

RESOLUTION NO. 18-5074

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF WEST HOLLYWOOD CONFIRMING A
STATEMENT OF INVESTMENT POLICY AND
RESCINDING RESOLUTION NO. 17-4970

THE CITY COUNCIL OF THE CITY OF WEST HOLLYWOOD DOES
HEREBY RESOLVE AS FOLLOWS:

WHEREAS, the City strives to maintain the level of investment of all idle funds as near to 100% as possible through the optimum operation of its cash management system, and the City has determined that its investment goals are safety, liquidity, and yield, in that order.

NOW THEREFORE, BE IT RESOLVED:

SECTION 1. The City shall not knowingly make any investments in any institution, company, corporation, subsidiary or affiliate that practices or supports directly or indirectly through its actions, discrimination on the basis of race, religion, color, creed, national or ethnic origin, age, sex, sexual orientation, or physical disability, as this is not in accordance with the City of West Hollywood's ordinance on discrimination.

SECTION 2. That the City Council has delegated by resolution, the authority to invest to the Director of Finance & Technology Services (being the officer currently performing the duties of City Treasurer), hereinafter referred to as "Treasurer," subject to the limitations set forth in the Investment Policy. The City Treasurer will review and select all qualified investments. Subject to restrictions established herein, actual administration of the selected investments, including the transference of funds and bank reconciliations, will be performed by the Department of Finance & Technology Services staff. All investment certificates will be on file with the City Clerk.

SECTION 3. The City's investments shall be limited to the following investment instruments as approved by California Government Code:

1. Demand deposits in any FDIC insured institution.
2. Los Angeles County Treasury Pool ("LACT") administered by the Treasurer and Tax Collector of Los Angeles County.
3. The Local Agency Investment Fund ("LAIF") administered by the Treasurer of the State of California.

4. Investment Joint Powers Authorities: The City may invest in investment joint powers authorities provided that the City is a member, that the pool provides comprehensive, timely, monthly reports which include transaction listings, reports gains and losses, provides market values for securities, provides a quality rating for investment securities, takes delivery of securities prior to payment, third-party safekeeping of all investments, for whom an audit is conducted annually by an independent authority other than the local agency's internal auditors, the weighted average maturity of not greater than two years, and that leveraging be not more than twenty five percent (25%) of the portfolio.
5. Certificates of Deposit with a maturity of two years or less and fully insured by the Federal Deposit Insurance Corporation up to the limit established under the Investment Guidelines.
6. Securities issued by the United States Government which mature in two years or less up to the limit established under the Investment Guidelines.
7. Money Market Savings Accounts, provided that no deposit made pursuant to this paragraph in any one institution shall exceed the amount insured by the Federal Deposit Insurance Corporation.
8. Except as provided in Section 53601 (1) of the Government Code, the listed investments are the only authorized investments for the City.

SECTION 4. Investment goals.

Safety:

Safety and the minimizing of risk associated with investing refer to attempts to reduce the potential for loss of principal, interest, or a combination of the two. The first level of risk controls is found in state law, which restricts the particular type of investments permissible for municipalities. The second level of risk control is reduction of default risk by investing in instruments that are the most credit worthy. The third level of risk control is reduction of market risk by investing in instruments that have relatively short maturities, thereby eliminating risk of loss from a forced sale. The City invests only in those instruments that are considered very safe.

Liquidity:

Liquidity is the ability to easily sell at any time with a minimal risk of losing some portion of principal or interest. Liquidity is an important quality for an

investment since, the City may experience unexpected or unusual circumstances requiring larger disbursements than anticipated, and necessitating the sale of investments to meet the contingency. Most of the City's investments are highly liquid, with the exception of insured Time Certificates of Deposit issued by banks whose maturities are selected in anticipation of disbursement needs, thereby avoiding forced liquidation or lost interest penalties.

Yield:

Yield is the potential dollar earnings an investment can provide, it is sometimes described as the rate of return. The City attempts to obtain the highest yield possible when selecting an investment, provided that the criteria stated herein for safety and liquidity are met.

SECTION 5. Policy constraints and guidelines.

The City of West Hollywood operates its investment program with various self-imposed constraints. It does not speculate. It does not buy corporate debt securities. It does not deal in futures or options. It does not purchase on margin or through reverse repurchase agreements. It does not buy long term securities.

The City utilizes LACT, LAIF and other investments instruments to the greatest extent feasible and practical.

The City is held to the prudent investor standard set forth in Section 53600.3 of the Government Code which states: "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, 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."

SECTION 6. Investment reports.

In accordance with Government Code Section 53646, the Treasurer renders an annual Statement of Investment Policy for City Council approval.

Similarly, and in accordance with the City's Investment Policy, the Treasurer renders a monthly Treasurer's Report to the City Manager and City Council within sixty (60) days after the end of each month. The Treasurer's Report includes an Investment Schedule summarizing the type of investment, date of purchase, custodian (if applicable), institution, and date of maturity, amount of deposit or purchase price, and current market value and rate of interest for all securities. The monthly Treasurer's Report clearly states

compliance to, or manner of noncompliance if any divergence from, or violation of the Investment Policy exists, by including a detailed statement on this matter. Additionally, a statement denoting the City's ability to meet its pool's expenditure requirements for the next six months, or an explanation as to why sufficient money shall, or may, not be available.

SECTION 7. Investment audits and investment policy evaluation.

Annually, in conjunction with the City's "annual" audit, there shall be an external audit of the City's Investment Program by an independent auditor to assure compliance with the Investment Policy. The report of this audit shall be made to the City Manager and City Council. At the same time, the City Council shall review the Investment Policy.

SECTION 8. Investment guidelines.

1. Only investments authorized by the Investment Policy are used.
2. A copy of this Investment Policy should be given to each financial institution with which the City conducts business.
3. Before an unfamiliar security is purchased, the issuer and the instrument are researched and investigated and all contractual agreements and administrative procedures are completed before any transactions are consummated.
4. The City does not permit the purchase of securities on margin or via reverse repurchase agreements (using the security to be purchased collateral), and the City does not enter into reverse repurchase agreements under any circumstances.
5. The City does not invest in uninsured banks even if collateralized pursuant to the Government Code.
6. Every investment transaction is properly documented and the procedure for monitoring is clearly defined.
7. Investment strategies are approved by the Council annually and are reviewed more frequently as changes in economic conditions dictate.
8. The City shall not invest more than the lesser of \$3,000,000 or 15% of all deposits in investment instruments with a life that exceeds one year.

Guidelines for Certain Types of Investments:

Los Angeles County Treasury Pool (LACT) – A Resolution of the City is on file with the County Treasurer and Tax Collector, which permits maintaining an account in LACT.

California State/Local Agency Investment Fund (LAIF) – A Resolution of the City is on file with the State Treasurer, which permits maintaining an account in LAIF.

Cash Management for Operations:

The City is required to maintain working capital balances in its general operating accounts. These balances will be minimal and maintained solely to cover outstanding warrants.

Custody:

Custody of investments in securities issued by the United States Government shall be placed, pursuant to a written custody agreement.

SECTION 9. Internal control objectives for investments.

The objectives of the internal control of investments are established by the City's management to ensure:

1. An orderly and efficient conduct of investing, including adherence to investment policies.
2. The safeguarding of assets.
3. The accuracy and completeness of the accounting records for investment.
4. The timely preparation of reliable financial information.
5. The prevention of errors.
6. The detection of fraud.

The following procedures will be implemented to ensure that the objectives of internal control for the City's investments are accomplished:

1. Responsibility

Specific responsibility for the performance of duties should be assigned and lines of authority and reporting clearly identified and understood.

2. Segregation of Functions

Segregation of functions reduces the risk of developing a situation where one individual may be in a position to conceal errors. To this end, the following accounting functions will be performed by different individuals: investments, receivables, and reconciliations.

3. Authorization

All transactions must be authorized by the assigned individual whose responsibilities and limits of authorization have been clearly delineated. Delegation of authority to approve transactions must be carefully monitored.

4. Transfer of Investment Funds

The transferring of investment funds will be carried out exclusively by use of the Federal Reserve Bank's electronic wire transfer system. The Treasurer will issue each bank with which the City conducts business; a written list of the City's pre-authorized bank accounts to ensure that funds are transferred only between the City's established accounts.

The written list will include the names of the specific staff authorized to initiate transfers. Any changes to this list will be submitted in writing to the pertinent banks by the Treasurer as changes arise.

5. Recording

The manual and electronic recording procedures must be carried out independently of the individual initiating the investment transaction, to ensure the validity, completeness, and appropriate authorization of each investment transaction.

SECTION 10. Ethics and conflicts of interest

Officials and employees involved in the investment process are required by the City of West Hollywood's Conflict of Interest Policy and State Government Code Section 81000 to disclose annually to the City Council any material financial interests in financial institutions that conduct business within the City and further to disclose any large personal financial/investment positions that could be related to the performance of the City, particularly with regard to the time of purchase and sales, as part of the City's conflict of interest reporting requirements. All individuals involved shall also disclose all gifts and income in accordance with California State law.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of West Hollywood at a regular meeting held this 18th day of June, 2018 by the following vote:

AYES:	Councilmember:	Heilman, Horvath, Meister, Mayor Pro Tempore D'Amico, and Mayor Duran.
NOES:	Councilmember:	None.
ABSENT:	Councilmember:	None.
ABSTAIN:	Councilmember:	None.



JOHN J. DURAN, MAYOR

ATTEST:



YVONNE QUARKER, CITY CLERK