



Memorandum

TO: PUBLIC SAFETY, FINANCE AND
STRATEGIC SUPPORT COMMITTEE

FROM: Julia H. Cooper

SUBJECT: CITY OF SAN JOSÉ
INVESTMENT POLICY
ANNUAL REVIEW

DATE: January 31, 2020

Approved  Date 1-31-2020

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 10, 2020 Council Meeting.

OUTCOME

Acceptance of this recommendation complies with the City of San José Investment Policy.

BACKGROUND

The City of San José Investment Policy ("Policy") requires that the Finance Department perform an annual review of the Policy and submit any proposed changes to the Public Safety, Finance and Strategic Support Committee for its review and subsequent consideration and approval by the entire City Council.

The City's current Policy was reviewed and certified by the Association of Public Treasurers (APT) of the United States and Canada in June 2019. The APT certification program was instituted to assist state and local governments in improving upon an existing investment policy. The APT recommends re-certifying investment policies every three years.

ANALYSIS

In accordance with Section 23 of the Policy, the Finance Department staff has completed its annual review of the Policy and recommends minor modifications to rating requirements and an update to the list of primary dealers. The proposed revisions as redlined in Exhibit A (City of San José Investment Policy) continue to comply with the investment provision of the California Government Code, the Charter of the City of San José and the San José Municipal Code. The Policy and proposed revisions are consistent with the overall objectives of safety, liquidity and yield. They are also relevant to current laws and financial trends.

Rating Requirement Language Modifications

Staff recommends modifying language on rating requirements to standardize terminology throughout the Investment Policy. This modification does not alter rating requirements on any security type.

Additionally, in Section 9.4.a., staff deleted the rating requirements on banker's acceptances ("BA"). BA is a money market program and the program itself does not hold a rating. Only issuers of BA are rated and the ratings requirement for issuers remain the same.

See Section 9.0 of the attached redlined Investment Policy for recommended changes.

Primary Dealer Update

Primary dealers serve as trading counterparties of the Federal Reserve Bank of New York in its implementation of monetary policy pursuant to the direction of the Federal Open Market Committee. The proposed revisions to Exhibit A in the attached Investment Policy reflect the most recent changes to the Federal Reserve Bank's Primary Dealer List which was last updated on May 13, 2019.

Technical "Clean-ups"

Several technical clean-ups are recommended with the proposed Policy revisions. These clean-ups address minor changes to the Policy and the Glossary.

CONCLUSION

The proposed revisions to the Investment Policy are consistent with the overall objectives of safety, liquidity and yield, and comply with the investment provision of the California Government Code, the Charter of the City of San José and the San José Municipal Code.

January 31, 2020

Subject: Annual Review of the City of San José Investment Policy

Page 3

EVALUATION AND FOLLOW-UP

Staff from the Finance Department will be available to answer questions about the Policy at both the Committee meeting on February 20, 2020 and the City Council meeting on March 10, 2020.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH/INTEREST

This item will be posted on the City's website for the PSFSS Committee meeting on February 20, 2020.

COORDINATION

This memorandum was coordinated with the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No.PP10-068 (b), General Procedure & Policy Making.



JULIA H. COOPER
Director of Finance

For questions, please contact Qianyu Sun, Principal Investment Officer, at (408) 535-7015.

Attachment: Exhibit A: City of San José Investment Policy