



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 03/08/2021

ITEM NO: 3

DATE: February 25, 2021
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive the 2nd Quarter Investment Report and Investment Policy

RECOMMENDATION:

Receive the 2nd Quarter Investment Report and Investment Policy

BACKGROUND:

With the passage of Measure A, the Finance Commission has been tasked with several mandated duties as described in the provisions of the adopted Ordinance. Section 2.50.225. – Duties states that:

(a) The Finance Commission shall:

(8) Make recommendations to the Town Council about policies and programs:

(G) To monitor investment performance and make recommendations related to the Town's investment policy and performance.

The Town maintains an operating investment portfolio for excess funds prior to distribution. The State of California stipulates the parameters of which funds may be invested. Section 53600.5 of the California State Code stipulates that the objectives of any person investing public funds is to, first, safeguard principal; second, to meet the liquidity needs of the depositor; and lastly, to achieve a return or yield on the funds under its control.

The Town's Investment Policy (Attachment 1) is reflective of the California Government Codes broad requirement of preserving principal and maintaining liquidity before seeking yield. These provisions are intended to promote the use of reliable, diverse, and safe investment instruments to better ensure a prudently managed portfolio worthy of public trust.

PREPARED BY: Stephen Conway CPA
Director of Finance

Reviewed by: Town Manager and Town Attorney

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BACKGROUND (continued):

The vast majority of local agency portfolios are managed with a buy and hold investment strategy. Investments are purchased with the intent and capacity to hold them until maturity. This passive investment strategy is different from one in which securities are purchased with the intent to sell them before maturity at a profit or the use of leverage to enhance yield

DISCUSSION:

Given that the Finance Commission held its first inaugural meeting on February 8, 2021, staff had previously scheduled the 2nd Quarter Investment Report to be received by the Town Council on February 16, 2021 (Attachments 2). In consultation with the Commission Chair, the 2nd Quarter Investment Report and the Investment Policy are being provided to the Commission for its understanding of the nature of the Report and Policy. Going forward, every effort will be made for the Finance Commission to receive the quarterly reports prior to submittal to Council. In addition, both the Association of Public Treasurers of the United States and Canada and the Government Finance Officers Association have established policy standards that recommend investment policies be reviewed annually. Later in the calendar year, the Commission will have an opportunity to recommend potential changes to the Town's Investment Policy.

CONCLUSION:

Receive the 2nd Quarter Investment Report and Investment Policy

COORDINATION:

This item was coordinated with the Town Manager and Town Attorney

FISCAL IMPACT:

None

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. Operating Portfolio Investment Policy
2. 2nd Quarter Investment Report