

April 29, 2024

Memorandum

To: Edwin Castro, City Treasurer
Nancy Lassey, Finance Administrator
Andrew Zavala, Senior Accountant
City of Lake Elsinore

From: Monique Spyke, Managing Director
Richard Babbe, CCM, Senior Managing Consultant
PFM Asset Management LLC

Re: 2024 Investment Policy Review

At your request, we reviewed the City of Lake Elsinore's (the "City") Investment Policy (the "Policy"), as part of the City's annual review process. The City's Policy is comprehensive and is consistent with the California Government Code ("Code") statutes regulating the investment of public funds.

We are, however, recommending the City update the Policy's language in Section 14 Asset-Backed Securities (ABS) to incorporate a minor Code revision that took effect January 1, 2024. Senate Bill 882, *Local Government Omnibus Act of 2023*, made various minor edits to state statutes, including a change to Code Section 53601(o). The Bill codified the common Code interpretation that mortgage-backed securities issued by federal agencies are excluded from the Code's requirements described in Section 53601(o) for privately issued asset- and mortgage-backed securities. This change does not otherwise modify the Code's or the Policy's requirements for the purchase of agency mortgage-backed securities.

Please let us know if you have any questions or if you would like to set up a time to discuss.