

**STAFF REPORT**

F-8



THE CITY OF  
**NOVATO**  
CALIFORNIA

MEETING

DATE: May 22, 2007

TO: City Council

FROM: Deborah Lauchner, Finance Manager

SUBJECT: **ADOPTION OF AN EXCEPTION TO THE CITY OF NOVATO INVESTMENT POLICY**

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**REQUEST**

Consider adopting a resolution approving an exemption to the Investment Policy to allow the Hamilton Trust Fund to purchase securities which have a term or remaining maturity at the time of investment in excess of five years.

**RECOMMENDATION**

Adopt resolution.

**DISCUSSION**

The Hamilton Trust Fund is now fully funded. The trust agreement stipulates that the principal amount of the fund remain in tact. Eighty percent (80%) of the interest earnings are to be allocated to the City General Fund to be spent on "municipal services" or to "mitigate general city impacts caused by the development of the property." The remaining 20% of the earnings are to be retained and made part of the Trust Corpus. In order to maximize the rate of return, it is suggested the investment policy be amended to allow for investment of these trust funds to have maturities greater than 5 years.

On January 20, 2004, the Council approved an exception to the investment policy to allow for \$4M of the trust funds to be invested in longer term securities. The \$4M limit is less than 15% of the funds available for investing and limits the ability to actively grow this fund.

The California Government Code, Section 53601 states the following: *Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, ... , that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.*

In order to actively manage the investment portfolio for the Hamilton Trust Fund, we are requesting the Council to grant authority to allow the Hamilton Trust investment program to invest in securities which can have a maturity up to thirty years.

**ATTACHMENTS**

1. Resolution

F-8  
1.

CITY COUNCIL OF THE CITY OF NOVATO

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE CITY OF NOVATO ADOPTING AN  
EXEMPTION TO THE CITY OF NOVATO INVESTMENT  
POLICY

WHEREAS, the City of Novato has adopted an Investment Policy that complies with the State and Government Finance Officer's Association requirements and guidelines; and

WHEREAS, the California Government Code, Section 53601 requires that no investment shall be made in any security that at the time of the investment has a term remaining to maturity in excess of five years; and

WHEREAS, the City desires to maximize investment returns while ensuring the safety of the principal; and

WHEREAS, in order to gain the highest benefit from investing funds in the Trust, the City wishes to invest in securities that, at the time of investment, have a term remaining to maturity in excess of five years.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Novato hereby approves an exception to its Investment Policy to allow for funds deposited in the Hamilton Trust Fund to be invested in securities that can have maturities up to thirty years.

\* \* \* \* \*

I HEREBY CERTIFY that the foregoing resolution was duly and regularly adopted by the City Council of the City of Novato, Marin County, California, at a meeting thereof, held on the \_\_\_\_ day of \_\_\_\_\_, by the following vote, to wit:

- AYES: Councilmembers
- NOES: Councilmembers
- ABSTAIN: Councilmembers
- ABSENT: Councilmembers

\_\_\_\_\_  
City Clerk of the City of Novato