MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Amending the Office of Community Investment and Infrastructure’s Investment Policy to Reflect the Use of the City and County of San Francisco Treasurer’s Office Investment Pool and to Update References to State Regulations

EXECUTIVE SUMMARY

The attached resolution would approve an updated investment policy for the Office of Community Investment and Infrastructure ("OCII"), operating as Successor Agency to the former San Francisco Redevelopment Agency ("SFRA"). OCII is currently operating under the former SFRA investment policy last updated on March 21, 1989. The updated policy includes authorization for the Executive Director to use the Treasurer’s Office of the City and County of San Francisco to manage and invest OCII’s funds that are not otherwise required to be in external escrow or trustee accounts. The proposed policy is consistent with local agency requirements in the California Government Code.

DISCUSSION

Following dissolution of the SFRA, former administrative policies of the SFRA remained in effect for the Successor Agency to the SFRA ("OCII"), including the SFRA’s investment policy, last updated on March 21, 1989 (Attachment A).

The proposed investment policy amendment maintains the investment objectives of the existing policy, in the same order of importance, with highest priority listed first:

1. Safety
2. Liquidity
3. Return on Investments (referred to as “yield” in the existing policy).

Proposed changes to the policy are as follows:

A. Reference to the City and County of San Francisco Treasurer’s Office
The proposed policy includes a new section 4.0 which would explicitly authorize the Executive Director of the OCII to enter into arrangements with the Treasurer’s Office of the City and County of San Francisco to manage and invest some or all of OCII’s funds.
This arrangement is sanctioned by Section 53684 of the California Government Code, which allows local agencies to deposit excess funds into the County Treasury for purposes of investment by the Treasurer. The published investment policy of the Treasurer’s Office has the same priority of objectives as the proposed investment policy (safety, liquidity, and return on investments).

This section of the policy would ratify arrangements already in place since shortly after the former SFRA dissolved on January 31, 2012, when the Controller’s Office of the City and County of San Francisco urged OCII to move funds from separate bank accounts and the State Local Agency Investment Fund (“LAIF”) into the Treasurer’s Pool, concurrent with OCII integrating its accounts with the City’s Financial Accounting and Management Information System (“FAMIS”). Placing OCII’s funds with the Treasurer allowed OCII to take fuller advantage of the internal controls and reporting capabilities available within FAMIS. OCII’s funds managed by the Treasurer’s Office are reported in separately identified accounts and OCII retains control over deposits to and withdrawals from those funds.

Certain funds have remained in external bank accounts—primarily OCII funds held in bond trustee accounts and escrow accounts associated with affordable housing projects; and operating accounts used by South Beach Harbor, Fillmore Garage and Jessie Square Garage, which have credit card processing arrangements that could not be immediately transferred to the Treasurer’s Office.

As it turns out, the interest yield provided by the Treasurer’s Office has been substantially higher than that provided by the former SFRA’s bank accounts and its investments within LAIF. For example, in the period from July 2013 through May 2014, local agency investments with LAIF obtained an average annualized net yield of 0.25%, versus a net yield of 0.65% earned on investments with the Treasurer’s Pooled Funds during the same period.

B. Authorized and Suitable Investments
The existing SFRA policy provided a list of eligible investments drawn from the State Government Code. The proposed new policy removes the specific list, and substitutes a reference to investments authorized by the relevant California Government Code sections 27000, 27130, 53600 et seq., and 53630 et seq., which apply to OCII. This allows for OCII’s policy to effectively update itself automatically whenever the Government Code is updated.

C. Funds held in escrow as bond reserves or otherwise pledged to obligations
The proposed policy includes a new section specifically addressing money pledged to the payment or security of bonds or other obligations. The text of this section is the same as that used by the City and County of San Francisco for its investment policy. There may be special statutes governing the investment of such funds. This section of the updated policy makes it clear that such funds may be invested in accordance with any statutory provisions, indentures or other agreements governing those assets.
D. **Reporting**
The proposed policy deletes monthly and annual Commission reporting requirements included in the previous policy to reduce administrative workload and because previous statutory requirements in Government Code Section 53646 were amended by the California Legislature to be made optional, and because Agency funds are now almost entirely held under the oversight of the Treasurer and Controller’s Office of the City and County of San Francisco or under the oversight of trustees. The proposed policy would require annual review of the investment policy by the Executive Director, and that the Commission be consulted whenever staff identifies that a material change in the policy may be required due to a change in statute or other circumstances. In addition, compliance with the investment policy is subject to annual review by OCII’s external auditor.

**Treasurer’s Office Concurrency**
The proposed policy has been reviewed and concurred to by the San Francisco Treasurer’s Office.

**Staff Recommendation**
Staff recommends Commission approval of the resolution.

*(Originated by Leo Levenson, Deputy Director, Finance and Administration)*

[Signature]
Tiffany Bohoe  
Executive Director

Attachment A: San Francisco Redevelopment Agency Statement of Investment Policy