

City of Redwood City Investment Policy Excerpt

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CITY OF REDWOOD CITY
INVESTMENT POLICY

Government Code 53600.3:

“...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter 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 agency, 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 agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

- B. The investment securities are purchased with the intention to hold until maturity. Sale of securities prior to maturity is permitted where it serves the City’s investment objectives.

IV. Objectives

- A. The City’s investment philosophy sets the tone for the policies, practices, procedures and objectives that control the investment function. The investment of funds will be guided by the primary objectives of safety, liquidity, a reasonable market rate of return, and sustainability, in this order of priority.

- 1. Safety – Safety of principal is the foremost objective of the investment program. The City will undertake investments in a manner that ensures the preservation of capital in the portfolio taken as a whole. To ensure the safety of principal, the City will seek to minimize credit risk (defined as the risk of default on the part of the issuer of a security) by diversification and by investing in high quality investments and also to minimize market risk (defined as the risk of fluctuations in the market value of securities) by limiting the weighted average maturity of the investment portfolio to 3 years.
- 2. Liquidity – The City will maintain sufficient cash and short-term investment instruments which, together with projected revenues, will provide sufficient liquidity to meet all cash flow requirements which might be reasonably anticipated including contingencies for six months.
- 3. Return on Investment (Yield) – The City’s investment portfolio will be designed with the objective to attain a market rate of return throughout economic cycles, commensurate with the City’s investment risk constraints and the cash flow characteristics of the portfolio.
- 4. Sustainability – The City encourages investments in entities that support community well-being through safe and environmentally sound practices, fair labor practices, and equality of rights regardless of sex, race, age, disability, or sexual orientation.

The City’s portfolio shall not include investment in companies in fossil fuel extraction, refining, and distribution industries or subindustries, as classified by a global standard taxonomy such as the Global Industry Classification Standard (GICS) or Bloomberg Industry Classification System (BICS).

The City is currently evaluating additional ways to best meet this objective.

- B. The investment function will have the ongoing objectives of assuring compliance with Federal, State and local laws governing the investment of public funds, providing for short term and long term cash flow needs, and establishing appropriate standards and limits for the type of

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(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20% of the City's moneys that may be invested pursuant to this section. However, no more than 5% of the City's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

In addition, the City may invest in money market and mutual funds that are registered under the Investment Company Act of 1940 that (1) are "no-load" (no commission or fee shall be charged on purchases or sales of shares) and (2) have a constant daily net asset value per share of \$1.00;

G. Local Government Investment Pools – Maximum 20%

Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in California Government Code section 53601 subdivisions (a) to (r), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, 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 California Government Code section 53601 subdivisions (a) to (q), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

H. Medium-Term Corporate Notes– Maximum of 30%

The City may invest in medium term notes, defined as all corporate and depository institution debt securities with a maximum maturity of 5 years or less, 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. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or the equivalent or better, by an NRSRO. No more than 5% of the City's portfolio may be invested in the commercial paper and the medium-term notes of any one issuer or its affiliates. The aggregate investment in such securities shall not exceed 30% of the City's total portfolio.

I. Non-negotiable Certificates of Deposit – Maximum of 10%

The City may invest in non-negotiable certificates of deposit with a maturity not exceeding three years, in state or nationally chartered banks or savings banks that are insured by the FDIC, subject to the limitations of California Government Code Section 53638. Amounts in excess of FDIC insurance coverage shall be secured in accordance with California Government Code Section 53652. The City may use CD Placement Service for ease of administration to benefit from FDIC insured deposits without dealing with many banks. No more than 2% of the City's portfolio may be