

April 24, 2025

Kristina Alfaro, Administrative Services Director
Jonathan Orozco, CPA, Finance Manager
City of Cupertino

Dear Kristina and Jonathan,

We have completed our annual review of City of Cupertino's (City) investment policy for compliance with the statutes of California Government Code (Code) that govern the investment of public funds, as well as for inclusion of current best practices.

The City's investment policy continues to be well-written and effective for the management of the Authority's funds. There were minimal changes to California Government Code for 2024 effective 2025 related to augmented concentration limits on certain bank deposits. None of the changes require the City to update the policy, nor do we recommend the adoption of these Code modifications at this time. We do, however, recommend adoption of some other recent Code updates, as well as inclusion of additional best practices. Please find a brief summary of the changes below:

- **Authorized Investments:** We recommend the City include language specifying that minimum credit quality requirements apply at time of purchase.
- **Authorized Investments; 2. Federal Agencies:** Chandler recommends the City increase the current limit of 25% per Federal Agency/GSE to 30%. Given the sector's relative safety, the increase will provide the City the opportunity to increase its holdings per issuer in this stable sector if needed.
- **Authorized Investments; 13. Asset-Backed Securities:** Pursuant to SB 882, passthrough securities (asset-backed and mortgaged-backed securities) issued by governmental issuers are governed by 53601(b) and 53601(f), which describe permitted governmental issuers, rather than 53601(o), which describes issuers of private label passthrough securities. We recommend the City adopt language to reflect this change in Code.
- **Authorized Investments; 15. Money Market Mutual Funds:** We recommend the City update its policy language permitting the use of money market mutual funds to better reflect the language currently used in Code.
- **Authorized Investments; 16. Local Government Investment Pools:** Chandler recommends the City include local government investment pools (LGIP) as a permitted investment. LGIPs in California are organized as joint powers authorities formed to provide short-term investment options for local governments wishing to maintain funds very liquid. LGIPs are generally rated in a high rating category, and can provide local governments with additional options for funds needed in the short term.



- **Prohibited Investment Vehicles and Practices:** Pursuant to SB 1489, we recommend including language specifically prohibiting the purchase of securities with trade settlement periods longer than 45 days.

Please do not hesitate to contact us with any questions you may have, or if further review is needed.

Sincerely,

Carlos Oblites
Senior Portfolio and Investment Pool Strategist
Chandler Asset Management