



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 08/04/2026

ITEM NO: 8

DATE: August 4, 2026
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: **Approve the Revisions to the Town's Investment Policy as Recommended by the Finance Commission**

RECOMMENDATION: Approve the revisions to the Town's Investment Policy as recommended by the Finance Commission.

FISCAL IMPACT:

This report has no fiscal impact.

STRATEGIC PRIORITY:

This item is not strategic priority; however, it aligns with the Town's Core Goals of Good Governance and Fiscal Stability by ensuring an annual review of the investment policy.

BACKGROUND:

The Investment Policy established 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 is reviewed on annual basis, and the following changes have been made in the last three years:

PREPARED BY: Eric Lemon
Finance & Accounting Manager

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Administrative Services Director

- Finance Commission last reviewed the Investment Policy in March 2025, with Council adoption in the same month, adding language to the medium term note section.
- In March of 2024, the Finance Commission and Council reviewed the policy with no recommended changes.
- In February 2023, the Town's Investment Policy for its operating portfolio was 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).

DISCUSSION:

Staff is recommending several minor edits to the Investment Policy in the Authorized Securities and Transactions, and Safekeeping and Custody Sections, based on recommendations from the Town's investment advisor, to provide additional clarity in the policy's descriptions. The proposed redlined edits are shown in Attachment 1 and summarized below.

Authorized Securities and Transactions

- Prime Commercial Paper - Edits were made to update the maximum maturity period and add language clarifying that the required highest letter and number rating applies at the time of purchase.
- Municipal & State Obligations – Edits were made to update the language regarding state obligations, the timing of credit ratings, and issuer references.
- Certificate of Deposit - Edits were made to add the phrase “at the time of purchase” to clarify that the senior debt obligations of the issuing institution must be rated at least “A” or the equivalent by a NRSRO when purchased.

B. Safekeeping and Custodial Procedures

- Edits were made to add the phrase “or Custodial” to clarify that agreements may cover both safekeeping and custodial services.

The Finance Commission reviewed the edits at their June 8, 2026, regular meeting and recommended removing the changes made by the Town's investment advisor to the competitive transactions section. The changes made by the Town's investment advisor included removing the second paragraph entirely, and adding, “Whenever possible,” to the beginning of the second sentence in the first paragraph. The Town's investment advisor did not have any concerns with the recommended change. Staff agreed with the Finance Commission's recommendation.

CONCLUSION:

Staff recommends that the Town Council approve the recommended changes to the Town's

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Investment Policy.

ENVIRONMENTAL ASSESSMENT:

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

Attachment:

1. Town Investment Policy-Redlined