



CONSENT CALENDAR

Agenda Item #

AGENDA REPORT SUMMARY

Meeting Date: March 28, 2023

Subject: 2023 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:

February 8, 2022

Fiscal Impact:

None

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- Does the Council wish to adopt the recommended investment strategies contained within the revised Investment Policy?

Summary:

- Revised investment strategies have been recommended by the Financial Commission

Staff Recommendation:

Move to adopt the revised Investment Policy for 2023.

City Manager

GE

Reviewed By:

City Attorney

JH

Finance Director

JD



Subject: 2023 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. The Policy was reviewed by the Financial Commission on February 27, 2023.

At the commission meeting of January 24, 2022, 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 February 8, 2022.

1. Add additional language under Section M: Prohibited Investment Instruments

The city shall not invest in any security that could result in zero interest accrual if held to maturity, except as provided in the subsequent paragraph.

Notwithstanding the prohibitions stated in the above paragraph, effective January 1, 2021, the City may invest in securities issued by, or backed by, the United States government that could result in zero-or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. The City may hold these instruments until their maturity dates. Securities described in this paragraph shall remain in effect only until January 2026, and as of that date is repealed.

2. LAIF Deposit Limit increase to \$75 million.

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 January 2023 includes the following:

1. Code section 53601& 53646 update:

Senate Bill 1489, also known as the Local Government Omnibus Act of 2022, made a number of changes to Code, including several that impact the investment of public funds and the reporting practices of public agencies. Changes made to Code section 53601, the section of Code that governs the investment of public funds, include language stating that an investment's term or remaining maturity shall be measured from the settlement date to final maturity, and, that a security purchased in accordance with Code section 53601 shall not have a forward settlement date exceeding 45 days from the time of investment. SB 1489 also increased the deadline for quarterly reports in Code section 53646 (b)(1) to 45 days from 30 days. As the Policy does not reference a reporting deadline, no change is required.

2. Allowing the city to invest in Joint Power Authorities such as the California Asset Management Program (CAMP).

To address these Code changes, we have made the following recommended edits in the City's Investment Policy:

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.

Recommendation

The staff recommends Option 1.