



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 3/10/2025

ITEM NO: 7

DATE: March 3, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: Review and Recommend to the Town Council Changes to the Town's Investment Policy

RECOMMENDATION:

Review and Recommend to the Town Council Changes to the Town's Investment Policy

DISCUSSION:

The Town's Investment Policy for its operating portfolio was last reviewed by the Finance Commission in February 2023 and adopted by the Council in February of 2023, changing the frequency of the reporting from quarterly to monthly to comply with California Government Code Section 41004 and adding references to Government Code Sections 53607 and 53646(b). The Finance Commission and the Council reviewed the policy in March 2024 with no recommended changes.

The Investment Policy establishes the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, State mandated eligible investments, transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the operating funds of the Town. All Town funds are invested and/or will be invested in accordance with the Investment Policy and with applicable sections of the California Government Code.

The Investment Policy requires an annual review. Staff is recommending adding language to medium term notes (page 6 of the Investment Policy) that allows the Town to hold the investment until maturity in the case the rating is dropping after the purchase. The proposed revisions are listed below:

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

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Medium Term Notes (Corporate Notes) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement and rated at least "A" or the equivalent by a NRSRO **at the time of purchase**. No more than 5% of the Town's total portfolio shall be invested in the medium-term notes of any one issuer and the aggregate investment in medium-term notes shall not exceed 30% of the Town's total portfolio.

The recommended change is redlined in Attachment 1.

The Finance Commission should review the recommendation and forward it to the Town Council for its consideration.

FISCAL IMPACT:

There is no fiscal impact of reviewing and modifying the Investment Policy.

Attachment:

1. Town Investment Policy-Redlined