

REGULAR MEETING MINUTES



Date: 7/20/2023
Time: 5:30 p.m.
Location: Teleconference and
City Hall Downtown Conference Room, 1st Floor
701 Laurel St., Menlo Park, CA 94025

A. Call To Order

Vice Chair Wong called the meeting to order at 5:30 p.m.

B. Roll Call

Present: Bramlett, DeMoss, Leroux, Normington (remote – AB 2449 Just Cause), Wong
Absent: Dey, Hill
Staff: Assistant City Manager Stephen Stolte, Interim Finance Director Marvin Davis, Interim Finance and Budget Manager Rani Singh, Senior Accountant Ying Chen, Management Analyst II Adrian Patino

C. Public Comment

None.

D. Presentations and Proclamations

D1. Onboarding new commission members

Interim Finance and Budget Manager Rani Singh made the presentation (Attachment).

D2. Presentation by the City's investment advisor Insight Investments on the City's investment portfolio and investment policy

Insight Investment Senior Portfolio Specialist Dave Witthohn made the presentation (Attachment).

E. Regular Business

E1. Select a chair and vice chair

Management Analyst II Adrian Patino made the presentation (Attachment).

The Commission received clarification on the duties of the chair and vice chair.

ACTION: Motion and second (Wong/ Leroux), to select Carol Wong as chair and Matt Normington as vice chair, passed 5-0 (Dey and Hill absent).

E2. Approve the April 20, 2023 Finance and Audit Commission regular meeting minutes (Attachment)

Management Analyst II Adrian Patino introduced the item.

The Commission discussed the duration of the April 20 meeting.

ACTION: Motion and second (Normington/ DeMoss), to approve the April 20, 2023 minutes, passed 4-0 (Dey and Hill absent, Bramlett abstaining).

- E3. Review the June 30, 2023 investment reports and recommend receipt by City Council (Staff Report #23-005-FAC)

Interim Finance Director Marvin Davis made the presentation (Attachment).

The Commission received clarification on how the City works with Insight Investment to select investments for its portfolio, the securities in the portfolio and their earnings in the monthly statements and how securities are purchased.

ACTION: Motion and second (Wong/ Leroux), to recommend receipt of the June 30, 2023 investment reports by City Council, passed 5-0 (Dey and Hill absent).

- E4. Review of the City's investment policy (Staff Report #23-006-FAC)

Interim Finance Director Marvin Davis made the presentation (Attachment).

The Commission discussed a publically accessible register of payments made to vendors by the City outside of the investment policy and returning the investment policy to a future meeting.

ACTION: Motion and second (Wong/ Leroux), to recommend the investment policy to City Council, passed 5-0 (Dey and Hill absent).

- E5. Consider forming an investment policy subcommittee

Management Analyst II Adrian Patino made the presentation (Attachment).

The Commission received clarification on the formation of a subcommittee.

ACTION: Motion and second (Bramlett/ Normington), to form an Investment Policy Subcommittee, passed 5-0 (Dey and Hill absent).

- E6. Review the work plan (Attachment)

Management Analyst II Adrian Patino made the presentation (Attachment).

The Commission reviewed the current work plan items and discussed staff recommendations for the 2023-24 work plan.

The Commission received clarification on the deadline for recommending an annual work plan.

The Commission directed staff to schedule a special meeting and to provide a draft work plan with staff recommendations.

ACTION: Motion and second (Wong/ Normington), to direct staff to schedule a special meeting to recommend a work plan, passed 5-0 (Dey and Hill absent).

F. Informational Items

- F1. Finance and Audit Commission regular meetings
October 19, 2023, 5:30 p.m.
January 18, 2024, 5:30 p.m.

Management Analyst II Adrian Patino introduced the item.

The Commission discussed updating the current meeting schedule.

G. Adjournment

Chair Wong adjourned the meeting at 7:38 p.m.

Adrian Patino Management Analyst II

Minutes approved at the October 19, 2023 Finance and Audit Commission meeting



ONBOARDING NEW COMMISSION MEMBERS





CITY COUNCIL UPDATES TO THE FINANCE AND AUDIT COMMISSION



- At the February 14 City Council meeting, the City Council directed staff to update the member composition of the Finance and Audit Committee (FAC) by:
 - Retaining the FAC membership at seven members, but removing the two City Councilmembers as voting members
 - Appointing one City Councilmember liaison (who is not a voting member)
- City Councilmember Doerr was selected as the City Council liaison on February 28



CITY COUNCIL UPDATES TO THE FINANCE AND AUDIT COMMISSION



- At the June 27 City Council meeting, the City Council amended City Council Policy CC-23-004 Commissions/Committees Policies and Procedures, Roles and Responsibilities
 - They renamed the “Finance and Audit Committee” to the “Finance and Audit Commission”
 - Justification: The FAC is now a seven-member body comprised of residents with one City Councilmember liaison
 - They revised the term of its members from two years to four years to take effect during the 2025 annual recruitment
 - Justification:
 - The FAC term lengths were initially established at two years to accommodate City Council voting member appointments
 - The remaining six advisory body terms are four years

FINANCE AND AUDIT COMMISSION: ROLES AND RESPONSIBILITIES

- Per City Council Policy CC-23-004:
- Roles and responsibilities
 - The Finance and Audit Commission is charged primarily to support delivery of timely, clear and comprehensive reporting of the City’s fiscal status to the community at large
- Commission priorities
 - Review the process for periodic financial reporting to the City Council and the public, as needed
 - Review financial audit and annual financial report with the City’s external auditors
 - Review of the resolution of prior year audit findings
 - Review of the auditor selection process and scope, as needed

COMMISSIONS/COMMITTEES BACKGROUND INFORMATION

- City Council Policy CC-23-004 defines the policies and procedures and roles and responsibilities for Menlo Park appointed commissions and committees
 - “Within specific areas of responsibility, each advisory body has a primary role of advising the City Council on policy matters or reviewing specific issues and carrying out assignments as directed by the City Council or prescribed by law.”
 - “Upon referral by the City Council, the commission/committee shall study referred matters and return their recommendations and advise to the City Council. With each such referral, the City Council may authorize the City staff to provide certain designated services to aid in the study.”
 - “Upon its own initiative, the commission/committee shall identify and raise issues to the City Council’s attention and from time to time explore pertinent matters and make recommendations to the City Council.”

COMMISSIONS/COMMITTEES BACKGROUND INFORMATION

- Recommendations, requests and reports from Commissions/Committees to City Council:
 - “As needed, near the beginning of City Council meetings, there will be an item called ‘Advisory Body Reports.’ At this time, commissions/committees may present recommendations or status reports and may request direction and support from the City Council. Such requests shall be communicated to the staff liaison in advance, including any written materials, so that they may be listed on the agenda and distributed with the agenda packet. The materials being provided to the City Council must be approved by a majority of the commission/committee at a commission/committee meeting before submittal to the City Council. The City Council will receive such reports and recommendations and, after suitable study and discussion, respond or give direction.”
- City Council referrals to Commissions/Committees:
 - “The city clerk shall transmit to the designated staff liaison all referrals and requests from the City Council for advice and recommendations. The commissions /committees shall expeditiously consider and act on all referrals and requests made by the City Council and shall submit reports and recommendations to the City Council on these assignments.”

COMMISSIONS/COMMITTEES BACKGROUND INFORMATION

- City Councilmember liaison:
 - The purpose of the liaison assignment is to facilitate communication between the City Council and the advisory body. The liaison also helps to increase the City Council's familiarity with the membership, programs and issues of the advisory body. In fulfilling their liaison assignment, City Councilmembers may elect to attend commission/committee meetings periodically to observe the activities of the advisory body or simply maintain communication with the commission/committee chair on a regular basis.
- Staff liaison:
 - The City has designated staff to act as a liaison between the commission/committee and the City Council.
 - Requests from commission/committee member(s) determined by the staff liaison to take one hour or more of staff time to complete, must be directed by the City Council.
 - Commissions and committees shall not become involved in the administrative or operational matters of City departments. Members may not direct staff to initiate major programs, conduct large studies or establish department policy. ... The responsibility for setting policy and allocating scarce City resources rests with the City's duly elected representatives, the City Council.

FOR PROFESSIONAL CLIENTS ONLY
NOT TO BE REPRODUCED WITHOUT PRIOR WRITTEN APPROVAL
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City of Menlo Park

Investment Management Program Review

Dave Witthohn, CFA®, CIPM®, Senior Portfolio Specialist

As of June 30, 2023



This document has been prepared by Insight North America LLC (INA), a registered investment adviser under the Investment Advisers Act of 1940 and regulated by the US Securities and Exchange Commission. INA is part of 'Insight' or 'Insight Investment', the corporate brand for certain asset management companies operated by Insight Investment Management Limited including, among others, Insight Investment Management (Global) Limited and Insight Investment International Limited. The performance of Insight is being presented to show the historical performance of the portfolio management team responsible for managing the strategy. The track records presented include all accounts managed by Insight with substantially similar investment objectives, policies and strategies for which the strategy management teams were responsible. Advisory services referenced herein are available in the US only through INA. INA and its Insight affiliates are part of the GIPS® firm Insight Investment, which claims compliance with GIPS. Please refer to the important disclosures at the back of this document.

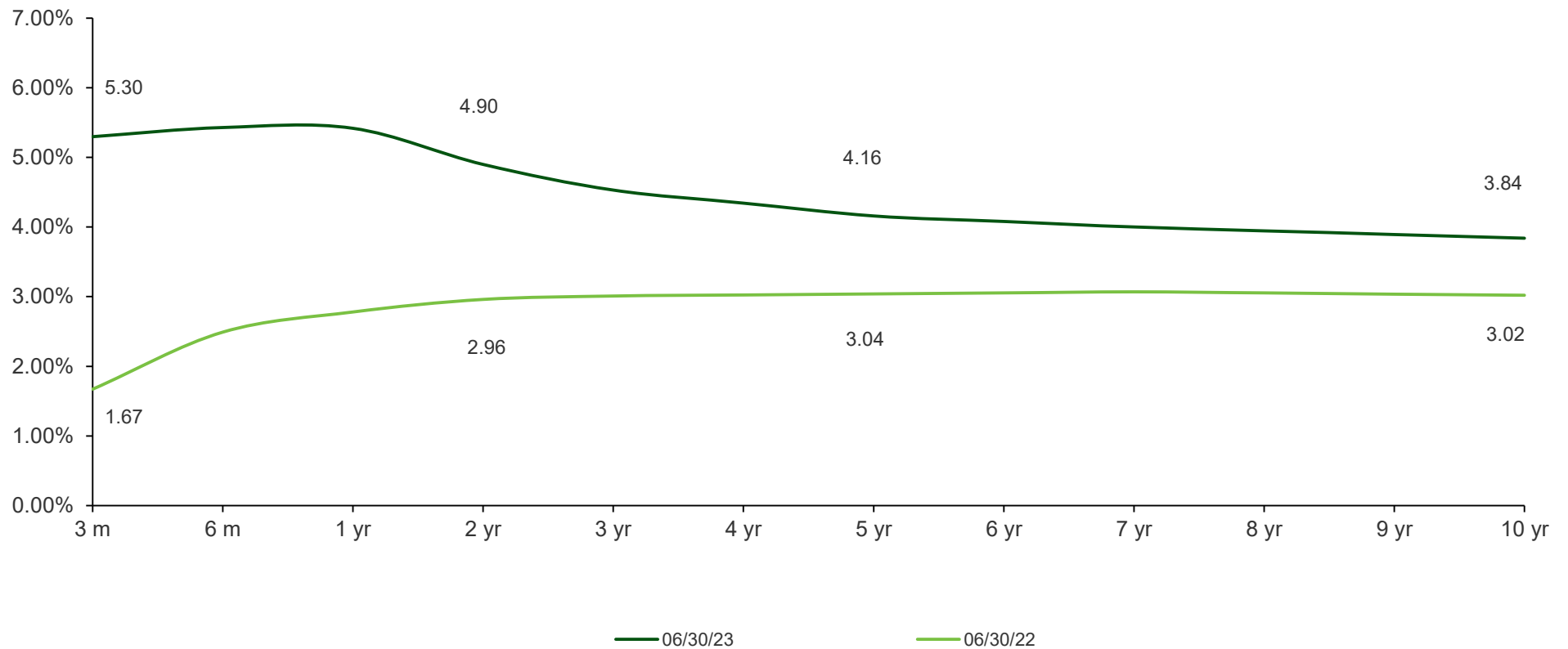
Unless otherwise stated, performance presented herein is that of Insight Investment and should not specifically be viewed as the performance of Insight North America LLC. Please refer to the important disclosures at the back of this document.

Market environment and strategies

US economic indicators



Comparative historical yield curves



Source: Bloomberg LP, June 30, 2023

Key takeaways

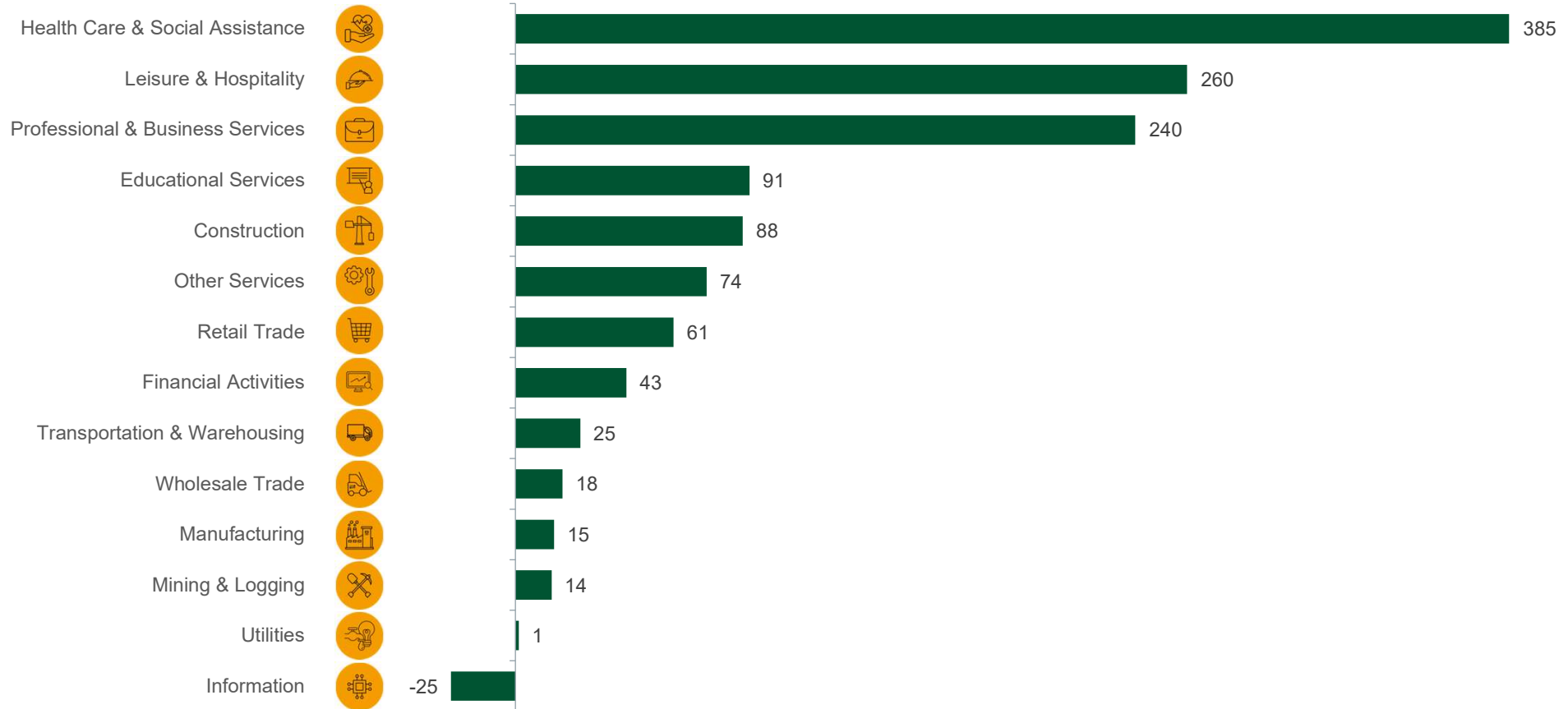
- The US economy is sending mixed signals with momentum diverging across various elements of the economy – manufacturing vs. services, better labor market balance vs. stubborn inflation, etc.
- The persistently sticky inflation will likely force the Fed’s hand to hike interest rates by at least another 25 basis points
- We continue to see risks stemming from tighter credit conditions, higher interest rates, and elevated inflation as skewed to the downside



Any projections or forecasts contained herein are based upon certain assumptions considered reasonable. Projections are speculative in nature and some or all of the assumptions underlying the projections may not materialize or vary significantly from the actual results. Accordingly, the projections are only an estimate. Opinions expressed herein are as of the date stated and are subject to change without notice. Insight assumes no responsibility to update such information or to notify a client of any changes.

US labor market powers ahead

Private job creation, year-to-date job gains (thousands)



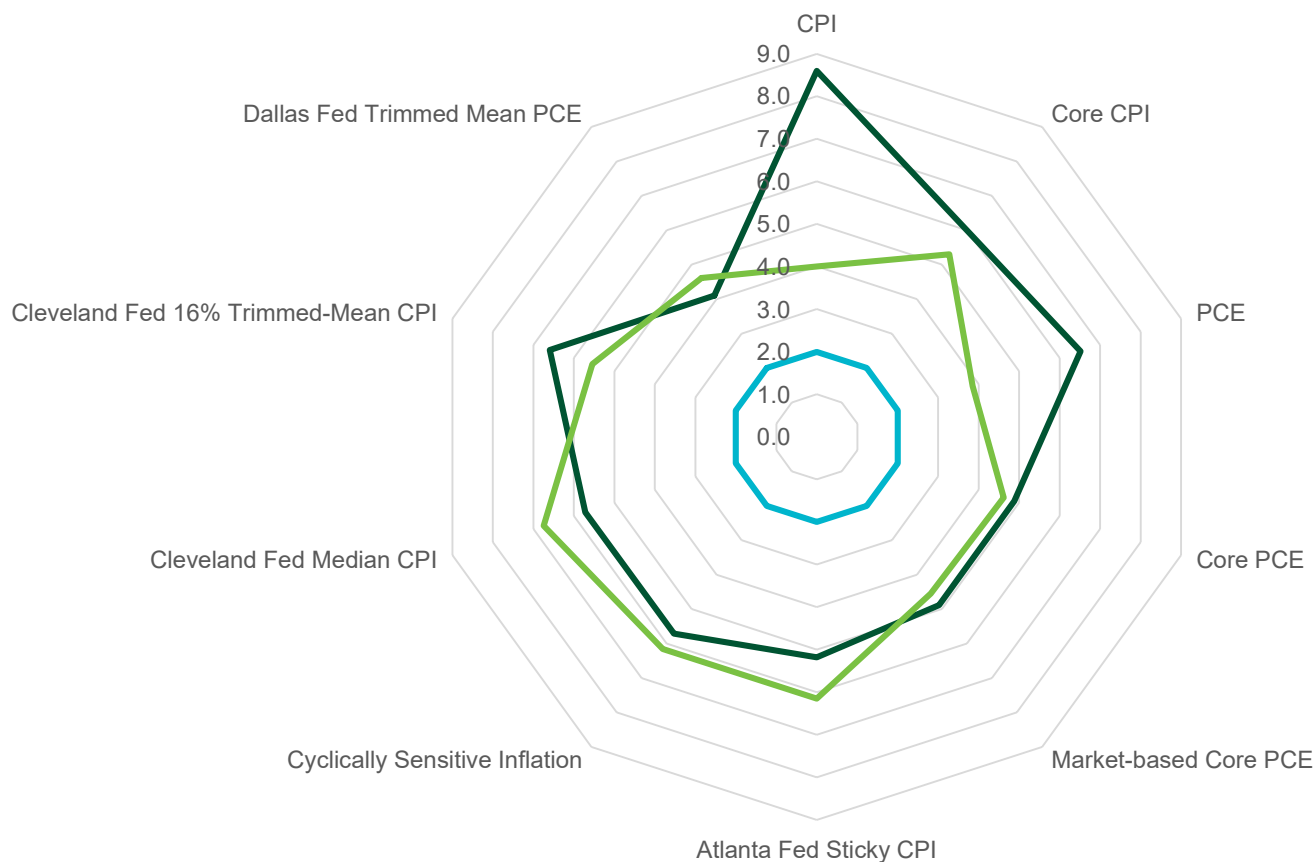
The US economy has so far defied fears of recession amid stronger-than-expected job growth

Source: Bureau of Labor Statistics, as of July 7, 2023.

Inflation refuses to go gentle into that good night

Inflation metrics (% year-over-year)

- May-22
- May-23
- 2% target

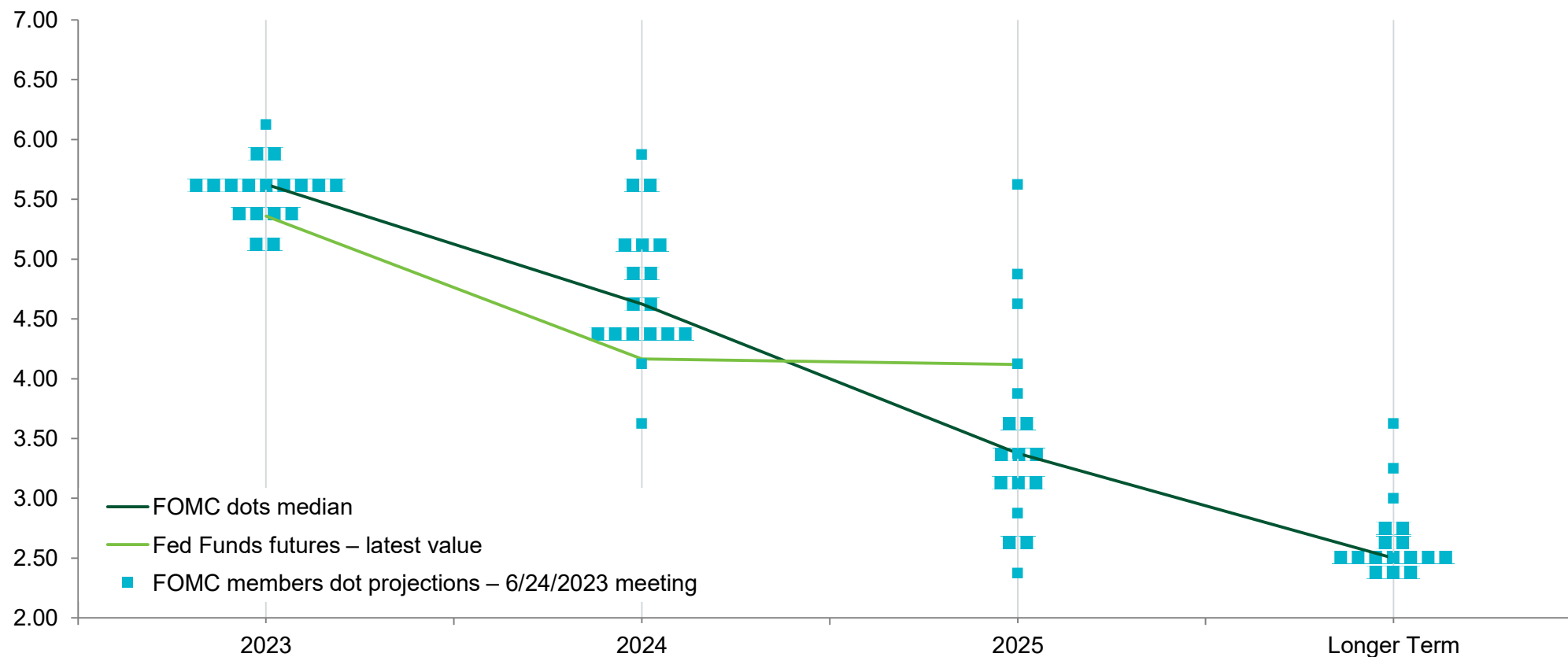


Despite an improvement in headline numbers, various measures of underlying inflation remain elevated

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of Cleveland, Federal Reserve Bank of Atlanta, Federal Reserve Bank of Dallas, as of July 3, 2023.

The Fed signals commitment to restoring price stability

Implied Fed Funds target rate, %



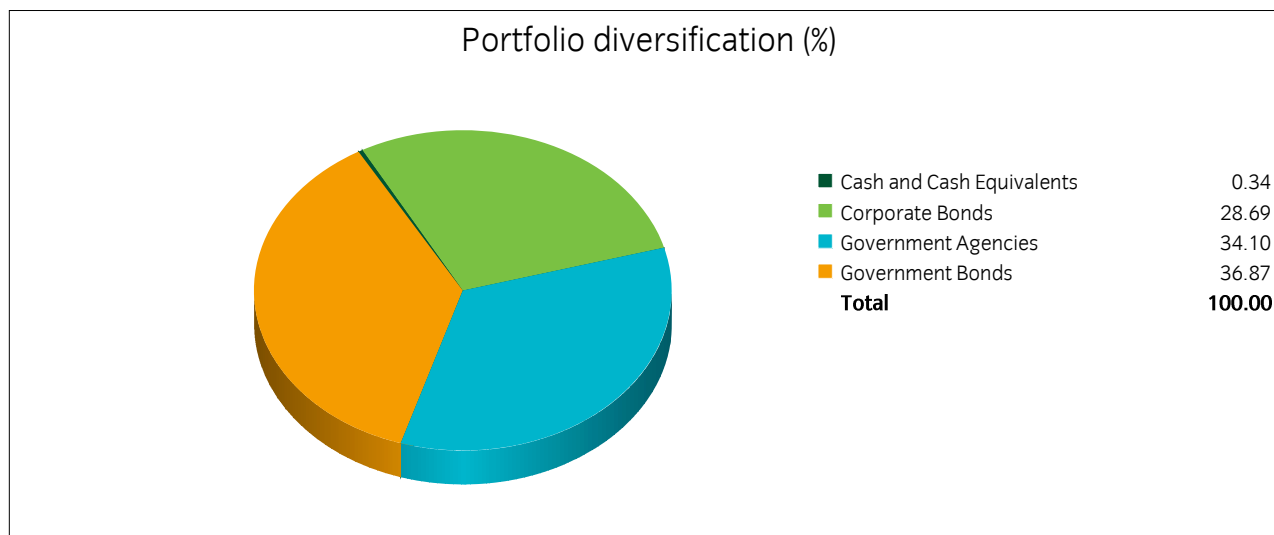
With inflation risks skewed to the upside, the Fed policymakers have leaned mostly hawkish and indicated a willingness to keep rates higher for longer

Source: Federal Reserve, Bloomberg as of June 14, 2023.

RECAP OF SECURITIES HELD

As of June 30, 2023

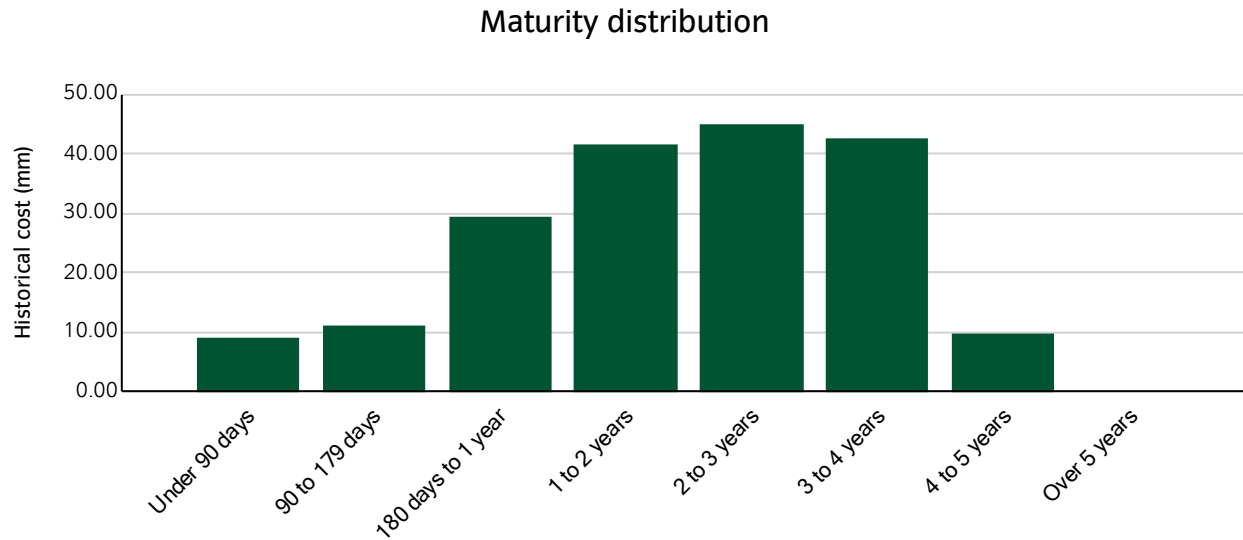
	Historical cost	Amortized cost	Fair value	Unrealized gain (loss)	Weighted average final maturity (days)	Percent of portfolio	Weighted average effective duration (years)
Cash and Cash Equivalents	642,097.94	642,097.94	642,097.94	0.00	1	0.34	0.00
Corporate Bonds	53,809,090.22	53,000,651.40	51,478,337.91	(1,522,313.49)	736	28.69	1.81
Government Agencies	63,956,683.24	64,312,440.93	62,750,867.36	(1,561,573.57)	726	34.10	1.87
Government Bonds	69,154,212.88	69,871,373.01	67,446,280.51	(2,425,092.50)	777	36.87	2.04
Total	187,562,084.28	187,826,563.28	182,317,583.72	(5,508,979.56)	745	100.00	1.91



MATURITY DISTRIBUTION OF SECURITIES HELD

As of June 30, 2023

Maturity	Historic cost	Percent
Under 90 days	8,855,814.20	4.72
90 to 179 days	10,922,430.87	5.82
180 days to 1 year	29,295,104.54	15.62
1 to 2 years	41,474,137.97	22.11
2 to 3 years	44,857,211.83	23.92
3 to 4 years	42,578,471.43	22.70
4 to 5 years	9,578,913.44	5.11
Over 5 years	0.00	0.00
	187,562,084.28	100.00



Investment policy

INVESTMENT POLICY

City Council Policy #CC-21-020
Adopted June 28, 2022 Resolution No.
XXXX



Purpose
<p>The City of Menlo Park (the “City”), incorporated in 1927, is located between San Francisco and Oakland on the North, and San Jose on the South. The city is governed by five members elected by district to City Council.</p> <p>The City Council has adopted this Investment Policy (the “Policy”) in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the unexpended funds of the city. All such investments will be made in accordance with the Policy and with applicable sections of the California Government Code.</p> <p>This Policy was endorsed and adopted by the City Council of the City of Menlo Park on the xx of xx 2022. It replaces any previous investment policy or investment procedures of the city.</p>
Scope
<p>The provisions of this Policy shall apply to all financial assets of the city and the Community Development Agency of Menlo Park as accounted for in the city’s comprehensive annual financial report, with the exception of bond proceeds, which shall be governed by the provisions of the related bond indentures or resolutions.</p> <p>All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance in the investment portfolio. Investment income shall be distributed to the individual funds on a quarterly basis.</p>
Objectives
<p>The city’s funds shall be invested in accordance with all applicable municipal codes and resolutions, California statutes, and federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:</p> <ol style="list-style-type: none">1. Preservation of capital and protection of investment principal.2. Maintenance of sufficient liquidity to meet anticipated cash flows.3. Attainment of a market value rate of return. <p>Diversification to avoid incurring unreasonable market risks.</p>
Delegation of authority
<p>The management responsibility for the city’s investment program is delegated annually by the City Council to the chief financial officer (the “CFO”) pursuant to California Government Code Section 53607. The City’s administrative services director or designee serves as the CFO. In the absence of the CFO, the finance and budget manager is authorized to conduct investment transactions. The CFO may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members. The CFO shall maintain a list of persons authorized to transact securities business for the city. No person may engage in an investment transaction except as expressly provided under the terms of this policy.</p> <p>The CFO shall develop written administrative procedures and internal controls, consistent with this policy, for the operation of the city’s investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the city.</p> <p>The city may engage the support services of outside investment advisors in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the city’s financial resources.</p>

INVESTMENT POLICY

City Council Policy #CC-21-020
 Adopted June 28, 2022 Resolution
 No. xxxx

portfolio should be flexible depending upon the outlook for the economy, the securities markets, and the city's anticipated cash flow needs.

Securities shall not exceed the following maximum limits as a percentage of the total portfolio:

Type of security	Maximum percentage of the total portfolio
U.S. Treasury obligations	100%
Federal agency securities	100%†
Federal instrumentality securities†	100% †
Repurchase agreements	100%
Local government investment pools	100%
Aggregate amount of Certificates of deposit, negotiable and non-negotiable	25%
Aggregate amount of prime commercial paper*	25%
Aggregate amount of money market funds *	20%
Aggregate amount of municipal bonds*	30%
Aggregate amount of eligible banker's acceptances*	15%
Aggregate amount of medium-term notes*	30%

† No more than 20% of the city's total portfolio shall be invested in mortgage-backed securities.

*No more than 5% of the city's total portfolio shall be invested in any one issuer/financial institution and/or its affiliates.

Portfolio maturities and liquidity

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The city will not invest in securities maturing more than five years from the date of trade settlement unless the City Council has, by resolution, granted authority to make such an investment at least three months prior to the date of investment. The sole maturity distribution range shall be from zero to five years from the date of trade settlement.

Selection of broker/dealers

The CFO shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the city to purchase securities only from those authorized firms. To be eligible, a firm must be licensed by the State of California as a broker/dealer as defined in Section 25004 of the California Corporations Code.

The city may engage the services of investment advisory firms to assist in the management of the portfolio and investment advisors may utilize their own list of approved Broker/Dealers. The list of approved firms shall be provided to the city on an annual basis or upon request.

In the event that an external investment advisory firm is not used in the process of recommending a particular transaction, each authorized broker/dealer shall be required to submit and annually update a city approved Broker/Dealer Information Request form which includes the firm's most recent financial statements. The CFO shall maintain a list of the broker/dealers that have been approved by the city, along with each firm's most recent broker/dealer information request form. The city may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 8 of the authorized securities and transactions section of this Policy.

Competitive transactions

Each investment transaction shall be competitively transacted with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

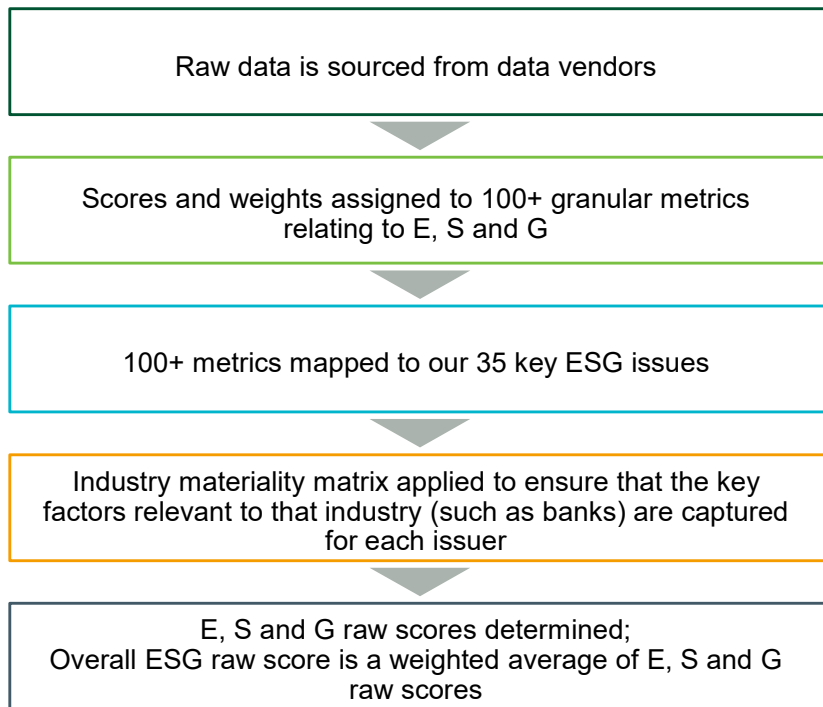
If the city is offered a security for which there is no other readily available competitive offering, the CFO will then document quotations for comparable or alternative securities.

Selection of banks and savings banks

A large, abstract graphic consisting of a dark green horizontal bar on the left that tapers into a lighter green shape, which then transitions into a teal-colored shape on the right. The teal shape is a parallelogram with a diagonal cut, creating a layered effect.

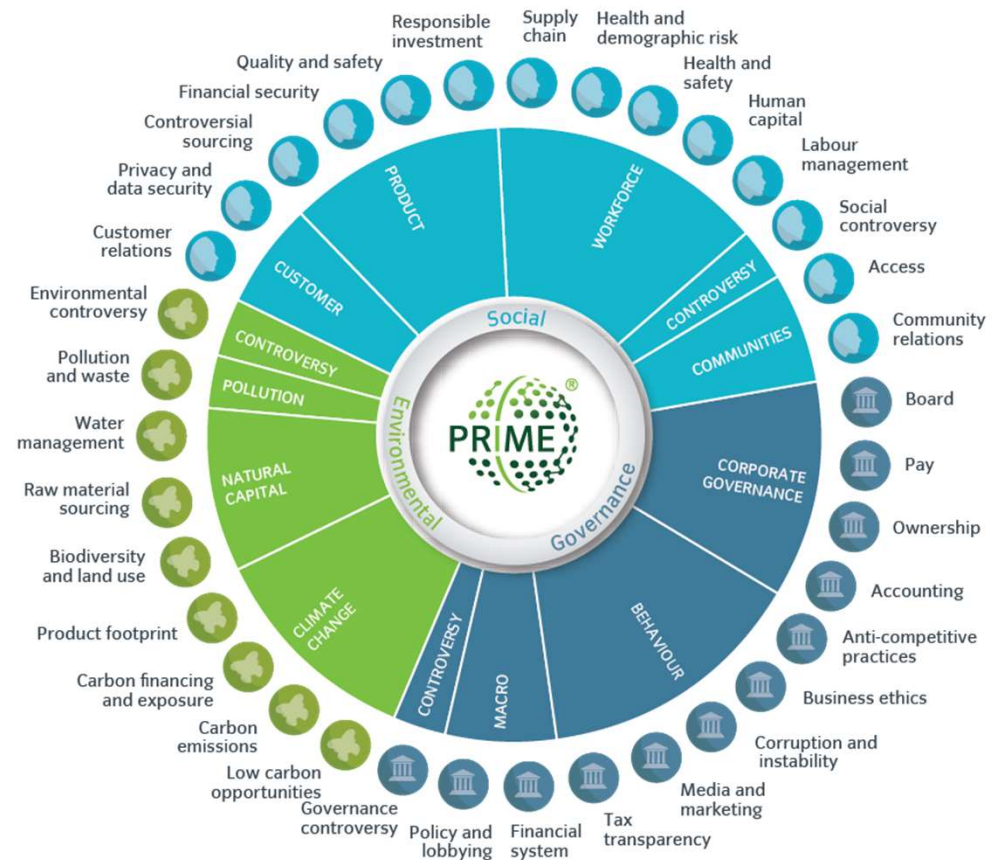
Responsible Investment at Insight

Prime® corporate ESG ratings process



E, S, G and Overall ESG scores are normalized according to their percentile within their industry group ¹ ; scores are between 1 (best in class) and 5 (worst in class)	ESG rating	Percentile range
	1 (best)	90-100
	2	70-90
	3	30-70
	4	10-30
	5 (worst)	0-10

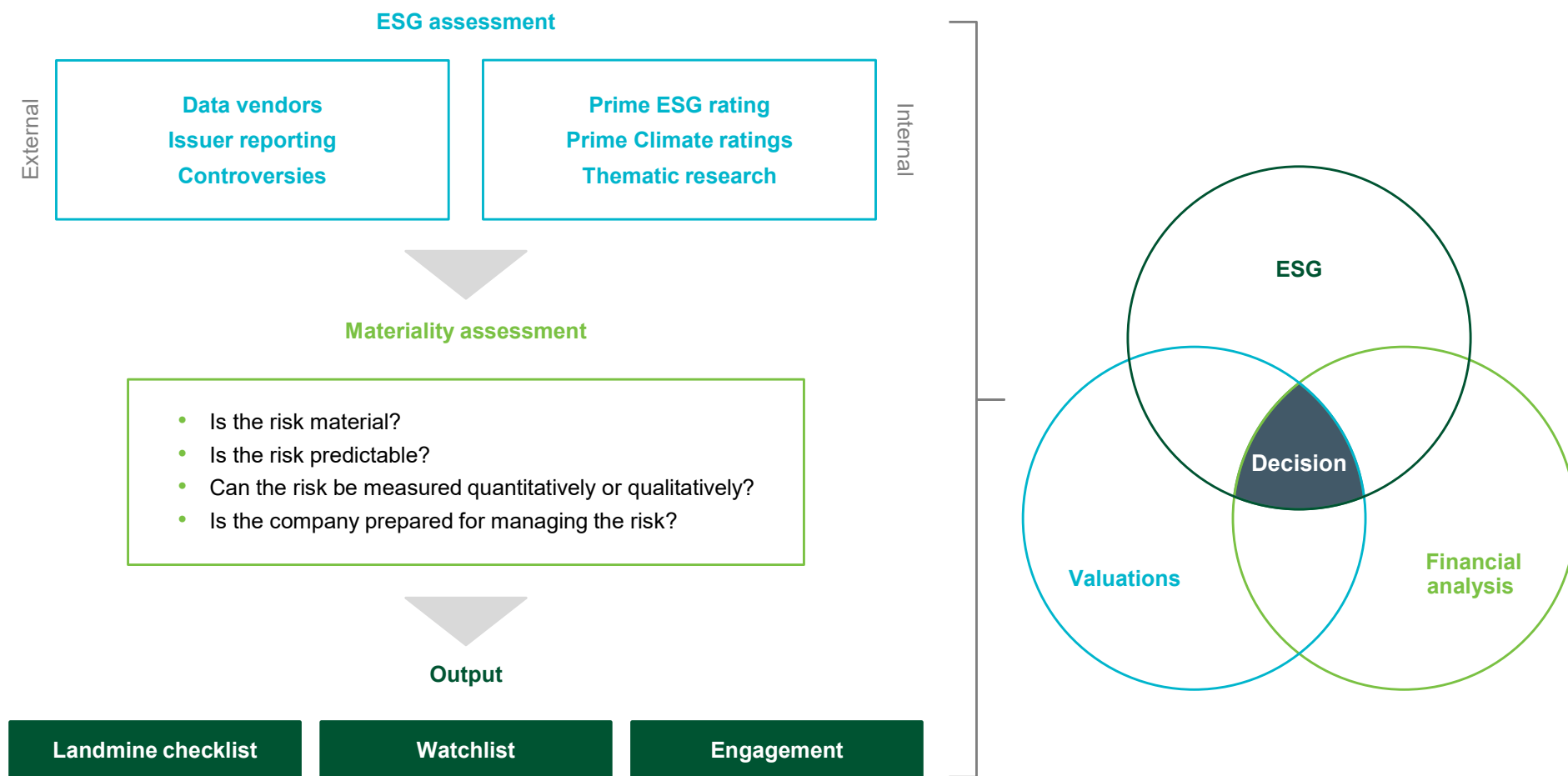
35 key ESG issues assessed



As of December 31, 2022. ¹ As defined by the [Global Industry Classification Standard \(GICS\)](#).

Visualization of how ESG may be considered

Environmental, social and governance factors integrated into analysis



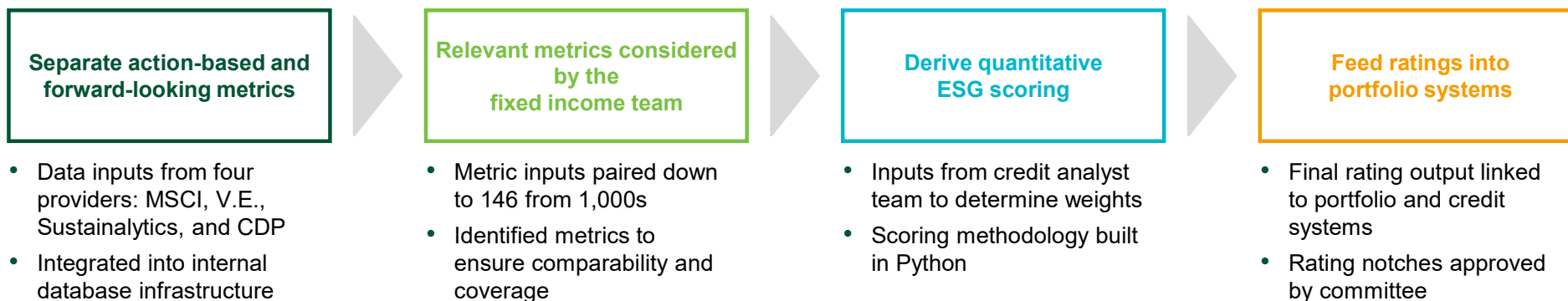
For illustrative purposes only.

Insight's Prime corporate ESG ratings

There is no standardised definition of 'good' and 'bad' ESG performance

Issuer	Sector	Sustainalytics	V.E.	MSCI	Insight
ALD	Rental auto/equipment	2	5	3	3
General Electric	Diversified manufacturing	3	2	4	4
SGSP	Gas distribution	3	5	4	4
McDonald's	Retail restaurants	4	2	3	4

Insight has ESG ratings for more than 2,500 issuers, building on several years' experience constructing ESG ratings.

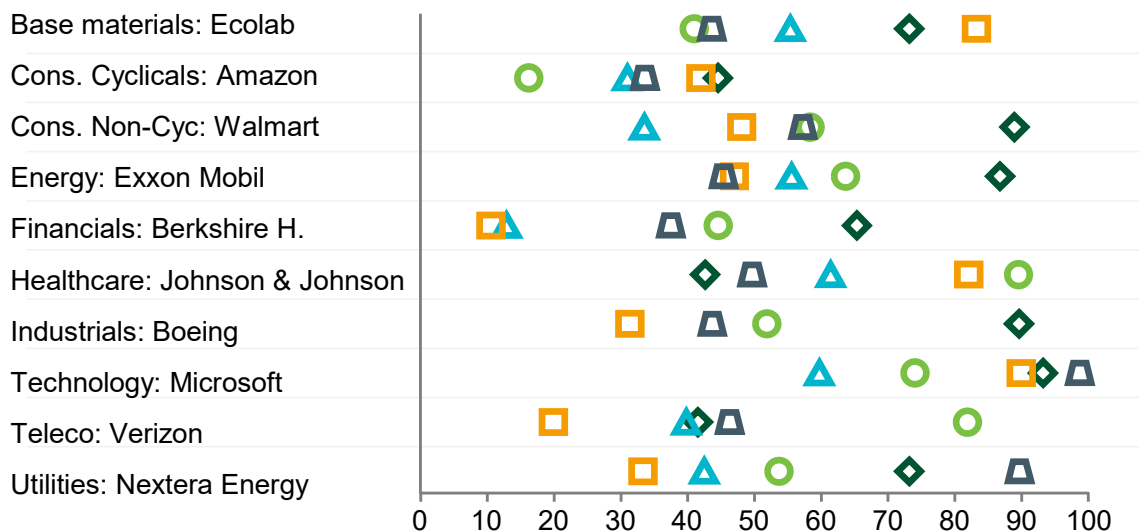


As of September 30, 2021. The specific securities identified and described are subject to change, for information only to demonstrate key ESG risk issues and no assumptions should be made that the securities identified and discussed were or will be profitable. For illustrative purposes only. Portfolio managers may rely on other non ESG factors to make investment decisions and may invest in names with low ESG ratings. Each account is individually managed, and could differ from what is presented herein.

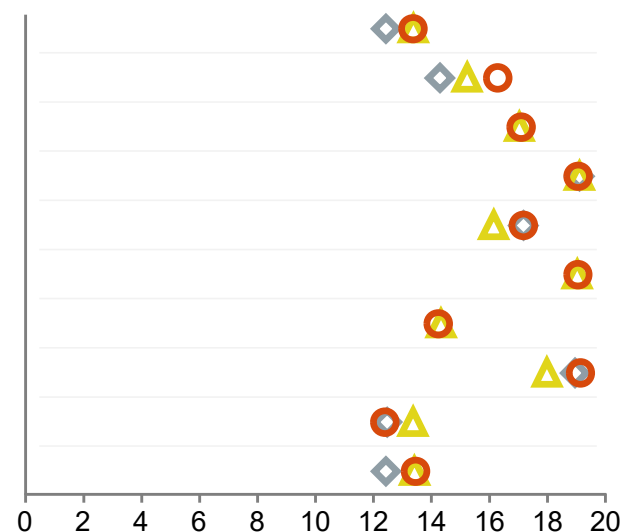
ESG rating versus credit rating

ESG ratings and issuer credits ratings, 2019

ESG rating



Issuer credit rating



◆ Provider 1
 ○ Provider 2
 ▲ Provider 3
 □ Provider 4
 ▢ Provider 5

◆ Moody's
 ▲ Fitch
 ○ S&P

For illustrative purposes only. Source: Refinitiv, Bloomberg, MSCI, Yahoo finance, Moody's, Fitch, S&P and OECD calculations as of March 31, 2022. Sample of public companies selected by largest market capitalization as to represent different industries in the United States. The issuer credit ratings are transformed using a projection to the from 0 to 20, where 0 represents the lowest rating (C/D) and 20 the highest rating (Aaa/AAA).

Insight's ESG reporting methodology

Ratings for corporate and sovereign assessments

Insight operates proprietary ESG ratings for corporate and sovereign issuers

- The Insight ESG ratings aim to be dynamic and integrate our fixed income analysts' and portfolio manager views effectively. Our raw data inputs can include datasets from MSCI ESG Research, Sustainalytics, V.E., CDP, World Bank, UN and others.
- Each raw metric has two key elements: 1) a score evaluating metric performance, and 2) a weight evaluating metric materiality. For corporates, they are mapped to our key issues framework (see below), which is then industry weight-adjusted; sovereigns are rated against sustainability factors, which are categorized by theme and weighted.

ESG rating								
Normalised industry-adjusted score 1-5								
Environment pillar rating			Social pillar rating			Governance pillar rating		
Normalised industry-adjusted score 1-5			Normalised industry-adjusted score 1-5			Normalised industry-adjusted score 1-5		
Climate change	Natural capital	Pollution	Customer	Product	Workforce	Corporate Governance	Behaviour	Macro
Environmental controversies			Social controversies			Governance controversies		
Carbon emissions	Biodiversity and land use	Pollution and waste	Customer relations	Controversial sourcing	Health and demographic risk	Board	Anti-competitive practices	Financial system instability
Carbon financing and exposure	Raw material sourcing	Product footprint	Privacy and data security	Financial security	Health and safety	Pay	Business ethics	Policy and lobbying
	Water management			Quality and safety	Human capital	Ownership	Corruption and instability	Tax transparency
				Responsible investment	Labour management	Accounting	Media and marketing	
					Supply chain			

- Insight's ESG ratings methodology focuses on themes our investment staff consider most pertinent for risk. This simplifies the ratings input and ensures the output is materiality-focused. Analysts can recommend to an ESG panel changing the rating with approval.
- Carbon intensity calculations take a companies' total Scope 1 and Scope 2 emissions, then normalized by revenue (US\$). This data is not modified and is sourced from MSCI.

Final output

- The corporate ESG rating indicates an issuer's relative peer performance. We calculate a percentile based on the raw ESG ratings within each GICS industry, and assign an ESG rating (see table).

ESG rating	Percentile range
1 (best)	90-100
2	70-90
3	30-70
4	10-30
5 (worst)	0-10

- The sovereign ESG rating indicates an issuer's performance relative to over 120 peers. We calculate a raw score and assign that score into 1-5 buckets.
- Final scores for both ESG and Carbon are a weighted calculation, and only issuers with data are included. The calculations for ESG overall score, plus the individual pillars are calculated in the same way. No sovereigns are included in carbon calculations.

ADDITIONAL INFORMATION

As of June 30, 2023

Past performance is not a guide to future performance. The value of investments and any income from them will fluctuate and is not guaranteed (this may partly be due to exchange rate changes) and investors may not get back the amount invested. Transactions in foreign securities may be executed and settled in local markets. Performance comparisons will be affected by changes in interest rates. Investment returns fluctuate due to changes in market conditions. Investment involves risk, including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. The information contained herein is for your reference only and is being provided in response to your specific request and has been obtained from sources believed to be reliable; however, no representation is made regarding its accuracy or completeness. This document must not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or otherwise not permitted. This document should not be duplicated, amended, or forwarded to a third party without consent from Insight. This is a marketing document intended for professional clients only and should not be made available to or relied upon by retail clients.

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Where indicated, performance numbers used in the analysis are gross returns. The performance reflects the reinvestment of all dividends and income. INA charges management fees on all portfolios managed and these fees will reduce the returns on the portfolios. For example, assume that \$30 million is invested in an account with INA, and this account achieves a 5.0% annual return compounded monthly, gross of fees, for a period of five years. At the end of five years that account would have grown to \$38,500,760 before the deduction of management fees. Assuming management fees of 0.25% per year are deducted monthly from the account, the value at the end of the five year period would be \$38,022,447. Actual fees for new accounts are dependent on size and subject to negotiation. INA's investment advisory fees are discussed in Part 2A of its Form ADV.

Unless otherwise stated, the source of information is Insight. Any forecasts or opinions are Insight's own at the date of this document (or as otherwise specified) and may change. Material in this publication is for general information only and is not advice, investment advice, or the recommendation of any purchase or sale of any security. Insight makes no implied or expressed recommendations concerning the manner in which an account should or would be handled, as appropriate investment strategies depend upon specific investment guidelines and objectives and should not be construed to be an assurance that any particular security in a strategy will remain in any fund, account, or strategy, or that a previously held security will not be repurchased. It should not be assumed that any of the security transactions or holdings referenced herein have been or will prove to be profitable or that future investment decisions will be profitable or will equal or exceed the past investment performance of the securities listed.

Please compare the information provided in this statement to the information provided in the statement received from your Custodian.

For trading activity the Clearing broker will be reflected. In certain cases the Clearing broker will differ from the Executing broker.

In calculating ratings distributions and weighted average portfolio quality, Insight assigns U.S Treasury and U.S agency securities a quality rating based on the methodology used within the respective benchmark index. When Moody's, S&P and Fitch rate a security, Bank of America and Merrill Lynch indexes assign a simple weighted average statistic while Barclays indexes assign the median statistic. Insight assigns all other securities the lower of Moody's and S&P ratings.

Information about the indices shown here is provided to allow for comparison of the performance of the strategy to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index and the indices represented do not take into account trading commissions and/or other brokerage or custodial costs. The volatility of the indices may be materially different from that of the strategy. In addition, the strategy's holdings may differ substantially from the securities that comprise the indices shown.

The ICE BofA 3 Month US T-Bill index is an unmanaged market index of U.S. Treasury securities maturing in 90 days that assumes reinvestment of all income.

The ICE BofA 6 Month US T-Bill index measures the performance of Treasury bills with time to maturity of less than 6 months.

The ICE BofA 1-Year US Treasury Index is a one-security index comprised of the most recently issued 1-year US Treasury note. The index is rebalanced monthly. In order to qualify for inclusion, a 1-year note must be auctioned on or before the third business day before the last business day of the month.

The ICE BofA 3-Year US Treasury Index is a one-security index comprised of the most recently issued 3-year US Treasury note. The index is rebalanced monthly. In order to qualify for inclusion, a 3-year note must be auctioned on or before the third business day before the last business day of the month.

The ICE BofA 5-Year US Treasury Index is a one-security index comprised of the most recently issued 5-year US Treasury note. The index is rebalanced monthly. In order to qualify for inclusion, a 5-year note must be auctioned on or before the third business day before the last business day of the month.

The ICE BofA 1-3 US Year Treasury Index is an unmanaged index that tracks the performance of the direct sovereign debt of the U.S. Government having a maturity of at least one year and less than three years.

The ICE BofA 1-5 US Year Treasury Index is an unmanaged index that tracks the performance of the direct sovereign debt of the U.S. Government having a maturity of at least one year and less than five years.

ADDITIONAL INFORMATION

As of June 30, 2023

Insight does not provide tax or legal advice to its clients and all investors are strongly urged to consult their tax and legal advisors regarding any potential strategy or investment.

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**SELECTION OF CHAIR
AND VICE CHAIR**

FINANCE AND AUDIT COMMISSION MEMBERS

- On April 25 and May 23, the City Council appointed new members to the FAC to fill vacant seats
- FAC is now comprised of the following seven members (in alphabetical order):
 - Lynne Bramlett
 - Michael DeMoss
 - Jayanta Dey
 - Susannah Hill
 - Jeff Leroux
 - Matt Normington
 - Carol Wong - Vice Chair



FINANCE AND AUDIT COMMISSION MEMBERS



- At the April 20 FAC meeting, Former Chair Westcott concluded his service, and the FAC voted to make Carol Wong the Vice Chair.
- Per City Council Policy CC-23-004: Selection of chair and vice chair
 - The chair and vice chair shall be selected in May of each year by a majority of the members and shall serve for one year or until their successors are selected.
 - Each commission/committee shall annually rotate its chair and vice chair.
- The chair of each commission/committee shall preside at all meetings and the vice chair shall assume the duties of the chair when the chair is absent.



**REVIEW THE JUNE 30 INVESTMENT
REPORTS & RECOMMEND RECEIPT
BY CITY COUNCIL**

JUNE 30 INVESTMENT REPORT

- Investment Portfolio fair value: \$192,424,413
 - Local Agency Investment Fund (LAIF) : \$10.1 million
 - Securities: \$182.3 million (27% corporate bonds, 33% gov't agencies, 35% gov't bonds)
 - Fair value \$5.5 million less than amortized cost due to rising interest rates
 - Does not represent an actual cash transaction to the City; securities generally held to maturity to avoid market risk
- Portfolio performance
 - 2.68% weighted average return vs. 2.11% 2 Year Treasury note benchmark
 - +0.57% yield over the benchmark
- Environmental, Social, Governance (ESG) score: 3.0
 - Scale of 1-5; 3 is considered average



REVIEW OF THE CITY'S INVESTMENT POLICY



REVIEW OF THE CITY'S INVESTMENT POLICY

- The investment policy is required to be adopted by the City Council on an annual basis
- It was last adopted by the City Council on June 28, 2022, and must be adopted again prior to December 31, 2023

Purpose

- The City Council has adopted this Investment Policy (the “Policy”) in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the unexpended funds of the city. All such investments will be made in accordance with the Policy and with applicable sections of the California Government Code.

REVIEW OF THE CITY'S INVESTMENT POLICY

Scope

- The provisions of this Policy shall apply to all financial assets of the city and the former Community Development Agency of Menlo Park as accounted for in the city's comprehensive annual financial report, with the exception of bond proceeds, which shall be governed by the provisions of the related bond indentures or resolutions.
- All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance in the investment portfolio. Investment income shall be distributed to the individual funds on a quarterly basis.

Objectives

- The city's funds shall be invested in accordance with all applicable municipal codes and resolutions, California statutes, and federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:
 1. Preservation of capital and protection of investment principal through diversification to mitigate risk.
 2. Maintenance of sufficient liquidity to meet anticipated cash flows.
 3. Attainment of a market value rate of return.



**CONSIDER FORMING AN
INVESTMENT POLICY
SUBCOMMITTEE**



CONSIDERATION OF FORMING AN INVESTMENT POLICY SUBCOMMITTEE

- At the April 20 FAC meeting, the members reviewed the existing work plan and voted to create a subcommittee to review the investment policy
 - Commissioner DeMoss was appointed to the subcommittee
 - FAC discussed waiting to appoint additional members to the subcommittee until the vacant seats were filled
- However, the item was not on the agenda for formal consideration and action and was, therefore, not in compliance with the Brown Act
 - Thus, the item is being brought back to the FAC tonight for formal consideration
- Note: A FAC subcommittee may not be comprised of more than 3 members, so as to avoid a quorum in violation of the Brown Act



REVIEW THE WORK PLAN

ANNUAL WORK PLAN

- Per City Council Policy CC-23-004:
 - “Each commission/committee is required to develop an annual work plan which will be the foundation for the work performed by the advisory body in support of City Council annual work plan. The plan, once finalized by a majority of the commission/committee, will be formally presented to the City Council for direction and approval no later than September 30 of each year and then reported out on by a representative of the advisory body at a regularly scheduled City Council meeting at least annually, but recommended twice a year. The proposed work plan must align with the City Council’s adopted work plan. When modified, the work plan must be taken to the City Council for approval.”

REVIEW OF 2022-23 ANNUAL WORK PLAN

2022-23 Finance and Audit Committee Work Plan

Approved by City Council

Ref #	Approved projects	Subcommittee
1	Annual investment policy review	N/A
2	Annual independent auditor's report review	N/A
3	OpenGov transparency portal improvements and community training	N/A

Reference documents

ACFR, year ended June 30, 2022
 Fiscal year 2022-23 adopted operating budget
 Fiscal year 2022-23 adopted capital improvement plan
 Previous FAC meeting agendas and minutes

Location

<https://menlopark.gov/ACFR>
<https://stories.opengov.com/menlopark/published/zHpmGGiSG>
<https://stories.opengov.com/menlopark/published/08Ka1iMS8>
<https://menlopark.gov/Agendas-and-minutes#section-5>

Parking lot items

Sale of assets	Use of multiple investment advisors
ESG ratings	Consultant and contractor selection: best practices
Listing of parcels exempt from property taxes	RDA – Successor Agency background
Developer agreements	Electric vehicle charging investment
Community amenities fund	

CONSIDERATIONS FOR THE 2023-24 ANNUAL WORK PLAN

- Possible additions:
 - Review the scope and process of the audit for FY 2022-23
 - Review the Actuarial Other Post-employment benefits (OPEB) Valuation