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Staff Report for Resolution Approving the City of San Leandro's Investment Policy for Fiscal Year 2017-18

SUMMARY AND RECOMMENDATION

Staff recommends City Council approval of the City of San Leandro Investment Policy for fiscal year 2017-18. The policy is approved annually and there are three proposed updates for the policy for 2017-18.

BACKGROUND AND PROPOSED UPDATES

California Government Code Section 53600 et seq. and Section VIII "Reporting" of the San Leandro Investment Policy requires the City Council to annually review and approve the City's Investment Policy. This policy was last adopted on June 20, 2016.

The City of San Leandro Investment Policy (Investment Policy) provides specific guidelines for the City's investment management functions and remains in compliance with the model policy approved by the Association of Public Treasurers of the United States and Canada and California Government Code Section 53601. The Investment Policy serves as a guide for setting and achieving investment objectives, defines rules and established benchmarks, prohibits and/or restricts investment instruments and reduces exposure to liability of both staff and Council. Compliance with the policy is an element of fiscal discipline considered by the auditors and rating agencies during their respective reviews.

Staff has reviewed the current policy and has three recommended updates for 2017-18. The policy update allows for investments in Mutual Funds and Money Market Mutual Funds, consistent with California Government Code. Appendix A has also been updated to include specific language to the Mutual Funds and Money Market Mutual Funds. The Reporting section stipulates City Council will review and approve all investment policy changes. The following are the specific changes to the policy:

1. Mutual Funds and Money Market Mutual Funds that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:
 - A. Mutual Funds that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:
 1. Attained the highest ranking or the highest letter and numerical rating provided by not less than two

- nationally recognized statistical rating organizations (**NRSRO**), which is a credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes; or
2. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.
 3. No more than 10% of the total portfolio may be invested in shares of any one mutual fund.
- B. Money Market Mutual Funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:
1. Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
 2. Have 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 \$500 million.
 3. No more than 20% of the total portfolio may be invested in Money Market Mutual Funds.
 4. No more than 20% of the total portfolio may be invested in these securities.
2. Appendix A:
- A. Mutual funds & Money Market Funds
 1. Maximum maturity - N/A
 2. Maximum Amount - 20% per Money Market Mutual fund, 10% per Mutual Fund; 20% of Portfolio in aggregate
3. Reporting: The City Council will review and approve all changes to this policy statement.

Previous City Council Action(s)

The Investment Policy is reviewed annually and was last reviewed by the City Council on June 20, 2016 by Resolution No. 2016-080.

ATTACHMENTS TO RESOLUTION

San Leandro Investment Policy Statement

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