



## Legislation Text

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**File #:** 2017-0234, **Version:** 1

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**DATE:** June 20, 2017

**SUBJECT:**

**RESOLUTION AUTHORIZING THE REQUIRED ANNUAL ADOPTION OF BPC POLICY NO. 115, GUIDELINES FOR PRUDENT INVESTMENTS, INCLUDING RECENT LEGISLATIVE UPDATES PERTAINING TO PUBLIC FUNDS INVESTMENTS**

### **EXECUTIVE SUMMARY:**

Board of Port Commissioners (BPC) Policy No. 115, Guidelines for Prudent Investments, requires that this policy be submitted annually to the Board of Port Commissioners for review and adoption by resolution of the Port's investment policy. This policy is also updated for relevant legislative changes to California Government Code Section 53600 *et seq.* which details numerous requirements on how and where public funds may be invested.

The California Debt and Investment Advisory Commission (CDIAC) published a statutory update dated January 1, 2017 reflecting changes in the law with respect to public funds investments. The statutory updates were adopted by the Legislature and signed by the Governor. This legislative change clarifies and amends rating requirements contained in Government Code Section 53601. Specifically, wording in ratings requirements were updated to a rating agency "category" which is inclusive of modifies such as symbols or numbers; further, the legislative update now includes the wording "equivalent or higher ratings" from Nationally Recognized Statistical Rating Organizations (NRSRO). The specific sections of the Government Code pertain to four types of investment instruments: Commercial Paper, Medium Term Notes, Mortgage Passthrough Securities, and Supranationals.

The Port currently invests in two (Medium Term Notes and Supranational securities) of the four security instruments included in the legislative update. As such, staff proposes to align all relevant wording in the policy with the above updates and recommends that the Board adopt a resolution authorizing the annual adoption and legislative updates to BPC Policy 115, Guidelines for Prudent Investments.

### **RECOMMENDATION:**

Adopt a Resolution authorizing the required annual adoption of BPC Policy No. 115, Guidelines for Prudent Investments, including recent legislative updates pertaining to public funds investments

### **FISCAL IMPACT:**

This agenda item has no fiscal impact.

## **COMPASS STRATEGIC GOALS:**

This agenda item supports the Port's strategic goal for a financially sustainable Port that drives job creation and regional economic vitality.

## **DISCUSSION:**

As part of best practices, sound financial management, and in accordance with BPC Policy No. 115, Guidelines for Prudent Investments, the Board of Port Commissioners reviews and adopts this policy annually, taking into account changes in State law and other relevant factors. The policy serves as a guide for setting the investment management functions for the Port and provides transparency and disclosure to the Port's stakeholders. A listing of the allowable investment instruments per State Government Code is included in Attachment 'A.'

Staff contacted the California Debt and Investment Advisory Commission (CDIAC), a State-sponsored commission which provides information and policy research for public fund investments to local agencies. After review of CDIAC's updates effective January 1, 2017, staff identified California Government Code changes in wording of four sections of the code to clarify and amend statutory requirements that impact the Port.

The statutory updates were adopted by the Legislature and signed by the Governor affect Government Code Sections 53601(h)(I)(C) Commercial paper, 53601(k) Medium Term Notes, 53601(o) Mortgage Passthrough Securities, and 53601(q) Supranationals. Specifically, wording in ratings requirements were updated to a rating agency "category" which is inclusive of modifies such as symbols or numbers; further, the legislative update now includes the word "equivalent or higher ratings" from Nationally Recognized Statistical Rating Organizations (NRSRO).

The above legislative updates are included and redlined into the District's BPC Policy 115, Guidelines for Prudent Investments, in Attachment 'B.' Since the Port currently invests in selected Medium Term Notes and Supranational securities, and, in order to align all relevant wording in the policy with the above updates, staff recommends that the Board adopt a resolution authorizing the annual adoption and legislative updates to BPC Policy 115, Guidelines for Prudent Investments.

## **General Counsel's Comments:**

The Office of the General Counsel has reviewed and approved the proposed resolution as to form and legality.

## **Environmental Review:**

The proposed Board action does not constitute a "project" under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because it will not have a potential to result in a direct or indirect physical change in the environment and is, therefore, not subject to CEQA. No further action under CEQA is required.

In addition, the proposed Board action allows for the District to implement its obligations under the Port Act and/or other laws. The Port Act was enacted by the California Legislature and is consistent

with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

Finally, the proposed Board action does not allow for “development,” as defined in Section 30106 of the California Coastal Act, or “new development,” pursuant to Section 1.a. of the District’s Coastal Development Permit Regulations. Therefore, issuance of a Coastal Development Permit or exclusion is not required.

**Equal Opportunity Program:**

Not applicable.

**PREPARED BY:**

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**Attachment(s):**

Attachment A: List of allowable investment instruments per State Government Code  
Attachment B: BPC Policy No. 115 with proposed redlined changes