



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: AUGUST 11, 2020

FROM: DEBT & TREASURY MANAGEMENT

SUBJECT: RESOLUTION NO. _____ AUTHORIZING CITY OF LOS ANGELES OFFICE OF FINANCE TO INVEST UP TO \$75 MILLION OF HARBOR DEPARTMENT MONIES IN THE STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND

SUMMARY:

Staff requests adoption of a resolution authorizing the City of Los Angeles Office of Finance to invest up to \$75 million of Harbor Department monies held on deposit in the City's General Pool by the City Treasurer in the State of California Local Agency Investment Fund (LAIF). The additional LAIF investment is expected to increase overall earnings to the City's General Fund.

RECOMMENDATION:

It is recommended that the Los Angeles Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is not a "project" for the purposes of CEQA under Section 15378(b)(4) of the State CEQA Guidelines;
2. Adopt the proposed resolution authorizing the Treasurer of the City of Los Angeles and designated staff to invest up to \$75 million of Harbor Department's monies on deposit in the General Pool held by the City Treasurer in the State of California Local Agency Investment Fund (LAIF); and
3. Adopt Resolution No. _____

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SUBJECT: APPROVE INVESTMENT OF HARBOR DEPARTMENT MONIES BY THE CITY TREASURER IN CALIFORNIA LOCAL AGENCY INVESTMENT FUND

DISCUSSION:

According to Section 303 of the Los Angeles City Charter, the City Treasurer is authorized to combine monies under their respective control with other City monies for the purpose of investment. Earnings from the investment of the money of these departments shall be paid by the Treasurer to the respective department fund from which the money was derived in proportion to the share of the total investment supplied by that fund.

LAIF is a voluntary program created in 1977 by Section 16429.1 et seq. of the California Government Code as an investment alternative for California local governments and special districts. The program offers local agencies the opportunity to participate in a major portfolio that uses the investment expertise of the State Treasurer's Office. The limit of \$75 million is set by LAIF, as a maximum amount that can be invested.

As of June 30, 2020 there were 2,362 California agencies including various cities, counties, schools, and special districts participating in LAIF with over \$32 billion in asset value. The level of risk as it relates to LAIF, is the same as other investments permissible in the City's General Pool. The LAIF fund invests in high quality fixed income securities that are viewed as a minimal credit risk.

The City's General Pool is comprised of three portfolios which include the Core (or short term portfolio), the Reserve portfolio, and the Extended Reserve Portfolio. All of these portfolios are actively managed to Bloomberg/Barclays Indices which are nationally recognized benchmarks. The Core portfolio (together with tax receipts and departmental deposits) is managed to meet the City's daily cash flow needs. The Reserve portfolio is managed to maximize the long-term portfolio returns. The Extended Reserve Portfolio is managed so as to enhance the long-term investment return of the General Pool. Based on the latest investment report available from the Office of Finance dated as of March 31, 2020 the market value in the Core Portfolio is \$4.8 billion, the Reserve Portfolio's market value is \$7.3 billion and the Extended Reserve Portfolio is at \$660 million for a total General Pool market value of \$12.7 billion.

According to the City of Los Angeles Investment Policy, authorized investments shall conform to California Government Code Sections 53601 et seq. and 53635 et seq. Authorized investments shall also include, in accordance with California Government Code Section 16429.1 et seq., investments into the Local Agency Investment Fund (LAIF) or the Los Angeles County Pool Fund in accordance with California Government Code Section 53684.

Although LAIF is a permitted investment within the City's Investment Policy, it has been some time since this investment vehicle has been utilized by the City. Therefore,

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participation in LAIF requires an updated resolution proposed herein recommended to be passed by the Harbor Board of Commissioners (Transmittal 1).

During this period of declining interest rates, City of Los Angeles Office of Finance has been exploring eligible investment alternatives that would maximize the City's investment earnings, while upholding its fiduciary responsibility as a prudent investment manager. The Office of Finance can invest up to \$75 million in the State of California LAIF for each of the City of Los Angeles' proprietary departments.

At this date, LAIF is yielding 1.21%, a rate that is substantially higher than the City's other short-term investment alternatives. These alternatives are currently yielding approximately 0.11%. The additional LAIF investment will increase overall earnings to the General Fund (Transmittal 2).

ENVIRONMENTAL ASSESSMENT:

The proposed action authorizes investment of up to \$75 million of Harbor Department funds in the State of California LAIF, which is not considered a "project" for the purposes of CEQA. Specifically, this action constitutes the creation of a government funding mechanism or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. Therefore, the Director of Environmental Management has determined that the proposed action is not a "project" for the purposes of CEQA, as defined by Section 15378(b)(4) of the State CEQA Guidelines.

FINANCIAL IMPACT:

The proposed action would grant the City Treasurer the authority to invest Harbor Department funds in the California Local Agency Investment Fund. The maximum investment of \$75,000,000 on September 1, 2020 with an assumed return rate of 1.21% would result in estimated earnings of \$755,000 for the 10-month period ending June 30, 2021. Over this same 10-month period ending June 30, 2021, the proposed action could potentially yield \$685,792 in additional interest earnings relative to a \$75,000,000 investment in the City's other short-term investment alternatives at the current yield of 0.11%. The interest earnings on investments are considered non-operating income for the Harbor Department.

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CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the resolution as to form and legality.

TRANSMITTALS:

1. Resolution No. _____
2. Office of Finance Request Letter

FIS Approval: MB
CA Approval: CMB



SOHEILA SAJADIAN
Director, Debt & Treasury Management
Division



MARLA BLEAVINS
Deputy Executive Director and Chief
Financial Officer

APPROVED:

 FOR

EUGENE D. SEROKA
Executive Director