

# **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)

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- 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

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- 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 %
<b>Section 9.17:</b> Mortgage-Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO)	10%
<b>Section 9.18:</b> Asset-Backed Securities (ABS)	5%

## Proposed

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



# POLICY REVISION RATIONALE

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- 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

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- 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.

