

CDIAC

CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION

LOCAL AGENCY INVESTMENT GUIDELINES 2018 UPDATE

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- Presentation slides are available in the Handouts section of your control panel.
- Live captioning is available at www.streamtext.net/text.aspx?event=CDIAC.
- The *Local Agency Investment Guidelines: Update for 2018* is available at www.treasurer.ca.gov/cdiac/LAIG/guideline.pdf.

Wednesday, May 16, 2018

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LOCAL AGENCY INVESTMENT GUIDELINES 2018 UPDATE

*BILL BLACKWILL, MANAGING
DIRECTOR, STIFEL, NICOLAUS &
COMPANY, INC.*

*JOHN JOHNSON,
ASSISTANT AUDITOR-
CONTROLLER/TREASURER/TAX
COLLECTOR, SAN BERNARDINO
COUNTY*

*ANGELICA HERNANDEZ,
RESEARCH MANAGER, CDIAC*

*DEBORAH HIGGINS, PRESIDENT,
HIGGINS CAPITAL MANAGEMENT*

*LAURA PARISI, CITY TREASURER,
CITY OF LAGUNA BEACH AND LIAB
MEMBER*

*RICK PHILLIPS, CCM,
PRESIDENT AND CHIEF INVESTMENT
OFFICER, FTN FINANCIAL MAIN STREET
ADVISORS*

Wednesday, May 16, 2018

LAIIG: Background

- Developed to aid local officials in their efforts to implement new laws pertaining to the investment of public funds.
- First published in October 1996, to assist public agencies in complying with legislation passed in response to the Orange County bankruptcy.
- Updated annually since 2000.

LAIG: Annual Review Process

- CDIAC monitors state legislation pertaining to investment codes.
- CDIAC follows federal actions with potential impact on investments.
- CDIAC reviews technical assistance requests received pertaining to investments.
- CDIAC convenes a working group composed of public- and private-sector professionals to revise and update LAIG.

LAIG: 2018 Working Group

Constantine Baranoff,
Shareholder, Kronick Moskowitz
Tiedemann & Girard

Bill Blackwill,
Managing Director, Stifel, Nicolaus &
Company, Inc.

Deborah Higgins,
President, Higgins Capital
Management

John Johnson,
Assistant Auditor-
Controller/Treasurer/Tax Collector,
San Bernardino County

Carol Lew,
Shareholder, Stradling, Yocca, Carlson
& Rauth, P.C.

Philip Marr,
Senior Investment Officer, City of Los
Angeles

Kent Morris, MBA, CTP,
Chief Investment Officer, City of San
Diego

Laura Parisi, CPA, CCMT,
City Treasurer, City of Laguna Beach

Rick Phillips, CCM,
President and Chief Investment Officer,
FTN Financial Main Street Advisors

LAIG: Annual Review Process (continued)

- Review begins in October with the end of the Legislative Session/Bill Signing
- Open dialogue about proposed changes to LAIG between working group and CDIAC
- CDIAC provides a summary of legislative changes and identifies technical assistance issues received
- Issues agreed to by all are included in the update
- Drafts are reviewed electronically

LAI:G: Legislative Changes

- Legislation is the primary driver of updates
- Each edition of LAIG contains a *Summary of Statutory Changes* for legislation effective January 1st of that year
- Changes can be simple changes like extensions of sunset dates or more substantial that impact portfolio composition (Deposits/Placement Services) or add new permissible investment products (Supranationals)

LAIIG: Consensus Building

- LAIG: describes the issue; identifies minimum compliance requirements; and provides a consensus recommendations.
- The *Consensus Recommendation* represents the best judgement of the professionals involved (public and private).
- Intended as a guide only, LAIG recommends a public agency seek legal counsel for legal advice.

LAIIG: What's New for 2018

- No statutory changes for 2018 Update.
- Updates to Consensus Recommendations and New Additions:
 - Duration – updated consensus recommendation
 - Short selling – addition to discussion and recommendation on use of reverse repurchase agreements and securities lending agreements
 - Futures and Options – new section added to LAIG.

LAIG: What's New for 2018

- What prompted the changes made to LAIG for 2018?
 - ▣ Reflect current market practices
 - ▣ Address potential issues
 - ▣ Process on adding a new topic to the LAIG

LAIG: What's New for 2018

- Duration, Section III. D features an updated consensus recommendation
 - ▣ The type of duration used depends on the investment. CDIAC included the three most common types of duration (Macaulay, modified, and effective)

LAIIG: What's New for 2018

- Short selling, Section II. J – addition to the discussion and recommendation on use of reverse repurchase agreements and securities lending agreements
 - ▣ CDIAC expanded this section to compare the differences between short-term portfolio management and short-selling

LAIG: What's New for 2018

- Futures and Options, II. P – new section added to LAIG.
 - ▣ This new section cautions and addresses how these permitted yet complicated investment types are used

LAIG: Recent Legislative Changes

- 2013 (session) - broadened use of placement services to include deposits. Changed deposit portfolio allocation limitations.
- 2014 (session) - Addition of Supranationals as permissible investments.
- 2015 (session) – Extension of use of deposit placement services; changed permissible portfolio allocation for deposits; and increased the maximum deposits that can be placed with a single service.
- 2016 (session) – Clarifies rating criteria.

LAI:G: Legislative Tracking

- CDIAC monitors both federal and state legislation
- 2018 Legislative Session:
 - AB 1770 (Steinorth) addresses 53601(o). This bill removes the issuer rating for MBS investments and clarifies the maturity of that type investment.

LAIG: Q & A



Now Available Online
2018 LAIG Update

All CDIAC publications are available online:

<http://www.treasurer.ca.gov/cdiac/>