San Mateo County Libraries

Agenda Item III. B.

To:	JPA Governing Board
From:	Anne-Marie Despain, Director of Library Services Lindsey Freeland, Interim Financial Services Manager
Date:	September 15, 2020
Meeting:	September 21, 2020
Re:	Investment Report for FY 2019-20

Background

On September 12, 2009, the JPA Governing Board adopted the Library JPA Investment Policy. The purpose of the investment policy is to provide guidance and protection to the San Mateo County Library Joint Powers Authority's (Library JPA) cash and investments and promote prudent financial stewardship. It is also the policy of the Library JPA to diversify its investment portfolio to ensure the maximum safety of Library JPA assets. The Library JPA shall have funds not required for immediate expenditure invested in compliance with state law and this policy.

The criteria for selecting investments in order of priority are:

- Safety of Principal
- Liquidity
- Yield

In order to minimize risk, the Library JPA's portfolio includes:

- The San Mateo County Investment Pool (SMCIP)
- The State of California Local Agency Investment Fund (LAIF)

As outlined in the Library JPA Investment Policy, the Library Director shall submit an annual investment report to the JPA Governing Board on the status of the Library JPA's investment portfolio. The report will provide information as to the types of investment, the amount of money invested within the two investment instruments, maturity dates, and interest rate yield on investments in accordance with the Government Code. The report shall also state if the Library JPA investments are in compliance with this policy and able to meet its cash flow obligation. The investment policy is reviewed periodically and was last approved by the JPA Governing Board on November 6, 2017.

Discussion

The Library JPA is a voluntary participant in the San Mateo County Investment Pool which is regulated by California Government Code Section §53600 under the oversight of the County Treasurer. Included in SMCIP's investment portfolio as outlined in its Investment Policy

are: U.S. Treasury Securities, U.S. Government Agency/Government Sponsored Enterprises, Commercial Paper, Negotiable Certificates of Deposit, Bankers Acceptances, Collateralized Certificates of Deposit, Mortgage and Asset Backed Securities, US Instrumentalities, CA Municipal Obligations, Repurchase Agreements, Local Agency Investment Fund, Mutual Funds and Local Government Investment Pools.

In FY 2019-20, Library JPA funds averaging $29,538,999 were invested with the San Mateo County Investment Pool producing an average yield of 1.91%. Interest earnings in FY 2019-20 totaled $548,422.

The Library JPA is a voluntary participant in the Local Agency Investment Fund, which is regulated by California Government Code Section §16429 under the oversight of the Treasury of the State of California. Included in LAIF's investment portfolio as outlined in its Investment Policy are: U.S. Treasury Securities, Federal and Supranational Agency Securities, Bankers Acceptances-Domestic/Foreign, Certificates of Deposit, Collateralized Time Deposits, Commercial Paper, Corporate Bonds/Notes, Repurchases and Reverse Repurchases, and Negotiable Orders of Withdrawal.

In FY 2019-20, Library JPA funds averaging $2,156,847 were invested with the Local Agency Investment Fund producing an annual average yield of 1.93%. Interest earnings totaled $44,351.

Both SMCIP and LAIF maintain a large percentage of their investments in U.S. Treasury Securities representing obligations issued by the U.S. Government for which the full faith and credit of the United States is pledged for the payment of principal and interest. Neither SMCIP nor LAIF invest in derivative products. In order to minimize risk, the average length of maturity of the funds with the pools (duration a financial asset is held) is limited and outlined in their respective Investment Policies. As a participant in both SMCIP and LAIF, Library JPA funds are always liquid and available.

On an ongoing basis, cash flow requirements are reviewed to ensure that the investment portfolio remains sufficiently liquid to enable the Library JPA to meet all reasonably anticipated operating requirements. Library JPA investments are in compliance with the Library JPA Investment Policy, and the portfolio contains enough liquidity to meet expected expenditures.

Fiscal Impact

Combined SMCIP and LAIF interest earnings for FY 2019-20 totaled $592,773. Library JPA investments are in compliance with the Library JPA Investment Policy, and the portfolio contains enough liquidity to meet expected expenditures.

Recommendation

Recommend JPA Governing Board accept the Investment Report for FY 2019-20. Operations Committee members present at the September 15, 2020 meeting concurred with this recommendation.