



# STAFF REPORT

AGENDA NO: 9i

MEETING DATE: June 16, 2025

**To: Honorable Mayor and City Council**

**Date: June 16, 2025**

**From: Helen Yu-Scott, Finance Director – (650) 558-7222**

**Subject: Approval of Revisions to Investment Policy for Fiscal Year 2025-26**

## **RECOMMENDATION**

Staff recommends that the City Council approve the revised Investment Policy for the City of Burlingame.

1. As presented in Exhibits B and C, or
2. Incorporate recommendations from former Councilmember Stephanie Lee

## **BACKGROUND**

The investment of funds by a California local agency, including the types of securities in which an agency may invest, is governed by the California Government Code. The law requires that the legislative body of each agency adopt an investment policy, which may add further limitations than those established by the State. In addition, an agency's investment policy must be reviewed annually, and any changes must be adopted at a public meeting.

Finance staff and the City's investment advisors, PFM Asset Management (PFM), review the City's Investment Policy on an annual basis. The City Council last reviewed the Policy on June 3, 2024, for use in the current fiscal year. At that time, language modifications were made to clarify the treatment for mortgage-backed securities issued by federal agencies. Additionally, the City updated the benchmarks index naming convention to "BofA 1-5 Year U.S Treasury Index" to accurately reference the index name after industry mergers and acquisitions.

## **DISCUSSION**

PFM completed its annual review of the City of Burlingame's Investment Policy and found it comprehensive and in compliance with the sections of the California Government Code that govern the investment of public funds by general law cities. PFM did not make any recommendations or changes to the Policy this year, as per their memo attached to this staff report (Exhibit A). Staff also updated the year of the Policy and the name of the Mayor on pages one and nine of the proposed Policy, respectively.

To address former Councilmember Stephanie Lee's concerns about the amount of corporate notes in the City's investment portfolio, staff reached out to her for input in May 2025 prior to the Investment Policy updates in June.

Former Councilmember Lee provided recommendations regarding the "Acceptable Investment Instruments" starting on page 3 of the Investment Policy. She suggested reducing the risk in the portfolio to any single corporation and to corporates as an asset class. Her recommendations are as follows:

- Under item 9, "Medium-Term Notes," limit new purchases of any single corporation's medium-term notes to 0.8% of the PFM portfolio or \$1.0 million.
- Under item 9, limit Medium-Term Notes to 22% of the portfolio.
- Under item 13, "Mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond."
  - Limit the whole category to 10% of PFM's portfolio.
  - Limit the subcategory of corporate asset-backed securities (ABS) to 5% of the portfolio.
  - Within ABS, limit exposure to any single corporation to 0.8%, the same as the corporate note exposure in item 9.

Former Councilmember Lee also stated that the City should give PFM time to adjust to any changes so PFM will not be forced to sell an investment that is deemed better held to maturity.

Staff respectfully requests that the City Council approve one of the two recommendations, depending on the Council's preference for the revisions to the fiscal year 2025-26 Investment Policy.

### **FISCAL IMPACT**

As revised, the Investment Policy continues to support the City's overall investment strategy, providing a portfolio that is safe, diversified, and has lower volatility than comparable market benchmarks.

Exhibits:

- A. Memo from PFM re: 2025 Investment Policy Review
- B. Investment Policy (redlined)
- C. Investment Policy (proposed)