



## Agenda Item Details

Meeting	Jun 16, 2021 - City Commission Meeting
Category	8. APPEARANCES BY CITY COMMISSION APPOINTED BOARDS AND COMMITTEES, AND OTHER GOVERNMENTS
Subject	8.01 (Adjourn as the City Commission and Convene as the Sinking Fund Commission) Approval of Revisions to Commission Policy 234, Non-Pension Investment Policy --- James O. Cooke, IV, City Treasurer-Clerk
Access	Public
Type	Action
Fiscal Impact	No
Budgeted	No
Recommended Action	Option 1. Approve the proposed revisions to the Non-Pension Investment Policy (234)

## Public Content

For more information, please contact: Kent Olson, Deputy Treasurer-Clerk, (850) 891-8082

### *Statement of Issue*

The City's Non-Pension Investment Policy (234) provides guidance to the City Treasurer-Clerk on the City's operating fund investments. The proposed revisions will provide more flexibility in managing the City's non-pension investment portfolio as well as update the language of the Policy. The revisions also provide for greater diversification in the investment portfolio.

The Investment Advisory Committee reviewed and approved the proposed revisions at their quarterly meeting on May 27, 2021. The Policy is typically revised every three to five years; the last update was approved on July 19, 2017.

### *Recommended Action*

Option 1. Approve the proposed revisions to the Non-Pension Investment Policy (234).

### *Fiscal Impact*

There is no budgetary impact related to this agenda item.

## Supplemental Material/Issue Analysis

### *History/Facts & Issues*

The Non-Pension Investment Policy was last updated four years ago, and there are four substantive revisions proposed for this latest edition. The proposed revisions will increase the diversification of the portfolio, helping to increase the returns while reducing the overall risk to the portfolio. The proposed changes will recognize the reduction in the number of ratings many municipalities will seek when they issue their debt, and recognize that some corporate issuers are utilizing a fourth rating agency when they issue debt. Just as the City has reduced the number of ratings it pays for from three to two for our two utility credits (Energy and Consolidated Utility Systems), many municipal governments have gone to seeking only one credit rating for their bond issues. The trend for fewer ratings has gained adherents in the wake of the Great Recession as a way to save money on the cost of issuance, especially for the taxable debt issues that the City will purchase for our operating portfolio. For corporations, we continue to see most companies use two rating agencies to review their debt issues. We have also seen an increase in the utilization of DBRS Morningstar for providing the second rating rather than using two of the top three rating agencies, which has limited us in some cases from purchasing a particular corporate security. Finally, the proposal reflects a change in the benchmark for the internally managed portion of the portfolio to more closely match the investments the City is able to make in that portfolio.

The staff met with the Investment Advisory Committee on May 27, 2021 and received the approval of the Committee. Changes include:

1. Increasing by 5% each the maximum percentage of the internally managed portfolio to be invested in corporate and municipal notes.
2. Requiring a minimum of one rating rather than two from amongst the top three rating agencies for the purchase of a municipal security.
3. Providing that one of the two ratings for the purchase of a corporate note may be from DBRS Morningstar, with the second rating coming from amongst the top three rating agencies.
4. A change in the benchmark for the internally managed portfolio from the 1-3 Year Government/Credit index to the 1-3 Year Government/Credit ex Baa Total Return index to reflect the Policy's prohibition of purchasing any security rated less than "A".
5. Updating language and nomenclature that is outdated.

The recommended revisions to the Non-Pension Investment Policy (234) were reviewed and approved by the Investment Advisory Committee at their meeting on May 27, 2021.

### ***Options***

Option 1: Approve the proposed revisions to the Non-Pension Investment Policy (234).

Option 2: Provide staff with alternative direction.

### ***Attachments/References***

Non-Pension Investment Policy (234), as proposed.

Non-Pension Investment Policy (234), as proposed in legislative format.

[Non-Pension Investment Policy CP234 blacklined 5-07-21.pdf \(196 KB\)](#)

[Non-Pension Investment Policy CP234 clean 5-07-21.pdf \(193 KB\)](#)