FINANCE/PERSONNEL SUBCOMMITTEE AGENDA

SUBCOMMITTEE MEMBERS

LARRY McCALLON, MEMBER
JOHN TIMMER, MEMBER

May 26, 2020
10:00 a.m.
Upright Conference Room
Highland City Hall
27215 Base Line
Highland, California

SPECIAL NOTICE REGARDING COVID-19

Pursuant to Governor Newsom's Executive Order N-25-20, members of the Highland City Council/Subcommittee members or staff may participate in this meeting via a teleconference in the interest of maintaining appropriate social distance. Highland City Council Members/Subcommittee Members are not required to attend in person.

In an effort to protect public health and prevent the spread of COVID-19, the City of Highland encourages the public to listen to the Subcommittee meeting by dialing (844) 855-4444 (no charge/toll free). When prompted for the Access Code, press 360803#. This will allow the public to listen to the meeting in real time.

Submission of Public Comments: For those wishing to make public comments at the May 26, 2020 Finance/Personnel Subcommittee meeting, please submit your comments by email to be read aloud at the meeting by staff. Email comments must be submitted by 9:00 a.m. on May 26, 2020 to publiccomment@cityofhighland.org. Please identify the agenda item in the subject line. Staff shall read all email comments received before 9:00 a.m., provided that the reading shall not exceed three (3) minutes as this is the time limit for speakers at a Council Meeting. The email comments submitted shall become part of the record of the Subcommittee meeting.

CITY OF HIGHLAND MISSION STATEMENT

Highland is dedicated to the betterment of the individual, the family, the neighborhood and the community. The City Council and the staff of Highland are dedicated to providing the quality of public facilities and services that its citizens are willing to fund and will do so as efficiently as possible.

Visit the City's Website at: www.cityofhighland.org

THE CITY OF HIGHLAND COMPLIES WITH THE AMERICANS WITH DISABILITIES ACT OF 1990. IF YOU REQUIRE SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CALL THE CITY CLERK'S OFFICE AT (909) 864-8732, EXT. 226 AT LEAST 48 HOURS PRIOR TO THE MEETING.

Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the City of Highland to all or a majority of the [legislative or other body] less than 72 hours prior to that meeting are available for public inspection at Highland City Hall, 27215 Base Line, Highland, during normal business hours.

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Larry McCallon, Member John Timmer, Member

FINANCE/PERSONNEL SUBCOMMITTEE
May 26, 2020 – 10:00 a.m.

CALL TO ORDER

PUBLIC COMMENT

1. Review Minutes of May 12, 2020 Meeting
   ACTION:

2. Pavement Sinkhole Repairs at Highland Avenue/Base Line (Attachment)
   ACTION:

3. Appropriations Limits 2020/2021 (Attachment)
   ACTION:

4. City Treasurer Authority 2020/2021
   ACTION:

5. Investment Policy 2020/2021 (Attachment)
   ACTION:

ADJOURN

I, Elena Rodrigues, Administrative Assistant III, of the City of Highland, California, certify that I caused to be posted this Agenda on the 21st day of May 2020 by 5:30 p.m. on our website at www.cityofhighland.org and in the following designated areas:

City Hall	Highland Branch Library	Highland Fire Station No. 1
27215 Base Line	7863 Central Avenue	26974 Base Line

Elena Rodrigues

Elena Rodrigues, Administrative Assistant III

MINUTES
FINANCE/PERSONNEL SUBCOMMITTEE
May 12, 2020

CALL TO ORDER

The regular meeting of the Finance/Personnel Subcommittee of the City of Highland was called to order at 10:00 a.m. at the Upright Conference Room, 27215 Base Line, Highland, California.

ROLL CALL

Present: McCallon, Timmer
Absent: None

PUBLIC COMMENT

Received no public comment

ITEMS

1. Review Minutes of May 4, 2020 Meeting
    - Minutes were approved as submitted

2. California Department of Forestry and Fire Protection (CAL-Fire) Contract 2020-2025
    - Approved 2020-2025 Contract
    - Item to be presented to City Council

3. 2020-2022 Community Development Block Grant (CDBG) COVID-19 Application Prioritization
    - Prioritized the 2020-2022 CDBG COVID-19 Applications in the amount of $277,080 in the following allocations: Grocery Delivery Service in the amount of $40,000; Highland Senior Center Senior Drive Thru Pick Up Lunch Program in the amount of $37,080 and COVID-19 Antibody Testing in the amount of $200,000.

ADJOURN

There being no further business the meeting was adjourned at 10:13 a.m.

Submitted by:

Elena Rodrigues

Elena Rodrigues, Administrative Assistant III

Approved by:

Subcommittee Member

P.O. Box 539
Highland, CA 92346
(951) 533-3797
Lic #1007568

PROPOSAL

To:

May 14, 2020

City of Highland
27215 Baseline
Highland, CA 92346
Attn: Jim Richardson
(909) 863-0284 ext 101 jrichardson@cityofhighland.org

JOB LOCATION: BASELINE ST., **400'** EAST OF PALM AVE., CITY OF HIGHLAND, CA

We hereby submit specifications and estimates for:

Item *total*

ASPHALT REPAIR:

1. Remove asphalt pavement, 20' x 14.5'.
2. Haul away asphalt.
3. Remove subbase materials to a depth of 10"
4. Haul away excess dirt.
5. Compact the subgrade with a vibratory roller.
6. **Install up to 6" asphalt over 4" class II base on** 290 sq. ft.

Lump sum: $7,990.00

GENERAL CONDITIONS:

- Price is based on repairing this area simultaneously with the asphalt repair at Highland Ave. (400' west of Church St.).
- Traffic control is included.
- EXCLUDED ITEMS: roadway striping, seal coats, permits, fees
- Mike Roquet Construction Inc. shall not be liable for any damage to or breakage of items not visible from the surface including underground pipes, conduits, structures, nor for any damage to approaches (including sidewalks) from the street to the property line. Unless otherwise included in the scope of work on page one of this agreement, raising utility covers to final grade is not included.
- Proposal good for 10 days from the date of issue.
- Unless otherwise specified, the term grade or grading does not imply the movement of subgrade material on or off the job site. The term "fine grade" shall mean soil or any material brought within elevation tolerances per Green Book specifications.
- Any attorney fees, costs, or other expenses which may be incurred in the collection of monies as may become due under this contract or enforcement of the terms of this contract will be paid for by the customer.
- Unless otherwise herein provided, this contract shall be due and payable at Mike Roquet Construction Inc., P.O. Box 539, Highland, CA 92346 within 10 days from date of invoice.

MIKE ROQUET CONSTRUCTION, INC.

By: ____________________
Mike Roquet. President
Dated: ____________________

By: ____________________
(name)

____
(company name)

Dated: ____________________

MIKE ROQUET CONSTRUCTION INC

P.O. Box 539
Highland, CA 92346
(951) 533-3797
Lic #1007568

PROPOSAL

May 20, 2020

To:

City of Highland
27215 Baseline
Highland, CA 92346
Attn: Jim Richardson
(909) 863-0284 ext 101 jrichardson@cityofhighland.org

JOB LOCATION: HIGHLAND AVE., **400'** WEST OF CHURCH ST., CITY OF HIGHLAND, CA

We hereby submit specifications and estimates for:

Item *total*

REVISED DUE TO CHANGE IN SCOPE OF WORK (VIDEO SHOWS NO PIPE DAMAGE):

1. Remove asphalt pavement, **10' X 10'**.
2. Haul away asphalt.
3. Over-excavate to a depth of 24" below finished asphalt surface.
4. Haul away excess dirt.
5. Compact the bottom of the over-excavated area.
6. **Install up to 6" asphalt over 18" class II base on 100 sq. ft.**

Lump sum: $4,500.00

$32.03/SF

GENERAL CONDITIONS:

- Price is based on repairing this area simultaneously with the asphalt repair at Baseline St. (400' east of Palm Ave.).
- Traffic control is not included and is to be furnished by others.
- EXCLUDED ITEMS: roadway striping, seal coats, permits, fees
- Mike Roquet Construction Inc. shall not be liable for any damage to or breakage of items not visible from the surface including underground pipes, conduits, structures, nor for any damage to approaches (including sidewalks) from the street to the property line. Unless otherwise included in the scope of work on page one of this agreement, raising utility covers to final grade is not included.
- Proposal good for 10 days from the date of issue.
- Any attorney fees, costs, or other expenses which may be incurred in the collection of monies as may become due under this contract or enforcement of the terms of this contract will be paid for by the customer.
- Unless otherwise herein provided, this contract shall be due and payable at Mike Roquet Construction Inc., P.O. Box 539, Highland, CA 92346 within 10 days from date of invoice.

MIKE ROQUET CONSTRUCTION, INC.

By: ______________________________
Mike Roquet. President

Dated: ______________________________

CITY OF HIGHLAND

By: ______________________________
(name)

____
(title)

Dated: ______________________________

MIKE ROQUET CONSTRUCTION INC

P.O. Box 539
Highland, CA 92346
(951) 533-3797
Lic #1007568

PROPOSAL

To:

May 14, 2020

City of Highland
27215 Baseline
Highland, CA 92346
Attn: Jim Richardson
(909) 863-0284 ext 101 jrichardson@cityofhighland.org

JOB LOCATION: HIGHLAND AVE., **400'** WEST OF CHURCH ST., CITY OF HIGHLAND, CA

We hereby submit specifications and estimates for:

Item *total*

ASPHALT REPAIR:

1. Remove asphalt pavement, **10' X 10'**.
2. Haul away asphalt.
3. Over-**excavate to a depth of 2.5' below finished asphalt surface.**
4. Haul away excess dirt.
5. Compact the bottom of the over-excavated area.
6. **Install up to 6" asphalt over 20" class II base on 100 sq. ft.**

Lump sum: $7,885.00

GENERAL CONDITIONS:

- Price is based on repairing this area simultaneously with the asphalt repair at Baseline St. (400' east of Palm Ave.).
- Traffic control is not included and is to be furnished by others.
- EXCLUDED ITEMS: roadway striping, seal coats, permits, fees
- Mike Roquet Construction Inc. shall not be liable for any damage to or breakage of items not visible from the surface including underground pipes, conduits, structures, nor for any damage to approaches (including sidewalks) from the street to the property line. Unless otherwise included in the scope of work on page one of this agreement, raising utility covers to final grade is not included.
- Proposal good for 10 days from the date of issue.
- Unless otherwise specified, the term grade or grading does not imply the movement of subgrade material on or off the job site. The term "fine grade" shall mean soil or any material brought within elevation tolerances per Green Book specifications.
- Any attorney fees, costs, or other expenses which may be incurred in the collection of monies as may become due under this contract or enforcement of the terms of this contract will be paid for by the customer.
- Unless otherwise herein provided, this contract shall be due and payable at Mike Roquet Construction Inc., P.O. Box 539, Highland, CA 92346 within 10 days from date of invoice.

MIKE ROQUET CONSTRUCTION, INC.

By: ______________________
Mike Roquet. President

Dated: ______________________

By: ______________________
(name)

____
(company name)

Dated: ______________________

Hardy & Harper, Inc.
asphalt paving contractor

32 RANCHO CIRCLE
LAKE FOREST, CA 92630
(714) 444-1851 FAX (714) 444-2801
STATE LIC. NO. 215952
DIR NO. 1000000076

To:	CITY OF HIGHLAND	**Contact:**	JIM RICHARDSON
Address:	27215 Base Line	**Phone:**	(909) 864-6861
	Highland, CA 92346	**Fax:**	
Project Name:	HIGHLAND - CHURCH ST/BASELINE AC REPAIR	**Bid Number:**	19-000905
Project Location:		**Bid Date:**	

Item #	Item Description	Estimated Quantity	Unit
1	HIGHLAND & WEST OF CHURCH - REMOVE & REPLACE (10' X 10') 2' BASE OVER 6" AC + 1' T-CUT	100.00	SF
2	HIGHLAND & WEST OF CHURCH RESTRIPE PER EXISTING	1.00	LS
3	BASELINE & WEST OF PALM - REMOVE & REPLACE (17' X 20') 2' BASE OVER 6" AC	340.00	SF
4	BASELINE & WEST OF PALM RESTRIPE PER EXISITNG	1.00	LS

Total Bid Price: $12,975.00

$29.49/SF

Notes:

- ***INCLUSIONS:***
- LABOR, EQUIPMENT & MATERIAL
- PRICE BASED ON (1) MOVE-IN - $6,500.00 FOR EACH ADDITIONAL MOVE-IN
- PRICE BASED ON MINIMUM 8 HR SHIFTS
- PRICE GOOD THROUGH 06/30/2020
- CUT, LOAD, HAUL, SWEEP & TACK
- GRADES TO BE RECIEVED AT +/-.04' - NO FINE GRADE
- SURVEYING, ENGINEERING AND STAKING BY OTHERS. ALL FINISHED FILLS, INCLUDING FILLS AT GRADE BREAKS TO BE PAINTED ON THE GRADE / PAVEMENT BY PRIME CONTRACTOR AT 25' STATIONS AT NO COST TO HARDY & HARPER, INC. FILLS TO BE GIVEN PRIOR TO PAVING
- PROPOSAL & ENTIRE CONTENTS SHALL BE INCORPORATED INTO SUBCONTRACT - MINIMUM 6 WEEKS NOTICE FOR ALL SCHEDULING
- TRAFFIC CONTROL PER WATCH MANUAL
- ***EXCLUSIONS:***
- QCQA, ARHM, ENGINEERING, PERMITS, BONDS, FEES, INSPECTION FEES, SWPPP, LAYOUT, SURVEY, GRADE CHECKER, OIL INDEX
- TEMP AC, TRENCH/SLOT PAVING, MEDIAN PAVING, SAWCUT, CRACKFILL, WEEDKILL, FOG SEAL, PRIME COAT, SLURRY, SEAL COAT
- COLDMILL, INERTIAL PROFILE, MUST GRINDS, PROFILOGRAPH, PRE-PAVE IRI & GRINDING, CLEAN EXISTING AC, STEEL PLATES
- IMPORT/EXPORT, SUBGRADE PREP & REMOVAL/COMPACTION, GRADING, FINE GRADING, PCC BACKFILL, REDWOOD HEADER
- PROTECTION / LOCATING OF EXST. UTILITIES, UTILITY ADJUSTMENTS, SPEED BUMPS, POSTING
- DRAINAGE REQUIREMENTS W/ LESS THAN 2% FALL, TRAFFIC CONTROL, T/C PLANS, CMS BOARD, DETOURS, ROOT PRUNE/REMOVAL
- FABRIC & PLACEMENT, FABRIC REMOVALS / DISPOSAL, STRIPING, TEMP STRIPING & TABS, PROTECTION OF WORK AFTER SHIFT
- HAZARDOUS WASTE, WEATHER DELAYS, TEMPERATURE DELAYS, WATER & SOURCE, OPERATED WATER TRUCK / BUGGY, LIGHTS
- LIQUIDATED DAMAGES NOT DUE TO OUR OPERATION. THIS INCLUDES DAMAGES FOR LATE OPENINGS. TRAINING & FEES
- SAFETY TRAINING, TWIC, BADGING COST, SANDBLASTING, STRIPING REMOVALS, NIGHTS & WEEKENDS, AS BUILDS
- Payment in full upon completion or it is agreed that 1% per month will be charged when account becomes overdue.

Payment Terms:

NET 30

ACCEPTED:	**CONFIRMED:**
The above prices, specifications and conditions are satisfactory and are hereby accepted.	**Hardy & Harper, Inc.**
Buyer: ______________________	
Signature: ______________________	**Authorized Signature:** ______________________
Date of Acceptance: ______________________	**Estimator:** Christiana Cook (909) 815-6752

Appropriations Limits
2020/2021

USER FEES VERSUS COSTS

Worksheet #1
City of Highland
Fiscal Year 2020/2021

Budget	1450 Admin.	3200 Engineering	4100 Planning	4500 B&S	4600 C/E	2100 Fire Dept	Total
A. COSTS REASONABLY BORNE	762,350	518,880	902,695	703,060	416,835	4,988,010	8,291,830
B. FEE REVENUE	396,250	295,000	297,500	503,405	30,000	37,500	1,559,655
C. AMOUNT FEE EXCEEDS COST (amount of tax proceeds)	(366,100)	(223,880)	(605,195)	(199,655)	(386,835)	(4,950,510)	(6,732,175)
D. AMOUNT OF FEE REVENUE LESS THAN COST	366,100	223,880	605,195	199,655	386,835	4,950,510	6,732,175

CALCULATION OF PROCEEDS OF TAXES

Worksheet #2
City of Highland
Fiscal Year 2020/2021
Budget

REVENUE	Proceeds of taxes	Non-Proceeds of taxes	Total
TAXES			
Property Tax	**10,810,050**		10,810,050
Property Tax-Fire	**3,791,370**		3,791,370
Medic Tax	360,000		360,000
Sales & Use Tax	3,156,000		3,156,000
Business License Tax-Revenue	-		-
Utility User's Tax	-		-
Transient Occupancy Tax	43,000		43,000
Special Police or Fire	702,000		702,000
Admissions Tax	-		-
Parking Tax (not fines)	-		-
Extraction Tax	300,000		300,000
Other Taxes	150,000	-	150,000
FROM STATE			
Motor Vehicle In Lieu	25,000		25,000
Trailer Coach In Lieu	-		-
Off-Highway Vehicles	-		-
Gasoline Tax		**1,471,450**	1,471,450
RMRA		906,385	906,385
Prop 1B		61,755	61,755
Cigarette Tax	-		-
Homeowner's Relief	-		-
Williamson Open Space	-		-
Tidelands Trust		-	-
SB 90 Reimbursements		30,000	30,000
Repealed Subventions:			-
Liquor License Fees	-		-
Highway Carriers	-		-
Financial Aid To Locals	-		-
Business Inventory	-		-
78-79 Bailout Funds	-		-
OTHER GOVERNMENTS			
General Revenue Sharing		-	-
Community Development (CDBG)		575,360	575,360
Housing (HUD)		-	-
Disaster Reimbursement (FEMA)		-	-
Other	195,000	**16,920,500**	17,115,500
LOCALLY RAISED			
Special Assessments		**834,700**	834,700
Licenses & Permits		-	-
Business Licenses-Regulatory		-	-
Franchise Fees		**1,576,250**	1,576,250
Development Fees		160,000	160,000
Rents	-	121,000	121,000
Fines, Forfeitures, Penalties		**79,000**	79,000
USERS FEES	-	1,559,655	1,559,655
From Worksheet #1			
OTHER MISC			
Sale of Property	-	-	-
Misc.	-	39,800	39,800
Interfund Transfers	-	**1,936,740**	1,936,740
SUB-TOTAL	19,532,420	26,272,595	45,805,015
For Worksheet #3 (non-int proceeds)	**#3 Line A**		**#3 Line D**
INTEREST EARNINGS	414,955	558,145	973,100
From Worksheet #3	**#3 Line G**	**#3 Line H**	**#3 Line F**
TOTAL REVENUE	19,947,375	26,830,740	46,778,115
Use For Worksheet #4	**#4 Line A**		46,778,115
RESERVE WITHDRAWLS		-	-
Including Appropriated Fund Balance			
TOTAL OF THESE FUNDS	19,947,375	26,830,740	46,778,115
OTHER FUNDS NOT INCLUDED			
General Liability Fund-Internal Svc	-	544,165	544,165
Building Services Fund-Internal Svc	-	51,455	51,455
SARDA RPTTF	-	3,677,195	3,677,195
SARDA Debt Service & Admin	-	3,677,195	3,677,195
Housing Authority	-	204,500	204,500
Mello-Roos	-	10,100	10,100
SUB-TOTAL	-	8,164,610	8,164,610
GRAND TOTAL BUDGET	19,947,375	34,995,350	54,942,725

INTEREST EARNINGS PRODUCED BY TAXES

Worksheet #3
City of Highland
Fiscal Year 2020/2021
Budget

	Amount
A. NON INTEREST TAX PROCEEDS	19,532,420
B. MINUS EXCLUSIONS	-
C. NET INVESTED TAXES	19,532,420
D. TOTAL NON INTEREST BUDGET	45,805,015
E. TAX PROCEEDS AS PERCENT OF BUDGET	0.43
F. INTEREST EARNINGS	973,100
G. AMOUNT OF INTEREST EARNED FROM TAXES*	414,955
H. AMOUNT OF INTEREST EARNED FROM NON-TAXES*	558,145

*amounts to worksheet #2

APPROPRIATIONS SUBJECT TO LIMITATION

Worksheet #4
City of Highland
Fiscal Year 2020/2021
Budget

	Amount
A. PROCEEDS OF TAXES	19,947,375
B. MINUS EXCLUSIONS	-
C. APPROPRIATIONS SUBJECT TO LIMITATION	19,947,375
D. CURRENT YEAR LIMIT	38,137,363
E. OVER/(UNDER) LIMIT	(18,189,989)

Worksheet #5

City of Highland
Fiscal Year 2020/2021
Budget

POPULATION	
1/1/2019	55,222
1/1/2020	55,323
% change over prior year	0.1829
Converted to ratio	1.0018

PER CAPITA PERSONAL INCOME	
% change over prior year	3.73
Converted to ratio	1.0373

CALCULATION FACTOR	
2020/2021	1.0392

APPROPRIATIONS LIMIT

Worksheet #6
City of Highland
Fiscal Year 2020/2021
Budget

A. LAST YEAR'S LIMIT	36,698,870
B. ADJUSTMENT FACTORS:	
Population % increase	1.0018
Inflation/Income % change	1.0373
Total Adjustment %	1.0392
C. ANNUAL ADJUSTMENT	1,438,493
D. OTHER ADJUSTMENTS:	
Lost Responsibility (-)	-
Transfer to private (-)	-
Transfer to fees (-)	-
Assumed Responsibility (+)	-
Subtotal	-
E. TOTAL ADJUSTMENTS	1,438,493
F. THIS YEAR'S LIMIT	38,137,363

EXCLUDED APPROPRIATIONS

Worksheet #7
City of Highland
Fiscal Year 2020/2021
Budget

A. COURT ORDERS	-
B. FEDERAL MANDATES	-
C. QUALIFIED CAPITAL OUTLAYS	-
D. QUALIFIED DEBT SERVICE	-
E. TOTAL EXCLUDABLE	-

APPROPRIATIONS SUBJECT TO LIMITATION - HISTORY

	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011
A. PROCEEDS OF TAXES	19,947,375	18,909,186	17,432,925	16,793,313	14,542,212	14,234,238	12,889,855	12,515,581	11,782,255	11,652,333	12,995,703
B. MINUS EXCLUSIONS	-	-	-	-	-	-	-	-	-	-	-
C. APPROPRIATIONS SUBJECT TO LIMITATION	19,947,375	18,909,186	17,432,925	16,793,313	14,542,212	14,234,238	12,889,855	12,515,581	11,782,255	11,652,333	12,995,703
D. CURRENT YEAR LIMIT	38,137,363	36,698,870	35,051,978	33,444,356	32,044,792	30,238,778	28,934,780	28,835,631	27,241,418	26,055,564	25,244,467
E. OVER/(UNDER) LIMIT	(18,189,989)	(17,789,685)	(17,619,053)	(16,651,043)	(17,502,580)	(16,004,540)	(16,044,925)	(16,320,050)	(15,459,163)	(14,403,231)	(12,248,764)
F. % OF APPROPRATIONS LIMIT	52.30%	51.53%	49.73%	50.21%	45.38%	47.07%	44.55%	43.40%	43.25%	44.72%	51.48%

	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003	2001/2002	2000/2001
A. PROCEEDS OF TAXES	12,787,025	12,391,082	12,034,455	10,438,799	9,686,300	8,289,634	8,142,981	7,626,446	7,463,062	6,996,405
B. MINUS EXCLUSIONS	-	-	-	-	-	-	-	-	-	-
C. APPROPRIATIONS SUBJECT TO LIMITATION	12,787,025	12,391,082	12,034,455	10,438,799	9,686,300	8,289,634	8,142,981	7,626,446	7,463,062	6,996,405
D. CURRENT YEAR LIMIT	25,800,742	25,545,310	24,473,303	23,110,867	22,012,502	20,374,614	19,104,736	18,125,976	17,352,304	15,953,381
E. OVER/(UNDER) LIMIT	(13,013,717)	(13,154,228)	(12,438,848)	(12,672,068)	(12,326,202)	(12,084,980)	(10,961,755)	(10,499,530)	(9,889,242)	(8,956,976)
F. % OF APPROPRATIONS LIMIT	49.56%	48.51%	49.17%	45.17%	44.00%	40.69%	42.62%	42.07%	43.01%	43.86%

Investment Policy
2020/2021

CITY OF HIGHLAND
STATEMENT OF INVESTMENT POLICY
FISCAL YEAR 2020-2021

I Introduction:

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. Related activities, which comprise good cash management, include accurate cash projections, the expeditious collection of revenue, the control of disbursements, cost-effective banking relations and a short-term borrowing program, which coordinates working capital requirements and investment opportunity. In concert with these requirements are the many facets of an appropriate and secure short-term investment program.

II Scope:

It is intended that this policy cover all funds and investment activities under the direct authority of the City. The criteria outlined in this policy focuses mainly on the City's pooled funds, but will also apply to those funds under the control of the City Treasurer, unless specifically identified by statue or ordinance. This policy is applicable, but not limited to the funds of the city which consist of the General Fund, Special Revenue Funds, Capital Projects Funds, Internal Service Funds, Trust and Agency Funds, Former Redevelopment Funds, and any new fund(s) created by the City Council, based on their respective participation and in accordance with generally accepted accounting principles (GAAP). Current policy of the City prefers a passive investment strategy whereby investments are bought and held to maturity in order to match cash flow needs.

III Objectives:

A. Safety: It is the primary objective and responsibility of the City Treasurer to protect, preserve and maintain cash and investments placed in his/her trust on behalf of the citizens of the community, so as to protect the potential loss of principal, interest or a combination of these. Each investment transaction will seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default or erosion of market value. The City will seek to preserve principal by mitigating the two types of risk, credit risk and market risk.

1. Credit risk, defined as the risk of loss due to failure of the issuer of a security, will be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any single issuer would not unduly harm the City's cash flow.

2 Market risk, defined as market value fluctuations due to overall changes in the

general level of interest rates, will be mitigated by limiting the average maturity of the City's investment portfolio to two years, the maximum maturity of any single security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of securities for the sole purpose of short term speculation. It is recognized however, that in a diversified investment portfolio, occasional measured losses are inevitable and must be considered within the context of the overall investment return and current economic circumstances.

B. Liquidity: An adequate percentage of the portfolio should be maintained in liquid short-term securities, which can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investments in securities with active secondary or resale markets is highly recommended. Emphasis should be on marketable securities with low sensitivity to market risk.

C. Yield: Yield, also known as return on investment, should become a consideration only after the basic requirements of safety and liquidity have been met. Yield is the potential dollar earnings an investment can provide.

IV <u>Standards of Care:</u>

A. Prudence: The City adheres to the guidance provided by the "prudent investor standard in Government Code Section 53600.3, which obligates a fiduciary to insure that:

"When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee will act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

B. Public Trust: All participants in the investment process will act as custodians of the public trust. Investment officials will recognize that the investment portfolio is subject to public review and evaluation. The overall program will be designed and managed with a degree of professionalism that is worthy of the public trust. In a well-diversified investment portfolio it must be recognized that occasional measured losses are inevitable, due to economic, bond market, or individual security credit analysis, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

C. Ethics and Conflicts of Interest: Officers and employees involved in the investment process will refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Employees and investment officials will disclose any material financial interest that could be related to the performance of the City's investment portfolio.

During no such time that the City deposits moneys with a state or federal credit union will a member of the City Council or employee of the administrative office, manager's office, or treasurer's office of the City serve on the board of directors or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the state or federal credit union, pursuant to Section 53648 of the Government Code.

D. Delegation of Authority: Government Code Section 36501 states that there must be an office of City Treasurer of the local government. In the incorporation papers of the City, the office of City Treasurer was made appointive versus elective, as per Government Code Section 36511, per Resolution No. 87-414 of the Board of Supervisors of the County of San Bernardino, State of California, on November 23, 1987.

Government Code Section 53607 authorizes the City Council to delegate the duties of investing or reinvesting funds of a city to the City Treasurer. The City Council by Resolution No. 2020-0??, which repeals Resolution No. 2019-016, has appointed the City Treasurer and has delegated their authority of investment decisions to the City Treasurer as the investor or reinvestor of the City's funds. Resolution No. 2020-0?? delegates these duties for a one-year period effective July 1, 2020.

Daily management responsibility of the investment program has been delegated to the City Treasurer/Director of Administrative Services, who will establish procedures for the operation consistent with this investment policy. In the absence of the City Treasurer/Director of Administrative Services, the Senior Accountant is authorized to initiate investment transactions with approval by the City Manager.

V <u>Safekeeping and Custody:</u>

A. Banks and Securities Dealers: In selecting financial institutions for the deposit or investment of the City's funds, the City Treasurer will consider the creditworthiness of institutions. The City Treasurer will continue to monitor financial institutions' credit characteristics and financial history throughout the period in which City funds are deposited or invested. These institutions will be qualified to purchase investments as set forth in Government Code Section 53601.5. Current City policy for day-to-day deposit of funds and general banking transactions requires a financial institution to be within the limits of the City.

B. Brokers/Dealers: Securities purchased from a broker/dealer should be held in a third party custodian/safekeeping account. Said securities should be held in a manner that establishes the City's right of ownership.

All brokers/dealers will be provided a questionnaire prior to investment of any funds. A statement of compliance with the Investment Policy will also be required. These questionnaires will be reviewed by the Finance Subcommittee.

All securities owned by the City should be held by a third party except the collateral for time deposits in banks and savings and loans and collateral for repurchase agreements. Collateral for time deposits in savings and loans are held by the Federal Home Loan Bank or an approved Agent of Depository. The collateral for time deposits in banks and for repurchase agreements should be held in the City's name in the bank's Trust Department, or alternately, in the Federal Reserve Bank.

C. Internal Controls: A System of internal control will be established. The controls will be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City. Controls deemed most important include: separation of duties, separating transactions authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, specific limitations regarding securities losses and remedial action, minimizing the number of authorized Investment Officials and code of ethics standards. All investment transactions will be confirmed in writing back to the City so as to be assured proper communication of the transaction has occurred.

D. Risk Tolerance: The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. Investment Managers are expected to display prudence in the selection of securities, as a way to minimize default risk. No individual investment transaction will be undertaken which jeopardizes the total capital position of the overall portfolio. The Treasurer will periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

In addition to these general policy considerations, the following specific policies will be strictly observed.

1. All transactions will be executed on a delivery versus payment (DVP) basis and follow Government Code Section 53601.

2. A competitive bid process, when practical, will be used to place all investment purchases.

VI Investment Instruments: Security purchases and holdings should be maintained within statutory limits imposed by the Government Code Section 53601 and 53601.1. Current permitted investments and deposits and their limits are as follows:

PERMITTED INVESTMENTS/ DEPOSITS	**MAXIMUM PERCENTAGES**	**MAXIMUM MATURITY**
Securities of the U.S. Govt.	Unlimited	5 years*
Securities of the State of California	Unlimited	5 years*
Bonds issued by the City	Unlimited	5 years*
Bonds, notes, other indebtedness of any local agency in California	Unlimited	5 years*
Certificate of Deposits	Unlimited	5 years*
Negotiable Certificates of Deposit	30%	5 years*
Bankers Acceptances (1)	40%	180 days
Commercial Paper (1)	25%	270 days
LAIF	***	n/a
CAMP	-	n/a
Passbook Deposits	-	n/a
Repurchase Agreements (1)	-	92 days
Reverse Repurchase Agreements (1)	-	1 year**
Mutual Funds (1)	15%+	5 years*
Medium Term Notes (1)	30%	5 years*
Mortgage Securities/Asset Backed (1)	20%	5 years*
Certificate of Deposit Account Registry Service (CDARS)	Unlimited	3 years****
Reliance Preferred Deposit Custody Account Prog.	Unlimited	n/a****

* Maximum term unless expressly authorized by Governing Body to extend (see paragraph below) and must be approved no less than three months prior to the purchase of the investment. Will be rated A or its equivalent or better.

** Governing Body approval is required. Further, it is suggested that the final maturity of the underlying investment security be less than or equal to the maturity of the reverse repurchase agreement.

*** Maximum as allowed by Limit set by LAIF Governing Board, not Government Code.

****Amounts to invest and which funds to invest to be determined by the Finance Subcommittee.

+ Adopted by the CSMFO Cash Management Committee on February 26, 1992.

(1) Further restrictions apply in Government Code Section 53601.

A. In the case of bond reserve investments, an exception to the five-year limitation may be extended, provided that the segregated investment portfolio of the bond reserve fund with the maturity schedule is prudent given current economic analysis. In addition, certain investments currently not authorized by this investment policy may be superceded by Council authorization in executing bond documents, provided that due diligence is exercised in acquiring background for the investment and/or bank and rated by two Rating Agencies. Liquidity of certain bond funds may need to use money market funds of the trustee bank in order to facilitate timeliness of withdrawal and/or interim holding periods for bond payments. All instruments will be in accordance with bond documents executed by the City Council and the Government Code.

B. Of the permitted investments/deposits as outlined in Section VI, the City Council has chosen to permit all the foregoing for 2020-2021 except Bankers Acceptances, Passbook deposits, Mortgage securities/Asset backed and medium term notes.

C. Prohibited investments consist of inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages or any security that could result in zero interest accrual if held to maturity. Per Government Code Section 53601.6, the City will not invest in any of these instruments.

D. Market-Average Rate of Return: The investment portfolio will be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and State and Local laws, ordinances or resolutions that restrict investments.

E. Diversification: The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

F. Collateralization of Public Funds: The City Treasurer will enter into any contract with a depository relating to any deposit. Per Government Code Section 53648, a city may deposit public moneys into banks which are Federal Reserve System members or whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC), or any State or Federal Credit Union whose accounts are insured by the National Credit Union Share Insurance Fund or guaranteed pursuant to Section 14858 of the Financial Code.

For those deposits placed with depositories that are FDIC insured or guaranteed, the maximum amount is $250,000 under the initial insurance. Other forms of insurance or instruments with securities ratings will be required for any amount up to the maximum amount on deposit at any single time in the depository.

VII Reporting:

A. Quarterly: The City Treasurer will submit a quarterly investment report to the City Council and City Manager within 30 days following the end of the quarter. This report will include all required elements of the quarterly report as prescribed by Government

Code Section 53646(b). The City Council may elect to require this report monthly instead of quarterly per Government Code Section 53646(d).

Required elements of the quarterly report:

1) Type of investment
2) Name of Issuer
3) Date of maturity
4) Amount of deposit or cost of the security
5) Current market value of securities as of the date of the report
6) Source of market valuation
7) Investments and moneys held by the City
8) Description of funds, investments, or programs under the management of contracted parties, including lending programs per Government Code Section 53646(b)(1)
9) Rate of interest
10) Statement that the report is in compliance or not in compliance with the Statement of Investment Policy
11) Statement that there are sufficient funds to meet the next six months' obligations or provide an explanation as to why not able to meet obligations
12) Effective January 1, 1991, Accrued Interest for each depository as prescribed by the California Government Code Section 53646, if required by the City Council. At this time, the City Council chooses not to require this of the City Treasurer.

Optional elements of the quarterly report:
1) Purchase date
2) Rating from appropriate rating agency

B. If all investments are placed in the Local Agency Investment Fund, FDIC insured accounts in a bank or savings and loan, CAMP, county investment pool, or any combination of these, the City Treasurer may supply to the City Council and City Manager the most recent statement(s) received from these institutions in lieu of reporting them per Government Code Section 53646(e).

C. Marking to Market: The market value of the portfolio will be calculated at least quarterly and a statement of the market value of the portfolio will be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of fair value and price volatility, has been performed consistently with recommended practices.

VIII <u>Statement of Investment Policy:</u>

The Statement of Investment Policy, which includes any changes from the previous year, will be reviewed and submitted annually, by Resolution, to the City Council by the City Treasurer. Government Code Section 53646(a)(2) no longer requires a city to annually

submit their investment policy to their governing board for approval. However, the City of Highland will continue to do so, voluntarily.
Any State of California legislation action placed into law after adoption of this Investment Policy that further restricts allowable maturities, investment type or percentage allocations, will be incorporated into the City of Highland's next Investment Policy.

Any investment held currently that does not meet the guidelines of the new policy, will be exempt. However, at the investment's maturity or liquidation, such funds will be reinvested only as provided by this policy.