

ANNUAL INVESTMENT POLICY REVIEW FISCAL YEAR 2023-2024

Public Safety, Finance and Strategic Support Committee

RICK BRUNEAU, DIRECTOR OF FINANCE

LUZ COFRESÍ-HOWE, ASSISTANT DIRECTOR OF FINANCE

QIANYU SUN, DEPUTY DIRECTOR OF FINANCE – DEBT & TREASURY MANAGEMENT



INVESTMENT POLICY (COUNCIL POLICY I-12)

- The City's Investment Policy conforms with California Government Code section 53601
- Manage investments to meet the City's Investment Policy objectives:
 - Safety
 - Liquidity
 - Yield
- Investment Strategy:
 - Maintain a diversified portfolio of conservative and highly-rated fixed income securities
 - Match cash flow needs with maturing securities
 - Buy-and-hold trading strategy



POLICY REVIEW REQUIREMENTS

- The Policy requires the Finance Department:
 - Perform an annual review of the Policy;
 - Submit any proposed changes to the Public Safety, Finance, and Strategic Support Committee for its review; and
 - Obtain approval by the entire City Council.
- A redlined version of the City of San José Investment Policy, Policy Number 1-12, is included as Exhibit A.



PROPOSED REVISIONS

- Consolidate current policy Sections 9.17 and 9.18 into a revised **Section 9.17: Collateralized Securities** with a portfolio concentration limit of 20%, which conforms with California Government State Code, Section 53601(o)
 - **Section 9.17.1: Collateralized Securities Underwritten and Issued by Governmental Agencies** with a 15% maximum portfolio exposure
 - **Section 9.17.2: Collateralized Securities Underwritten and Issued by Private Entities** with a 5% maximum portfolio exposure

Current

AUTHORIZED INVESTMENT TYPE	POLICY LIMIT %
Section 9.17: Mortgage-Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO)	10%
Section 9.18: Asset-Backed Securities (ABS)	5%

Proposed

AUTHORIZED INVESTMENT TYPE	POLICY LIMIT %
Section 9.17.1: Collateralized Securities Underwritten & Issued by Governmental Agencies	15%
Section 9.17.2: Collateralized Securities Underwritten & Issued by Private Entities	5%



POLICY REVISION RATIONALE

- Recognition of Collateralized Securities as a grouping broadens the scope of Authorized Investments
- Sub-dividing Collateralized Securities by issuer, i.e. governmental agencies and private entities, improves portfolio risk management
- Alignment with the City's investment objectives of safety and liquidity
- Conforms to the California Government State Code, Section 53601(o)



RECOMMENDATION

- 1) Approve the City of San José Investment Policy, as amended.
- 2) Refer the City of San José Investment Policy as well as the appropriate resolution to the full City Council for consideration at the March 5, 2024 City Council Meeting.

