TO:    HONORABLE CITY COUNCIL

FROM:    CITY MANAGER    DEPARTMENT: ADMINISTRATIVE SERVICES

DATE:  JUNE 12, 2006    CMR: 257:06

SUBJECT:    PROPOSED CHANGE TO THE CITY’S INVESTMENT POLICY

RECOMMENDATION

Staff recommends that Council approve the Investment Policy with one change, that all U.S. Government agency security purchases must have the explicit or de facto backing from the federal government (Page 4 and 10).

BACKGROUND

The City of Palo Alto Statement of Investment Policy requires review and approval by Council as part of the annual budget process. 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.

DISCUSSION

Some U.S. Government agencies are issuing a new class of security that is not backed by the full faith and credit of the U.S. government and that has an AA rating. It has been the City’s practice to purchase agency securities that have an explicit or a de facto backing by the full faith and credit of the U.S. Government and that has an AAA rating. Staff recommends, therefore, the Investment Policy be modified to exclude the purchase of the new securities that are not backed by the full faith and credit of the U.S. government.

ATTACHMENT
