasurer is required to submit a quarterly report of investment activity to the City Council in accordance with California Government Code Section 53646. The Treasurer has elected to provide such report consistent with the reporting

requirements of Government Code Section 53646 on a monthly basis. The report shall be designed with the advice of the Investment Advisory Committee.

Deleted: The City Treasurer is required to submit a copy of this policy and investment reports to the California Debt and Investment Advisory Commission in accordance with California Government Code Section 8855.1

VIII. QUALIFIED DEALERS

The City shall transact business with broker/dealers that meet the qualification criteria established by the City Treasurer. In accordance with California Government Code Section 53601 a bank/dealer must be qualified as a dealer regularly reporting to the New York Federal Reserve Bank in order to conduct repurchase or reverse repurchase agreements with the City. Investment staff shall ensure that broker/dealers who wish to do business with the City meet the City Treasurer's Broker/Dealer Qualification Criteria (Exhibit 1), make markets in securities appropriate to the City's needs, and can provide additional value through competitive execution, timely market information and general research.

Annually, the Treasurer shall send a copy of the current investment policy to all dealers who have met the qualification criteria and are doing business with the City Treasurer. Investment staff will maintain a qualification matrix and annually review dealers to ensure they are qualified. Confirmation of receipt of this policy shall be considered as evidence that the dealer understands the City's investment policies, and intends to show the City only appropriate investments. A copy of the Treasurer's standard receipt form is attached as Exhibit 2.

The Investment staff is permitted to deal directly with the issuers of any securities that are authorized for purchase under Section IX of this policy and meet all the qualifications of this policy.

IX. AUTHORIZED INVESTMENTS

In accordance with California Government Code Section 53600.3 the City Treasurer or the Chief Investment Officer or their designees who are authorized to make investment decisions on behalf of the City and its agencies are trustees and therefore fiduciaries subject to the prudent investor standard.

"When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

Trading is prohibited when cash or liquid securities are not available to pay for the securities being purchased. The taking of short positions, that is, selling securities which the City does not own, is also prohibited.

While California Government Code 53601(i) authorizes the limited use of securities lending, the City does not currently engage in any securities lending activities.

Investments which exceed 5 years in maturity require authority be granted by City Council before purchase. Written authority of the City Council must be granted specifically or as part of an investment program no less than three months prior to the date of purchase (CGC 53601).

The City shall not purchase any security that could result in a zero interest accrual if held to maturity. In addition, the City shall not invest any funds in inverse floaters, range notes or interest only strips that are derived from a pool of mortgages. These limitations will not apply to investments in shares of beneficial interest issued by diversified management companies as referenced in subparagraph (L) of this section (CGC 53601).

Callable securities (i.e. securities redeemable in part or in full by the issuer prior to the maturity date) shall not exceed 30% of the cost value of the portfolio. Callables which have passed their final call date and are no longer callable will not be included when calculating the 30% limit.

The City is further governed by the California Government Code, Sections 53600 et seq. A copy of applicable California Government Code provisions is attached as Exhibit 3. Within the context of these limitations, the following investments are authorized, and further limited herein:

- A. United States Treasury Bills, Bonds, and Notes, or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio which can be invested in this category.
- B. Obligations issued by agencies of the U.S. Government such as, the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank System (FHLB), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC) and the Student Loan Marketing Association (SLMA). No more than 1/3 of the cost value of the total portfolio at time of purchase can be invested in the unsecured debt of any one agency.

Investments detailed in C through H below are additionally restricted as to

percentage of the cost value of the portfolio in any one issuer name up to a maximum of 5%. The total cost value invested in any one issuer name will not exceed 5% of an issuer's net worth. An additional 5%, or a total of 10%, of the cost value of the portfolio in any one issuer name can be authorized upon written approval of the Treasurer.

Any bank, savings association, federal association or federally insured industrial loan company the City deposits money with is required to have an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California communities including low and moderate income neighborhoods.

- C. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances. Banker's acceptances purchased may not exceed 180 days to maturity nor 40% of the cost value of the portfolio and the City may only purchase Bills of Exchange accepted by banks which meet the requirements for investment in short term certificates of deposit (less than 24 months) in Section X.
- D. Commercial paper assigned the highest short-term rating by a NRSRO (e.g. 'P1' by Moody's), and issued by domestic corporations having assets in excess of \$500,000,000 and having an A or better rating on its long term debentures as provided by a NRSRO. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 10% of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 25% of the cost value of the portfolio. The exclusive use of banks, savings and loans and primary dealers mentioned in Section VIII will not pertain to the purchase and sale of commercial paper. No more than 10% of the outstanding commercial paper of any single corporate issue may be purchased by the City at any time.

- E. Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal savings institutions, or a State-licensed branch of a foreign bank ("Yankee"). Purchases of negotiable certificates of deposit may not exceed 30% of the cost value of the portfolio. To be eligible for purchase by the City the NCD must meet the credit and maturity criteria as stated in Section X. The City is prohibited from investing its funds in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the City, the Treasurer, or any person delegated by the Treasurer to have investment decision making authority also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee, or the supervisory committee of the state or federal credit union issuing the certificate of deposits.
- F. Time deposits. The City may invest in non-negotiable time deposits collateralized in accordance with the California Government Code, in those banks and savings and loan associations which meet the requirements for investment in negotiable certificates of deposit. This category also includes non-negotiable certificates placed through a nationally or state chartered commercial bank, savings bank, and savings and loan associations, provided that the full principal and interest accrual is insured by the Federal Deposit Insurance Corporation (FDIC), pursuant to California Government Code 53601.8. These fully FDIC insured certificates of deposit shall have a maximum maturity of 12 months and will be limited to 1% of the portfolio, and the placement agent and individual certificate of deposit issuers are exempt from the credit rating criteria in Section X. Since time deposits are not liquid, no more than 25% of the portfolio may be invested in this category.
- G. Medium-term notes/bonds. The City may invest in medium-term notes or bonds issued by corporations operating within the United States. Securities eligible for investment shall be rated in accordance with the maturity and rating criteria described in Section X. In addition, the issuing corporation itself must have a minimum credit rating of "A" or equivalent by a NRSRO and have in excess of \$500,000,000 in Shareholders Equity. Purchase of medium-term notes/bonds may not exceed 30% of the cost value of the portfolio. No more than 5% of the cost value of the portfolio may be invested in notes issued by any one corporation. Commercial paper holdings should be considered when calculating the maximum percentage in any issuer name. The exclusive use of banks, savings and loans and primary dealers mentioned in Section VIII will not pertain to the purchase and sale of medium-term notes.
- H. Municipal Securities of Local Agencies of California. Pursuant to the California Municipal Code Section 53601 (d), the City may invest in bonds, notes, warrants, or other evidences of indebtedness of any local agency within this

state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. The City may invest up to a maximum of 20% of the cost value at time of purchase of the pooled portfolio in these securities. No more than 5% of the cost value at time of purchase of the portfolio may be invested in notes issued by any one issuer or in notes insured by any one insurer, except for securities supported by the full faith of the State of California. In addition, the issuer itself must have a minimum credit rating of "A" or equivalent by a NRSRO.

- I. Repurchase agreements. The City may invest in repurchase agreements with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase agreement. The Public Securities Association standard master repurchase agreement with the document titled "Supplemental Terms and Conditions of the City of San Diego" is the "Master Repurchase Agreement." The maturity of repurchase agreements shall not exceed one year. The market value of securities used as collateral for repurchase agreements shall be initially priced with margin ratios as stated in the Master Repurchase Agreement. Collateral pricing will be monitored at least monthly and margins adjusted no less than quarterly (CGC 53601) by the investment staff. Margin amounts are to be maintained at 102% (CGC 53601) of the value of the repurchase agreement. In order to conform with provisions of the Federal Bankruptcy Code which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be certificates of deposit, eligible bankers' acceptances, or securities that are direct obligations of the United States or any agency of the United States. Additionally, all repo collateral must meet the eligibility and investment restrictions of this policy.

- J. Reverse repurchase agreements. The City may invest in reverse repurchase agreements only with primary dealers of the Federal Reserve Bank of New York with which the City has entered into a master repurchase contract as stated in Section IX-F. The City may invest up to maximum of 20% of the base value of the portfolio in reverse repurchase agreements with the following conditions. In addition, reverse repurchase agreements may only be utilized if the following conditions are met.
 1. The security to be sold for the reverse has been owned and fully paid for by the City for a minimum of 30 days (CGC 53601).
 2. The agreement does not exceed 92 days, unless the agreement includes a written codicil guaranteeing a minimum earnings or spread for the entire period between the sale of a security using the reverse and the final maturity of the same security (i.e., the security being used

a collateral).

3. Any security purchased with the proceeds of a reverse repurchase agreement may not exceed 92 days to maturity unless there is a written codicil guaranteeing a minimum earning or spread for the entire life of the security (to maturity) being purchased for reinvestment purposes.
 4. For the purposes of this section the "base value" of the pool portfolio of the City is defined as that dollar amount obtained by totaling all cash balances placed in the pool excluding any amounts obtained through selling securities by reverse repurchase agreements or other similar borrowing methods (CGC 536301).
- K. Local Agency Investment Fund. The City may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies under Section 16429.1 of the California Government Code up to the maximum permitted.
- L. Shares of beneficial interest issued by diversified management companies or mutual funds shall be rated in the highest rating category of at least two of the NRSROs and must have in excess of \$500,000,000 in assets under management. The company or mutual fund must retain an investment advisor registered with the SEC with no less than five years experience investing in the securities and obligations as authorized by subdivision (a) to (m) inclusive. The purchase price shall not include commissions and shall not exceed 5% of the cost value of the portfolio (CGC 53601).
- M. Notes, bonds, or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by CGC Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by CGC Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities which the security interest is granted. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "AA" or its equivalent or better by a NRSRO and having an "A" or higher rating for the issuer's unsecured debt, as provided by a NRSRO.
- N. Any U.S. Government Agencies' mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through

bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued in the public securities market and rated in a rating category of "AAA" or its equivalent by a NRSRO and having an "A" or higher rating for the issuer's unsecured debt, as provided by a NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

- O. Floating rate notes. The City may invest in securities whose coupon resets are based upon a single fixed income index (which would be representative of an eligible investment, e.g. libor, Tbill, prime, 2yr CMT), provided that the security is not leveraged (e.g. 2 times an index) or has a coupon that resets inversely to the underlying index.
- P. Structured Notes. The City may invest in securities issued by U.S. Government Agencies that contain imbedded calls or options as long as those securities are not inverse floaters, range notes, interest only strips that are derived from a pool of mortgages or a security that could result in a zero or negative accretion of interest if held to maturity (CGC 53601.6). The exception to this restriction would be a structured note in the final coupon period that has the same characteristics as any other simple fixed term security. The City may invest up to a maximum of 8% of the cost value at time of purchase of the pooled portfolio in structured notes. A structured note is a hybrid security combining a fixed-income instrument with a series of derivative components. Structured notes do not include "traditional" callable agency or corporate bonds, pass-through mortgages, collateralized mortgage obligations, or asset-backed securities.
- Q. Financial futures. The City may buy financial futures contracts only to hedge against changes in market conditions for the reinvestment of bond proceeds when deemed appropriate.

Ineligible Investments.

Investments not described herein, including, but not limited to, common stocks and long-term corporate notes/bonds are prohibited from use in this portfolio.

X. MATURITY AND CREDIT RATING CRITERIA

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This rating criteria will apply at the time of purchase. To be eligible for purchase an issuing institution or its debt must meet the minimum rating requirements as described in CGC Sections 53601 et seq. The City prefers that all securities be rated by at least two NRSROs, with at least one qualifying rating from either Moody's or Standard and Poor's. The Maturity and Credit Rating Criteria Matrix (Exhibit 4) is to be used to further qualify the purchase of fixed or floating rate negotiable certificates of deposit, thrift or deposit notes and medium term corporate notes. If an eligible investment is downgraded, after purchase, in a rating category which is below the minimum required in Exhibit 4 the Chief Investment Officer or Investment Officer will document his/her analysis and recommendation for disposition of the security for review by the Treasurer.

XI. POLICY REVIEW

The Treasurer shall annually render to the Mayor, the Chief Financial Officer, the City Council, and the Investment Advisory Committee a statement of investment policy. The investment policy will be considered at a regular meeting of the City Council as required by California Government Code Section 53646.

Exhibit 1: City Treasurer's Broker/Dealer Qualification Criteria

Exhibit 2: Receipt form (see Section VIII)

Exhibit 3: California Government Code Section 53601 et seq.

Exhibit 4: Maturity and Credit Rating Criteria Matrix.

Exhibit 4: Maturity and Credit Rating Criteria Matrix

Issuing Institution	Fixed Rate NCD, D/N B/N, or MTN Maximum Maturity	Floating Rate NCD, MTN, B/N or D/N Maximum Maturity	Minimum Credit Rating
Domestic (U.S.) Banks, Thrifts and Savings Banks	15 months	18 months	An S&P or Moody's long term debt rating of "A/A" or better AND any two of the following three short term ratings: S&P "A1"; Moody's "P1"; Fitch "F1"
	24 months	24 months	A long term debt rating of 'A (or equivalent)' or better by at least two NRSROs, one of which must be Moody's or Standard & Poor's.
	36 months	36 months	A long term debt rating of 'Aa/AA (or equivalent)' or better by at least two NRSROs, one of which must be Moody's or Standard & Poor's.
Yankee Banks			The country (sovereign) rating of a "Yankee" bank's home country must be "AA/Aa" from either S&P or Moody's.
	15 months	15 months	An S&P or Moody's long term debt rating of "A/A" or better AND any two of the following three short term ratings: S&P "A1"; Moody's "P1"; Fitch "F1"
	24 months	24 months	A long term debt rating of 'A (or equivalent)' or better by at least two NRSROs, one of which must be Moody's or Standard & Poor's.
	36 months	36 months	A long term debt rating of 'Aa/AA (or equivalent)' or better by at least two NRSROs, one of which must be Moody's or Standard & Poor's.
Non-Banking Corporations operating in the US	15 months	15 months	An S&P or Moody's long term debt rating of "A/A" or better AND any two of the following three short term ratings: S&P "A1"; Moody's "P1"; Fitch "F1"
	24 months	24 months	A long term debt rating of 'A (or equivalent)' or better by at least two NRSROs, one of which must be Moody's or Standard & Poor's.
	36 months	36 months	A long term debt rating of 'Aa/AA (or equivalent)' or better by at least two NRSROs, one of which must be Moody's or Standard & Poor's.

000591

REQUEST FOR COUNCIL ACTION
CITY OF SAN DIEGO

1. CERTIFICATE NUMBER
(FOR AUDITOR'S USE ONLY)

TO: CITY ATTORNEY
2. FROM (ORIGINATING DEPARTMENT): OFFICE OF THE CITY TREASURER
3. DATE: 9/30/2008

4. SUBJECT: Delegation of Authority to the City Treasurer to Invest Funds

5. PRIMARY CONTACT (NAME, PHONE, & MAIL STA.) Kent Morris, 533-6313, MS 51V
6. SECONDARY CONTACT (NAME, PHONE, & MAIL STA.) Gail R. Granewich, 236-7157,51T
7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED

8. COMPLETE FOR ACCOUNTING PURPOSES

FUND	DEPT.	ORGANIZATION	OBJECT ACCOUNT	JOB ORDER	C.I.P. NUMBER	AMOUNT	9. ADDITIONAL INFORMATION / ESTIMATED COST:
	052	City Treasurer					

10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPT.	<i>Gail R. Granewich</i>	10/6/08	8	DEPUTY CHIEF	<i>Harry Lewis</i>	10/14/08
2				9	C.O.O.	<i>[Signature]</i>	10/14/08
3				10	CITY ATTORNEY	<i>[Signature]</i>	10-14-08
4	LIAISON OFFICE	<i>SC</i>	10/7/08	11	ORIGINATING DEPT.	<i>Gail R. Granewich</i>	10/6/08
5					DOCKET COORD:	<i>[Signature]</i>	10/15
6					COUNCIL PRESIDENT	<input type="checkbox"/> SPOB <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ADOPTION	
7					REFER TO:	COUNCIL DATE: 10/27/08	

11. PREPARATION OF: RESOLUTIONS ORDINANCE(S) AGREEMENT(S) DEED(S)

The City Council to accept the City Treasurer's Investment Policy for the Pooled Investment Funds dated October 2008 and authorize the City Treasurer to invest the City's operating and capital improvement funds for a period of one year.

11A. STAFF RECOMMENDATIONS:

- The Mayor's staff is recommending that the City Council renew the delegation of investment authority to the City Treasurer for a period of one year.
- The Mayor's staff is recommending the acceptance of the City Treasurer's Investment Policy for the Pooled Investment Fund.

12. SPECIAL CONDITIONS:

COUNCIL DISTRICT(S): CITYWIDE
COMMUNITY AREA(S): CITYWIDE
ENVIRONMENTAL IMPACTS: NONE
HOUSING IMPACT: NONE
OTHER ISSUES: NONE

EXECUTIVE SUMMARY SHEET

CITY OF SAN DIEGO

DATE ISSUED:**REPORT****NO.:****ATTENTION:**

Council President and City Council

**ORIGINATING
DEPARTMENT:**

Office of the City Treasurer

SUBJECT:Acceptance of the City Treasurer's Investment Policy and Annual
Delegation of Authority to Invest the City's Pooled Funds**COUNCIL DISTRICT(S):**

Citywide

CONTACT/PHONE NUMBER:

Kent Morris, Chief Investment Officer/619-533-6313

REQUESTED ACTION:

The City Council to accept the City Treasurer's Investment Policy for the Pooled Investment Funds dated October 2008 and authorize the City Treasurer to invest the City's operating and capital improvement funds for a period of one year.

STAFF RECOMMENDATION:

1. The Mayor's staff is recommending that the City Council renew the delegation of investment authority to the City Treasurer for a period of one year.
2. The Mayor's staff is recommending the acceptance of the City Treasurer's Investment Policy for the Pooled Investment Fund.

EXECUTIVE SUMMARY:

The California Government Code (CGC) has vested authority with the City Council to invest or to reinvest funds of the City or to sell or exchange securities purchased. Under CGC §53607, the City Council may delegate this authority to the City Treasurer for a period of one (1) year. Prior to the enactment of this superseding legislation in 1997, the City Treasurer had the authority to invest the funds of the City under CGC §53635 and City Charter §45. The City Council now annually delegates this authority to the City Treasurer. City Council Resolution R-303199, adopted on November 20, 2007, was the last time the Council delegated this authority.

The City Treasurer has an established Investment Policy which is annually presented to Council for acceptance per CGC §53646. The foremost objective of the Investment Policy is the safety of principal. This objective helps mitigate market risk by investing primarily in the highest rated U.S. government debt. The secondary objective of the Investment Policy is liquidity which is attained through the separation of the City's Investment Pool into two portfolios (Core & Liquidity). The Liquidity portfolio is designed and invested in securities that will meet the City's anticipated cash flow needs for the next six months consistent with CGC §53646.

On September 30, 2008, the Investment Advisory Committee recommended approval of the City's Investment Policy with its proposed change. The City Treasurer and Investment Division staff report semi-annually the results of the portfolio performance, investment strategy, and any proposed changes to the Investment Policy to the Investment Advisory Committee, which was established in 1990.

Changes to the proposed 2008 Investment Policy include:

1. Page 6, Section VII. Removal of the language requiring the City Treasurer to submit a copy of the Investment Policy and investment reports to the California Debt and Investment Advisory Commission.

This change is being proposed due to the passage of California S.B. 1124, which eliminates this requirement.

FISCAL CONSIDERATIONS:

There would be no fiscal impact associated with the request.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

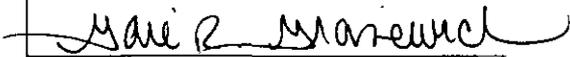
Not applicable

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

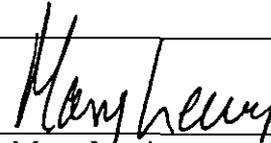
Not applicable

KEY STAKEHOLDERS & PROJECTED IMPACTS (if applicable):

Not applicable



Gail R. Granewich
City Treasurer



Mary Lewis
Chief Financial Officer

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN
DIEGO DELEGATING AUTHORITY FOR ONE YEAR TO
THE CITY TREASURER TO INVEST THE CITY'S
OPERATING AND CAPITAL IMPROVEMENT FUNDS

WHEREAS, California Government Code section 53646 provides that the City Treasurer shall annually render to the City Council a statement of investment policy which the City Council will consider at a public meeting; and

WHEREAS, pursuant to California Government Code section 53600 *et seq.* authority to invest or reinvest funds of the City or to sell or exchange securities purchased shall be vested in the City Council; and

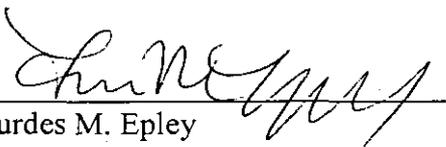
WHEREAS, under California Government Code section 53607, the City Council may delegate the authority to invest or reinvest funds of the City to the City Treasurer for a period of one year; and

WHEREAS, in November 20, 2007, Council delegated investment authority to the Treasurer for a period of one year and the delegation ends on November 20, 2008; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, that the City Treasurer's Investment Policy for the Pooled Investment Fund dated November 2008, on file in the office of the City Clerk as Document No. RR-_____, is hereby received and accepted.

BE IT FURTHER RESOLVED, that the authority to invest or to reinvest the City's operating and capital improvement funds is hereby delegated to the City Treasurer for a period of one year commencing on November 20, 2008 and expiring on November 20, 2009, provided, however, that the Treasurer shall make monthly reports to this City Council about such transactions.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By 
Lourdes M. Epley
Deputy City Attorney

LME:jdf
10/14/08
Or.Dept:Treasurer
R-2009-470

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved: _____
(date)

JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor