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MEMO

Date: **March 28, 2019**

To: **Mayor and City Council**

From: **Lane Mecham, Director of Finance**

Re: **Amended Ivins City Investment Policy**

Message:

Background

The Ivins City Investment Committee, which is comprised of the Treasurer, City Manager, and Director of Finance, recently met with the City's financial advisors. The investment portfolio is performing well, however, during that discussion the City raised its concern about concentrations of investments into individual corporate bonds. For example, the City had 8.916% of its total portfolio invested in bonds issued by Morgan Stanley. This is above the 5% cap laid out in the City's current investment policy, but not above the range allowed in the Utah Money Management Act ("UMMA"), which is 5-10% based on the total size of the portfolio[1].

Additionally, House Bill 240 was recently signed into law which will amend UMMA to allow municipalities the flexibility to invest in a greater variety of negotiable certificates of deposit ("CD's") while still taking advantage of the federally insured FDIC protections[2]. The City's current investment policy restricts CD's to "Utah State Depositories". The City's financial advisors have suggested that we remove that language from the policy to allow for greater flexibility for those investments in the portfolio.

Recommendation

[1] Utah Money Management Act, Rule 17, No. 5, "…portfolios of $10 million or less may not invest more than 10% of the total portfolio with a single issuer."
[2] H.B. 240 Money Management Act Amendments, 2019 General Session, https://le.utah.gov/~2019/bills/static/HB0240.html

The Investment Committee recommends that the current investment policy be amended to conform with the UMMA and allow the investment portfolio the flexibility it needs to meet its objectives. The proposed changes are relatively minor and would:

- change the cap on corporate bonds from 5% to a range of 5-10% based on portfolio size, in accordance with the UMMA,
- change the cap on commercial paper from 5% to a range of 5-10% based on portfolio size, in accordance with the UMMA, and
- remove language from the policy that restricts investments in CD's to Utah state depositories.

The City's total portfolio is approximately $3.02 million, which means the cap on single issuer concentration for commercial paper and corporate bonds will effectively increase from 5% to 10%. However, the City's assets are appropriately laddered in investment grade securities and the new policy still limits investments in CD's to the federally insured limit, the Investment Committee does not believe it overly-exposes the City's assets to risk of losses.