

March 12, 2025

# Memorandum

**To:** Rajneil Prasad, Deputy Finance Director  
City of Napa Finance Team  
City of Napa

**From:** Justin Resuello, Institutional Sales and Relationship Manager  
PFM Asset Management, a division of U.S. Bank Asset Management

**RE:** City of Napa 2025 Investment Policy Review

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We have completed our review of City of Napa's (the "City") 2023 Investment Policy (the "Policy"). This year we are recommending modifications to the Policy that would better align with industry best practices for California's public sector agencies and districts, as outlined in the California Municipal Treasurers Investment Policy Certification Program and Application. Below, we have summarized Code changes that went into effect on January 1, 2024, following the passage of Senate Bill 882 ("SB 882"), also known as the Local Government Omnibus Act of 2023, that clarified language regarding privately issued asset-, and mortgage-backed securities. We have attached a marked-up version of the Policy to illustrate our recommendations.

## **Recommendations**

To better reflect industry best practices for the City's Policy, we recommend modifying the language and including sections with that of the California Municipal Treasurer's Investment Policy, which could enhance the potential CMTA Investment Policy Certification designation as desired by the City.

The following sections as recommended by the California Municipal Treasurer's Investment Policy, were added to the Policy:

- *Review of Investment Portfolio*
- *Investment Pools / Mutual Funds*
- *Exhibit B, Glossary*

SB 882 made several changes to Code, including one change to Code Section 53601(o). The bill clarified that mortgage-backed securities issued by federal agencies are exempt from the Code's requirements described in Section 53601(o) for privately issued asset- and mortgage- backed securities. The Code update codifies the common understanding of how agency mortgage-backed securities are treated under Code. This Code change does not affect what type of securities the City may purchase nor how the portfolio is managed; The Policy is well written and in compliance with the

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Investment observations based on City of Napa's Investment Policy Statement as of June 2023. Investment observations are for informational purposes only and are not intended to provide specific advice or any specific recommendations.

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applicable sections of SB 882, thus we are not recommending any revisions to the Policy to reflect this change.

Please let us know if you'd like to schedule a call to discuss our review or to answer any questions you may have. Thank you.

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