



## AGENDA REPORT SUMMARY

**Meeting Date:** February 27, 2024

**Subject:** 2024 Update of City Investment Policy

**Prepared by:** June Du, Finance Director

**Approved by:** Gabriel Engeland, City Manager

**Attachment(s):**

1. Investment Policy (with track changes to highlight edits)

**Initiated by:**

Staff and the Financial Commission

**Previous Council Consideration:**

March 28, 2023

**Fiscal Impact:**

None

**Environmental Review:**

Not applicable

**Staff Recommendation:**

Move to recommend the revised Investment Policy for 2024 to the City Council.

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**Reviewed By:**

City Manager

City Attorney

Finance Director

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**Subject:** 2024 Update of City Investment Policy

## **Purpose**

The City Council's primary responsibilities over the investment function include approving the Policy, annually reviewing such policy, reviewing investment reports issued by the City Treasurer, authorizing bond documents and other unique financing transactions, and authorizing any deviations from the City's investment policies.

## **Background**

The City's Investment Policy sets forth guidelines that ensure the City's funds are invested in compliance with State law and in a prudent manner. The Policy is reviewed on an annual basis by the Financial Commission.

At the commission meeting of February 27, 2023, the City's investment advisor, PFM Asset Management (PFM), presented recommended changes to the Policy as the following, the changes were recommended by the Finance Commission and later adopted by the City Council on March 28, 2023.

1. In section K, Maximum Maturity, we recommend adding language stating that a security's maturity is calculated from settlement date to maturity date. We also recommend adding the new Code language regarding forward settlement.
2. In Exhibit A, under City of Los Altos Allowable Investments, we recommend adding shares of beneficial interest issued by a Joint Powers Authority as an allowable investment. Investments. The pool's rating and investment advisor must meet the requirements outlined in CA Code 53601.

## **Discussion/Analysis**

On an annual basis, the Financial Commission reviews the Investment Policy to ensure there is diversity, while still fiscally prudent when investing the City's funds. The recommended changes by the Financial Commission to the Investment Policy February 2024 includes the following:

1. New Section J: Added a section on Authorized Broker Dealers and Competitive Transactions
2. Section L. Maximum Maturity & Duration: Added language for the duration of the investment portfolio
3. Section M. Permitted Investment Instruments: Additional language regarding credit ratings, procedures in the event of a downgrade and language for diversification
4. Section N. Prohibited Investment Instruments: Removed California and other states obligations (Municipal Obligations) as being prohibited investments. We recommend including this investment type and is consistent with Exhibit A Municipal Obligations are listed as a permitted investment A rated or better up to 30%
5. Exhibit A: There are two separate listings for Supranationals – we recommend deleting one section and maintaining the more specific Supranationals with a limit of 20% total and 10% per issuer
6. Removing the reference for California based Money Market Mutual Funds (MMF), Repurchase Agreements and Banker's Acceptances since we cannot control the California ownership within these asset classes.

## **Recommendation**

- 1) The staff recommends the Financial Commission recommend the revised Investment Policy to the City Council.