City of Highland
Finance/Personnel Subcommittee
Agenda

May 16, 2023
9:45 a.m.
Upright Conference Room
Highland City Hall
27215 Base Line
Highland, California

SUBCOMMITTEE MEMBERS

LARRY McCALLON, MEMBER
JOHN TIMMER, MEMBER

STAFF
Joseph A. Hughes - City Manager
Chuck Dantuono - Director of Administrative Services/City Treasurer
Lawrence Mainez - Community Development Director
Carlos Zamano - Public Works Director/City Engineer
Leticia Nava-Cruz – Assistant Director of Administrative Services
Michelle Gomez - Accountant
Alondra Muñoz – Deputy City Clerk

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

In compliance with the Americans with Disabilities Act (ADA), if you need special assistance, please contact the City Clerk's office at (909) 864-6861, ext. 226, at least 72 hours prior to the meeting for any requests for reasonable accommodation to include interpreters.

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 Subcommittee 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.

FINANCE/PERSONNEL SUBCOMMITTEE
MAY 16, 2023 – 9:45 a.m.

CALL TO ORDER

PUBLIC COMMENT

Submission of Public Comments: For those wishing to make public comments by email, please submit your comments by email to be read aloud at the meeting. Email comments must be submitted by 8:45 a.m. on May 16, 2023, to publiccomment@cityofhighland.org. If you are submitting a public comment pertaining to an item on the May 16, 2023 agenda, please identify the agenda item number in the subject line. Members of the public will be permitted to make public comments in person.

BUSINESS ITEMS

1. Minutes – April 19, 2023 Meeting
   RECOMMENDATION: Approve the Minutes as submitted.

2. Appropriations Limits 2023/2024
   RECOMMENDATION: That the Subcommittee review and approve the item be brought forward to the City Council regarding the Appropriations Limits for Fiscal Year 2023/2024.

3. City Treasurer Authority 2023/2024
   RECOMMENDATION: That the Subcommittee review and approve the item be brought forward to the City Council regarding the City Treasurer Authority for Fiscal Year 2023/2024.

4. Investment Policy 2023/2024
   RECOMMENDATION: That the Subcommittee review and approve the item be brought forward to the City Council regarding the Statement of Investment Policy for Fiscal Year 2023/2024.

5. CFD 90-1 Annual Tax Levy Fiscal Year 2023/2024
RECOMMENDATION: That the Subcommittee review and approve the item be brought forward to the City Council regarding the CFD 90-1 Annual Tax Levy for Fiscal Year 2023/2024.

6. CFD 2001-1 Annual Tax Levy Fiscal Year 2023/2024
RECOMMENDATION: That the Subcommittee review and approve the item be brought forward to the City Council regarding the CFD 2001-1 Annual Tax Levy for Fiscal Year 2023/2024.

7. CFD 2007-1 Annual Tax Levy Fiscal Year 2023/2024
RECOMMENDATION: That the Subcommittee review and approve the item be brought forward to the City Council regarding the CFD 2007-1 Annual Tax Levy for Fiscal Year 2023/2024.

8. Innovative Federal Strategies, LLC Professional Services Agreement
RECOMMENDATION: That the Subcommittee review and approve the item be brought forward to the City Council regarding granting the City Manager authority to execute the Professional Services Agreement with Innovative Federal Strategies, LLC.

ADJOURN

I, Alondra Muñoz, Deputy City Clerk, of the City of Highland, California, certify that I caused to be posted this Agenda on or before the 4th day of May, 2023, by 5:30 p.m. on our website at www.cityofhighland.org and in the following designated areas:

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

Date: May 4, 2023

Alondra Muñoz
Deputy City Clerk

Business Item No. 1

MINUTES
FINANCE/PERSONNEL SUBCOMMITTEE
April 19, 2023

CALL TO ORDER

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

ROLL CALL

Present: McCallon, Timmer
Absent: None

PUBLIC COMMENT

Received no public comment.

BUSINESS ITEMS

1. Minutes – March 30, 2023 Meeting
   Approved the Minutes as submitted.

2. 5 Year Capital Improvement Program (CIP) FY 2022/2023 – 2026/2027
   The Subcommittee reviewed the item and recommended the 5 Year Capital Improvement Program (CIP) for FY 2022/2023 – 2026/2027 be brought forward to the City Council.

ADJOURN

There being no further business, the meeting was adjourned at 10:26 a.m.

Submitted by:	Approved by:
______________________________	______________________________
Alondra Muñoz, Deputy City Clerk	Subcommittee Member

Business Item No. 2

USER FEES VERSUS COSTS

Worksheet #1
City of Highland
Fiscal Year 2023/2024
Budget

	1450 Admin.	3200 Engineering	4100 Planning	4500 B&S	4600 C/E	2100 Fire Dept	Total
A. COSTS REASONABLY BORNE	811,940	865,245	989,060	918,590	636,150	64,000	4,284,985
B. FEE REVENUE	482,885	474,410	120,090	844,525	30,000	64,000	2,015,910
C. AMOUNT FEE EXCEEDS COST (amount of tax proceeds)	(329,055)	(390,835)	(868,970)	(74,065)	(606,150)	-	(2,269,075)
D. AMOUNT OF FEE REVENUE LESS THAN COST	329,055	390,835	868,970	74,065	606,150	-	2,269,075

CALCULATION OF PROCEEDS OF TAXES

Worksheet #2
City of Highland
Fiscal Year 2023/2024
Budget

REVENUE	Proceeds of taxes	Non-Proceeds of taxes	Total
TAXES			
Property Tax-General Fund	**12,505,500**		12,505,500
Property Tax-Fire Department fund	**4,293,450**		4,293,450
Medic Tax	370,000		370,000
Sales & Use Tax	4,494,400		4,494,400
Business License Tax-Revenue	-		-
Utility User's Tax	-		-
Transient Occupancy Tax	48,000		48,000
Special Police or Fire	744,975		744,975
Admissions Tax	-		-
Parking Tax (not fines)	-		-
Extraction Tax	345,000		345,000
Other Taxes	165,000	-	165,000
FROM STATE			
Motor Vehicle In Lieu	40,000		40,000
Trailer Coach In Lieu	-		-
Off-Highway Vehicles	-		-
Gasoline Tax		**1,625,050**	1,625,050
RMRA		1,407,420	1,407,420
Prop 1B		-	-
Cigarette Tax	-		-
Homeowner's Relief	-		-
Williamson Open Space	-		-
Tidelands Trust		-	-
SB 90 Reimbursements		35,000	35,000
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)		185,000	185,000
Housing (HUD)		-	-
Disaster Reimbursement (FEMA)		-	-
Other	235,250	**41,385,600**	41,620,850
LOCALLY RAISED			
Special Assessments		**1,097,300**	1,097,300
Licenses & Permits		-	-
Business Licenses-Regulatory		-	-
Franchise Fees		**2,200,000**	2,200,000
Development Fees		510,000	510,000
Rents	-	137,095	137,095
Fines, Forfeitures, Penalties		**26,275**	26,275
USERS FEES	-	2,015,910	2,015,910
From Worksheet #1			
OTHER MISC			
Sale of Property	-	-	-
Misc.	-	99,000	99,000
Admin	-	186,485	186,485
Interfund Transfers	-	**3,651,175**	3,651,175
SUB-TOTAL	23,241,575	54,561,310	77,802,885
For Worksheet #3 (non-int proceeds)	**#3 Line A**		**#3 Line D**
INTEREST EARNINGS	243,765	572,255	816,020
From Worksheet #3	**#3 Line G**	**#3 Line H**	**#3 Line F**
TOTAL REVENUE	23,485,340	55,133,565	78,618,905
Use For Worksheet #4	**#4 Line A**		78,618,905
RESERVE WITHDRAWLS		-	-
Including Appropriated Fund Balance			
TOTAL OF THESE FUNDS	23,485,340	55,133,565	78,618,905
OTHER FUNDS NOT INCLUDED			
General Liability Fund-Internal Svc	-	754,785	754,785
Building Services Fund-Internal Svc	-	836,555	836,555
SARDA RPTTF	-	3,679,250	3,679,250
SARDA Debt Service & Admin	-	3,679,250	3,679,250
Housing Authority	-	240,465	240,465
Mello-Roos	-	10,600	10,600
SUB-TOTAL	-	9,200,905	9,200,905
GRAND TOTAL BUDGET	23,485,340	64,334,470	87,819,810

INTEREST EARNINGS PRODUCED BY TAXES

Worksheet #3
City of Highland
Fiscal Year 2023/2024
Budget

	Amount
A. NON INTEREST TAX PROCEEDS	23,241,575
B. MINUS EXCLUSIONS	-
C. NET INVESTED TAXES	23,241,575
D. TOTAL NON INTEREST BUDGET	77,802,885
E. TAX PROCEEDS AS PERCENT OF BUDGET	0.30
F. INTEREST EARNINGS	816,020
G. AMOUNT OF INTEREST EARNED FROM TAXES*	243,765
H. AMOUNT OF INTEREST EARNED FROM NON-TAXES*	572,255

*amounts to worksheet #2

APPROPRIATIONS SUBJECT TO LIMITATION

Worksheet #4
City of Highland
Fiscal Year 2023/2024
Budget

	Amount
A. PROCEEDS OF TAXES	23,485,340
B. MINUS EXCLUSIONS	-
C. APPROPRIATIONS SUBJECT TO LIMITATION	23,485,340
D. CURRENT YEAR LIMIT	45,115,652
E. OVER/(UNDER) LIMIT	(21,630,313)

Worksheet #5

City of Highland
Fiscal Year 2023/2024
Budget

POPULATION	
1/1/2022	56,283
1/1/2023	55,984
% change over prior year	-0.5312
Converted to ratio	0.9947

PER CAPITA PERSONAL INCOME	
% change over prior year	4.44
Converted to ratio	1.0444

CALCULATION FACTOR	
2023/2024	1.0388517

APPROPRIATIONS LIMIT

Worksheet #6
City of Highland
Fiscal Year 2023/2024
Budget

A. LAST YEAR'S LIMIT	43,428,386
B. ADJUSTMENT FACTORS:	
Population % increase	0.9947
Inflation/Income % change	1.0444
Total Adjustment %	1.0389
C. ANNUAL ADJUSTMENT	1,687,266
D. OTHER ADJUSTMENTS:	
Lost Responsibility (-)	-
Transfer to private (-)	-
Transfer to fees (-)	-
Assumed Responsibility (+)	-
Subtotal	-
E. TOTAL ADJUSTMENTS	1,687,266
F. THIS YEAR'S LIMIT	45,115,652

EXCLUDED APPROPRIATIONS

Worksheet #7
City of Highland
Fiscal Year 2023/2024
Budget

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

APPROPRIATIONS SUBJECT TO LIMITATION - HISTORY

	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
A. PROCEEDS OF TAXES	23,485,340	21,625,869	20,624,635	19,947,375	18,909,186	17,432,925	16,793,313	14,542,212	14,234,238	12,889,855
B. MINUS EXCLUSIONS	-	-	-	-	-	-	-	-	-	-
C. APPROPRIATIONS SUBJECT TO LIMITATION	23,485,340	21,625,869	20,624,635	19,947,375	18,909,186	17,432,925	16,793,313	14,542,212	14,234,238	12,889,855
D. CURRENT YEAR LIMIT	45,115,652	42,967,991	40,212,353	38,137,363	36,698,870	35,051,978	33,444,356	32,044,792	30,238,778	28,934,780
E. OVER/(UNDER) LIMIT	(21,630,313)	(21,342,123)	(19,587,718)	(18,189,989)	(17,789,685)	(17,619,053)	(16,651,043)	(17,502,580)	(16,004,540)	(16,044,925)
F. % OF APPROPRATIONS LIMIT	52.06%	50.33%	51.29%	52.30%	51.53%	49.73%	50.21%	45.38%	47.07%	44.55%

Business Item No. 3

RESOLUTION NO. 2023 -

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HIGHLAND, CALIFORNIA, CONFIRMING THE AUTHORITY OF THE CITY TREASURER, PURSUANT TO GOVERNMENT CODE SECTION 53607

WHEREAS, Government Code Section 36501 states that there must be an office of City Treasurer; and,

WHEREAS, Government Code Section 53607 allows the City Council to delegate the duties of investing or reinvesting funds of the City, or to sell or exchange securities so purchased, to the City Treasurer; and,

WHEREAS, the Office of the City Treasurer was made appointive versus elective, as per Government Code Section 36511, in the incorporation papers of the City, per Resolution 87-414 of the Board of Supervisors of the County of San Bernardino, State of California, November 23, 1987; and,

WHEREAS, this Resolution appoints Chuck Dantuono as City Treasurer of the City of Highland and to serve at the pleasure of the City Council; and,

WHEREAS, Government Code Section 53607 now allows the City Council to delegate the duties of investing or reinvesting funds of the City, or to sell or exchange securities so purchased, to the City Treasurer for a one-year period.

NOW THEREFORE, BE IT RESOLVED that the City Council of the City of Highland, California, appoints the Director of Administrative Services, Chuck Dantuono as the City Treasurer for fiscal year 2023-2024 and delegates the authority to invest, or reinvest funds of the City, or to sell or exchange securities so purchased, pursuant to: Government Code Section 53607; and pursuant to the City's Investment Policy; and pursuant to the City of Highland's Wiring Policy.

APPROVED AND ADOPTED this 13th day of June 2023.

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Larry McCallon, Mayor

ATTEST:

____

Betty Hughes, City Clerk

Business Item No. 4

CITY OF HIGHLAND
STATEMENT OF INVESTMENT POLICY
FISCAL YEAR 2023-2024

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. 2023-0??, which repeals Resolution No. 2022-019, 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. 2023-0?? delegates these duties for a one-year period effective July 1, 2023.

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 Assistant Director of Administrative Services 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 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 <u>Investment Instruments:</u> 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
Reverse Repurchase Agreements (1)	20%	92 days
Repurchase Agreements (1)	-	1 year**
Mutual Funds/Money Market Funds (1)	20%	n/a
Medium Term Notes (1)	30%	5 years*
Mortgage Securities/Asset Backed (1)	20%	5 years*

* 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 superseded 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 FY 2023-2024 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 <u>Reporting:</u>

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 complies or does not in comply 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 Statement of Investment Policy:

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.

Business Item No. 5

City of Highland
Community Facilities District 90-1
Five (5) Year Special Tax Rate Comparison

Maximum & Applied Special Tax Rates

Tax Rate Area	Land Use Category	Number of Parcels	Applied 2019/2020 Special Tax Rate	2019/2020 Percent Change over 2018/2019	Proposed 2020/2021 Special Tax Rate	2020/2021 Proposed Percent Change over 2019/2020	Proposed 2021/2022 Special Tax Rate	2021/2022 Proposed Percent Change over 2020/2021	Proposed 2022/2023 Special Tax Rate	2022/2023 Proposed Percent Change over 2021/2022	Proposed 2023/2024 Special Tax Rate	2023/2024 Proposed Percent Change over 2022/2023
1	RES	325	$665.94	2.00%	$679.26	2.00%	$692.84	2.00%	$706.70	2.00%	$720.83	2.00%
2	RES	238	$665.94	2.00%	$679.26	2.00%	$692.84	2.00%	$706.70	2.00%	$720.83	2.00%
	UND	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	RES	333	$665.94	2.00%	$679.26	2.00%	$692.84	2.00%	$706.70	2.00%	$720.83	2.00%
5	RES	95	$665.94	2.00%	$679.26	2.00%	$692.84	2.00%	$706.70	2.00%	$720.83	2.00%
6	RES	16	$665.94	2.00%	$679.26	2.00%	$692.84	2.00%	$706.70	2.00%	$720.83	2.00%
7	COM	5	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%	$0.00	0.00%

Note: Beginning Fiscal Year 2014/2015, the District is only being levied for the Police and Fire Services ("Services Tax"). The Bonds matured September 1, 2015. Commercial and Undeveloped parcels are not levied for the Services Tax. The parcels being levied for Services Tax are levied at the Maximum.

Business Item No. 6

City of Highland
Community Facilities District 2001-1
Five (5) Year Special Tax Rate Comparison

Special Tax Rates

Land Use Category	Residential Floor Area	Parcels Levied	2019/2020 Applied Special Tax Rate	Percent Change over 2018/2019	2020/2021 Proposed Special Tax Rate	Proposed Percent Change over 2019/2020	2021/2022 Proposed Special Tax Rate	Proposed Percent Change over 2020/2021	2022/2023 Proposed Special Tax Rate	Proposed Percent Change over 2020/2021	2023/2024 Proposed Special Tax Rate	Proposed Percent Change over 2022/2023
1	Under - 2,000 Sq. Ft.	55	$1,128.26	1.64%	$1,119.82	-0.75%	$844.73	-24.57%	$830.50	-1.68%	$852.14	2.61%
2	2,001 - 2,900 Sq. Ft.	78	$1,434.60	1.64%	$1,423.88	-0.75%	$1,074.09	-24.57%	$1,055.98	-1.69%	$1,083.50	2.61%
3	2,901 - 3,200 Sq. Ft.	93	$1,483.62	1.64%	$1,472.52	-0.75%	$1,110.79	-24.57%	$1,092.06	-1.69%	$1,120.52	2.61%
4	3,201 - 3,900 Sq. Ft.	74	$1,788.06	1.64%	$1,774.70	-0.75%	$1,338.73	-24.57%	$1,316.16	-1.69%	$1,350.46	2.61%
5	Over - 3,900 Sq. Ft.	25	$2,159.44	1.64%	$2,143.30	-0.75%	$1,616.78	-24.57%	$1,589.52	-1.69%	$1,630.96	2.61%
6	Non-Residential Property*	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Undeveloped*	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Maximum & Applied Special Tax Rates

Land Use Category	Residential Floor Area	Parcels Levied	2019/2020 Maximum Special Tax Rate	2019/2020 Applied Special Tax Rate	Percent of Maximum	2020/2021 Maximum Special Tax Rate	2020/2021 Proposed Special Tax Rate	Percent of Maximum	2021/2022 Maximum Special Tax Rate	2021/2022 Proposed Special Tax Rate	Percent of Maximum	2022/2023 Maximum Special Tax Rate	2022/2023 Proposed Special Tax Rate	Percent of Maximum	2023/2024 Maximum Special Tax Rate	2023/2024 Proposed Special Tax Rate	Percent of Maximum
1	Under - 2,000 Sq. Ft.	55	$1,197.00	$1,128.26	94.26%	$1,197.00	$1,119.82	93.55%	$1,197.00	$844.73	70.57%	$1,197.00	$830.50	69.38%	$1,197.00	$852.14	71.19%
2	2,001 - 2,900 Sq. Ft.	78	$1,522.00	$1,434.60	94.26%	$1,522.00	$1,423.88	93.55%	$1,522.00	$1,074.09	70.57%	$1,522.00	$1,055.98	69.38%	$1,522.00	$1,083.50	71.19%
3	2,901 - 3,200 Sq. Ft.	93	$1,574.00	$1,483.62	94.26%	$1,574.00	$1,472.52	93.55%	$1,574.00	$1,110.79	70.57%	$1,574.00	$1,092.06	69.38%	$1,574.00	$1,120.52	71.19%
4	3,201 - 3,900 Sq. Ft.	74	$1,897.00	$1,788.06	94.26%	$1,897.00	$1,774.70	93.55%	$1,897.00	$1,338.73	70.57%	$1,897.00	$1,316.16	69.38%	$1,897.00	$1,350.46	71.19%
5	Over - 3,900 Sq. Ft.	25	$2,291.00	$2,159.44	94.26%	$2,291.00	$2,143.30	93.55%	$2,291.00	$1,616.78	70.57%	$2,291.00	$1,589.52	69.38%	$2,291.00	$1,630.96	71.19%
6	Non-Residential Property*	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Undeveloped*	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Rate is per Acre

Business Item No. 7

City of Highland
Community Facilities District 2007-1
Five (5) Year Special Tax Rate Comparison

Special Tax Rates

Land Use Category [1]	Parcels Levied	2019/2020 Applied Special Tax Rate	Percent Change over 2018/2019	2020/2021 Proposed Special Tax Rate	Proposed Percent Change over 2019/2020	2021/2022 Proposed Special Tax Rate	Proposed Percent Change over 2020/2021	2022/2023 Proposed Special Tax Rate	Proposed Percent Change over 2021/2022	2023/2024 Proposed Special Tax Rate	Proposed Percent Change over 2022/2023
1	118	$344.89	2.00%	$351.79	2.00%	$358.83	2.00%	$366.00	2.00%	$373.32	2.00%

Maximum & Applied Special Tax Rates [2]

Land Use Category [1]	Parcels Levied	2019/2020 Maximum Special Tax Rate	2019/2020 Applied Special Tax Rate	Percent of Maximum	2020/2021 Maximum Special Tax Rate	2020/2021 Proposed Special Tax Rate	Percent of Maximum	2021/2022 Maximum Special Tax Rate	2021/2022 Proposed Special Tax Rate	Percent of Maximum	2022/2023 Maximum Special Tax Rate	2022/2023 Proposed Special Tax Rate	Percent of Maximum	2023/2024 Maximum Special Tax Rate	2023/2024 Proposed Special Tax Rate	Percent of Maximum
1	118	$412.18	$344.89	83.67%	$420.42	$351.79	83.68%	$428.83	$358.83	83.68%	$437.41	$366.00	83.67%	$446.15	$373.32	83.68%

(1) In accordance with the Special Tax Rate and Method of Apportionment, developed property is defined as all Taxable Property in the Community Facilities District as of July 1st of any Fiscal Year for which a final subdivision map or parcel map has been recorded as of May 1 of the previous Fiscal Year. Fiscal Year 2016/2017 was the first year the CFD was levied.

(2) Per the CFD Report, the service portion's maximum rate starts Fiscal Year 2007/2008 at $325.00 per unit and increases every Fiscal Year by 2% thereafter

Business Item No. 8

May 1, 2023

Mr. Joe Hughes
City Manager
City of Highland, California
27215 Base Line Street
Highland, CA 92346

Dear Joe:

Per our recent conversations with City staff, I have prepared this letter of retainer renewal between the City of Highland and Innovative Federal Strategies (IFS). I wanted to express my thanks for the opportunity to continue to represent the City of Highland and serve as your staff in Washington, DC.

Innovative Federal Strategies is well suited to continue to assist the City of Highland in efforts to track and report on relevant legislation and policy efforts in Congress, advocate for programs and policy positions that support your priorities, implement congressional outreach campaigns, and support robust engagement across the federal ecosystem. The Members of our bipartisan firm have over 175 years of combined federal service. We offer comprehensive business development, consulting and strategic advocacy services to a broadly diverse set of clients. We maintain outstanding awareness across a wide range of germane federal agencies, topics, issues, and programs. We understand the nuanced, complex federal planning, programming, budgeting, contracting, and regulatory processes used throughout the Executive Branch.

Members of the firm have unique expertise in the intricate legislative processes that Congress uses for annual authorizations, appropriations, regulatory and policy issues, and agency oversight. Our firm works effectively with officials in both political parties, and works closely with Senators, Members and staff in the United States Congress and officials in many federal agencies. We currently serve over 60 clients and have a robust practice serving local governments and related agencies. We work on issues across the federal ecosystem and spanning appropriations, authorization, tax, acquisition policy/reform, emergency response, science and technology policy, energy, export reform, cyber security, and local government issues.

IFS is well suited to assist the City of Highland engage on priorities in the fiscal year 2025/2026 appropriations and authorization cycles. Given our relationships with Members of Congress on both sides of the isle and on both sides of the Capitol Dome, our team is positioned to continue representing your interests before Congress and the Administration—especially among Members of the California Delegation and Leadership.

We propose that Innovative Federal Strategies would receive a monthly retainer of $4,000.00 payable NET30 upon receipt of a monthly invoice, and reimbursement for customary business expenses capped at $2,500 yearly, beginning July 1, 2023 and continuing through June 30, 2025.

A Statement of Work is appended to this retainer agreement as Exhibit A.

Again, Innovative Federal Strategies looks forward to continuing to work for the City of Highland and assisting you with government engagement priorities.

Sincerely,

Letitia H. White

Letitia H. White
Principal

Signatures:

As an authorized agent of the City of Highland, I agree to the terms laid out in this retainer agreement dated May 1, 2023. Under this retainer agreement, Innovative Federal Strategies will receive a monthly retainer of $4,000.00 payable NET30 upon receipt of a monthly invoice, and reimbursement for customary business expenses, beginning July 1, 2023 and continuing through June 30, 2025 for services performed according to the statement of work.

____
Signature

____
Printed Name

____
Date

Exhibit A - Statement of Work

Innovative Federal Strategies will assist the City of Highland in the following areas during the proposed period of the contract:

- Tracking Relevant Legislation and Emerging Policy Initiatives
    - Continue meeting collaboratively with City officials regularly to remain intimately familiar with City priorities and the breadth of policies and issues of interest to the City.
    - Perform research on salient federal requirements, programs, processes, and legislative histories;
    - Provide real-time situational awareness into the complex evolving current year budget environment to include passage of fiscal year 2024/2025 appropriations bills and fiscal year 2024/2025 Continuing Resolutions;
    - Provide real-time situational awareness into legislation impacting grant programs with the Department of Transportation, Commerce, Housing and Urban Development, Homeland Security, and EPA, among other Federal Agencies;
    - Provide timely information on fiscal year 2025/2026 Congressional processes, schedules, and content; Congressional hearing schedules, topics, and witnesses; Subcommittee and full Committee legislation mark-ups, subsequent floor debate and amendments; and conferences between the House and Senate; and
    - Review committee hearing transcripts and other proceedings for relevant information of interest to the City.
- Advocate for Programs and Policy Positions that Support the City's Priorities and funding streams
    - Develop a Congressional relations engagement strategy, to include initiating, developing, maintaining, strengthening, and expanding relations between City officials and targeted Members of Congress and their office staff, and with Professional Staff Members on key Congressional Committees;
    - Facilitate meetings with Members of Congress, their staff and Professional Staff Members to provide information and advocate for City priorities.
    - Track and provide real-time information on key personnel changes in Congressional offices of interest to the City and to portfolio assignments for Professional Staff Members of relevant Congressional Committees;

- Implement and Supplement Congressional Outreach Campaigns

    - Facilitate execution of legislative strategy to address and accomplish fiscal year 2025/2026 priorities by filling out relevant Member request forms for appropriations in accounts where the City receives funding;

    - Develop and refine legislative proposals for Congressional authorization and/or appropriations bills for fiscal year 2025/2026 to address and accomplish City priorities;

    - Develop Congressional Subcommittee, Committee, and Floor strategies and tactics to address and advocate for City priority programs and legislation;

    - Draft and edit briefings, issue papers, technical amendments, testimony, other Congressional correspondence, and appropriations/authorization office and committee request forms as needed;

- Support Robust Engagement Across the Federal Ecosystem

    - Assist in development and execution of the City's Executive Branch engagement strategy as appropriate, to include initiating, developing, maintaining, strengthening, and expanding relations with key Executive Branch officials;

    - Perform research and provide insight on salient federal requirements; programs, processes, and legislative histories; and federal contracting, budget, and policy issues that could affect City areas of interest.