

## City of Garden Grove

### INTER-DEPARTMENT MEMORANDUM

To: Matthew Fertal  
From: Kingsley Okereke  
Dept.: City Manager  
Dept.: Finance  
Subject: INVESTMENT POLICY  
Date: February 26, 2008

#### OBJECTIVE

To comply with California Government Code Section 53646, which requires the Treasurer or Chief Fiscal Officer to annually submit a written Investment Policy (attached) to a public meeting of the local agency's legislative body.

#### BACKGROUND

The current City of Garden Grove Investment Policy as established in the early 1980's has continued to remain in compliance with State guidelines that state,

1. The chief fiscal officer may submit a quarterly report to the legislative body containing detailed information on all securities, investments, and moneys of the local agency.
2. Prohibition of investing in inverse floaters
3. Prohibition of investing in a security that could result in zero interest accrual if held to maturity.

With the passage of Chapter 687, Statutes of 2000 (AB 943 Dutra) effective January 1, 2001, cities and counties are required to forward copies of their second and fourth quarter calendar year investment portfolio reports and copies of their investment policies to the California Debt and Investment Advisory Commission (CDIAC).

Also, the State requires the Council each year to reappoint the City Treasurer, and the Finance Director as Deputy City Treasurer or their designee, as the person responsible for the investments. This ensures that the Treasurer or Deputy Treasurer is responsible for the investments rather than the Council.

#### ANALYSIS

In compliance with the California law, monthly the Finance Director, acting as Deputy City Treasurer as outlined in Resolution No. 6177-81, submits to the Council through the Managers Memo a copy of the investment portfolio. Attached is the City's Investment Policy, including Investment Guidelines and the Investment Strategy. The policy requires the City to hold the securities or have safekeeping by a recognized financial institution - currently these are being held by the Bank of

New York, J. P. Morgan Chase Bank, U. S. Bank, Union Bank of California Investment Services, Inc. (which is a custodial service completely separate from Union Bank of California bank operations), and Wells Fargo Bank.

The City Investment Policy secures the principal, allows for ease of liquidation, and provides a reasonable return on the investments. In addition, the investment policy allows the City of Garden Grove to maintain sufficient cash so all payments due in at least the next six months may be made in a timely manner.

The requirements and strategies outlined in the City's Investment Policy have allowed the City of Garden Grove to have no losses in principal while maintaining a very competitive return on the portfolio - last fiscal year the return was approximately 3.18%. All of the investments held are either Federal Securities, invested in LAIF, or instruments held overnight by Union Bank of California.

#### RECOMMENDATION

It is recommended that the City Council take the following actions:

- Approve the attached investment policy
- Reappoint the City Treasurer, Les Jones, and the Deputy City Treasurer/Finance Director, Kingsley Okereke, as the persons responsible for the City's investments.

KINGSLEY OKEREKE  
Finance Director

Attachment  
City of Garden Grove Investment Policy