

CITY OF COACHELLA
STATEMENT OF INVESTMENT POLICY
FOR THE FISCAL YEAR 2024-25
ADOPTED June 12, 2024

1.0 POLICY:

This statement is intended to provide guidelines for the prudent investment of the City of Coachella's (hereafter called "City") temporarily idle cash in all funds, and outline the policies for maximizing the efficiency of the City's cash management system.

It is the objective of this investment policy to provide guidelines for:

- Insuring the safety of funds invested;
- Meeting the City's daily cash flow demands;
- Maximizing investment interest income for the City;
- Conform with all laws and statutes governing the investment of public funds.

2.0 SCOPE:

The investment policy applies to the temporary idle cash of the City and its component units as accounted for in the Audited Comprehensive Financial Report. Policy statements outlined in this document focus on the City's pooled funds. This policy is applicable, but not limited to all funds listed below:

- General Fund
- Special Revenue Funds
- Capital Outlay Funds
- Debt Service Funds
- Enterprise Funds
- Fiduciary Funds
- Any new fund created by the City Council unless specifically exempted

Exceptions may exist with funds for retiree pension and medical benefits held in a trust and bond proceeds held by a trustee or fiscal agent and governed by the instructions in the bond document. In addition, if in the opinion of the City Treasurer or their Authorized Designee (Designee), matching the segregated investment portfolio of the bond reserve fund with the maturity schedule of an individual bond issue is prudent given current economic analysis, the investment policy authorizes extending beyond the five year maturity limitation with City Council authorization no less than three months prior to the investment as outlined in this document.

3.0 PRUDENCE:

The City Treasurer or Designee are authorized to make investment decisions on behalf of the City and considered as trustees and therefore fiduciaries subject to the prudent investors' standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the City Treasurer or Designee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct and management of their own affairs.

Within the limitations of this section and considering individual investments as part to an overall strategy, the City Treasurer or Designee are authorized to acquire approved and suitable investments as described in paragraph 8.0 hereof.

The City Treasurer, Authorized Designee and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

4.0 OBJECTIVES:

The three fundamental considerations, in order of priority, for managing the City's investments are safety, liquidity, and yield. At no time should safety or liquidity be compromised in exchange for higher yields.

Safety of Principal

The preservation of invested capital is the foremost objective of the City and of primary importance. The City shall only invest in financial instruments that are considered safe. The safety and risk associated with an investment refers to the potential loss of principal, accrued interest, or a combination of these amounts. Each investment decision shall seek to ensure that capital losses are avoided. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity

The City's investment portfolio shall contain investments with a diversified mix of maturities in order to provide sufficient liquidity to meet projected operating cash requirements of the City.

Return on Investments

The City's investment portfolio shall be designed with the objective of obtaining a reasonable and competitive market rate of return taking into consideration risk constraints, prudent investment principles and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY:

The authority to invest or to reinvest funds or to sell or exchange securities so purchased of City Funds is vested in the City Council. Government Code Section ("GCS") 53607 authorizes the delegation of the above duties to the City Treasurer for a one-year period. Therefore, the authority to invest and reinvest City funds or to sell or exchange the securities so purchased with City funds is hereby delegated to the City Treasurer for a one year period unless sooner terminated by the City Council.

The City Treasurer or Designee shall prepare written procedures for the operation of the investment program consistent with this investment policy. The procedures shall also include reference to: safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. The written procedures may provide for the delegation of authority to an Authorized Designee, who upon assuming such position shall become responsible for investment transactions. No person may engage in an investment decision except as permitted by this policy and by the procedures approved by the City Treasurer or Designee.

The City may delegate investment authority to an investment advisor. The advisor will follow the Investment Policy and such other written instructions as are provided.

6.0 ETHICS AND CONFLICTS OF INTEREST:

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials are required to annually file all applicable financial disclosures as required by the Fair Political Practices Commission (FPPC).

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:

For any investment not purchased directly from the issuer, the City shall transact business only with banks, savings and loans, and investment broker/dealers. The broker/dealers should be primary dealers regularly reporting to the New York Federal Reserve Bank. The City Treasurer or Designee shall select all security dealers and depositories subject to City Council approval and the execution of an appropriate written agreement. Investment transactions shall be conducted with several competing, reputable security broker/dealers. The selection process shall focus on financial viability, knowledge, experience and ethics in the fixed-income security industry. The City Treasurer or Designee will maintain a list and a written agreement with financial institutions authorized to provide investment services.

All financial institutions and broker/dealers who desire to become an authorized financial institution for investment transactions must supply the City Treasurer or Designee with the following: most recent audited financial statements, proof of Financial Industry Regulatory Authority (FINRA) certification, trading resolution, proof of state registration, completed broker/dealer questionnaire, certification of having read the City's investment policy and City of

Coachella depository contracts. The City Treasurer or Designee will conduct an annual review of the financial condition and registrations of qualified bidders.

The City Treasurer or Designee shall annually send a copy of the current investment policy to all broker/dealers approved to do business with the City. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the City's investment policies and intends to sell the City only appropriate investments authorized by this investment policy. If the City has an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the City.

8.0 AUTHORIZED INVESTMENTS:

As provided in GCSs 16429.1, 53601, 53601.1, 53631, 53649 and 53684, the State of California limits the investment vehicles available to local agencies as summarized in the following paragraphs. Where this Policy specifies a percentage limitation for a particular security type or issuer, that percentage is applicable at the time the security is purchased. No more than 5% of the City's portfolio shall be invested in any one issuer regardless of sector except for the U.S. Treasury, Federal Agencies, supranational, and pools (including LAIF, County Pools, LGIPs, and money market funds). Credit criteria listed in this section refers to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the City's investment advisor (if any) and Treasurer will review the rating agency action and decide whether to sell or hold the investment. The City may invest funds in the following instruments and subject to the limitations set forth in Section 11.0:

State Treasurer's Local Agency Investment Fund (LAIF): As authorized in GCS 16429.1 and by LAIF procedures, local government agencies are each authorized to invest a maximum of \$75 million in this investment program administered by the California State Treasurer.

U.S. Treasury Bills and Notes: U.S. Treasury bills, notes, bonds or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

Federal Agencies: Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

State of California Obligations: Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state rated in a rating category of "A" long-term or "A-1" short-term or its equivalent or higher by a nationally recognized statistical rating organization ("NRSRO").

Obligations of the Other 49 States: Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue

producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California, rated in a rating category of "A" long-term or "A-1" short-term or its equivalent or higher by a NRSRO.

Obligations of Local Agencies in California: Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency rated in a rating category of "A" long term or "A-1" short-term or its equivalent or higher by a NRSRO.

County Pooled Investment Funds: As authorized by GCS 53684, the City may invest in pooled investments managed by the County of Riverside.

Bankers' Acceptances: Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. Purchases of bankers' acceptances may not exceed 180 days maturity or total more than 40% of the cost value of the City's investment portfolio. Eligible bankers' acceptances must be rated in the highest letter and number rating as provided for by a NRSRO.

Commercial Paper: Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

- 1) The entity meets the following criteria: Is organized and operating in the United States as a general corporation. Has total assets in excess of five hundred million dollars (\$500,000,000). Has debt other than commercial paper, if any, that is rated in a rating category of "A" or higher, or the equivalent, by a NRSRO.
- 2) The entity meets the following criteria: Is organized within the United States as a special purpose corporation, trust, or limited liability company. Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. Has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Purchases of eligible commercial paper may not exceed 25% of the market value of the City's portfolio or have a term to maturity which exceeds 270 days.

Negotiable Certificates of Deposit: Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally- or state-licensed branch of a foreign bank rated in a rating category of "A" long-term or "A-1" short-term or its equivalent or higher by a NRSRO. No more than 30% of the City's portfolio may be invested in negotiable CDs.

Non-Negotiable Certificates of Deposit: Non-negotiable certificates of deposit from eligible depositories are fixed-term investments. There are no portfolio limits on the amount or maturity

for this investment vehicle. Eligible depositories may be a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, which must have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities. Deposits in excess of federal deposit limits must be collateralized per Section 9.0.

Medium Term Corporate Notes: Medium-term corporate notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of 5 years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Medium-term corporate notes shall be rated in a rating category of "A" or its equivalent or better by a NRSRO. No more than 30% of the City's portfolio may be invested in corporate notes.

Demand Deposits: The City Treasurer may establish accounts for deposits in a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company in the State of California, which must have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities. Deposits in excess of federal deposit limits must be collateralized per Section 9.0.

Money Market Funds: Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than 5 years experience managing money market mutual funds and with assets under management in excess of \$500,000,000, or attain the highest ranking letter or numerical rating provided by not less than two of the three largest NRSROs. No more than 20% of the City's portfolio may be invested in money market funds.

Local Government Investment Pools (LGIPs): Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

- 1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
- 2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.

- 3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

Asset-Backed Security (ABS): A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by a federal agency or the U.S. Treasury, the following limitations apply:

- 1) The security shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.
- 2) No more than 20% of the City's portfolio may be invested in this type of security.

Supranational: United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by a NRSRO. No more than 30% of the City's portfolio may be invested in this security type.

Any other permissible investments outlined within Section 53601 may be purchased from time to time.

Notwithstanding any other provision of law, moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of the City, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provision governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance. This includes investing bond proceeds in guaranteed investment contracts with United States financial institutions rated in a rating category of "AA," or equivalent, or better by A NRSRO.

9.0 PROHIBITED INVESTMENTS:

Any security type or structure not specifically approved by this policy is hereby specifically prohibited. Security types which are thereby prohibited include, but are not limited to, inverse floaters, derivatives, range notes, interest only strips that are derived from a pool of mortgages, or in any investment that could result in zero interest accrual if held to maturity, except as authorized by Government Code Section 53601.6

10.0 COLLATERALIZATION:

Collateral is required for investments in Non-Negotiable Certificates of Deposit and Demand Deposits. Investments in excess of federal deposit insurance limits must be collateralized at 105% to 150% depending on the specific security pledged as collateral in accordance with GCS 53630 et seq. The collateral pool is administered by the State, and is composed of a wide variety of government securities, including those indicated above, as well as promissory notes secured by first mortgages on improved residential property located in the state and letters of credit issued by the Federal Home Loan Bank of San Francisco.

11.0 SAFEKEEPING AND CUSTODY:

To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all deliverable securities owned by the City shall be held in safekeeping by a third party bank trust department, acting as agent for the City under the terms of a custody agreement or professional services agreement (PSA). All trades executed by a dealer will settle delivery vs. payment (DVP) through the City's safekeeping agent.

Securities held in custody for the City shall be verified on an annual basis by the City's independent auditor.

12.0 DIVERSIFICATION:

It is the City's policy to minimize portfolio risk by diversifying maturity, sector and class allocation. Default risk shall be minimized by investing in an assortment of permitted investments as outlined in Section 8.0. To minimize overall portfolio risk, the following not-to-exceed diversification goals shall guide the City's operating fund portfolio, based upon the portfolio structure at the time of purchase.

Investment Type	Not-to Exceed Limit	Other Restrictions
Local Agency Investments Fund (LAIF)	\$75 million	Established by the State Treasurer
U.S. Treasury	No Limit	None
Federal Agency	No Limit	Maximum of 40% per issuer
State of California Obligations	No Limit	<ul style="list-style-type: none"> • No more than 5% per issuer • Rated in a rating category of “A” or its equivalent or higher by a NRSRO for maturities in excess of one year • Rated in a rating category “A-1” or its equivalent or higher by a NRSRO for maturities under one year

Obligation of the Other 49	No Limit	No more than 54% per issuer
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Investment Type	Not-to Exceed Limit	Other Restrictions
States		<ul style="list-style-type: none"> • Rated in a rating category of "A" or its equivalent or higher by a NRSRO for maturities in excess of one year • Rated in a rating category of "A-1" or its equivalent or higher by a NRSRO for maturities under one year
Obligations of Local Agencies in California	No Limit	<ul style="list-style-type: none"> • No more 5% per issuer • Rated in a rating category of "A" or its equivalent or higher by a NRSRO for maturities in excess of one year • Rated I a rating category of "A-1" or its equivalent or higher by NRSRO for maturities under one year
County Pool	\$10 million	None
Banker's Acceptances	40%	<ul style="list-style-type: none"> • No more than 5% per issuer regardless of security type • Maximum maturity of 180 days • Must be rated in highest category by a NRSRO
Commercial Paper	25%	<ul style="list-style-type: none"> • No more than 5% per issuer regardless of security type • Maximum maturity of 270 days • Must be rated in highest category by a NRSRO

Negotiable CDs	30%	<ul style="list-style-type: none"> No more than 5% per issuer regardless of security type
Investment Type	Not-to Exceed Limit	Other Restrictions
		<ul style="list-style-type: none"> Rated in a rating category of "A" or its equivalent or higher by a NRSRO for maturities in excess of one year Rated in a rating category of "A-1" or its equivalent or higher by a NRSRO for maturities under one year.
Non-Negotiable CD's		<ul style="list-style-type: none"> See Section 9.0 for collateral requirements
Medium Term Corporate Notes	30%	<ul style="list-style-type: none"> No more than 5% per issuer regardless of security type Maximum maturity of five years Minimum credit rating of "A" or its equivalent by a NRSRO
Demand Deposits	No Limit	<ul style="list-style-type: none"> See Section 9.0 for collateral requirements
Money Market Funds	20%	<ul style="list-style-type: none"> See Section 8.0 for advisor requirements or the Fund must have the highest rating by two NRSRO
Local Government Investment Pools (LGIPs)	No Limit	<ul style="list-style-type: none"> See Section 8.0 for advisor requirements
Asset-Backed Securities (ABS)	20%	<ul style="list-style-type: none"> No more than 5% per issuer Rated in a rating category of "AA" (Issue) or higher by a NRSRO
Supranational	30%	<ul style="list-style-type: none"> Rated in a rating category of "AA" or its equivalent or higher by a NRSRO

13 .0 MAXIMUM MATURITIES:

The average dollar weighted maturity of a portfolio may not exceed 3 years. No investment shall be made in an investment authorized by this Policy (and that GCS 53601 does not specific a maximum maturity) that has a term remaining to maturity in excess of 5 years from date of purchase. Maturities shall be staggered to minimize liquidity risk and to enhance the stability of incoming cash flows. At least 10% of the portfolio shall be invested in instruments, which can be liquidated on one day's notice.

Bond reserve funds may be invested in securities exceeding 5 years if the maturities of such investments are made to coincide as nearly as possible with the expected use of the funds.

14.0 INTERNAL CONTROL:

The City Treasurer or Designee shall establish sufficient internal controls to ensure compliance with all applicable federal, state and local regulations. These internal controls will be incorporated into an annual process of independent review by the City's external auditor. This will provide a review of the internal controls by assuring compliance with policies and procedures.

15.0 INTEREST EARNINGS:

All moneys earned and collected from investments authorized in this policy shall be allocated monthly to various fund accounts based on the cash balance in each fund as a percentage of the entire pooled portfolio. Interest earnings on bond proceeds, bond reserves or other restricted investments held by trustees shall be allocated directly to the appropriate fund and not be part of the pooled allocation.

16.0 PERFORMANCE STANDARDS:

The City's policy is to achieve a market rate of return on public funds while minimizing risks and preserving capital. In evaluating the performance of the City's portfolio in complying with this policy, the City shall establish an appropriate performance benchmark and compare the total return of its portfolio to the total return of the benchmark.

17.0 REPORTING:

The City Treasurer or Designee shall provide to the City Council a monthly investment report, which provides a clear picture of the status of the current investment portfolio. Based on GCS 53646, the report shall include, at a minimum, the following information for each type of investment held in the City's investment portfolio: the issuer, date of purchase, date of maturity, amount of investment, current market value, yield on investment, income generated from

investments, dollar amount invested on all securities, investments and moneys held by the local agency, and shall additionally include a description of any of the local agency's funds, investments, or programs, and a description of unusual investment activity or developments during the month for which the report is prepared. Based on GCS 53607, the report shall also include a listing of investment transactions. With respect to all securities held by the local agency, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, the report shall also include a current market value as of the date of the report and shall include the source of this same valuation.

The report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance and include a statement denoting the ability of the City to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

The City Treasurer or Designee may supply to the City Council the most recent statement or statements received by the local agency from the Local Agency Investment Fund (LAIF), County Investment Pools, or Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association.

The City Treasurer or Designee shall prepare and deliver such a report each month to the Mayor and each City Council member no later than 30 days after the close of the month for which each report is prepared.

In the event that an investment advisor is retained by the City, the investment advisor shall prepare and deliver a report for each month's investment activity as required herein to the City in such time as to allow compliance with the delivery times for each report required by this policy. The City Council may relieve the City Treasurer of his or her duties under this policy in the event of any failure to comply with the reporting requirements of this policy.

18.0 INVESTMENT POLICY ADOPTION:

The City's investment policy shall be adopted annually by the City Council. The policy shall be reviewed annually by the City Treasurer and/or Designee with any and all modifications made thereto approved by the City Council at a public meeting.