



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: JULY 1, 2025

DEPARTMENT: FINANCE

FROM: SELINA ANDREWS, FINANCE DIRECTOR

TITLE: FY 2025-26 INVESTMENT POLICY

RECOMMENDED MOTION:

A motion to approve resolution adopting the recommended updates to the City of Salinas Investment Policy.

EXECUTIVE SUMMARY:

City of Salinas Investment Policy (Policy) Section 11.C requires the City's investment policy to be reviewed at least annually and, as necessary, recommended changes adopted by the City Council. Following review by staff and consultation with the City's investment advisor, Chandler Asset Management, staff recommends adoption of the recommended changes to the Investment Policy as reflected in the attachment to this staff report.

BACKGROUND:

The Finance Director and investment manager evaluate the Investment Policy (Exhibit A) on an annual basis and recommend updates based on legislative changes, investment management practices, changes in the bond market and economy, or to conform to national and state investment policy statutes and standards, with underlying policy objective of safety, liquidity, and yield.

The Policy is based on State of California Government Code Sections 53600 through 53609 and 53630 through 53686. These statutes, as well as recommended guidelines set forth by the Association of Public Treasurers of the United States and Canada, the California Municipal Treasurers Association and the Government Finance Officers Association, have aided City staff in policy review and development. The State laws and established guidelines encompass a broad array of allowable investments and investment standards to suit the different needs of California's local agencies.

The Policy applies to the City's Pooled Investment Portfolio and Bond Proceeds Portfolio. These portfolios encompass all funds under the oversight of the Finance Director, including the General Fund, Reserve Funds, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Proprietary Funds, Trust and Agency Funds, and other funds that may be created as needed.

There were two amendments to the Government Code Section 53601. The amendments clarify that the public agency investment's term or remaining maturity is to be measured from the settlement date to final maturity. This modification necessitates a change to the City of Salinas Investment Policy.

Local funds:

Chapter 427, Statutes of 2022 (SB 1489), the Local Government Omnibus Act, amended Government Code sections related to the investment of surplus funds by county treasurers. This bill amended Government Code Section 53601 to clarify that a public agency investment's term or remaining maturity is to be measured from the settlement date to final maturity. In addition, this code section was amended to prohibit the purchase of a security with a forward settlement date exceeding 45 days from the time of investment.

A provision of this bill also amended 53646(b)(1) to increase the timeline that the treasurer or chief fiscal officer has for presenting a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency by 15 days, from 30- to 45 days following the end of the quarter.

State Funds:

Chapter 126, Statutes of 2022 (AB 2332) amended Government Code sections related to eligible securities of the Pooled Money Investment Board (PMIB). This bill amended Government Code Section 16430(c) to broaden the type of security issued by the State of California that can be purchased by the Pooled Money Investment Board (PMIB) from bonds, notes and warrants to bonds, notes, and other obligations.

In addition, this bill amended Government Code Section 16430(d) to add a security of "a city and county" to the type of local government securities in which the state can invest and added a requirement that an eligible local government security shall have a rating within the top three ratings of a nationally recognized statistical rating organization. For a security issued by a foreign country that the International Monetary Fund lists as an advanced economy, this bill amended Government Code Section 16430(f) to add a requirement that the government of a foreign country submits to the jurisdiction of a federal or state court in the United States when disputes arise related to the investments. Lastly, this bill amended Government Code Section 16430(m) to add the European Bank for Reconstruction and Development and the European Investment Bank, to the list of eligible investments under this subsection of code.

Amendments to section 53646(b)(1) increase the timeline that the treasurer or chief fiscal officer has for presenting a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency by 15 days, from 30 to 45 days following the end of the quarter.

The amendment for State Funds does not apply to the City of Salinas.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

CALIFORNIA GOVERNMENT CODE §84308 APPLIES:

No.

STRATEGIC PLAN INITIATIVE:

Adoption of the Investment Policy achieves the City Council 2025 Strategic Goal of City Services.

DEPARTMENTAL COORDINATION:

This staff report was coordinated with the City Manager, City Attorney, and Finance.

FISCAL AND SUSTAINABILITY IMPACT:

There is no fiscal impact associated with adopting the Investment Policy.

Fund	Appropriation	Appropriation Name	Total Appropriation	Amount for recommendation	FY 25-26 Operating Budget Page	Last Budget Action (Date, Resolution)
N/A	N/A	N/A	N/A	N/A	N/A	N/A

ATTACHMENTS:

Resolution

Exhibit A – Investment Policy