



ADMINISTRATIVE SERVICES DEPARTMENT

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AUDIT COMMITTEE STAFF REPORT

Meeting: April 27, 2026

Subject

Annual Review of the City's Investment Policy

Recommended Action

Receive Updated City's Investment Policy and forward to City Council for Adoption

Reasons for Recommendation

Background

To ensure the City's investment policy is up-to-date and aligned with its investment objectives, the Audit Committee conducts an annual review before presenting it to the City Council. The most recent review and acceptance of the investment policy by the Audit Committee occurred on April 28, 2025, followed by approval from the City Council on May 20, 2025.

The investment policy is the foundation of the City's investment goals and priorities. It can help protect the City's assets if it is carefully researched, effectively drafted, and regularly reviewed to ensure that it continues to meet the City's investment objectives. The existence of an approved investment policy demonstrates that the City is performing its fiduciary responsibilities, thereby inspiring trust and confidence among the public that it serves.

The policy also provides guidance on the proper management of the City's temporary idle cash, outlining protocols to maximize cash efficiency.

California Government Code (Code) section 53646(a)(2) states:

[T]he treasurer or chief fiscal officer of the local agency may annually render to the legislative body of that local agency and any oversight committee of that local agency a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting. Any change in the policy shall also be considered by the legislative body of the local agency at a public meeting.

Assembly Bill 2853 (Chapter 889, Statutes of 2004) amended section 53646(a)(2) to make presentation of the investment policy to the City Council optional. While no longer required by Code, the City annually presents the investment policy to the Audit Committee before submitting it to City Council for approval.

Chandler Asset Management

In FY 2018-19, the City conducted a Request for Proposal (RFP) for investment management services and selected Chandler Asset Management. Under the City's Treasurer's direction, Chandler Asset Management manages the City's investment portfolio in accordance with the City's investment objectives. The City's investment objectives, in order of priority, are to provide:

- Safety to ensure the preservation of capital in the overall portfolio
- Sufficient liquidity for cash needs
- A market rate of return consistent with the investment program

The performance objective is to earn a total rate of return through a market cycle equal to or above the return on the benchmark index. To achieve the objective, Chandler Asset Management invests in high-quality fixed-income securities consistent with the City's investment policy and Code.

Investment Policy Review

California Government Code and alignment with current industry best practices. Overall, Chandler concluded that the City's Investment Policy continues to be well-written and effective in guiding the management of the City's investment portfolio.

The summarized updates below have been incorporated into the attached redline version of the policy (Attachment A):

- *Local Government Investment Pools (LGIPs)*: Policy language has been expanded to provide additional clarity regarding eligibility criteria, including requirements related to investment advisor registration, experience, and assets under management. These enhancements align with Government Code provisions and strengthen oversight while continuing to allow for flexible liquidity management.
- *Legislative Updates (SB 585)*: Minor updates have been made to reflect changes to applicable dates and statutory references resulting from SB 585.

Staff concurs with Chandler's recommendations and has incorporated these revisions into the Investment Policy. The revised policy ensures continued compliance with state law while providing the City with greater clarity and flexibility to manage its investments in a prudent and efficient manner.

Sustainability Impact

No sustainability impact.

Fiscal Impact

No fiscal impact.

Prepared by: Jonathan Orozco, Acting Director of Administrative Services

Reviewed by: Kirsten Squarcia, Deputy City Manager

Approved for Submission by: Tina Kapoor, City Manager

Attachments:

A – Cupertino Investment Policy (redline)