

**CITY OF PACIFIC GROVE
CITY COUNCIL POLICY**

Policy Governing	Policy No.	Effective Date	Page No.
Investments	400-5	September 15, 2010	1 of 3

Purpose

This policy is intended to provide guidelines for the prudent investment of the City’s temporary idle cash and reserves, and to outline the procedures for managing the City’s treasury.

Objective

The City’s investment objective is to enhance the economic condition of the City while ensuring the safety of the funds invested. The City attempts to obtain the highest yield on its investments consistent with the criteria established for safety and liquidity. The City’s cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible.

The City Treasurer is responsible for investing the City’s funds in accordance with California Government Code, Sections 53600, et seq. and 53635, et seq. This includes managing investments with care, skill, prudence, and diligence under the circumstances prevailing; with the primary objective of safeguarding the principal of funds.

The three principal factors that are considered when making investments, are listed below based on their level of priority:

- A) **Safety.** Safety means limiting the potential for loss of principal, interest, or a combination of the two.

- B) **Liquidity.** Liquidity refers to the ability to convert an investment to cash promptly with a minimal risk of losing principal or interest. A portion of the portfolio should be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements.

- C) **Yield.** Yield is the average annual return on an investment based on the interest rate, price, and length of time to maturity. The City attempts to obtain the highest yield possible, provided that the basic criteria of safety and liquidity have been met.

Permitted Investment Instruments

The Treasurer shall invest in the following investments and only under the guidelines as provided herein:

- A) **Certificates of Deposit.** Non-Negotiable Certificates of Deposits will be made only in FDIC or FSLIC insured accounts. For deposits in excess of the insured maximum of \$250,000, approved collateral shall be required in accordance with Government Code 53652 and/or 53651 (m) (1). Investment in these instruments shall be limited to financial

institutions that in the Treasurer's judgment are of high quality, and shall not have a term exceeding five years from the date of purchase.

- B) **Securities of the U.S. Government or its Agencies.** Includes obligations issued by Federal Home Loan Banks, Government National Mortgage Association, Farm Credit System, the Federal Home Loan Bank, Federal Home Loan Mortgage Association, Federal National Mortgage Association, or obligations or other instruments of or issued by a federal agency or a United States Government sponsored enterprise. Investment in these instruments shall not have a term exceeding five years from the date of purchase.
- C) **Treasury Bills and Notes.** U.S. Treasury Bills, Notes, Bonds, or Certificates of Indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest. The term of such securities shall not exceed five years from the date of purchase.
- D) **Local Agency Investment Fund (LAIF).** Investment of funds in the California LAIF which allows the State Treasurer to invest through the Pooled Money Investment Account (PMIA). Maximum investment is subject to state regulation. LAIF investments are available for City use.
- E) **Repurchase Agreements.** A purchase of securities by the City pursuant to an agreement by which the seller will repurchase such securities on or before a specified date, or on demand of either party, and for a specified amount. Investments in repurchase agreements will be used solely as short-term investments not to exceed 30 days.
- F) **Other.** Other investments that are, or may become, legal investments through the State of California Government Code, only with prior approval of the City Council.

Dual Approval of Wire Transfers

The City Clerk shall jointly approve, with the City Treasurer, all wire transfers from the City to any brokerage account in the City's investment portfolio.

Diversification

Investments shall be diversified among institutions, types of securities, and maturities to maximize safety and yield with changing market conditions. Local financial institutions will be given preferential consideration for investment of City funds consistent with the City's objective of attaining market rates of return, and consistent with constraints imposed by its safety objectives, cash flow considerations, and state laws.

Safekeeping

All investments of the City shall have the City of Pacific Grove as registered owner or shall be kept in the custody of the City or by a qualified safekeeping institution.

Investment Reports

The City Treasurer shall submit an investment report to the City Manager and City Council, as frequently as directed (but not less than quarterly). The report shall include, but not be limited to, the following information, for each investment:

- Name of Financial Institution
- Type of Investment
- Amount of Deposit
- Rate of Interest
- Maturity Date
- Current Market Value
- Other Data as Requested

The City Treasurer shall review this Investment Policy from time to time, identifying any concerns or recommended changes for Council consideration. The Treasurer shall bring this Policy to Council for formal review at least once every two years.

Adopted September 15, 2010, Resolution 10-078

Amended October 21, 2015, Resolution 15-055

Amended August 17, 2016, Resolution 16-047

Amended June 19, 2019, Resolution 19-016