



CLARIFICATION OF RECENT LEGISLATION TO SUSPEND INVESTMENT REPORTING REQUIREMENTS

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The California Debt and Investment Advisory Commission (CDIAC) has received a number of inquiries recently regarding the suspension of state-mandated investment reporting requirements for local agencies. Some callers asked if CDIAC's AB 943 reporting requirement was suspended. Others wanted to know if both the investment policy as well as the investment report mandates were suspended. This article is intended to inform readers on the legislative changes that have occurred on the state mandate regarding investment reporting, to recommend that local agencies consider their fiduciary responsibilities and continue reporting policy and portfolio information to their legislative bodies and, pursuant to AB 943 (Dutra), to forward the information to CDIAC.

Background

According to the Commission on State Mandates' (Commission's) *Parameters and Guidelines for the Investment Reports*, local agencies are eligible for reimbursement for certain costs related to the preparation and submittal of their annual investment policies and quarterly investment reports. In addition, according to the Commission's *Statewide Cost Estimate for County Treasury Oversight Committees*, counties are eligible for reimbursement for certain oversight committee ongoing costs, including the preparation and submittal of their annual investment policies.

Legislative Changes

The 2003-04 Budget Act [Chapter 157, Statutes of 2003 (AB 1765, Oropeza)] zeroed out the fiscal year 2003-04 reimbursement of the state-funded local mandates for local agency investment policies and reports under Chapter 783, Statutes of 1995 and county treasury oversight committees under Chapter 784, Statutes of 1995 and Chapter 156, Statutes of 1996. In

addition, the Budget Act suspended the mandate for the 2003-04 fiscal year only. Thus, barring legislative action next year, the reporting mandate will be reinstated in fiscal year 2004-05. The question of funding for reimbursements would be handled with the fiscal year 2004-05 state budget.

Local agencies may choose to continue submitting investment policies and reports to their legislative bodies and oversight committees, though they will not be reimbursed for expenses incurred. Local agencies should note that the Budget Act did not repeal or suspend the requirement for cities and counties to submit their investment reports and policies to CDIAC. If local agencies choose to continue to file investment policies and reports to their legislative bodies, they are required to file these documents with CDIAC for the appropriate time period (for the second quarter of the calendar year and whenever amended for investment policies and for the second and fourth quarter of the calendar year for investment reports). If cities and counties choose not to file investment policies and reports with their legislative bodies, they would not be required to file with CDIAC.

CDIAC Recommendations

CDIAC recommends that local agencies consider the fiduciary responsibility of their governing bodies to follow prudent investor standards. To maintain this standard, local agencies should consider continuing to present their annual investment policies (and refine, if needed) and continuing to submit investment reports to their chief executive officer, internal auditor, and legislative body and, pursuant to law, forward such information to CDIAC. To further this effort, State Treasurer Phil Angelides recently sent a letter to all California county and city Treasurers and legislative bodies, requesting them to continue these reports.

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