



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Staff
September 8, 2009

**Honorable Mayor and
Members of the City Council**

Title: Authorize Membership in CalTRUST Investment JPA

Location/Council District: Citywide

Recommendation: Adopt a **Resolution** authorizing The City of Sacramento to join the Investment Trust of California, a Public Joint Powers Authority otherwise known as CalTRUST, to invest operating reserves and funds into the treasury not required for immediate needs with other public agencies in the Trust.

Contact: Russell T. Fehr, City Treasurer, (916) 808-5832, John Colville, Senior Investment Officer, (916) 808-8297.

Presenters: Russell T. Fehr, City Treasurer

Departments: City Treasurer

Division: Investments

Organization No: 05001011

Description/Analysis

Issue: A number of California public agencies have created a Joint Powers Authority (JPA) -- the Investment Trust of California, commonly known as CalTRUST -- for the purpose of pooling local agency assets for investing. Membership in the CalTRUST program is open to any Public Agency in California. At the present time, there are 74 CalTRUST participants. The JPA is governed by a Board of Trustees, consisting of up to 15 members, all of whom are experienced investment officers or employees of the public agency members. The Trustees are responsible for setting the overall policies and procedures for the JPA, and for hiring and supervising the activities of the program administrator, the investment advisor, the custodian, the auditor, legal counsel, etc.

Policy Considerations: Section 6502 of Title 1, Division 7, Chapter 5 of the Government Code of the State of California (the "Joint Exercise of Powers Act")

provides that, if authorized by their legislative or other governing bodies, two or more public agencies by agreement may jointly exercise any power common to the contracting parties.

Public agencies which constitute local agencies, as that term is defined in Section 53630 of the California Government Code, are authorized pursuant to Section 53601 and/or 53635 thereof to invest all money belonging to, or in the custody of, the local agency in certain specified investments.

The Investment Trust of California, carrying on business as Ca/TRUST (the “Joint Powers Authority”) was established as a vehicle for public agencies to jointly exercise their common power to invest funds in accordance with applicable California law governing the investment of funds by public agencies

The Investment pooled accounts maintained and administered by CalTRUST are further described in Exhibit A attached to this report.

Environmental Considerations: Not Applicable

California Environmental Quality Act (CEQA): This action is not subject to the CEQA because it is not a “project” as defined in section 15378 of the CEQA Guidelines.

Sustainability Considerations: None

Commission/Committee Action: None

Rationale for Recommendation: The purpose of CalTRUST is to consolidate investment activities of the participants and thereby reduce duplication, achieve economies of scale and carry out coherent and consolidated investment strategies. A principal advantage of CalTRUST is its flexibility. The Money Market account permits daily transactions, with same-day liquidity (provided redemption requests are received by 1:00 p.m. Pacific time), with no limit on the amount of funds that may be invested. The Short-Term account permits an unlimited number of transactions per month (with prior day notice), with no limit on the amount of funds that may be invested. The Medium- and Long-Term accounts permit investments, withdrawals and transfers once per month, with five days advance notice. At present, the CalTRUST requires a minimum investment of \$250,000; however, this requirement can be waived at the discretion of the CalTRUST Administrator. CalTRUST provides printed statements on a monthly basis, as well as 24-hour, password protected information on member accounts via online access.

Financial Considerations: There are no costs associated with joining the Investment Trust of California Joint Powers Authority. As with Local Agency Investment Fund (LAIF), all expenses associated with participation in CalTRUST are deducted from the yield.

At present, the total annual operating expense of the CalTRUST Money Market Account is 0.13% (13 basis points) per year on the average daily net assets in the Money Market Account. Total annual operating expense of the CalTRUST Short-Term Account is 0.14% (14 basis points) per year on the first \$500 million of average daily net assets in the Short-Term Account (all participants combined), and 0.13% (13 basis points) per year on average daily net assets above \$500 million.. Total annual operating expenses for the Medium-Term and Long-Term accounts are 0.24% (24 basis points) of the average daily net assets in the Medium- and Long-Term accounts, respectively.

There are no out-of-pocket expenses for money invested in CalTRUST. In addition, there are no transaction costs associated with contributions to or withdrawals from the CalTRUST accounts, or for transfers between CalTRUST accounts.

Emerging Small Business Development (ESBD): Not Applicable

Respectfully Submitted by:  _____
John Colville
Senior Investment Officer

Recommendation Approved:

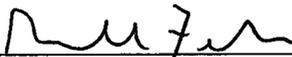
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Russell T. Fehr
City Treasurer

Table of Contents:

Report	Pg. 1
Attachments	
1 Exhibit A	Pg. 4
2 Resolution	Pg. 5

Exhibit A**CalTRUST Investment Accounts**

CalTRUST invests in fixed income securities eligible for local agency investment pursuant to California Government Code Sections 53601 and 53635. A Board of Trustees supervises and administers the investment programs of the JPA. CalTRUST maintains and administers four pooled accounts within the program:

- a Money Market account, which invests in an existing SEC-registered money market fund, which is rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s Investor Services;
- a Short-Term Account with a target duration of 0-2 years;
- a Medium-Term Account with a target duration of 1.5-3.5 years; and
- a Long-Term Account with a target duration of 5-7 years (although authorized by the CalTRUST Joint Powers Agreement, the CalTRUST Board of Trustees has elected to defer the opening of the Long-Term Account until the interest rate environment is more favorable for longer term securities).

CalTRUST has entered into a Program Administration agreement with the CSAC Finance Corporation to provide administrative services. The CSAC Finance Corporation, formed in 1986, provides a broad range of financial services programs through the California Statewide Communities Development Authority, a joint powers authority, which currently has over 50 counties, more than 225 cities, and more than 50 special districts throughout the State as members.

CalTRUST also has entered into an Investment Advisory agreement with Wells Capital Management (WellsCap) to serve as investment advisor for the JPA. Subject to overall policy direction of the Board of Trustees, the investment advisor is responsible for the daily management of the investment affairs and research relating to the JPA’s accounts. Wells Capital Management is an asset management and broker/dealer firm and is a wholly-owned subsidiary of Wells Fargo Bank, N.A. WellsCap has a national and international client base consisting of major governmental and institutional funds and corporate portfolios. As of March 31, 2009, WellsCap had \$365 billion in assets under management, including \$315 billion in fixed-income assets and money market funds.

The Treasurer currently uses the Local Agency Investment Fund (LAIF) run by the State Treasurer, as a vehicle for managing liquidity in the portfolio. LAIF, however, has restrictions on the amount of funds that can be on deposit at any one time. CalTRUST will give the Treasurer an additional vehicle to use in managing liquidity and bond proceeds, where appropriate; and if used in conjunction with LAIF, will provide increased diversification in the portfolio. In addition, the CalTRUST program will offer medium- and long-term options which LAIF does not offer.

Attachment 1

RESOLUTION NO. 2009-XXXX

Adopted by **Sacramento City Council**

Date: September 8, 2009

**AUTHORIZING THE CITY OF SACRAMENTO "PUBLIC AGENCY"
TO JOIN WITH OTHER PUBLIC AGENCIES AS A PARTICIPANT OF THE
INVESTMENT TRUST OF CALIFORNIA, CARRYING ON BUSINESS AS Ca/TRUST**

BACKGROUND

- A. Section 6502 of Title 1, Division 7, Chapter 5 of the Government Code of the State of California (the "Joint Exercise of Powers Act") provides that, if authorized by their legislative or other governing bodies, two or more public agencies by agreement may jointly exercise any power common to the contracting parties; and
- B. Section 6509.7 of the Joint Exercise of Powers Act provides that, if authorized by their legislative or other governing bodies, two or more public agencies by agreement may jointly exercise their common authority to invest funds in their treasuries as authorized by subdivision (p) of Section 53601 of Title 5, Division 2, Part 1, Chapter 4, Article 2 of the Government Code of the State of California (the "California Government Code"); and
- C. Under Section 6500 of the Joint Exercise of Powers Act, a "public agency" includes but is not limited to the federal government or any federal department or agency, the State of California, another State or any State department or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, or regional transportation commission of the State of California or another State, or any joint powers authority formed pursuant to the California Joint Exercise of Powers Act; and
- D. Public agencies which constitute local agencies, as that term is defined in Section 53630 of the California Government Code, are authorized pursuant to Section 53601 and/or 53635 thereof to invest all money belonging to, or in the custody of, the local agency in certain specified investments; and
- E. The Investment Trust of California, carrying on business as Ca/TRUST (the "Joint Powers Authority") was established, pursuant to and in accordance with the Joint Exercise of Powers Act, by a Joint Exercise of Power Agreement, made as of February 24, 2005, as amended and restated as of August 4, 2009 (the "Joint Powers Agreement"), as a vehicle for public agencies to jointly exercise their common power to invest funds in accordance with applicable California law governing the investment of funds by public agencies; and

- F. Pursuant to and in accordance with the Joint Exercise of Powers Act, the City of Sacramento desires to join the other public agencies which are or will be Participants of the Joint Powers Authority by adopting and executing the Joint Powers Agreement, a form of which has been presented to this meeting; and
- G. The City of Sacramento is a public agency as that term is defined in the Joint Exercise of Powers Act and a local agency as that term is defined in Section 53630 of the California Government Code; and
- H. The City of Sacramento is otherwise permitted to be a Participant of the Joint Powers Authority and to invest funds in the Joint Powers Authority to be managed by the Investment Adviser to the Joint Powers Authority, notwithstanding other investments held by the City of Sacramento or current investment policies that otherwise may be in effect for the City of Sacramento so long as the Joint Powers Authority invests in securities and other instruments permitted for investment by public agencies pursuant to applicable California law; and

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City of Sacramento shall join with other public agencies pursuant to and in accordance with the Joint Exercise of Powers Act by executing the Joint Powers Agreement and thereby becoming a Participant in the Joint Powers Authority, which Joint Powers Agreement is hereby approved and adopted, notwithstanding other investments held by the City of Sacramento or current investment policies that otherwise may be in effect for the City of Sacramento so long as the Joint Powers Authority invests in securities and other instruments permitted for investment by public agencies pursuant to applicable California law. A copy of the Joint Powers Agreement shall be filed with the minutes of the meeting at which this Resolution was adopted. The Governing Body is hereby authorized to execute, and the Attesting Officer of the Governing Body is hereby authorized to attest and deliver, the Joint Powers Agreement, in substantially the form presented at this meeting.
- Section 2. The City of Sacramento is hereby authorized to purchase shares of beneficial interest issued by the Joint Powers Authority from time to time with available funds of the City of Sacramento, and to redeem some or all of those shares from time to time as such funds are needed, notwithstanding other investments held by the City of Sacramento or current investment policies that otherwise may be in effect for the City of Sacramento so long as the Joint Powers Authority invests in securities and other instruments permitted for investment by public agencies pursuant to applicable California law.

Section 3. The appropriate officers, agents and employees of the City of Sacramento are hereby authorized and directed in the name of and on behalf of the City of Sacramento to take all actions and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, might deem necessary or appropriate in order to accomplish the purposes of this Resolution.

Section 4. The City Treasurer is hereby delegated authority of the Governing Body of the City of Sacramento to take all actions and to make and execute any and all instruments, which he or she might deem necessary or appropriate in order to carry out the purposes of the Governing Body in adopting this Resolution, including, without limitation, the authority to extend the maturity of any investments made pursuant to this Resolution in accordance with applicable California law.

Section 5. Nothing contained in this Resolution shall be deemed to infringe upon the right of the City of Sacramento or the Governing Body or City Treasurer of the City of Sacramento to make other investments outside of the mandate of this Resolution in accordance with applicable California law to the fullest extent permitted there under.

Section 6. This Resolution shall take effect at the earliest date permitted by law.