



Agenda Item #: _____

Staff Report

City of Manhattan Beach

TO: Members of the Finance Subcommittee

FROM: Bruce Moe, Finance Director
Henry Mitzner, Controller
Eden Serina, Budget Analyst

DATE: March 15, 2013

SUBJECT: Extension of Authorization to Exceed Fifty Percent Limitation of City's Investment Portfolio in the State Local Agency Investment Fund (LAIF)

RECOMMENDATION:

Staff recommends that the Finance Subcommittee authorize the extension of the waiver of the City's Investment Policy requirement that no more than 50% of the City's investment portfolio be deposited in LAIF. Staff further recommends that the extension remain valid until December 31, 2013, at which time it will be reviewed.

DISCUSSION:

The City's Investment Policy limits investment in LAIF to a maximum of 50% of the value of the portfolio. This policy limit has been waived a number of times over the past few years due to market instability and conditions that often made LAIF the preferred investment.

Rates have remained at historically low levels despite the belief that yields are poised for a rebound. In an effort to not lock in low yields for extended terms, LAIF, which is liquid, has been used as a main investment tool as the Treasurer and staff attempt to take advantage of market movements in a historically low rate environment. Having the ability to hold funds in LAIF, which despite its liquidity often offers yields similar to 24 month bullets, provides the ability to maximize yield while providing flexibility to seize improving market conditions.

In addition to the percentage policy limitation on LAIF, the City's Investment Policy also provides for a dollar limit of the LAIF balance in the amount of \$40 million. The City's LAIF balance has not exceeded this limit.

Staff recommends that the Finance Subcommittee authorize the extension of the waiver of the City's Investment Policy requirement that no more than 50% of the City's investment portfolio be deposited in LAIF. Staff further recommends that the extension remain valid until December 31, 2013, at which time it will be reviewed. While this waiver will provide the necessary flexibility for the City's investment portfolio, staff will continue to monitor markets and instruments other than LAIF that meet the goals of safety, liquidity and yield.