



April 22, 2020

Memorandum

To: Nathan Statham, CPA, MBA, Finance Director
City of Coachella

From: Sarah Meacham, Managing Director
Richard Babbe, Senior Managing Consultant
PFM Asset Management LLC

Re: Annual Review of Investment Policy

We completed our annual review of the City of Coachella's (the "City") Investment Policy (the "Policy"). As written, the Policy is comprehensive and in compliance with the sections of the California Government Code (the "Code") that govern the investment of public funds.

We are, however, recommending the City make one update to the Policy. Effective January 1, 2020, California State Treasurer Fiona Ma increased the Local Agency Investment Fund's deposit limit for regular accounts to \$75 million from the previous \$65 million. We recommend the City update the reference in Section 8.0 Authorized Investments to reflect the State's new limit. The City had specified a lower \$50 million for LAIF in the table in Section 11.0 Diversification. As it appears that this lower limit was to encourage diversification, it is dependent on the City's preferences whether to retain the \$50 million limit or increase it to \$75 million to match the State's new limit.

Although no Policy changes are required, we wanted to make you aware of a couple other recent changes to local agency investment requirements. Assembly Bill No. 857, which took effect January 1, 2020, provides for the establishment of public banks by local agencies, subject to approval by the Department of Business Oversight (DBO) and Federal Deposit Insurance Corporation (FDIC). As a part of the Bill, subsection (r) was added to Code section 53601, which will permit local agencies to invest in the commercial paper, debt securities, or other obligations of a public bank. However, we do not recommend that the City add this investment type to the Policy at this time as we are not aware of any public banks that are currently in operation. Furthermore, we would want to review the operational history and credit quality of any public bank before we could recommend investing in its securities.

In addition, Assembly Bill No. 954, which took effect January 1, 2020, increased the amount that local agencies are allowed to invest in placement service deposits (Code Section 53601.8) to 50% from 30%. Unless amended, this revision is repealed as of January 1, 2026. As the Policy does not currently permitted this investment type, no changes are required.

Please let us know if you have any questions or if would like to discuss our comments in more detail.