



Legislation Details (With Text)

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On agenda: 3/28/2023 **Final action:**
Title: Treasurer-Tax Collector requests the following actions regarding the Napa County Investment Pool:

1. Adoption of a Resolution renewing the delegation of investment/reinvestment authority to the Treasurer-Tax Collector for an additional one-year period beginning April 1, 2023, pursuant to California Government Code sections 53607 and 27000.1; and
2. Approval of the Napa County Statement of Investment Policy in accordance with California Government Code section 53646(a)(1).

Sponsors:

Indexes:

Code sections:

Attachments: 1. Resolution, 2. Investment Policy 2023-24

| Date | Ver. | Action By | Action | Result |
|-----------|------|----------------------|--------|--------|
| 3/28/2023 | 1 | Board of Supervisors | | |

TO: Board of Supervisors

FROM: Robert G. Minahen - Treasurer and Tax Collector

REPORT BY: Robert G. Minahen - Treasurer and Tax Collector

SUBJECT: Delegation of Investment Authority to County Treasurer and Approval of the County Statement of Investment Policy

RECOMMENDATION

Treasurer-Tax Collector requests the following actions regarding the Napa County Investment Pool:

1. Adoption of a Resolution renewing the delegation of investment/reinvestment authority to the Treasurer-Tax Collector for an additional one-year period beginning April 1, 2023, pursuant to California Government Code sections 53607 and 27000.1; and
2. Approval of the Napa County Statement of Investment Policy in accordance with California Government Code section 53646(a)(1).

EXECUTIVE SUMMARY

Renew Delegation of Investment Authority

As a local agency, the County's Board of Supervisors is empowered by the California Legislature to make investment decisions on the County's behalf. However, the Board of Supervisors may delegate its fiduciary investment authority to the county treasurer pursuant to California Government Code sections 53607 and 27000.1.

The current annual delegation period will expire at the end of March. Therefore, the Treasurer-Tax Collector is requesting the Board of Supervisors adopt a resolution delegating its authority to invest/reinvest local agency surplus funds held in the Napa County Treasury to the Treasurer-Tax Collector for one year ending March 31, 2024.

Approve Napa County Statement of Investment Policy

The Napa County Investment Policy is presented annually to the Napa County Treasury Oversight Committee (TOC) for review and monitoring in accordance with California Government Code sections 27133 and 53646 (a)(1). On March 15, 2023, the TOC approved the updated Investment Policy, which includes the addition of Supranational Obligations to the list of permitted investments, but also restricts investments in certain specific industries to align with other County strategic positions or initiatives.

The Napa County Treasurer-Tax Collector recommends approval of the attached Statement of Investment Policy dated March 28, 2023.

PROCEDURAL REQUIREMENTS

1. Staff reports.
2. Public comments.
3. Motion, second, discussion and vote on the item.

FISCAL & STRATEGIC PLAN IMPACT

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| Is there a Fiscal Impact? | No |
| Is it Mandatory or Discretionary? | Discretionary |
| Discretionary Justification: | The Treasurer-Tax Collector is currently responsible for cash flow forecasting and surplus funds investment decisions, following Prudent Investor guidelines while prioritizing safety and liquidity before yield. |
| Is the general fund affected? | No |
| Consequences if not approved: | If delegation of authority is not approved, the Board of Supervisors would absorb fiduciary responsibilities under Government Code section 53600.3 for all investment/reinvestment of surplus funds decisions effective April 1, 2023. |
| County Strategic Plan pillar addressed: | Effective and Open Government |

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: None

BACKGROUND AND DISCUSSION

Renew Delegation of Investment Authority

The California Legislature has enacted a detailed statutory process for the deposit and investment of local agency surplus funds. Since the County is a local agency, the County's Board of Supervisors is empowered to make investment decisions on the County's behalf. However, the Board of Supervisors may delegate its investment authority to the county treasurer pursuant to California Government Code sections 53607 and 27000.1. If the delegation of investment/reinvestment authority occurs, the Treasurer-Tax Collector takes full responsibility for investments and reinvestments of local agency surplus funds until the Board of Supervisors either revokes its overall delegation of authority by ordinance, or decides not to renew the annual delegation.

Since the adoption of the ordinance in 1996, the Board of Supervisors' delegation of authority to the Treasurer-Tax Collector to invest/reinvest has been renewed every year. The current annual delegation period will expire at the end of March. Therefore, the Treasurer-Tax Collector is requesting the Board of Supervisors adopt a resolution delegating its authority to invest/reinvest local agency surplus funds held in the Napa County Treasury to the Treasurer-Tax Collector for one year ending March 31, 2024.

Approve Napa County Statement of Investment Policy

The Napa County Investment Policy is presented annually to the TOC for review and monitoring in accordance with California Government Code sections 27133 and 53646(a)(1), before presenting to the Board of Supervisors for formal approval. The policy before the Board includes two significant changes:

1. The addition of supranational debt as a permitted investment option. A supranational organization is formed by a group of countries through an international treaty with specific Environmental, Social or Governance (ESG) objectives. The most commonly recognized supranational debt is issued by the World Bank. Supranational issuers carry credit ratings that are equal to, or in most cases, superior to United States Treasury bonds. Supranational will provide a diversification option during times of constricting monetary policy. Supranational are identified as allowable investment instruments for local governments under Government Code section 53601(q) which limits holdings to a maximum maturity of five (5) years and issuances must carry an "AA" rating category, or its equivalent, or better. The proposed policy addition also restricts holdings to a maximum of 10% of the portfolio balance at the time of purchase.
2. The prohibition of purchasing corporate bonds from industries that fail to align with strategic positions and/or initiatives approved by the Board of Supervisors. The negative screening included in the policy specifically identifies and prohibits purchasing bonds from corporations that:
 - a. extract, produce or refine fossil fuels;
 - b. support the production of firearms or ammunition; or
 - c. derive more than 15% of their total revenue from tobacco or tobacco-related products.

The investment pool is currently holding one bond, representing 0.66% of the portfolio, that would be in violation of the added exclusions. The bond holds a below market rate of interest and selling the bond in the current market would result in a realized loss. The recommended action will allow this bond to be held to maturity (March 1, 2026) or until the interest rate market changes enough to sell the bond at breakeven or better.

The Napa County Treasurer-Tax Collector recommends approval of the attached Statement of Investment Policy dated April 4, 2023.