



CASH AND INVESTMENT POLICY UPDATE

Finance Department

Finance Committee
March 11, 2020

RiversideCA.gov

BACKGROUND

1. On December 15, 2015, City Council adopted Resolution No. 22940 approving the current policy for the investment of City funds.
2. The approved policy includes language that the policy is to be reviewed on an annual basis, but only needs to be brought back to City Council when changes to the policy are recommend.
3. The City's policy sets forth guidelines to ensure that funds are invested in a prudent manner in conformance with federal, state, and other legal requirements, including California Government Code.

2



RiversideCA.gov

BACKGROUND

4. The authority to manage the City's investment program is provided by the California Government Code Sections 53600 et seq. Pursuant to the Government Code, the City Council may delegate to the Treasurer/CFO for a one-year period the authority to invest or to reinvest all funds of the City.
5. The City Charter delegates investment authority to the Chief Financial Officer.



3

RiversideCA.gov

INVESTMENT PROGRAM GOALS

The goals of the City's Investment Program continue to be:

- a. Safety of Principal
- b. Cash Flow Liquidity
- c. Return



4

RiversideCA.gov

INVESTMENT POLICY CHANGES

1. There were no changes to Government Code requiring changes to the policy.
2. There were recent changes to Code language that the City's investment adviser recommends the City adopt.
3. There are a number of governance and risk management related best practices that make prudent additions to the City's investment program.



5

RiversideCA.gov

INVESTMENT POLICY CHANGES

4. Conformity with Code on credit rating requirements Except for Money Market funds, Code requires a minimum rating category of "A" or higher by only one nationally recognized statistical organization while the City policy requires two ratings. This update will allow for a greater degree of diversification while still emphasizing safety
5. Conformity with Code on Supranational requirements The City limits supranational securities to 15% of the portfolio and 5% per issuer. Recommend increasing category concentration limit to 30% as allowed by Code, and the issuer limit to 10%.
 - a. This update will allow the City to enhance diversification with an asset class currently rated in the "AAA" category
6. Updates to Code for passthrough securities Code removed the **issuer** credit rating requirement for passthrough securities such as mortgage-backed and asset back securities. Code continues to require a minimum credit rating for the **issue** itself. Update to the policy to reflect this change



6

RiversideCA.gov

INVESTMENT POLICY CHANGES

7. Concentration limits on callable securities Policy currently places a 20% limit on callable securities. Recommendation is to make the 20% limit apply only to federal agency callable securities, as there are other callable securities issued by non-governmental issuers that are desirable for diversification
8. Concentration limits on federal agency issuers Policy currently places no limits on federal agency issuers. The recommendation is to add a 25% limit to the federal agency securities of any single issuer.
9. Exclusion of commercial paper from issuer limits for medium-term notes Policy currently includes commercial paper securities when calculating issuer limits for medium-term notes. Because commercial paper is a separate investment category with its own risk and return characteristics, the recommendation is to exclude commercial paper when calculating issuer limits for medium-term corporate notes.



7

RiversideCA.gov

INVESTMENT POLICY CHANGES

10. Addition of due-diligence language for investment pools
The City actively invests in local government investment pools and money market mutual funds. The recommendation is to include a due diligence requirement when making pool investments that requires an investigation into the investment practices of the pool being considered for investment



8

RiversideCA.gov

RECOMMENDATION

That the Finance Committee receive and provide input on the proposed changes to the Investment Policy; and recommend City Council adopt the updated policy.

