

January 5, 2023

Chamise Cubbison, Auditor-Controller/Treasurer-Tax Collector
Mendocino County
501 Low Gap Road, Room 1080
Ukiah, CA 95482

Dear Chamise,

We have completed our annual review of the Mendocino County (County) investment policy for compliance with the statutes of California Government Code (Code) that govern the investment of public funds, as well as for inclusion of current best practices. The County's investment policy continues to be well-written and effective for the management of the County Investment Pool. There were changes to California Government Code for 2023. Though none of the changes require the County to update its policy, we do recommend adoption of some modifications related to Code and best practices.

Please find a brief summary of the changes below:

- **Clarification on municipal securities of the other 49 states in addition to California:** California Government Code and the County's investment policy currently allows the County to invest in securities issued by the treasuries or agencies of other states in addition to California. We recommend adding language specifying the treasuries of the other states to avoid confusion with investments from political subdivisions of the other 49 states, which are not allowed by Code.
- **Clarification on minimum credit quality:** The County's investment policy states the minimum required credit quality on the different asset classes allowed in the County's investment program. When a minimum credit quality is specified, a rating category is quoted. We recommend adding language that the specified rating category is acceptable, as well as any rating category that is its equivalent.
- **Update to minimum credit quality required for Negotiable Certificates of Deposit:** The County's investment policy allows negotiable certificates of deposit that are rated in a rating category of A or higher by at least two rating agencies. We recommend updating this requirement to reflect Code's requirement of this rating by at least one rating agency. Moreover, we recommend including language allowing amounts of negotiable certificates of deposit not rated but insured by the Federal Deposit Insurance Corporation.
- **Update to minimum credit quality required for Medium Term Corporate Notes and passthrough securities:** The County's investment policy allows medium-term corporate notes that are rated in a rating category of A or higher by at least two rating agencies and passthrough securities that are rated AA by at least two rating agencies. We recommend updating these requirements to reflect Code's requirement of the ratings by at least one rating agency.

- **Measuring maximum maturity:** Code currently sets the maximum maturities allowed for different asset classes. Senate Bill 1489 recently clarified that when determining final remaining maturity, the settlement date of the trade shall be used. We recommend the County include this change to Code in its policy.

Please do not hesitate to contact us with any questions you may have, or if further review is needed.

Sincerely,

Carlos Oblites,
Senior Portfolio Strategist
Chandler Asset Management