



City of Arts & Innovation

Finance Committee Memorandum

TO: FINANCE COMMITTEE MEMBERS DATE: JULY 8, 2026
FROM: FINANCE DEPARTMENT WARDS: ALL
SUBJECT: REVIEW OF INVESTMENT POLICY

ISSUE:

Review and provide input on the City’s updated Investment Policy and recommend for City Council adoption.

RECOMMENDATIONS:

That the Finance Committee:

1. Review and provide input on the City’s updated Investment Policy; and
2. Recommend that the City Council adopt the City’s updated Investment Policy and accompanying resolution.

LEGISLATIVE HISTORY:

The City’s Investment Policy establishes guidelines that ensure the City’s funds are invested prudently and managed in compliance with federal, state, and local legal requirements, including California Government Code Sections 16429.1-16429.4, 53600-53609, and 53630-53686.

The authority to manage the City’s investment program is provided by the California Government Code Sections 53600 et seq., which permits the City Council to delegate investment authority to the City Treasurer/Chief Financial Officer (CFO) for a one-year period. The City Charter further delegates investment authority to the City Treasurer/Chief Financial Officer (CFO).

On April 20, 2020, the City Council adopted Resolution No. 23566 approving the current policy for the investment of City funds. The approved policy includes language that the policy is to be reviewed on an annual basis but only needs to be brought back to City Council when changes to the policy are recommended.

Since the most recent comprehensive update, the State Legislature has enacted several amendments to the California Government Code governing permissible investments and reporting requirements for local agencies. These statutory updates necessitate corresponding updates to the City’s Investment Policy.

BACKGROUND:

The City maintains a City Council-approved Investment Policy that establishes the framework for the management of the City's investment portfolio. The policy provides direction to the City Treasurer regarding authorized investment types, risk management parameters, diversification limits, and reporting requirements.

The primary objectives of the City's investment program remain:

1. **Safety of Principal**
2. **Liquidity**
3. **Return on Investment**

Consistent with these objectives, the Finance Department periodically reviews the policy in collaboration with the City's investment advisor to ensure continued alignment with statutory requirements and industry best practices.

Recent legislative changes to the California Government Code affecting public agency investment policies have prompted the need for updates to the City's policy framework. This report seeks the Committee's review and approval of the updated policy which makes only minor, non-substantive changes to align with California Government code and update outdated terminology.

DISCUSSION:

An internal investment committee consisting of the Finance Committee Chair, a representative of the City Manager's Office, and a representative from the Public Utilities Department provide general oversight and direction regarding policy related issues concerning management of the City's investment portfolio. The Chief Financial Officer of the City shall not be a member of the committee but will serve in a staff and advisory capacity. The committee will meet on a quarterly basis unless circumstances require more frequent meetings.

The investment policy for the City states that it will be reviewed by the Investment Committee annually and readopted by resolution of the City Council if changes are made to the policy. The investment policy effective upon adoption is being presented for review and approval.

Finance Department staff, in consultation with the City's investment advisor, reviewed the City's Investment Policy to incorporate recent statutory updates and ensure continued alignment with best practices recommended by organizations such as:

- Government Finance Officers Association (GFOA)
- California Municipal Treasurers Association (CMTA)
- California Society of Municipal Finance Officers (CSMFO)
- Association of Public Treasurers (APT)
- California Debt Investment Advisory Committee (CDIAC)

The proposed updates reflect recent amendments to the California Government Code and provide clarification on certain investment practices and reporting requirements.

There are no changes to the Government Code that require the City to change its investment policy; however, there are recent changes to Government Code language that the City's investment adviser recommends the City adopt. There are a number of governance and risk management related best practices that staff and the adviser also believe would make prudent additions to the City's investment program. Below is a summary of the recommended changes:

1. Update to outdated acronym abbreviation for the Annual Comprehensive Financial Reporting.
2. Commercial Paper Maturity Extension
California Government Code Section 53601(h) has been amended to increase the maximum allowable maturity of prime commercial paper from **270 days to 397 days**.

The City's Investment Policy has been updated to reflect this change, allowing additional flexibility for short-term investments while remaining within statutory limits.

Extension of Commercial Paper Concentration Sunset Provision
State legislation has extended the sunset provision allowing local agencies with **\$100 million or more in investable assets** to invest up to **40% of the portfolio in commercial paper**.

This authorization has been extended from **January 1, 2026 to January 1, 2031**, and the City's Investment Policy has been updated to reflect this statutory extension

3. Maximum Maturity Date to be calculated from settlement date on all permitted investment security types.
4. Prohibited Investments updated to align with changes in government code regarding investments in securities that could result in zero interest accrual.

Policy Review and Best Practices:

In addition to statutory updates, the policy review process included an evaluation of current industry best practices and recommendations from recognized public treasury organizations.

The City's Investment Policy continues to emphasize:

- Safety, Liquidity and Yield (in that order of prioritization)
- Prudent Risk Management
- Diversification
- Transparency and Reporting
- Internal Oversight and Governance

These updates ensure that the City's Investment framework remains consistent with both statutory requirements and evolving public treasury standards.

FISCAL IMPACT:

There is no direct fiscal impact associated with the review and approval of this report.

Prepared by: Meline Carranza, Debt and Treasury Manager
Approved by: Sergio Aguilar, Deputy Finance Director
Certified as to
availability of funds: Julie Nemes, Interim Finance Director
Approved by: Edward Enriquez, Acting City Manager/Chief Financial Officer/City
Treasurer
Approved as to form: Rebecca McKee-Reibold, Interim City Attorney

1. Investment Policy (redline)
2. Resolution
3. Investment Manager Presentation
4. City Presentation