TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER  DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: JUNE 28, 2004   CMR: 293:04
SUBJECT: ANNUAL ADOPTION OF THE CITY’S INVESTMENT POLICY

RECOMMENDATION
Staff recommends that Council approve the following changes to the City’s Investment Policy to reflect changes in State law and City organizational changes:

1. Decrease the banker’s acceptances maturity duration from 270 days to 180 days (Page 5).
2. Increase commercial paper maturity duration from 180 days to 270 days (Page 5).
3. Delete references to the Manager, Investments, Debt and Projects as the supervisor of the investment function under the direction of the Deputy Director of Administrative Services and place the investment function under the direct supervision of the Deputy (Page 7).

BACKGROUND
The City of Palo Alto Statement of Investment Policy requires review and approval by Council as part of the annual budget process. During the annual budget process, staff submits the Investment Policy to Council for review and approval.

DISCUSSION
Customarily, staff presents annual changes in the Investment Policy to the Finance Committee. Since there are no significant or material changes to the policy and in order to expedite the review process, staff is presenting its recommendations directly to the full Council.

By State law, the City’s Investment Policy must comply with the California Government Code (Section 53600 et seq.) as it relates to investments of public funds. The state legislature modified the state code by reducing the maturity duration of banker’s acceptances from 270 days to 180 days and increasing the maturity duration of commercial paper from 180 days to 270 days. In order to comply with the state code, the recommendation is to change the banker’s acceptances’ maturity duration to 180 days. The City’s investment policy, as it pertains to commercial paper, can be stricter than the state code; however, staff considers it prudent to have the flexibility to invest up to 270 days to realize higher yields without significant additional risk.

The Investment functions were under the supervision of the Manager, Investments, Debt and
Projects (Manager) who was supervised by the Deputy Director of Administrative Services (Deputy). As part of the City’s efforts to restructure operations and eliminate expense, the Manager’s position was eliminated and the Investment functions will now be under the direct supervision of the Deputy. It is recommended that the Investment Policy be modified to reflect this organizational change.

**ATTACHMENT**

Attachment A: Proposed 2003-04 Investment Policy with highlights of new language

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