



Council Agenda Report

From: Thomas Frutchey, City Manager

Subject: Investing a Portion of City Funds in Local Banks to Stimulate Local Economic Development

Date: May 7, 2017

Facts

1. City Treasurer Mike Compton invests City cash in a variety of financial instruments offered by banks and other financial institutions throughout the country.
2. The majority of these funds, being invested outside the City, are not necessarily available to be lent by the banks to Paso Robles-area residents and businesses.
3. In 2016, the City Council approved a pilot program with Heritage Oaks Bank, under which Heritage Oaks would invest a portion of the City's idle funds, with the understanding that the bank would increase the loans made to local residents and businesses by an equivalent amount, using the bank's objective lending criteria.
4. At the time, it was the intention to expand the program to other local banks, if the pilot program proved worthwhile.
5. That program got off to a slow start, because of the acquisition of Heritage Oaks by Pacific Premier.
6. The program has now been in operation long enough, with demonstrable results that indicate that expansion of the program may be worth the Council's consideration.

Options

1. Do nothing;
2. Authorize the City Treasurer and City Manager to explore the expansion of the local investment program with qualified local banks and financial institutions.
3. Provide alternative direction to staff.

Analysis and Conclusions

Option 1, do nothing, would continue having the City Treasurer invest available City funds outside of the City, in the Local Agency Investment Fund (LAIF) and instruments offered by financial institutions around the Country.

Option 2 would allow the City Treasurer to invest a prudent portion of the City's funds in local banks and other qualified financial institutions, so long as such investments are compliant and consistent with all of the City's adopted Financial and Investment Policies and State law.

Thus, the invested funds would have to be fully insured, without any conditions or terms on the deposit that are contrary to City policy or law, and earn a return consistent with the City's investment policy. In addition, the deposit of City funds shall not require lender to make any changes in its lending policies or loan criteria.

It is hoped that the proposed investment of City funds in local banks, will encourage them to invest in local businesses and residents when evaluating loan applications.

Fiscal Impact

Other than staff and City Treasurer time, minimal. In some cases, the City may earn a little less than is available from LAIF or other institutions, in other cases, a little more.

Recommendation (Option 2)

Authorize the City Treasurer and City Manager to work with local banks to develop investment agreements that achieve a greater number of loans to local businesses and institutions, using the banks' objective lending criteria.

Attachments

None.