

**City of Santa Clara Investment Policy Excerpt**

<https://www.santaclaraca.gov/home/showpublisheddocument/79339/638108479566170000>



Money Market Funds must meet either 1 or 2 above and 3. A thorough analysis of the pool/fund is required prior to investing, and on a continual basis. Analysis shall include creditworthiness, size, safety, ease of investment liquidation, frequency of earnings distributions, frequency of account statements, and investment portfolio strategy. Securities owned in mutual funds and investment pools will not count towards maximum percentages of other categories.

Maximum Holdings = 20% of portfolio dollars  
Maximum per Fund = 10% of portfolio dollars

➤ **Joint Powers Authority Investment Pools** organized pursuant to Section 6509.7 that invests in the securities and obligations under Sections 53601 of the California Government Code. To be eligible for City investments, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

1. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
2. The adviser has not less than five years of experience investing in the securities and obligations authorized in under Section 53601.
3. The adviser has assets under management in excess of \$500 million.

Maximum Holdings = 100% of portfolio dollars  
Maximum per Issuer = 100% of portfolio dollars

➤ **Supranational Obligations** defined as United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated AA or its equivalent or better by an NRSRO and rated no lower than AA by any NRSRO.

Maximum Holdings = 20% of portfolio dollars  
Maximum per Issuer = 10% of portfolio dollars  
Maximum Maturity = 5 year final maturity

➤ **Asset-Backed Securities** defined as an equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision shall be rated AA or its equivalent or better by an NRSRO and rated no lower than AA by any NRSRO.

Maximum Holdings = 10% of portfolio dollars  
Maximum per Issuer = 5% of portfolio dollars  
Maximum Maturity = Maximum remaining maturity of 5 years or less

➤ **Non-negotiable Certificates of Deposit** of a public bank, as defined in State of California Government Code Section 57600 and pursuant to collateralization requirements of this Investment Policy.

Maximum Holdings = 10% of portfolio dollars  
Maximum per Issuer = 5% of portfolio dollars  
Maximum Maturity = 5 year final maturity



## **I. Sustainable Investing**

The City desires to invest in entities that support community well-being through environmentally and socially sound practices and fair labor practices and equality of rights regardless of sex, race, age, disability, or sexual orientation. To meet these environmental and social investment goals the City or External Investment Manager shall apply the following criteria to investment selection:

The City's portfolio shall not include investment in companies in the following industries or subindustries as classified by a global standard taxonomy such as the Global Industry Classification Standard (GICS) or Bloomberg Industry Classification System (BICS) :

- Fossil Fuel Extraction, Refining, and Distribution
- Tobacco Manufacturing and Production
- Firearms Manufacturing

## **J. Security Downgrades**

If securities owned by the City are downgraded to a level below the quality required for purchase under this Investment Policy, the Director of Finance, or his/her designee, shall review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. Such determination shall be documented and approved by the Director of Finance.

## **K. Collateralization**

Collateralization with marketable securities will be required on non-negotiable certificates of deposit and repurchase (and reverse repurchase) agreements in accordance with California Government Code Section 53601 and 53630 et seq. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be at least 102% of market value of principal and accrued interest for repurchase (and reverse repurchase) agreements and at least 110% of market value for non-negotiable certificates of deposit. The City reserves the right to require additional collateral if the City believes such additional amount is warranted. The City may waive the collateralization requirements for any portion of the deposit that is covered by Federal Deposit Insurance.

Collateral shall always be held by an independent third party with whom the City or the counterparty has a current custodial agreement. Clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The counterparty shall have the right to substitute substantially the same securities as originally deposited as collateral.

## **L. Safekeeping and Custody**

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held by a third party custodian designated by the Director of Finance, or his/her designee, and evidenced by safekeeping receipts.