Agenda Item No: 1.e

PLACENTIA CITY COUNCIL AGENDA REPORT

Meeting Date: July 21, 2026

Submitted by: Gavin Houn

From: Finance

Subject:
ADOPT INVESTMENT RESOLUTION ADOPTING THE ANNUAL STATEMENT OF INVESTMENT POLICY FOR FISCAL YEAR 2026-27

Financial Impact:
None.

Summary:
In accordance with California Government Code ("CGC") Section 53646(a)(2), submitted for City Council review and approval is the annual Statement of Investment Policy for Fiscal Year 2026-27. The proposed investment policy states the goals of the City's investment activities, the types of investments in which the City is allowed to invest its funds and the reporting requirements.

Recommended Action:
It is recommended that the City Council:
Adopt Resolution No. R-2026-58, a Resolution of the City Council of the City of Placentia, California, adopting the annual Statement of Investment Policy for the Fiscal Year 2026-27.

Strategic Plan Statement:
This item is consistent with the City Council approved Strategic Goal No. 1, Fiscal Sustainability, to Ensure long-term financial health by responsibly managing resources, investing wisely, and maintaining a balanced budget that supports high-quality services for the community.

Discussion:
An investment policy describes the parameters for investing government funds and identifies the investment objectives, preferences or tolerance for risk, constraints on the investment portfolio, and how the investment program will be managed and monitored. The document itself serves as a communication tool for the Staff, elected officials, the public, rating agencies, bondholders, and any other stakeholders on investment guidelines and priorities. An investment policy enhances the quality of decision making and demonstrates a commitment to the fiduciary care of public funds, making it the most important element in a public funds investment program.

The City of Placentia's Investment Policy is reviewed and updated annually and includes statements on the following:

- *Scope and investment objectives*: The scope of the policy covers all funds of the City, with the policy's objectives being (in order) Safety, Liquidity and Yield.
    - *Safety* - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
    - *Liquidity* - The City's investment portfolio will remain sufficiently liquid to enable the City of Placentia to meet all operating requirements which might be reasonably anticipated.
    - *Yield* - The City's investment portfolio shall have the objective of attaining a comparative performance measurement or an acceptable rate of return throughout budgetary and economic cycles. These measurements should be commensurate with the City's investment risk constraints identified in this Investment Policy and the cash flow characteristics of the portfolio.

- *Roles, responsibilities. and standards of care*: The City Treasurer shall be responsible for investment of City Funds and comply with the "prudent investor" standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity of the agency."

- *Suitable and authorized investments*: Investment of City funds is governed by the California Government Code Sections 53600 et seq. Only those investments authorized in the policy shall be allowable. Examples of authorized investments include United States treasury bills, bonds or notes, Local Agency Investment Fund (LAIF), Negotiable Certificates of Deposit and United States Government obligations.

- *Diversification*: The City shall diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. To promote diversification, no more than 5% of the portfolio may be invested in the securities of any one issuer, regardless of security type, excluding U.S. Treasuries, federal agencies, and pooled investments such as LAIF, money market funds, or local government investment pools.

- *Safekeeping, custody, and internal controls*: All security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the City Treasurer and evidenced by safekeeping receipts. Appropriate internal controls will be established and reviewed annually by external auditors that will review and perform procedure testing on the City's cash and investments that have a material impact on the financial statements.

- *Authorized financial institutions, depositories, and broker/dealers*: The City Treasurer will maintain a list of approved financial institutions authorized to provide investment services to the public agency in the State of California. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

- *Risk and performance standards*: The recommended performance benchmark is the Two Year Constant Treasury Maturity Rate which is consistent with the weighted average maturity of the portfolio.

- *Reporting and disclosure standards*: The City Treasurer will prepare and submit quarterly reports to the City Council stating compliance of the portfolio with the investment policy and affirming the City's ability to meet its expenditure requirements for the next six months.

The Investment Policy was significantly updated in FY 2022-23 to incorporate best practices recommended by the Government Finance Officers Association (GFOA) and align with their sample investment policy. The FY 2026-27 policy maintains these best practices while continuing to prioritize safety, liquidity and yield.

Financial Summary:
None.

Attachments
CC RES R-2026-58 - Annual Statement of Investment Policy.docx
Placentia FY 26-27 Investment Policy.pdf