

# INVESTMENT POLICY STATEMENTS FOR CALIFORNIA LOCAL AGENCIES

## UPDATES FOR 2026

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**An Investment Policy Statement (IPS)** serves as the foundation of a local agency's investment program, offering transparency into the procedures, parameters, and fiduciary duties for staff, governing bodies, and external partners.

An important practice for any entity is to review its IPS on an annual basis to ensure it continues to align with California Government Code (CGC) and industry best practices.

Changes to CGC occur periodically to refine existing laws or enact new laws. The changes made to CGC that impact the IPS of local agencies and need to be included in their next revision of the entities' IPS are:

### **Effective January 1, 2026, from Senate Bill 595**

- Amends CGC, Section 53601(h) to allow for the purchase of prime Commercial Paper (CP) with a maximum maturity of 397 days, previously 270 days.<sup>1</sup>
- Extends the sunset periods from 2021's Senate Bill 998 from January 1, 2026, to January 1, 2031, for (1) commercial paper concentrations up to 40% by Local Agencies with \$100 million or more of investable assets and (2) for purchasing United States backed or issued securities that could result in zero or negative interest accrual if held to maturity.

The change to the maximum maturity for CP securities brings CGC into line with federal regulations. The Securities Act of 1933 lists different types of CP, including 3(a)(3) and 4(a)(2) (also known as (4)(2) paper in market jargon following the update to (4)(a)(2) under the Jobs Act in 2012) with two of the main distinctions between these CP types being the maximum maturities and who can purchase them. Section 3(a)(3) CP has been available to all local agencies as it is a public offering with a maximum maturity of 270 days. Section 4(a)(2) CP, which does not have a maximum maturity, is only offered as a private placement, making it a 144A security that only Qualified Institutional Buyers (QIBs) can purchase.

*The change to the maximum maturity for CP securities brings CGC into line with federal regulations.*

After the Securities and Exchange Commission (SEC) refined their definition of a QIB in 2020<sup>2</sup>, it opened the door for local agencies with investable assets over \$100 million to purchase 144A securities. The potential longer maturities of 4(a)(2) CP securities offer further options for larger agencies to further diversify their short-term investments.

<sup>1</sup> The extension of CP's maximum maturity was also included as part of Senate Bill 858, also signed into law October 2025.

<sup>2</sup> SEC Modernizes the Accredited Investor Definition, [www.sec.gov/news/press-release/2020-191](https://www.sec.gov/news/press-release/2020-191)

Other recent changes to CGC for consideration during the next investment policy review include:

**Effective January 1, 2024, from Senate Bill 882**

- Pass-through securities backed by Treasuries (CGC 53601(b)) or Federal Agencies (CGC § 53601(f)) are exempt from the limitations otherwise imposed on private label securities so long as they meet the specified limitations.<sup>3</sup>

**Effective January 1, 2023, from Senate Bill 1489<sup>4</sup>**

- An investment's remaining term or remaining maturity is measured from trade settlement date to final maturity;
- ☒ The purchase of a security with a forward settlement date exceeding 45 days from the time of investment is prohibited; and
- An entity has 45 days rather than 30 days following the quarter end to submit a quarterly report to the governing body if the agency produces quarterly reports.

**Best Practices**

While mirroring CGC as closely as possible is ideal, it is a common practice for local agencies to adopt investment policies more restrictive than CGC.

The IPS should not only include specific language within CGC guidelines but also reflect risk tolerance levels and values of the agency. It is also important to incorporate industry best practices and recommendations offered by California Debt and Investment Advisory Commission (CDIAC), Government Finance Officers Association (GFOA), Association of Public Treasurers (APT) and California Municipal Treasurers Association (CMTA). Inclusion of other items in an IPS that are important may include the formulation and description of a Treasury Oversight Committee, as well as addressing Environmental, Social, Governance (ESG) and/or Sustainably Responsible Investing (SRI) language.

With the many changes to CGC in the last few years, Chandler recommends local agencies review their IPS at least annually and present to their governing body for review and approval. A well written IPS is perhaps the most important component of investment programs. The document communicates to staff, elected officials, the public, rating agencies, and bondholders the commitment of the agency to enhancing the quality of decision making while demonstrating fiduciary care of public funds in alignment with industry best practices.

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**Disclosures**

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<sup>3</sup> Senate Committee on Governance and Finance Bill Analysis, [https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=202320240SB882](https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202320240SB882)

<sup>4</sup> Local Government Omnibus Act of 2022, [https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=202120220SB1489](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220SB1489)