

**CITY COUNCIL POLICY**

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**SUBJECT:** INVESTMENT POLICY**NO.:** B-2

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**PURPOSE:**

- A. This Investment Policy is set forth by the City of Mountain View for the following purposes:
1. To establish a clear understanding for the Council, City management, responsible employees, and third parties of the objectives, policies, and guidelines for the investment of the City of Mountain View's idle and surplus funds.
  2. To offer guidance to investment staff and any outside advisors on the investment of City funds.
  3. To establish a basis for evaluating investment results.
- B. The general purpose of this Investment Policy is to outline a philosophy and attitude which will guide the investment of City funds toward the desired investment goals. It is intended to be sufficiently specific to be meaningful, yet adequately flexible to be practical.

**POLICY:**

It is the policy of the City of Mountain View to invest public funds in a manner that will provide the highest investment return with maximum security while meeting the daily cash flow demands of the City and conforming to all State and local statutes governing the investment of public funds.

**1.0 SCOPE:**

This Investment Policy applies to all cash assets of the City of Mountain View. Cash held by the City shall be pooled in order to more effectively manage City cash resources. All pooled funds are accounted for in the City of Mountain View's Comprehensive Annual Financial Report and include:

**1.1 Funds:****1.1.1 General Fund.**

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- 1.1.2 Special Revenue Funds.
- 1.1.3 Debt Service Funds.
- 1.1.4 Capital Project Funds.
- 1.1.5 Special Assessment District Funds.
- 1.1.6 Enterprise Funds.
- 1.1.7 Internal Service Funds.
- 1.1.8 Trust and Agency Funds.

Excluded funds are those held with the fiscal agent. They have their own specific “permitted investments” section in the bond covenants.

- 1.2 Funds for major capital projects or for purposes of accumulating short-term funds for a lump-sum payment (e.g., the City’s Public Employees’ Retirement System (PERS) annual prepayment, etc.) in excess of \$5 million as selected by the Finance and Administrative Services Director and approved by the City Manager shall be excluded from the portfolio for purposes of Section 9.0 of the policy.

### 2.0 PRUDENCE:

Persons authorized to make investment decisions on behalf of the City investing public funds pursuant to this policy are trustees and, therefore, fiduciaries subject to the “prudent investor” standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

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### 3.0 TERMS:

- 3.1 Market Cycle. A market cycle is defined as a period of time which includes a minimum of two consecutive quarters of falling interest rates followed by a minimum of two consecutive quarters of rising interest rates.
- 3.2 Economic Cycle. A period of time which includes a minimum of two consecutive quarters of growth in GDP, and a minimum of two consecutive quarters of decline in GDP.
- 3.3 Time-Weighted Total Rate of Return. A measurement of portfolio return which eliminates the effect of the timing of contributions to and withdrawals from the fund.
- 3.4 Benchmark. A segment of the securities market with characteristics similar to the subject portfolio. It is used to compare performance to the performance of the appropriate segment of the market. The Benchmark for the City's portfolio shall be the blended Merrill Lynch Index of three-month Treasuries, six-month Treasuries, and one- to five-year Government securities or an equivalent index.
- 3.5 Modified Duration. A measure of the responsiveness of a bond's or a portfolio's change in market value for a given change in the general level of yields. Modified duration is equal to duration divided by (one plus market yield/number of coupon payments per year).

### 4.0 OBJECTIVES:

The primary objectives, in priority order, of the City of Mountain View's investment activities shall be:

- 4.1 Safety. Safety of principal is the foremost objective of the investment program. Investments of the City of Mountain View shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio by limiting investment risk in the portfolio. Additionally, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets.

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- 4.2 Liquidity. The City's investment portfolio shall be structured in a manner which will provide funds from maturing securities and interest payments to meet anticipated cash flow demands.

Short-term funds, available in seven days or less, shall comprise at least 5 percent of the portfolio. If these funds are drawn for cash flow purposes, the 5 percent shall be reestablished as soon as possible.

- 4.3 Return on Investment. The City of Mountain View's investment portfolio shall be designed with the objective of attaining a market rate of return throughout market and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio. See Section 5.0 of this Investment Policy for more specific information regarding return objectives.

### 5.0 INVESTMENT PERFORMANCE OBJECTIVE:

The investment performance objective for the City of Mountain View's portfolio shall be to earn a time-weighted total rate of return over a market cycle which equals the time-weighted total rate of return on the Benchmark index, as defined in Section 9.0.

### 6.0 SOCIAL RESPONSIBILITY:

In addition to the objectives in Sections 4.0 and 5.0 regarding safety, liquidity, return on investment, and portfolio performance, investment of City funds should be guided by the following socially responsible investment provisions when investing in securities of nongovernmental entities. These provisions pertain to investments in banker's acceptances, medium-term corporate notes, and certificates of deposit. All other permitted investments as defined in Section 10.0 of this policy are excluded.

#### 6.1 Social and Environmental Concerns

- 6.1.1 Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices.

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6.1.2 Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability, or sexual orientation.

6.1.3 Investments are encouraged in entities involved in the production of renewable energy and sustainable agriculture, and that demonstrate a commitment to environmental sustainability, and transparency and accountability in corporate governance.

### 6.2 Community Investments

6.2.1 Investments are encouraged in entities that promote community economic development.

6.2.2 Investments are encouraged in financial institutions that have a demonstrated involvement in the development or rehabilitation of low-income affordable housing.

6.2.3 No investment is to be made in securities of financial institutions that do not have a Community Reinvestment Act (CRA) rating of either Satisfactory or Outstanding.

### 6.3 Prohibited Investments

6.3.1 No investment is to be made in a company that manufactures cigarettes as identified by the Investors Responsibility Research Center.

6.3.2 No investment is to be made in entities that manufacture firearms as identified by the Investors Responsibility Research Center.

6.3.3 No investment is to be made in entities that engage in the direct exploration, production, refining, or marketing of fossil fuels.

### 6.4 Implementation

6.4.1 Implementation of Section 6.1. Oversight of corporate compliance with laws and regulations governing environmental

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practices, labor standards, and civil rights are the responsibility of State and Federal agencies.

1. The City Council will consider complaints or concerns regarding any firm eligible to receive a City investment covered by these provisions and determine whether the firm(s) should not be considered for City investment. Upon majority vote of the City Council determining a firm(s) should not be eligible for a City investment, the firm(s) will be placed on a list maintained by staff.
  2. Staff shall refer to this list prior to placing investments covered by these provisions and assure no such investments are made.
  3. If the City is holding an investment in a firm that is subsequently determined by Council to be ineligible for City investment, staff shall divest of the security as quickly as practical (taking into consideration market conditions) but no later than 180 days from the date of the Council determination.
  4. Staff is not required to determine the compliance of a potential investment with the objectives of this provision prior to placing an investment other than checking the list of ineligible firms in Item 2 above.
- 6.4.2 Implementation of Section 6.2. Staff is required to ascertain the Federal government's CRA compliance rating of a financial institution and assure it meets the policy standard prior to placing an investment covered by these provisions.
- 6.4.3 Implementation of Section 6.3. Prior to making an applicable investment, staff is required to refer to information obtained from the Investor's Responsibility Research Center identifying cigarette and firearm manufacturers. No additional research is required to comply with these provisions.

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### 7.0 STRUCTURE AND RESPONSIBILITY:

This section of the Investment Policy defines the overall structure of the investment management program.

7.1 Authority to manage the City of Mountain View's investment program is derived from the Government Code of California, Section 53600, *et seq.*, and the City Charter.

7.1.1 Responsibilities of the City Council. The City Council shall consider and adopt a written Investment Policy in accordance with Section 15 of this policy. As provided in this policy, the Council shall receive and review monthly Investment Reports.

7.1.2 Responsibilities of the City Manager. The City Manager is responsible for directing and supervising the Finance and Administrative Services Director. He/she is also responsible to keep the City Council fully advised of the investment portfolio and as to the financial condition of the City.

7.1.3 Responsibilities of the Finance and Administrative Services Director. The Finance and Administrative Services Director is appointed by the City Manager and is subject to his/her direction and supervision. The Finance and Administrative Services Director is charged with responsibility for the conduct of all Finance and Administrative Services Department functions, including the custody and investment of City funds and the development of procedures to implement this Investment Policy.

Under general direction of the City Manager, the Finance and Administrative Services Director shall have responsibility for all decisions and activities of the City's investment program. The Finance and Administrative Services Director shall establish procedures for the operation of the investment program consistent with the Investment Policy.

Procedures should include reference to safekeeping, repurchase agreements, wire transfer agreements, collateral/depository

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agreements, and banking service contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may commit to, or place, an investment except as provided under the terms of this policy and the procedures established by the Finance and Administrative Services Director.

The Finance and Administrative Services Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Except funds placed for purposes of overnight investments, which shall consist of investment placed for up to five days, excluding holidays and weekends, or deposits and withdrawals from the State-run Local Agency Investment Fund (LAIF), the Finance and Administrative Services Director, or written designee in his absence, shall approve, in writing, all investment purchases and sales prior to the settlement of the transaction.

- 7.1.4 Responsibilities of the Investment Officer. The Investment Officer is appointed by the Finance and Administrative Services Director and is subject to his/her direction and supervision. The Investment Officer is charged with the responsibility for and conduct of the day-to-day management of the investment program.

### 8.0 AUTHORIZED FINANCIAL INSTITUTIONS AND BROKER/DEALERS:

The Investment Officer will maintain a list of financial institutions authorized to provide investment services. No public deposit shall be made except in a qualified public depository as established by State law. In addition, a list will also be maintained of approved security broker/dealers selected by creditworthiness. These may include primary dealers or regional dealers. All financial institutions



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and broker/dealers who desire to become qualified bidders for investment transactions must supply the Investment Officer with the following:

1. Audited financial statements for the institution's three most recent fiscal years.
2. Completed financial institution or broker/dealer questionnaire.
3. A statement certifying that they have reviewed the City's Investment Policy and that all securities offered to the City shall comply fully with all provisions of the California Government Code and with this Investment Policy.

Selection of financial institutions and broker/dealers authorized to engage in transactions with the City shall be at the sole discretion of the City. An annual review of the financial condition of qualified bidders will be conducted by the Investment Officer.

### 9.0 EXPOSURE TO MARKET RISK:

- 9.1 The target modified duration of the portfolio shall be equal to the modified duration of the following blend of Merrill Lynch indices: 10 percent three-month Treasuries, 10 percent six-month Treasuries, 80 percent one- to five-year Government (the Benchmark).
- 9.2 Portfolio duration shall be rebalanced within 3 percent at least quarterly with the intent of achieving an average portfolio duration over market cycles approximately equal to the target modified duration described in Paragraph 9.1.
- 9.3 Portfolio duration may not vary from the target modified duration by more than  $\pm 15$  percent at any time.
- 9.4 The maximum stated final maturity of individual securities in the portfolio may not exceed five years. Some categories of investments are further limited as described in Section 10.0 below.

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### 10.0 AUTHORIZED AND SUITABLE INVESTMENTS:

All investments shall be made in accordance with Sections 53600, *et seq.*, of the Government Code of California and as described in the "Permitted Investments" section of this Investment Policy and as summarized in Exhibit "A."

#### 10.1 Permitted investments under this policy shall include:

10.1.1 Securities issued by the U.S. Government or senior securities of an agency of the U.S. Government and fully guaranteed as to payment by the U.S. Government or agency of the U.S. Government. Permitted securities shall have fixed coupons and fixed maturity dates. Investment in mortgage-backed bonds and CMOs is not governed by this Section 10.1.1 even if such bonds are issued by agencies of the U.S. Government. Investment in CMOs is prohibited. (See Section 10.1.2 for conditions of purchase of mortgage-backed securities.) Investments in securities issued by the U.S. Government shall be maintained at a minimum of 25 percent of the total portfolio. Investment in senior securities issued by agencies of the U.S. Government shall be limited to a maximum of 50 percent of the total portfolio and 25 percent of the total portfolio in securities issued by any one Federal agency.

10.1.1.1 Securities fully guaranteed by the U.S. Government such as those under the Temporary Liquidity Guarantee Program (TLGP) shall be considered permitted investments under the same guidelines as Section 10.1.1 of this policy.

10.1.2 Mortgage-backed securities with a fixed coupon issued by an agency of the U.S. Government, provided that the stated final maturity of such securities does not exceed five years from the date of purchase. Investment in securities permitted under this section shall be limited to a maximum of 20 percent of the total portfolio.

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- 10.1.3 Commercial paper of “prime” quality rated a minimum of P-1 by Moody’s Investor Services (Moody’s) or A-1 by Standard & Poor’s, Inc. (S&P) provided that: (a) the maturity does not exceed 180 days from the date of purchase; (b) the issuer is a corporation organized and operating in the United States with assets in excess of \$500 million; and (c) no more than 15 percent of the total portfolio is invested in commercial paper.
- 10.1.4 Banker’s acceptances of “prime” quality issued by institutions the short-term obligations of which are rated a minimum of P1 by Moody’s or A1 by S&P provided that: (a) the acceptances are eligible for purchase by the Federal Reserve System; (b) the maturity does not exceed 180 days; and (c) no more than 20 percent of the total portfolio may be invested in banker’s acceptances.
- 10.1.5 Medium-term (or corporate) notes with fixed coupons and fixed maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, the long-term obligations of which are rated at least “AA-/Aa-” or equivalent by at least two of the three rating agencies (S&P, Moody’s, and Fitch). No more than 15 percent of the total portfolio may be invested in eligible medium-term or corporate notes. The maximum maturity of medium-term corporate notes is five years. Investments in medium-term notes issued by agencies of the Federal Government are governed by Section 10.1.1 of this policy.
- 10.1.6 Mutual funds invested in U.S. Government securities which strive to maintain a price of \$1.00 per share (“Government money market funds”) with a minimum of \$500 million in total portfolio value and a rating of Aaa by Moody’s and AAA by S&P. Investment in such funds shall not exceed 10 percent of the total portfolio.
- 10.1.7 Certificates of deposit (CDs) with fixed coupons and fixed maturity date which may not exceed two years.

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- 10.1.7.1 Insured deposits, time deposits not exceeding the Federal Deposit Insurance Corporation's (FDIC) deposit insurance limit, shall be permitted only in those financial institutions which are active members of the FDIC. Total insured deposits may not exceed 10 percent of the total portfolio.
- 10.1.7.2 Secured (collateralized) time deposits shall be permitted only in those financial institutions meeting the following criteria: (a) in good standing with the California State Collateral Pool; and (b) having a net operating profit in the two most recently completed years; and (c) having long-term debt currently rated A- or higher by S&P or A3 or higher by Moody's, or having short-term debt rated at least A-1 by S&P or P-1 by Moody's. Total secured time deposits may not exceed 10 percent of the total portfolio.
- 10.1.7.3 Unsecured (negotiable) deposits (NCDs) shall be permitted only in those financial institutions meeting the criteria listed in Subsection 10.1.7.2 and, in addition, having total assets in excess of \$1 billion. Total NCDs may not exceed 10 percent of the total portfolio.
- 10.1.8 Local Agency Investment Funds (LAIF) administered by the State Treasurer's Office. No more than 20 percent of the total portfolio may be invested in LAIF and JPA Investment Pools combined.
- 10.1.9 Passbook accounts maintained solely to provide for ongoing operational needs shall be subject to the requirements of this policy.
- 10.1.10 Municipal bonds issued by the City of Mountain View or any component unit of the City at limits and maturity as approved by the City Council.

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- 10.1.11 Legal settlements. Any noncash financial instrument, promissory note, or other form of indebtedness acquired by the City as part of a legal settlement.
- 10.1.12 Callable Treasuries and Agencies (as defined by Section 10.1.1) and Medium-Term Corporate Notes (as defined by Section 10.1.5) Securities. Up to 10 percent of the total portfolio may be invested within the guidelines of the respective defined sections. Securities with “make whole calls” are not included in the callable exposure limit.
- 10.1.13 Supranational Securities. U.S. dollar denominated, senior unsecured, unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), the long-term obligations of which are rated at least “AA/Aa” or equivalent by at least one of the three rating agencies (S&P, Moody’s, and Fitch). No more than 10 percent of the total portfolio may be invested in eligible Supranational securities. The maximum maturity of Supranational securities is five years.
- 10.1.14 Joint Powers Authority (JPA) Investment Pools. Shares of beneficial interest issued by a joint powers authority organized pursuant to California Government Code Section 6509.7 that invests in the securities and obligations authorized in California Government Code Section 53601(a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA. The JPA shall have retained an investment advisor that 1) is registered or exempt from registration with the Securities and Exchange Commission, 2) has not less than five years of experience investing in the securities and obligations authorized, and 3) has assets under management in excess of five hundred million dollars (\$500,000,000). No more than 20 percent of the total portfolio may be invested in JPA Investment Pools and LAIF combined. No more than 10 percent of the total portfolio may be invested in any one JPA Investment Pool.

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10.2 Prohibited investments. Investments not specifically delineated in Section 10.1 are prohibited. Prohibited investments include, but are not limited to:

10.2.1 Collateralized mortgage obligations, even if issued by agencies of the U.S. Government.

10.2.2 Repurchase agreements and reverse repurchase agreements.

10.2.3 Futures and options.

10.3 The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity, or yield of the portfolio in response to market conditions or City's risk preferences.

If securities owned by the City of Mountain View are downgraded to a level below the quality required by this Investment Policy, it will be the City's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.

If a security is downgraded, the Finance and Administrative Services Director will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.

If a security in the portfolio is downgraded, the Finance and Administrative Services Director shall notify the Investment Review Committee of the downgrade.

### 11.0 DIVERSIFICATION REQUIREMENTS:

11.1 With the exception of securities issued by the U.S. Government and its agencies, no more than 5 percent of the portfolio may be invested in securities of any one issuer.

11.2 A minimum of 25 percent of the portfolio will be invested in securities issued by the U.S. Government.

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- 11.3 No more than 50 percent of the portfolio may be invested in securities issued by agencies of the U.S. Government.
- 11.4 No more than 25 percent of the portfolio may be invested in securities issued by any single agency of the U.S. Government.
- 11.5 No individual holding shall constitute more than 5 percent of the total debt outstanding of any issuer.
- 11.6 No more than 20 percent of the portfolio may be invested in banker's acceptances.
- 11.7 No more than 15 percent of the portfolio may be invested in commercial paper.
- 11.8 No more than 15 percent of the portfolio may be invested in medium-term (corporate) notes.
- 11.9 No more than 10 percent of the portfolio may be invested in government money market funds.
- 11.10 No more than 10 percent of the portfolio may be invested in insured certificates of deposit.
- 11.11 No more than 10 percent of the portfolio may be invested in secured time deposits.
- 11.12 No more than 10 percent of the portfolio may be invested in unsecured (negotiable) deposits.
- 11.13 No more than 10 percent of the portfolio may be invested in callable securities. Securities with "make whole calls" are not included in the callable exposure limit.
- 11.14 The cost value of the security will be used when calculating diversity compliance.

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11.15 No more than 10 percent of the portfolio may be invested in Supranational securities.

11.16 No more than 20 percent of the portfolio may be invested in LAIF and JPA Investment Pools combined, and no more than 10 percent of the portfolio may be invested in any one JPA Investment Pool.

### 12.0 SAFEKEEPING AND CUSTODY:

All securities transactions entered into by the City of Mountain View shall be conducted on a delivery-versus-payment (DVP) basis. All securities will be held by a third-party custodian, which shall be a bank trust department, designated by the Finance and Administrative Services Director and evidenced by monthly custodial statements.

### 13.0 INTERNAL CONTROL:

The Finance and Administrative Services Director shall establish and maintain a system of appropriate internal controls to ensure compliance with policies and procedures. The controls are designed to prevent losses of public funds arising from fraud, error, or imprudent actions by employees and officers of the City. The most important controls are: separation of duties, separation of transaction authority from accounting and bookkeeping, third-party custody of securities, delegation of authority, written confirmation of telephone transactions, documentation of transactions and strategies, and periodic review of controls.

### 14.0 REPORTING AND REVIEWS:

14.1 Monthly. Monthly investment reports shall be submitted by the ~~Finance and Administrative Services Director~~ Investment Officer to the City Council and the City Manager. These reports shall disclose the following information about the risk characteristics of the City's portfolio:

14.1.1 Cost and accurate and complete market value of the portfolio (market value includes accrued interest).

14.1.2 Modified duration of the portfolio compared to Benchmark.



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- 14.1.3 Dollar change in value of the portfolio for a 1 percent change in interest rates.
  - 14.1.4 A concise narrative, including pertinent information regarding exposure to investment risk, exceptions to investment policy (if any) and market or economic trends which may impact the City's investments.
  - 14.1.5 Percent of portfolio maturing within one year.
  - 14.1.6 Average portfolio credit quality.
  - 14.1.7 Percent of portfolio with credit ratings below "AA-/Aa-" or equivalent and a description of such securities.
  - 14.1.8 Listing of any transactions or holdings which do not comply with this policy or with the California Government Code.
  - 14.1.9 Time-weighted total rate of return for the portfolio for the prior 3 months, 12 months, and for the year-to-date, compared to the Benchmark returns for the same periods.
- 14.2 Semiannual. On a semiannual basis, the Finance and Administrative Services Director, or designee, and the City Manager, or designee, shall meet with an independent, external investment advisor. The advisor will review compliance with policies and procedures; calculate the market value of the City's holdings; report on overall portfolio risk exposure and investment results; and make recommendations, if needed, regarding investment strategy, risk, or any aspect of the investment program.
- The Finance and Administrative Services Director and the investment advisor shall prepare a report for the City Council which summarizes the semiannual meeting and includes any pertinent findings or recommendations of the external investment advisor.
- 14.3 Annual. An Investment Review Committee shall be established by the City Council. The Investment Review Committee shall include the members of the City Council Finance Committee and two public members

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appointed by the City Council who have expertise in the area of fixed income investments. The Investment Review Committee shall meet on an annual basis with the Finance and Administrative Services Director, [or designee](#), the City Manager, [or designee](#), and the external investment advisor to review the portfolio. The Investment Review Committee shall report its findings and recommendations to the City Council.

### 15.0 INVESTMENT POLICY ADOPTION:

The City of Mountain View's Investment Policy shall be adopted by resolution of the City Council of the City of Mountain View. The policy shall be reviewed each fiscal year by the Council Finance Committee and/or Investment Review Committee, and any modifications made thereto must be approved by the City Council at a public meeting.

Revised: December 11, 2018, Resolution No. 18286

Revised: December 8, 2015, Resolution No. 18011

Revised: October 28, 2014, Resolution No. 17897

Revised: December 4, 2012, Resolution No. 17735

Revised: November 15, 2011, Resolution No. 17658

Revised: December 7, 2010, Resolution No. 17561

Revised: December 8, 2009, Resolution No. 17458

Revised: November 18, 2008, Resolution No. 17341

Revised: December 7, 2004, Resolution No. 16956

Revised: August 3, 1999, Resolution No. 16393

Revised: July 29, 1997, Resolution No. 16143

Revised: July 30, 1996, Resolution No. 15984A

Revised: March 26, 1996, Resolution No. 15939

Revised: May 30, 1995, Resolution No. 15842

Revised: May 25, 1993, Resolution No. 15571

Revised: December 8, 1992, Resolution No. 15505

Revised: February 11, 1992, Resolution No. 15369

Revised: February 12, 1991, Resolution No. 15233

Revised: July 31, 1990, Resolution No. 15153

Revised: December 12, 1989

Effective Date: December 16, 1968, Resolution No. 8125

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**ELIGIBLE INVESTMENTS AND LIMITS CRITERIA**

With the exception of securities issued by the U.S. Government and its agencies, [JPA Pools and Mutual Funds](#), no more than 5 percent of the portfolio may be invested in securities of any one issuer.

No individual holding shall constitute more than 5 percent of the total debt outstanding of any issuer.

<u>Type</u>	<u>Conditions</u>	<u>Rating</u>	<u>Limits</u>	<u>Maturity</u>
U.S. Treasury Bills, Notes, and Bonds	Fixed coupons, fixed maturity dates, no CMOs.	N/A	25% Minimum	5 Years
U.S. Government Agency Issues (e.g., F.N.M.A., G.N.M.A., etc.)	Fixed coupons, fixed maturity dates, no CMOs.	N/A	Total 50% of Portfolio in U.S. government agencies. 25% per Agency	5 Years
Mortgage-Backed Securities	Issued by an agency of the U.S. government.	N/A	Total 20% of Portfolio in U.S. government agencies. 25% per Agency	5 Years
Commercial Paper	Organized and operated in the U.S. with assets in excess of \$500 million.	A1/P1	15% of Portfolio	180 Days
Banker's Acceptances	Eligible for purchase by the Federal Reserve System.	A1/P1	20% of Portfolio	180 Days
Medium-Term Corporate Notes	Fixed coupons, fixed maturity.	AA-/Aa- or equivalent <a href="#">or better</a> from 2 of 3 rating agencies	15% of Portfolio	5 Years
Local Agency Investment Fund (LAIF)	N/A	N/A	20% of Portfolio <a href="#">combined with JPA Investment Pools</a>	On Demand
Certificates of Deposit	Fixed coupons and fixed maturity date.	FDIC insured not exceeding FDIC's deposit insurance limit; secured – see 9.1.7.2; unsecured – see 9.1.7.2	10% of Portfolio for each type	2 Years
Mutual Funds	Invested in U.S. government securities; strive for \$1 per share price. Minimum \$500 million in total portfolio value.	AAA/Aaa	10% of Portfolio	N/A

<u>Type</u>	<u>Conditions</u>	<u>Rating</u>	<u>Limits</u>	<u>Maturity</u>
Municipal Bonds	City of Mountain View or a component unit of the City of Mountain View.	N/A	As approved by Council.	As approved by Council.
Callable Securities	Treasuries, Agencies, and Medium-Term Corporate Notes.	Same as Security	10% of Portfolio (excluding Securities with “make whole calls”)	Same as Security.
Supranational Securities	Dollar denominated, senior unsecured, unsubordinated obligations issued or unconditionally guaranteed by the IBRD, IFC, or IADB.	AA/Aa or equivalent <u>or better</u> from one rating agency	10% of Portfolio	5 years
<u>Joint Powers Authority (JPA)</u> <u>Investment Pools</u>	<u>N/A</u>	<u>N/A</u>	<u>20% of Portfolio combined with LAIF, 10% per JPA Investment Pool</u>	<u>On Demand</u>

CNL POL/B02-CP-Exh A