



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 1/10/2023

ITEM NO: 7

DATE: January 5, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review and Recommend to the Town Council Changes to the Town's Operating Portfolio Investment Policy

RECOMMENDATION:

Review and recommend to the Town Council changes to the Town's Operating Portfolio Investment Policy.

BACKGROUND:

On December 14, 2022, the 2021-2022 Civil Grand Jury of Santa Clara County released a report entitled, "Show Me the Money: Financial Transparency Needed." The Grand Jury's final report is included as Attachment 1.

General law cities in California are required to comply with California Government Code Section 41004 (Section 41004), which states, "at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of all receipts, disbursements, and fund balances. The city treasurer shall file a copy with the legislative body." The benefit of the law is to ensure financial accountability and public transparency as well as to foster better fiscal affairs. Treasurer's reports provide city councils with timely and accurate financial information necessary to make reliable and sound decisions.

The Grand Jury's final report includes the following finding related to the Town of Los Gatos:

Finding:

The Town of Los Gatos produced reports that contain the required content but does not produce the treasurer's reports on a monthly basis as required by California Government Code section 41004.

PREPARED BY: Gitta Ungvari
Finance Director

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

SUBJECT: Operating Portfolio Investment Policy Review and Recommendation to Town Council

DATE: January 5, 2023

BACKGROUND (continued):

Recommendation:

The Town of Los Gatos should produce its reports on a monthly basis to comply with California Government Code section 41004 by March 15, 2023.

Pursuant to Penal Code sections 933 and 933.05, the Grand Jury requested a response from the Town of Los Gatos and other jurisdictions by March 14, 2023.

DISCUSSION:

The Town's Investment Policy was last reviewed by the Finance Committee in September 2021 and adopted by Council in November of 2021. 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 Finance Commission is tasked with the review of the Town Investment Policy. At this time, staff recommends changing the frequency of the reporting from quarterly to monthly to comply with California Government Code Section 41004 as redlined in Attachment 2. The Finance Commission should review the recommendation and forward it to the Town Council for its consideration.

Staff is preparing a response to the Civil Grand Jury of Santa Clara County for Town Council consideration consistent with the staff recommendation and any additional comments from the Commission.

FISCAL IMPACT:

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

Attachments:

1. 2021-22 Civil Grand Jury Report Show Me the Money: Financial Transparency Needed
2. Town Investment Policy - Redlined