

RESOLUTION NO 6198

RESOLUTION OF THE COUNCIL OF THE CITY OF SEBASTOPOL APPROVING AND ADOPTING  
INVESTMENT POLICY

---

WHEREAS, the City has a responsibility to ensure it handles public funds appropriately; and

WHEREAS, the Investment Policy describes the investment the City funds in compliance with California Government Code Section 53646 and good practice dictate that local agencies prepare a written investment policy; and

WHEREAS, the auditing firm for the City has recommended that Council adopt investment policy that promote sound financial management practices designed to meet Council's goals and objective; and

WHEREAS, the primary objective of the Investment Policy is to establish a conservative set of investment criteria that will prudently protect the City's assets, provide liquidity to meet the City's cash needs, and enable the City to generate a market rate of return from its investment activities; and

NOW, THEREFORE, BE IT RESOLVED, by the Council of the City of Sebastopol hereby approves the Investment Policy #90 as submitted with the operating budget for the City of Sebastopol and attached hereto as Exhibit C;

IN COUNCIL DULY ADOPTED this 19th day of June, 2018.

I, the undersigned, hereby certify that the foregoing Resolution was duly adopted by the City of Sebastopol City Council by the following vote:

**VOTE:**

Ayes: Councilmembers Carnacchi, Gurney, Vice Mayor Hinton and Mayor Slayter  
Noes: None  
Abstain: None  
Absent: Councilmember Glass

APPROVED: \_\_\_\_\_



Mayor Patrick Slayter

ATTEST: \_\_\_\_\_



Mary Gourley, Assistant City Manager/City Clerk, MMC

APPROVED AS TO FORM: \_\_\_\_\_



Larry McLaughlin, City Attorney

**CITY OF SEBASTOPOL**  
**Investment Policy #90**



**I. Policy**

It is the policy of the City of Sebastopol to invest public funds in accordance with the relevant governing statutes and in such a manner as to obtain the highest investment return possible consistent with the safety and liquidity objective outlined in this policy.

**II. Scope**

This investment policy applies to all financial assets of the City of Sebastopol. These funds are accounted for in City of Sebastopol's Comprehensive Annual Financial Report and include:

- General Fund.
- Special Revenue Funds.
- Capital Project Funds.
- Enterprise Funds.
- Trust and Agency Funds.
- Any new fund created by the legislative body, unless specifically exempted.

**III. Prudence**

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio under prevailing economic conditions at the moment of investment commitments. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

In determining whether an Investment official has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the official had responsibility rather than a consideration as to the prudence of a single investment, and, whether the investment decision was consistent with the written investment policy of the entity.

**IV. Objectives**

The City's investments will be in accordance with all state statutes governing the investment of public funds. The City shall invest its cash with three objectives, listed in order of priority:

1. Safety. Safety of the principal invested is the primary objective to insure against loss. In order to obtain this objective, the portfolio will be diversified to guard against losses in any one security class.

2. Liquidity. The City's portfolio will remain sufficiently liquid to enable the City to meet all operating requirements, which might be reasonably anticipated. Investment maturities shall be matched to anticipated cash flow requirements whenever possible. At a minimum, the City will "ladder" investment maturities to coincide with cash outflow needs and to ensure a consistent minimum balance in the liquid portion of the portfolio.
3. Return on Investment. The City's investment portfolio shall attain a market-average rate of return throughout budgetary and economic cycles, taking into account the cash flow characteristics of the City and shall be in keeping with accepted financial management practices and procedures.

#### **V. Investment Authority and Delegation**

Authority to manage the investment program is granted to the Finance Director hereinafter referred to as Investment Officer.

Responsibility for the operation of the investment program is hereby delegated to the Investment Officer who shall act in accordance with this Investment Policy. Officers will prepare quarterly investment reports and other special reports as may be deemed necessary.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

#### **VI. Ethics and Conflicts of Interest**

Employees involved in the investment process shall refrain from any personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The Investment Officer shall disclose any material financial interest in financial institutions that conduct business with the City, and they shall further disclose any personal financial/investment positions that could be related to the performance of the City's portfolio.

#### **VII. Authorized Investments**

The City's authorized investments shall be consistent with the relevant California Government Codes and include:

- Certificates, notes, bonds, or other obligations of the United States or its agencies, instrumentalities, or of any corporation wholly owned by the government of the United States, or of any other government-sponsored corporation such as:
  - Treasury bills, Treasury bonds, Government National Mortgage Association bonds  
Federal Home Loan Bank notes and bonds, Federal National Mortgage Association, Federal Farm Credit Banks consolidated system-wide bonds and discount notes, Federal Home Loan Mortgage Corporation bonds and discount notes.
- Negotiable Certificates of Deposit (maximum 30% of the portfolio).
- Non-negotiable Certificates of Deposit
- Local Agency Investment Fund (LAIF)
- Sonoma County Investment Pool

## **VIII. Safekeeping and Custody**

Securities shall be held in a Safekeeping/Investment account at a major national bank (e.g. Bank of New York Mellon).

## **IX. Maximum Maturities**

The City's objective is to hold investments to maturity. The securities in the portfolio will be "laddered" and will attempt to match investments with anticipated cash flow requirements.

No single security will be purchased with a maturity date more than five years from the date of purchase.

### **Internal Controls**

The City shall have internal controls established with policies, procedures, and prudent investment practices as outlined above.

The City Council will meet on a quarterly basis for review of the investment portfolio and performance. The Finance Director will provide a report summarizing investment activity and current portfolio status.

## **X. Performance Standards**

The investment portfolio will be designed to obtain an average rate of return during budgetary and economic cycles consistent with the investment objectives and cash flow needs.

The investment strategy is passive (the City will be a buy and hold investor, not actively buying/selling securities). Given this strategy, the benchmark used by the Treasurer to determine performance levels will be the average return on the LAIF (Local Agency Investment Fund). Yield considerations are secondary, however, to legality, safety, and liquidity.

## **XI. Reporting**

The Investment Officer shall provide the City Council with a quarterly report for review. This report will summarize the current performance of the portfolio for City as measured against the benchmark, including the following:

- A listing of individual securities held at the end of the reporting period.
- Final maturity of all investments listed and weighted average maturity of the portfolio.
- Earnings rates for each security and weighted average yield on the portfolio.

## **XII. Investment Policy Adoption**

The City of Sebastopol Investment Policy shall be adopted by the City Council and reviewed on an annual basis. Any significant revisions thereto shall be approved by the Council.