



# CITY OF MOORPARK

CITY MANAGER'S OFFICE | 799 Moorpark Avenue, Moorpark, California 93021  
Main City Phone Number (805) 517-6200 | Fax (805) 532-2528 | [moorpark@moorparkca.gov](mailto:moorpark@moorparkca.gov)

**NOTICE AND CALL OF A SPECIAL MEETING OF THE  
ADMINISTRATION, FINANCE & PUBLIC SAFETY STANDING COMMITTEE  
(Mayor Parvin and Mayor Pro Tem Simons)  
Wednesday, July 17, 2019 at 5:30 p.m.**

**TO THE MEMBERS OF THE ADMINISTRATION, FINANCE AND PUBLIC SAFETY  
STANDING COMMITTEE OF THE CITY OF MOORPARK:**

**NOTICE IS HEREBY GIVEN** that a **Special Meeting** of the Administration, Finance and Public Safety Standing Committee is hereby called to be held on **Wednesday, July 17, 2019**, commencing at **5:30 p.m.** Said meeting will be held in the Moorpark Development Services Conference Room, 799 Moorpark Avenue, Moorpark, California.

Said Special Meeting shall be for the purpose of considering the following items:

- 1. CALL TO ORDER:**
- 2. ROLL CALL:**
- 3. PUBLIC COMMENT:**
- 4. DISCUSSION ITEMS:**
  - A. Consider Update of Annual Investment Policy for Fiscal Year 2019/20. Staff Recommendation: Forward report to the City Council with recommendation to adopt the Annual Investment Policy for Fiscal Year 2019/20. **(Staff: Irmira Lumbad)**
  - B. Consider Procedures, Rules and Regulations Governing the Procurement of Personal, Professional, Consulting and Other Contractual Services That are Exempt from Bidding Procedures per Section 3.04.290 of the Moorpark Municipal Code. Staff Recommendation: Forward to the City Council with recommendation to adopt the Procurement of Personal, Professional, Consulting or Other Contractual Service For Which Bidding is Not Required Under Municipal Code Policy. **(Staff: Irmira Lumbad)**
- 5. ADJOURNMENT:**

Posted: July 12, 2019

All writings and documents provided to the members of the Finance, Administration and Public Safety Standing Committee of the City of Moorpark regarding all agenda items are available for public inspection at the City Hall public counter located at 799 Moorpark Avenue during regular business hours. The agendas and agenda reports for City Council Standing Committee meetings are available on the City's website at [www.moorparkca.gov](http://www.moorparkca.gov).

In compliance with the Americans with Disabilities Act, if you need special assistance to review an agenda or participate in this meeting, including auxiliary aids or services, please contact the City Clerk's Division at (805) 517-6223. Upon request, the agenda can be made available in appropriate alternative formats to persons with a disability. Upon advance notification of the need for disability-related modification or accommodation, reasonable arrangements will be made by City staff to provide accessibility to the meeting (28 CFR 35.102-35.104; ADA Title II). The Moorpark Community Center is accessible to persons with disabilities. Accessible parking is located on the east side of the Community Center building near the accessible entrance.

**ADMINISTRATIVE, FINANCE AND PUBLIC SAFETY COMMITTEE  
AGENDA REPORT**

**TO: Administrative, Finance and Public Safety Committee (AFPS)  
Mayor Parvin and Mayor Pro Tem Simons**

**FROM: Irmina Lumbad, Interim Finance Director**

**DATE: 07/17/2019, AFPS Special Meeting**

**SUBJECT: Consider Update of Annual Investment Policy for Fiscal Year 2019/20**

**BACKGROUND**

California Government Code 53646 reads:

*In the case of any other local agency, the treasurer or chief fiscal officer of the local agency may annually render to the legislative body of that local agency and any oversight committee of that local agency a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting. Any change in the policy shall also be considered by the legislative body of the local agency at a public meeting.*

As originally enacted on January 1, 1996, State law required the City Council to annually review and adopt the City of Moorpark's (City) Investment Policy at a public meeting (California Government Code (CA GC) § 53646). In 2004 and 2009, the State Legislature made changes to the Section 53646 of the Government Code to make the investment policy optional, rather than mandatory, but added language encouraging local agency officials to continue taking the actions formerly mandated by Section 53646. The City Council has reviewed and accepted such a policy on an annual basis for a number of years. The annual investment policy update ensures consistency with respect to current laws and allows the City Council to review portfolio objectives. The Investment Policy has been expanded to include a few additional investments that are allowable under the California Government Code. The changes are shown in legislative format.

**DISCUSSION**

The City Attorney reviewed the City's Investment Policy and recommended several changes to update the terms and definitions; to add sections consistent with government code; and to add language that will strengthen internal controls by cross referencing section 8.0 Authorized Investments and section 12.0 Diversification.

Following is a summary of the Investment Policy revisions:

- **5.0 Duties and Responsibilities.** The State of California gives the City Council, in its capacity as legislative body of the City and its related entities, the ability to delegate the investment authority to the City Treasurer (acting in the capacities of City Treasurer and treasurer of the City's related entities) for a one-year period in accordance with Section 53607 of the California Government Code. The delegation will require renewal each year. So long as the City Council's annual delegation of investment authority pursuant to California Government Code Section 53607 to the City Treasurer is effective, no person may engage in investment transactions unless directed by the City Treasurer, or in the absence of such effective delegation, unless directed by the City Council.

In the execution of this delegated authority, the City Treasurer may establish accounts with well qualified, financially sound financial institutions and/or brokers/dealers for the purpose of completing investment transactions in accordance with this policy. The criteria used to select qualified financial institutions and broker/dealers for effecting purchases of authorized investments are identified in Section 14 of this policy. The criteria used to select qualified financial institutions for the custody of the City's investments are identified in Section 16 of this policy.

The City Treasurer (acting in the capacities of City Treasurer and treasurer of each City-related entity) may designate in writing a Deputy City Treasurer, who in the absence of the City Treasurer, will assume the City Treasurer's duties and responsibilities. The City Treasurer shall retain full responsibility for all transactions undertaken under the terms of this policy.

Pursuant to Section 53607 of the California Government Code, so long as the City Council, in its capacity as legislative body of the City and its related entities, has delegated its investment authority to the City Treasurer (acting in the capacities of City Treasurer and treasurer of the City's related entities) and such delegation is in full force and effect, the City Treasurer shall make a monthly report of the investment transactions to the City Council, as described in Section 18.2 of this policy.

- **6.0 Prudence.** Section 53600.3 of the California Government Code identifies the legal standard applicable to the City Council, as legislative body of the City and its related entities, and to those persons authorized to make investment decisions on behalf of a local agency and Section 53600.3 deems the legislative body and such authorized persons to be trustees, and therefore fiduciaries subject to the "prudent investor" standard. As a trustee and fiduciary, the standard of prudence to be used shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. Specifically, as set forth in Section 53600.3, when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the City Council, as legislative

body of the City and its related entities, and other persons authorized to make investment decisions on its behalf, shall 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 with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

- **8.1.7 Commercial Paper:** Short-term instruments with a maximum maturity of 270 days or less, an “A1/P1” (prime) rating or better, with fixed coupons, fixed maturity and no call provisions and meeting all of the additional conditions in either paragraph (A) or (B) below.

(A) The issuer is a general corporation organized and operating within the United States, has total assets in excess of five hundred million dollars, and has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by a nationally recognized rating agency.

(B) The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company; has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond, and has commercial paper that is rated “A1/P1” (prime) or better by a nationally recognized rating agency.

Purchases of commercial paper may not exceed 25% of the portfolio. Section 12.0 of this policy applies with respect to issuer-concentration limits.

- **8.1.13 Insured deposits:** Deposits not exceeding \$250,000 shall be permitted only in those nationally or state-chartered banks, savings or federal associations, or state or federal credit unions that are active members of the Federal Deposit Insurance Corporation (FDIC) and provided that the final maturity does not exceed five (5) years from date of purchase. Section 12.0 of this policy applies with respect to issuer-concentration limits.
- **8.1.15 City of Moorpark bonds,** or bonds issued by its related entities for which the members of the City Council serve as the legislative body, provided that the stated final maturity of such security does not exceed five (5) years from the date of purchase. Section 12.0 of this policy applies with respect to issuer-concentration limits.
- **9.0 Collateralization.** Investments in time certificates of deposit shall be fully insured for the entire term of the certificate by the Federal Deposit Insurance Corporation (FDIC). The FDIC limit has been established by the Congress at \$250,000.00. Investments in time certificates of deposit, or deposits not insured in accordance with Section 8.1.13 of this policy, in excess of the limit shall be

properly collateralized in accordance with California Government Code Section 53630 et seq. (constituting Article 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code). Without limiting the foregoing, Section 53652 of the California Government Code requires that the depository pledge securities with a market value of at least 10% in excess of the City's deposit as collateral in government securities, and 50% in excess of the deposit as collateral in mortgage pools. Section 53649 of the California Government Code specifies that the City Treasurer is responsible for entering into deposit contracts with each depository.

Investments in repurchase agreements must also be collateralized. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% or greater of market value of principal and accrued interest.

- **18.0 Reporting.** Pursuant to California Government Code Sections 53646 and 53607, respectively, quarterly investment portfolio holdings reports and monthly investment transactions reports shall be provided in accordance with subsections 18.1 and 18.2, respectively, below.

**18.1 Quarterly Portfolio Holdings Reports.** Section 53646 of the California Government Code allows a quarterly investment report be submitted to the City Council and the City Manager. This policy requires a quarterly investment report to be submitted no later than 30 days following the end of the quarter covered by the report.

**18.1.1 Pooled Investments.** The investment report shall be submitted quarterly by the City Treasurer within 30 days following the end of the quarter covered by the report. The quarterly report shall include the following elements:

- Itemized listing of portfolio investments by type, date of maturity, and issuer.
- Par value, dollar amount invested, amortized cost, and current market value as of the date of the report will be given for the total of all securities, investments, and moneys held by the City and its component units. The source of the market values will be cited.
- Accrued income.
- Investment transactions for the reporting period.
- Statement that the investment portfolio has the ability to meet the City's cash flow demands for the next six (6) months, or an explanation as to why sufficient money shall, or may not be available.

- Statement of compliance of the portfolio with the City's Investment Policy. When applicable, any material exceptions will be noted.

**18.1.2 Investments Held Separately.** A report of investments held separately shall be made quarterly within 30 days following the end of the quarter submitted as an exhibit in the City Treasurer's quarterly report. The quarterly report shall contain the information required by Section 53646 when available.

**18.2 Monthly Transactions Reports.** So long as the City Council, in its capacity as legislative body of the City and its related entities, has delegated its investment authority to the City Treasurer (acting in the capacities of City Treasurer and treasurer of the City's related entities) and such delegation is in full force and effect, the City Treasurer shall make a monthly report of all investment transactions to the City Council.

- The following definitions were added to the Glossary in lieu of the Qualified Public Depositories:

**Administrator of Local Agency Security:** The State office or entity designated by California Government Code Section 53661 from time to time to approve and authorize "agents of depositories" to hold securities that secure and collateralize local agency deposits. Currently, the "Administrator of Local Agency Security" is the California Commissioner of Business Oversight.

**Agent of Depository:** Any one of the following entities that is duly authorized pursuant to California Government Code Section 53657 and by the Administrator of Local Agency Security to hold securities that secure and collateralize a local agency's deposits, as more specifically designated by the local agency's treasurer in the applicable contract for deposit of the local agency's funds under California Government Code Section 53649: a trust company located within the State of California, the trust department of a bank located in the State of California, or the Federal Home Loan Bank of San Francisco.

- This definition was deleted from the Glossary since it does not apply in the State of California:

**Qualified Public Depositories:** A financial institution that has been approved by the Public Deposit Protection Commission to hold public deposits. These financial institutions do not claim exemption from the payment of any sales, compensating use or ad valorem taxes under State laws, and which has segregated, for the benefit of the Commission, eligible collateral having a value of not less than its maximum liability.

Portfolio

The City's cash and investment portfolio as of May 31, 2019 (unaudited):

**City of Moorpark  
Cash and Investment  
As of May 31, 2019**

	City	Successor Agency	Total
Cash in Banks	\$ 1,900,860	\$ 287,726	\$ 2,188,586
Cash with Fiscal Agent	\$ 3,852,697	\$ 1,952,099	\$ 5,804,795
Local Agency Investment Fund	\$ 3,174,796		\$ 3,174,796
Ventura County Pool	\$ 10,139,070		\$ 10,139,070
Certificates of Deposit (insured)	\$ 11,193,000		\$ 11,193,000
Corporate Note	\$ 3,000,000		\$ 3,000,000
Money Market	\$ 3,504,526		\$ 3,504,526
US Treasuries/Agencies	\$ 85,795,000		\$ 85,795,000
	<u>\$ 122,559,949</u>	<u>\$ 2,239,825</u>	<u>\$ 124,799,774</u>

For the purpose of this discussion, "Cash with Fiscal Agents" will not be included, since it is bond proceeds, reserves and debt service; and the \$5.8 million is not used in calculating the operational liquidity as discussed below. Additionally, the \$287,726 that belongs to the Successor Agency is not counted since it is not a part of the City. Therefore, the City's cash and investment portfolio is approximately \$118.7 million. Cash in Bank is \$1.9 million and short-term and long-term instruments total \$116.8 million. The short-term investments are: Local Agency Investment Fund (LAIF) at \$3.2 million (2.7%) Ventura County Pool (VCP) at \$10.1 million (8.7%) and Money Market at \$3.5 million (3%). The long-term investments are US Treasury/Agency with \$85.8 million (73.5%), Corporate Note at \$3 million (2.6%) and Certificates of Deposit at \$11.2 million (9.6%).

The investment policy authorizes the City Treasurer to invest in financial instruments with maturities up to five years. The following table details the current investment returns from U.S. Treasury and Agency bullet bonds as of Thursday, June 27, 2019.

<b>Term</b>	<b>U.S. Treasury</b>	<b>Agency Bullets</b>
3 month	2.14%	2.11%
6 month	2.12%	2.00%
1 year	1.93%	1.96%
2 year	1.74%	1.87%
3 year	1.71%	1.81%
5 year	1.76%	1.88%

**Operational Liquidity**

To ensure that adequate funds are available to meet current obligations without having to sell securities prior to maturity, the City has established an operational liquidity portfolio. Staff is not recommending any modification in the operation liquidity methodology. Operational liquidity will be set at a level equal to one and one-half times the City's historically highest level of liquidity demand. The Operational Liquidity is \$7.5 million; calculated using the previous **THREE YEAR'S** financial data as follows:

Lowest monthly cash receipts	\$ 918,411	February 2017
Subtract highest monthly expenses	<u>— \$ 5,899,259</u>	September 2017
Largest negative cash flow possible	<u>(\$ 4,980,848)</u>	
Multiplied by one & one-half	<u>x 1.5</u>	
<b>Operational Liquidity</b>	<b><u><u>(\$ 7,471,272)</u></u></b>	

**Investments Allocation**

The City's Investment Policy defines the types of securities and bond market sectors that can legally be held in the investment portfolio. The City Treasurer recommends no changes in the allocation of investments:

Type	Percentage Allocation	Policy Reference
U.S. Agency Bullets	45%	Section 8.1.3
U.S. Agency Callables	10%	Section 8.1.3
Time Certificates of Deposit (insured)	10%	Section 8.1.4
Corporate Notes	10%	Section 8.1.8
Negotiable Certificates of Deposit	8%	Section 8.1.5
Operational Liquidity	7%	Section 8.1.11 (VCP) Section 8.1.12 (LAIF)
Commercial Paper	2%	Section 8.1.7
State of California Debt	2%	Section 8.1.16
Other State Debt	2%	Section 8.1.16
California Local Government Debt	2%	Section 8.1.17
U.S. Treasuries	2%	Section 8.1.1
TOTAL	<u><u>100%</u></u>	

Eight years ago, the City Treasurer began purchasing U.S. Treasuries. These investments are backed by the full faith and credit of the federal government, therefore the credit risk is essentially zero.

The City Treasurer purchases U.S. Agency Bullets and U.S. Agency Callable securities. A U.S. Agency Callable security gives the issuer of the bond the right (not the obligation) to redeem it at predetermined prices at specified times prior to maturity. Yields on callable bonds tend to be higher than yields on noncallable, "bullet" maturity bonds because the investor must be rewarded for taking the risk. The issuer will call the bond if interest rates decline, forcing the investor to reinvest the proceeds at lower

yields. A U.S. Agency Bullet is a security which cannot be “called” back by the issuer. The security is non-callable and therefore the reinvestment risk is zero.

At all times the City will maintain a minimum of \$7.5 million in LAIF, VCP and cash in banks for liquidity purposes. Therefore, the City will never be forced to sell a bond back into the market because of liquidity needs. The City may sell an investment before maturity when it makes good financial sense to do so, but the City won't be forced to sell. The increase in yield over the U.S. Treasury securities reflects a slightly higher credit risk. The bonds that the City may purchase are issued by the following entities:

Government National Mortgage Association	GNMA
Federal Home Loan Banks	FHLB
Federal National Mortgage Association	FNMA
Federal Farm Credit Banks	FFCB
Federal Home Loan Mortgage Corporation	FHLMC
Federal Agricultural Mortgage Corporation	FAMCA

These government sponsored entities (GSE) were established and operate under a federal charter. Since 2008, FHLB, FNMA, and FHLMC have been tightly regulated by the Federal Housing Finance Agency which was created at the time to provide oversight over FHLB, FNMA, and FHLMC and conservatorship over FNMA and FHLMC in the wake of the Great Recession.

A well-balanced portfolio contains these securities as well as negotiable certificates of deposit (CD), corporate bonds, commercial paper and other allowable investments. The City invests in CDs which are insured up to \$250,000 per financial institution. The CDs provide a slightly higher rate of return and increase the diversification within the investment portfolio. Currently, the City has \$3 million corporate bond from Toyota Motor Credit with a yield of 2.54% and matures on March 12, 2020.

Another diversification in the portfolio is our investments in LAIF and VCP. The City currently has \$10.1million invested in VCP. On June 18, 2019, Ventura County Treasurer-Tax Collector filed the VCP Report of Investments as of April 30, 2019 showing an average yield of 2.677% on \$3.1 billion of investments in the following financial instruments.

Ventura County Pool  
Summary of Investments (in Millions)  
4/30/2019

Agencies			
Federal Home Loan Bank	\$ 214.0		
Federal National Mortgage Association	51.1		
Federal Home Loan Mortgage Corporation	106.9		
Federal Farm Credit Bureau	<u>38.0</u>	\$	410.0
United States Treasury			10.0
LAIF			55.0
Cal Trust			25.0
Municipal Bonds			73.4
Savings & Certificates of Deposit			835.5
Corporate Bonds			708.2
Commercial Paper			<u>938.9</u>
	<b>TOTAL</b>		<b><u>\$ 3,056.0</u></b>

LAIF is part of the Pooled Money Investment Account (PMIA) which is managed by the California State Treasurer. From 1977 to May 2019, LAIF has grown from 293 participants with \$468 million in the pool to 2,361 participants with \$24 billion in investments. As of May 31, 2019, the investment portfolio is comprised of the following securities with reported average monthly yield of 2.449%:

State of California  
Pooled Money Investment Account  
\$ 95.3 Billion  
5/31/2019

Treasuries	50.2 %
Agencies	20.8 %
CDs / Bank Notes	17.4 %
Time Deposits	5.0 %
Commercial Paper	5.8 %
Loans	<u>0.8 %</u>
<b>Total</b>	<b><u>100.0 %</u></b>

The City is investing in longer term securities and expanding the types of securities which will increase the yield on our cash. This higher yield will generate additional income for the City while not substantially increasing the investment risk of the portfolio.

**FISCAL IMPACT**

None.

**STAFF RECOMMENDATION**

Forward report to the City Council with recommendation to adopt the Annual Investment Policy for Fiscal Year 2019/20.

Attachment: Investment Policy

## **CITY OF MOORPARK INVESTMENT POLICY**

**1.0 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 of the City of Moorpark, Successor Agency to the Moorpark Redevelopment Agency and Moorpark Public Financing Authority. As used in this policy, the term “City” may refer to the City, or the City and its related entities for which the members of the City Council serve as the legislative body, as the context may require. 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 arranging for a short-term borrowing program which coordinates working capital requirements and investment opportunities.

**2.0 Policy.** It is the policy of the City of Moorpark to invest public funds not required for immediate day-to-day operations in accordance with the principals of sound treasury management and the provisions of California Government Code § 53600 et seq., the Municipal Code and this policy.

**3.0 Scope.** This policy applies to all investment activities of the City of Moorpark, except for the proceeds of certain debt issues that are invested and managed by trustees appointed under indenture agreements.

**3.1 Pooled Investments.** Investments for the City and its component units will be made on a pooled basis, including the City of Moorpark, the Successor Agency to the Moorpark Redevelopment Agency, and the Moorpark Public Financing Authority.

All pooled funds are accounted for in the Comprehensive Annual Financial Report of the City of Moorpark. Funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Trust and Agency Funds.

**3.2 Investments held separately.** Investments of bond proceeds will be held separately when required by the bond indentures or when necessary to meet arbitrage regulations. If allowed by the bond indentures, or if the arbitrage regulations do not apply, investments of bond proceeds will be held as part of the pooled investments.

**4.0 Objectives.** Section 53600.5 of the California Government Code outlines the primary objectives of a trustee investing public money. The primary objectives, in order of priority, of the City's investment activities shall be:

**4.1 Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.

**4.2 Liquidity.** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. Operational liquidity shall be one and one-half (1.5) times the City's highest level of liquidity demand within the most recent three year period. The liquidity demand calculation shall be reviewed annually; concurrently with the annual review of the Investment Policy.

**4.3 Return on Investment.** Investment return becomes a consideration only after the basic requirements of safety and liquidity have been met. The City shall attempt to obtain an acceptable return provided that the requirements of safety and liquidity are first met.

The City Treasurer shall strive to maintain the level of investment of all contingency reserves and inactive funds as close to 100% as possible. While the objectives of safety and liquidity must first be met, it is recognized that portfolio assets represent a potential source of significant revenues. It is to the benefit of the City that these assets be managed to produce optimum revenues, consistent with state statutes and local ordinances.

**5.0 Duties and Responsibilities.** The State of California gives the City Council, in its capacity as legislative body of the City and its related entities, the ability to delegate the investment authority to the City Treasurer (acting in the capacities of City Treasurer and treasurer of the City's related entities) for a one-year period in accordance with Section 53607 of the California Government Code. The delegation will require renewal each year. So long as the City Council's annual delegation of investment authority pursuant to California Government Code Section 53607 to the City Treasurer is effective, no person may engage in investment transactions unless directed by the City Treasurer, or in the absence of such effective delegation, unless directed by the City Council.

In the execution of this delegated authority, the City Treasurer may establish accounts with well qualified, financially sound financial institutions and/or brokers/dealers for the purpose of completing investment transactions in accordance with this policy. The criteria used to select qualified financial institutions and broker/dealers for effecting purchases of authorized investments are identified in Section 14 of this policy. The criteria used to select qualified financial institutions for the custody of the City's investments are identified in Section 16 of this policy.

The City Treasurer (acting in the capacities of City Treasurer and treasurer of each City-related entity) may designate in writing a Deputy City Treasurer, who in the absence of the City Treasurer, will assume the City Treasurer's duties and responsibilities. The City Treasurer shall retain full responsibility for all transactions undertaken under the terms of this policy.

Pursuant to Section 53607 of the California Government Code, so long as the City Council, in its capacity as legislative body of the City and its related entities, has delegated its investment authority to the City Treasurer (acting in the capacities of City Treasurer and treasurer of the City's related entities) and such delegation is in full force and effect, the City Treasurer shall make a monthly report of the investment transactions to the City Council, as described in Section 18.2 of this policy.

The City Treasurer is required to annually render a statement of investment policy to the City Council to be considered at a public meeting.

The City Treasurer is required to submit quarterly investment reports to the City Council and City Manager. As further described in Section 18.1 of this policy, the investment report shall comply with the requirements of Gov. Code, §53646.

**6.0 Prudence.** Section 53600.3 of the California Government Code identifies the legal standard applicable to the City Council, as legislative body of the City and its related entities, and to those persons authorized to make investment decisions on behalf of a local agency and Section 53600.3 deems the legislative body and such authorized persons to be trustees, and therefore fiduciaries subject to the "prudent investor" standard. As a trustee and fiduciary, the standard of prudence to be used shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. Specifically, as set forth in Section 53600.3, when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the City Council, as legislative body of the City and its related entities, and other persons authorized to make investment decisions on its behalf, shall 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 with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk changes or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

**7.0 Ethics and Conflicts of Interest.** All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. Officers and employees involved in the investment process shall refrain from personal business

activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment recommendations and decisions. Employees and investment officials shall make all disclosures appropriate under the Fair Political Practices Act, and may seek the advice of the City Attorney and the Fair Political Practices Commission whenever there is a question concerning personal financial or investment positions that could represent potential conflicts of interest.

## **8.0 Authorized Investments.**

**8.1 Pooled Investments.** The City Treasurer may invest City funds in the following instruments as specified in the California Government Code, Section 53601, subject to the limitations set out in that section and as further limited in this policy. See also Section 12.0 for limitations on issuer concentration for certain types of investments authorized under this Section 12.0. Investments will be made only in readily marketable securities actively traded in the secondary market.

**8.1.1 U.S. Treasury Bills, Notes and Bonds:** provided that the stated final maturity of such security does not exceed five (5) years from the date of purchase.

**8.1.2 Federal Agency debentures and mortgage-backed securities** with a final maturity not exceeding five (5) years from the date of purchase issued by the Government National Mortgage Association (GNMA).

**8.1.3 Federal Instrumentality (government sponsored enterprise)** debentures, discount notes, bullets, callables and step-up securities, with a final maturity not exceeding five (5) years from the date of purchase, issued by the following only: Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), Federal Farm Credit Bureau (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), and Federal Agricultural Mortgage Corporation (FAMCA).

**8.1.4 Time Certificates of Deposit,** nationally or state-chartered banks; savings or federal associations; or state or federal credit unions: Deposits should not exceed five-year maturity and shall be collateralized as specified in paragraph 9.0 of this policy or FDIC or NCUA insured up to \$250,000. Section 12.0 of this policy applies with respect to issuer-concentration limits.

**8.1.5 Negotiable Certificates of Deposit** issued by nationally or state-chartered banks; savings or federal associations; state or federal credit unions; or federally licensed or state licensed branches of foreign banks. Purchases may not exceed 30% of the portfolio and final maturity may not exceed five (5) years from date of purchase. Section 12.0 of this policy applies with respect to issuer-concentration limits.

**8.1.6** Banker's Acceptances, Foreign/Domestic, with a minimum rating of "A1" by S&P Global Ratings or "P1" by Moody's Investors Service, Inc. (prime) rating provided that the acceptances are eligible for purchase by the Federal Reserve System and the maturity does not exceed 180 days maturity or 40% of the total portfolio. Section 12.0 of this policy applies with respect to issuer-concentration limits.

**8.1.7** Commercial Paper: Short-term instruments with a maximum maturity of 270 days or less, an "A1/P1" (prime) rating or better, with fixed coupons, fixed maturity and no call provisions and meeting all of the additional conditions in either paragraph (A) or (B) below.

(A) The issuer is a general corporation organized and operating within the United States, has total assets in excess of five hundred million dollars, and has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized rating agency.

(B) The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company; has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond, and has commercial paper that is rated "A1/P1" (prime) or better by a nationally recognized rating agency.

Purchases of commercial paper may not exceed 25% of the portfolio. Section 12.0 of this policy applies with respect to issuer-concentration limits.

**8.1.8** Medium-term Corporate Notes of a maximum of five years until maturity issued by corporations organized and operating within the United States and rated in the rating category of "A-" or better of Moody's Investors Service, Inc. and S&P Global Ratings. Purchases may not exceed 30% of the portfolio. Section 12.0 of this policy applies with respect to issuer-concentration limits.

**8.1.9** Repurchase Agreements with a maximum maturity of one year. Repurchase Agreements will only be with primary dealers of the Federal Reserve Bank of New York, and who have long-term debt rated in the "AAA" or "AA" categories of Moody's Investors Service, Inc. or S&P Global Ratings. Investments will be collateralized as specified in paragraph 9.0 of this Investment Policy. Section 12.0 of this policy applies with respect to issuer-concentration limits.

**8.1.10** Money Market Funds registered under the Investment Company Act of 1940 which (1) are “no-load” (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant daily net asset value per share of \$1.00; (3) invest only in the securities and obligations authorized in this investment policy and (4) have a rating of at least two of the following: AAAm by S&P Global Ratings, Aaa by Moody’s or AAA/V1+ by Fitch. The aggregate investment in money market funds shall not exceed 20% of the City’s total portfolio. Section 12.0 of this policy applies with respect to issuer-concentration limits.

**8.1.11** County Pooled Investment Funds in accordance with the laws and regulations governing those Funds and State law (GC 53684).

**8.1.12** State of California pooled “Local Agency Investment Fund” in accordance with the laws and regulations governing those Funds and State law (GC 16429.1 et seq.).

**8.1.13** Insured deposits: Deposits not exceeding \$250,000 shall be permitted only in those nationally or state-chartered banks, savings or federal associations, or state or federal credit unions that are active members of the Federal Deposit Insurance Corporation (FDIC) and provided that the final maturity does not exceed five (5) years from date of purchase. Section 12.0 of this policy applies with respect to issuer-concentration limits.

**8.1.14** The “Sweep” account for the overnight investment of idle funds shall be subject to this policy.

**8.1.15** City of Moorpark bonds, or bonds issued by its related entities for which the members of the City Council serve as the legislative body, provided that the stated final maturity of such security does not exceed five (5) years from the date of purchase. Section 12.0 of this policy applies with respect to issuer-concentration limits.

**8.1.16** Registered state warrants, treasury notes or bonds of the State of California. Registered treasury notes or bonds from any of the remaining 49 States. The stated final maturity of such security shall not exceed five (5) years from the date of purchase. Rated in the rating category of “A-” or “A-1” or better of Moody’s Investors Service, Inc. and S&P Global Ratings. Section 12.0 of this policy applies with respect to issuer-concentration limits.

**8.1.17** Bonds, notes, warrants, or other indebtedness of any local government agency within California. The stated final maturity of such security shall not exceed five (5) years from the date of purchase. Rated in the rating category of “A-” or “A-1” or better of Moody’s Investors

Service, Inc. and S&P Global Ratings. Section 12.0 of this policy applies with respect to issuer-concentration limits.

**8.2 Investments held separately.** Investments of bond funds will be made in conformance with the trust indenture for each issue. Such investments will be held separately when required.

**9.0 Collateralization.** Investments in time certificates of deposit shall be fully insured for the entire term of the certificate by the Federal Deposit Insurance Corporation (FDIC). The FDIC limit has been established by the Congress at \$250,000.00. Investments in time certificates of deposit, or deposits not insured in accordance with Section 8.1.13 of this policy, in excess of the limit shall be properly collateralized in accordance with California Government Code Section 53630 et seq. (constituting Article 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code). Without limiting the foregoing, Section 53652 of the California Government Code requires that the depository pledge securities with a market value of at least 10% in excess of the City's deposit as collateral in government securities, and 50% in excess of the deposit as collateral in mortgage pools. Section 53649 of the California Government Code specifies that the City Treasurer is responsible for entering into deposit contracts with each depository.

Investments in repurchase agreements must also be collateralized. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% or greater of market value of principal and accrued interest.

**10.0 Unauthorized Investments/Investment Activities.** Section 53601.6 of the California Government Code prohibits the following investments: inverse floaters, range notes, or mortgage-derived, interest-only strips.

**10.1** No investment will be made that has either (1) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (2) an embedded option or characteristic which could seriously limit accrual rates or which could result in zero accrual periods.

**10.2** No investment will be made that could cause the portfolio to be leveraged.

**11.0 Investment Strategy.**

**11.1 Pooled Investments.** A buy and hold strategy will generally be followed; that is, pooled investments once made will usually be held until maturity. A buy and hold strategy will result in unrealized gains or losses as market interest rates fall or rise from the coupon rate of the investment. Unrealized gains or losses, however, will diminish as the maturity dates of the investments are approached or as market interest rates move closer to the coupon rate of the

investment. A buy and hold strategy requires that the portfolio be kept sufficiently liquid to preclude the undesirable sale of investments prior to maturity. Occasionally, the City Treasurer may find it advantageous to sell an investment prior to maturity, but this should be only on an exception basis and only when it is clearly favorable to do so.

**11.2 Investments held separately.** Investments held separately for bond proceeds will follow the trust indenture for each issue.

**12.0 Diversification.** To the extent feasible the portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. In addition to the limitations on specific security types indicated in Section 8.0 of this Investment Policy, and with the exception of U.S. Treasury/Federal agency securities and authorized pools, for each type of investment, no more than five percent (5%) of the City's portfolio will be placed with a single issuer.

**13.0 Maximum Maturities.**

**13.1 Pooled Investments.** A policy of laddered maturities will be followed for pooled investments. The following maturity requirements will apply as of the month end of each reporting period.

**13.1.1** At least twenty percent (20%) of the portfolio shall mature within one year from the current date. No more than fifty percent (50%) of the entire portfolio may have a maturity date between three (3) and five (5) years from the current date. Investments with a maturity greater than five (5) years will not be made. The average portfolio investment maturity shall be three (3) years or less. A dollar-weighted average will be used in computing the average maturity of the portfolio.

**13.1.2** Callable investments will be recorded at their maturity dates.

**13.2 Investments Held Separately.** Maturities for investments held separately will conform to the trust indenture for each issue.

**14.0 Selection of Financial Institutions and Broker/Dealers.** Investments shall be purchased only through well established, financially sound institutions meeting the requirements of California Government Code Sections 53601.5 or 53601.8, as applicable. The City Treasurer shall maintain a list of financial institutions and broker/dealers approved for investment. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions will be given a copy of the City's Investment Policy, and a return cover letter which must be signed indicating that the investment policy has been read and understood. Qualified financial institutions and broker/dealers must supply the City Treasurer with the following:

#### **14.1 Financial Institutions.**

- Current audited financial statements.
- Depository contracts, as appropriate.
- A copy of the latest FDIC call report.
- Proof that commercial banks, savings banks, or savings and loan associations are state or federally chartered.

#### **14.2 Broker/Dealers.**

- Current audited financial statements.
- Proof that brokerage firms are members in good standing of a national securities exchange.

Commercial banks, savings banks, and savings and loan associations must maintain a minimum net worth to asset ratio of 3% (total regulatory net worth divided by total assets), and must have had a positive net earnings for the last reporting period.

**15.0 Purchase, Payment, and Delivery.** A competitive bid process, when practical, will be used to place all investment transactions. When two or more investment opportunities offer essentially the same maturity, liquidity, yield, and quality, priority will be given first to the financial institutions based in the City of Moorpark, and second to other financial institutions in the State of California. Purchases on margin will not be made. Payment for securities will be done on a Delivery Versus Payment (DVP) basis via the City's custodian. Delivery of securities will be made to the City in accordance with the third party custodial agreement.

**16.0 Safekeeping and Custody.** All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-vs.-payment basis. All securities owned by the City will be held by a third-party custodian meeting the requirements of California Government Code Section 53608 and designated by the City Treasurer, and the securities will be evidenced by a monthly statement from the custodian. Collateral for time deposits in savings and loans will be held by the Federal Home Loan Bank of an approved Agent of Depository. Collateral for time deposits in banks will be held in the City's name in the bank's Trust Department or in the Federal Reserve Bank.

**17.0 Performance Standard for Pooled Investments.** Laddered maturities and a buy and hold strategy for pooled investments will cause the investment portfolio to attain a market-average rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The rate of return of the investment portfolio will be based on the maturity value of the investments. A dollar-weighted average of yields to maturity will be used in calculating the rate of return of the entire portfolio.

**18.0 Reporting.** Pursuant to California Government Code Sections 53646 and 53607, respectively, quarterly investment portfolio holdings reports and monthly

investment transactions reports shall be provided in accordance with subsections 18.1 and 18.2, respectively, below.

**18.1 Quarterly Portfolio Holdings Reports.** Section 53646 of the California Government Code allows a quarterly investment report be submitted to the City Council and the City Manager. This policy requires a quarterly investment report to be submitted no later than 30 days following the end of the quarter covered by the report.

**18.1.1 Pooled Investments.** The investment report shall be submitted quarterly by the City Treasurer within 30 days following the end of the quarter covered by the report. The quarterly report shall include the following elements:

- Itemized listing of portfolio investments by type, date of maturity, and issuer.
- Par value, dollar amount invested, amortized cost, and current market value as of the date of the report will be given for the total of all securities, investments, and moneys held by the City and its component units. The source of the market values will be cited.
- Accrued income.
- Investment transactions for the reporting period.
- Statement that the investment portfolio has the ability to meet the City's cash flow demands for the next six (6) months, or an explanation as to why sufficient money shall, or may not be available.
- Statement of compliance of the portfolio with the City's Investment Policy. When applicable, any material exceptions will be noted.

**18.1.2 Investments Held Separately.** A report of investments held separately shall be made quarterly within 30 days following the end of the quarter submitted as an exhibit in the City Treasurer's quarterly report. The quarterly report shall contain the information required by Section 53646 when available.

**18.2 Monthly Transactions Reports.** So long as the City Council, in its capacity as legislative body of the City and its related entities, has delegated its investment authority to the City Treasurer (acting in the capacities of City Treasurer and treasurer of the City's related entities) and such delegation is in full force and effect, the City Treasurer shall make a monthly report of all investment transactions to the City Council.

**19.0 Short-term Borrowing.** The City is permitted by law to borrow money to meet current short-term cash flow needs. These needs may arise either because projected cash disbursements exceed projected cash receipts, or because the City's cash accounts may be temporarily overdrawn due to the efforts to invest 100% of inactive

funds at all times. To provide for these contingencies the City Treasurer is authorized to take the following actions, in each instance subject to compliance with applicable California law authorizing and establishing limitations on such borrowings:

**19.1 Short-term Loan.** When there is a shortfall between projected cash revenues and projected cash disbursements, the City Treasurer will secure a loan in the amount that would equal the cash deficit plus projected cash disbursements for one month. Any such loan will be repaid within one year.

**19.2 Line of Credit.** The City Treasurer may maintain a line of credit with the City's bank in an amount to cover sums temporarily overdrawn because of efforts to invest all inactive funds at all times.

**20.0 Exceptions.** Occasionally, exceptions to some of the requirements specified in this Investment Policy may occur for pooled investments because of events subsequent to the purchase of investment instruments, e.g. the rating of a corporate note held in the portfolio is downgraded below an "AA" rating, or total assets in the portfolio decline causing the percentage invested in corporate notes to rise above 30%.

State law is silent as to how exceptions should be corrected. Exceptions may be temporary or more lasting; they may be self-correcting or require specific action. If specific action is required, the City Treasurer should determine the course of action that would correct exceptions to move the portfolio into compliance with State and City requirements. Decisions to correct exceptions should not expose the assets of the portfolio to undue risk, and should not impair the meeting of financial obligations as they fall due. Any subsequent investments should not extend existing exceptions.

**21.0 Internal Control.** The City Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

**22.0 Investment Policy Adoption.** California Government Code § 53646(a) allows the City Treasurer to render to the City Council a statement of investment policy no less frequently than once a year for adoption. This policy requires the City Treasurer to submit the investment policy to the City Council on an annual basis. The City's investment policy and any modifications thereto shall be considered at a public meeting. Adoption shall be made by resolution of the City Council.

## INVESTMENT POLICY

### GLOSSARY

**Administrator of Local Agency Security:** The State office or entity designated by California Government Code Section 53661 from time to time to approve and authorize “agents of depositories” to hold securities that secure and collateralize local agency deposits. Currently, the “Administrator of Local Agency Security” is the California Commissioner of Business Oversight.

**Agent of Depository:** Any one of the following entities that is duly authorized pursuant to California Government Code Section 53657 and by the Administrator of Local Agency Security to hold securities that secure and collateralize a local agency’s deposits, as more specifically designated by the local agency’s treasurer in the applicable contract for deposit of the local agency’s funds under California Government Code Section 53649: a trust company located within the State of California, the trust department of a bank located in the State of California, or the Federal Home Loan Bank of San Francisco.

**Amortized Cost:** The cost of investments adjusted for amortized premiums and discounts. Amortized cost is used to maintain comparability with market value.

**Arbitrage Regulation:** The law to control the use of profit making by purchasing securities on one market for immediate resale on another in order to profit from a price difference.

**Ask:** The price at which securities are offered.

**Bankers’ Acceptances (BA):** A time draft of invested funds that have been drawn on and accepted for repayment by a bank. By accepting the draft (investment of City funds), the bank is liable for the payment at maturity. The credit worthiness of Bankers’ Acceptances is enhanced because they are secured by the issuing bank, the goods themselves, and the importer. This financial instrument is short-term, not more than 180 days and is sold on a discounted basis.

**Bear Market:** A period of generally pessimistic attitudes and declining market prices.

**Bid:** The price offered for securities.

**Bond:** An interest-bearing security issued by a corporation, government, governmental agency or other body, which can be executed through a bank or trust company. A bond is a form of debt with an interest rate, maturity, and face value, and is usually secured by specific assets. Most bonds have a maturity of greater than one year, and generally pay interest semiannually.

**Bond Indenture:** Written agreement specifying the terms and conditions for issuing bonds, including; the form of the bond, the maturity date and payment schedule with interest rate, call provisions and protective covenants, if any, collateral pledged, and other terms. Obligations of the bond issuer are identified as well as the trustee's responsibility for ensuring that interest payments are made to registered bondholders.

**Bond Rating:** The classification of a bond's investment quality.

**Book Value:** A term synonymous with amortized cost.

**Broker:** A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; a broker does not position. In the money market, brokers are active in markets, in which banks buy and sell money, and in inter-dealer markets.

**Bull Market:** A period of generally optimistic attitudes and increasing market prices.

**Bullet Bond:** A debt instrument whose entire face value is paid at once on the maturity date. Bullet bonds are non-callable. Bullet bonds cannot be redeemed early by an issuer, so they pay a relatively low rate of interest because of the issuer's exposure to interest-rate risk. Both corporations and governments issue bullet bonds, and bullet bonds come in a variety of maturities, from short- to long-term.

**Buy and Hold:** Management strategy in which the intent is to hold each security until maturity.

**Callable Bond:** A bond that can be redeemed by the issuer prior to its maturity. Sometimes, a premium is paid to the bond owner when the bond is called. It is also known as a "redeemable bond." The main cause of a "call" is a decline in interest rates. If interest rates have declined since an issuer first issued the bonds, it will likely want to refinance this debt at a lower rate of interest. In this case, the issuer will "call" its current bonds and issue replacement bonds at a lower rate of interest.

**Certificate of Deposit (CD):** A time deposit with a specific maturity and interest rate evidenced by a certificate. Maturities range from a few weeks to several years. Interest rates are set by competitive forces in the marketplace. There is a penalty for early withdrawal. CD's in large denominations are typically negotiable.

**Collateralization:** Refers to securities pledged by a bank to secure deposits of public monies. Also refers to evidence of deposit or other property that a borrower pledges to secure repayment of a loan.

**Commercial Book-Entry:** The commercial book-entry system is operated by the Federal Reserve Banks in their capacity as fiscal agents of the Treasury. Investors who maintain their securities in this system generally have purchased their securities through a financial institution or a government securities broker or dealer. These

securities are recorded in the commercial book-entry system as book-entry issues held for the account of a depository institution. The depository institution (e.g., bank, brokerage firm or securities clearance organization) maintains records identifying the owners of securities held in its account in the system.

**Commercial Paper:** A short-term IOU, or unsecured money market obligation, issued by prime rated commercial firms and financial companies, with maturities from two (2) days up to 270 days. A promissory note of the issuer used to finance current obligations, and is a negotiable instrument. The notes are typically in minimum denominations starting at \$100,000.00 to comply with criteria for exemption from registration under federal securities laws.

**Commission:** The broker's or agent's fee for purchasing or selling securities for a client.

**Coupon:** The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value or a certificate attached to a bond evidencing interest due on a payment date.

**Dealer:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for their own account.

**Debenture:** An unsecured bond backed only by the general credit of the issuer.

**Delivery Versus Payment:** There are two methods of delivery of securities: "delivery versus payment" and "delivery versus receipt" (also called free). Delivery versus payment is delivery of securities with an exchange of money for the securities indicating payment is due when the buyer has securities in hand or in book entry.

**Discount:** The difference between the cost price of a security and its value at maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be a discount.

**Discount Securities: (1)** Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury bills; or **(2)** any security sold below face value and which can be re-sold later at a higher price

**Diversification:** Dividing investment funds among a variety of securities offering independent returns.

**Embedded Option:** A statement within the bond structure that gives the issuer a right to perform a specific action in the future and may alter the interest rate earned by the bond. Examples of embedded options include the right of redemption, a put feature, or mortgage prepayment rights in a mortgage-backed security.

**Federal Credit Agencies:** Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., small business firms, farmers, farm cooperatives, and exporters. These are securities such as the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Farm Credit Bureau (FFCB), Government National Mortgage Association (GNMA) and the Small Business Administration (SBA).

**Federal Funds Rate:** The rate of interest at which FED funds are traded. This rate is currently pegged by the Federal Reserve through open market operations.

**Federal Open Market Committee:** Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve Guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**Federal Reserve System:** The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve Regional Banks and commercial banks that are members of the system.

**Federal Deposit Insurance Corporation (FDIC):** A federal agency that insures bank deposits, currently up to \$250,000.00 per depositor per insured bank.

**Federal Home Loan Banks (FHLB):** Eleven regional banks within the Federal Home Loan Bank System, a government sponsored enterprise, that lend to its member financial institutions, which generally consist of thrift institutions, commercial banks, credit unions, insurance companies, and certified community development financial institutions. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

**Fiscal Year:** An accounting or tax period comprising any twelve month period. The City's fiscal year begins on July 1.

**Interest-Only Strips:** Financial instrument where investor receives only the interest, no principal, from a pool of debt instruments such as mortgages, treasuries, or other bonds. Issues are highly interest rate sensitive. Cash flows vary between interest periods. As well, the maturity date may occur earlier than that stated if all loans within the pool are pre-paid. High prepayments on underlying debt instruments can return less to the holder than the dollar amount invested.

**Inverse Floater:** A bond or note that does not earn a fixed rate of interest. Rather, the interest rate that is earned is tied to a specific interest-rate index identified in the bond/note structure. The interest rate earned by the bond/note will move in the opposite direction of the index, e.g. if market interest rates as measured by the

selected index rises, the interest rate earned by the bond/note will decline. An inverse floater increases the market rate risk and modified duration of the investment.

**Laddered Portfolio:** Bond investment portfolio with securities in each maturity range (e.g. monthly) over a specified period of time (e.g. five years).

**Leverage:** (1) Investing with borrowed money with the expectation that the interest earned on the investment will exceed the interest paid on the borrowed money; or (2) the use of debt to undertake an investment or project.

**Liquidity:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked price is narrow and reasonable size can be done at those quotes.

**Local Agency Investment Fund (LAIF):** The State of California Local Agency Investment Fund held in the custody of the State Treasurer for investment and reinvestment, created in 1977 by California Government Code Section 16429.1 to provide an investment alternative for California's local governments and special districts. This is a voluntary investment program offering agencies the opportunity to participate in a major portfolio which daily invests billions of dollars and using the investment expertise of the State Treasurer's Office investment staff, at no additional cost to the taxpayer. Investment in LAIF, considered a short-term investment, is readily available for cash withdrawal on a daily basis.

**Market Risk:** The risk that market interest rates will rise causing a loss of value in investments held. All investments made by the City involve a degree of market risk. See also "Unrealized Gains (Losses).

**Market Value:** The price at which a security is trading and could presumably be purchased or sold.

**Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.

**Medium Term Corporate Notes:** Corporate notes issued with fixed coupons and maturity. A promissory note of the issuer used to finance current obligations, which is a negotiable instrument.

**Modified Duration:** A measure of the sensitivity that the value of a fixed-income security has exposure to changes in market rates of interest. Modified duration is the best single measure of a portfolio's or security's exposure to market risk. Modified duration identifies the potential gain/loss in value before the gain/loss actually occurs. It is a prospective measurement, e.g., a modified duration of 1.5 indicates that when and if a 1% change in market interest rates occurs, a 1.5% change in the value of a

security will result. Investments with modified durations of one to three are considered to be relatively conservative.

**Money Market:** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

**Negotiable Certificates of Deposit (NCD):** A certificate of deposit that can be bought and sold on the secondary market prior to maturity. Negotiable certificates of deposit were developed so large deposits (\$100,000.00 or more) could be made at a competitive interest rate with some liquidity.

**Nominee Name:** Registered owner of a stock or bond if different from the beneficial owner, who acts as holder of record for securities and other assets. Typically, this arrangement is done to facilitate the transfer of securities when it is inconvenient to obtain the signature of the real owner, or the actual owner may not wish to be identified. Nominee ownership simplifies the registration and transfer of securities.

**Offer:** The price asked by the seller of securities. When buying securities you ask for an offer. See Ask and Bid.

**Open Market Operations:** Purchases and sales of government and certain other securities by the New York Federal Reserve Bank as directed by the Federal Open Market Committee in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**Operational Liquidity:** To insure that adequate funds are available to meet current obligations without having to sell securities prior to maturity. This dollar amount will be set at a level equal to one and one-half times the City's highest level of liquidity demand within the most recent three year period.

**Pooled Investments:** Resources grouped for advantage of the participants.

**Portfolio:** Collection of securities held by an investor.

**Primary Dealer:** A group of government security dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers, banks, and a few unregulated firms.

**Principal:** The face or par value of an instrument.

**Prudent Person Rule:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a legal list of securities selected

by the state. In other states, the trustee may invest in a security if it is one, which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**Range Note:** Investment whose coupon payment varies (e.g. either 7% or 3%) and is dependent on whether the current benchmark (e.g. 30 year Treasury) falls within a pre-determined range (e.g. between 6.75% and 7.25%).

**Rate of Return:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

**Rating:** The designation used by investors' services to rate the quality of a security's creditworthiness. Moody's ratings range from the highest Aaa, down through Aa, A, Bbb, Ba, B, etc. while S&P's ratings range from the highest AAA, down through AA, A, BBB, BB, B, etc.

**Refinancing:** Rolling over the principal on securities that have reached maturity or replacing them with the sale of new issues. The object may be to save interest costs or to extend the maturity of the loan.

**Repurchase Agreement:** A transaction where the seller (bank) agrees to buy back from the buyer (City) the securities at an agreed upon price after a stated period of time.

**Reverse Repurchase Agreement:** A transaction where the seller (City) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

**Safekeeping:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection. See Third Party Custodian.

**Secondary Market:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**Securities and Exchange Commission (SEC):** Agency created by Congress to protect investor's transactions by administering securities legislation.

**SEC Rule 15C3-1:** See uniform net capital rule.

**Spread:** The difference between two figures or percentages. For example, it may be the difference between the bid and asked prices of a quote, or between the amount paid when bought and the amount received when sold.

**Structured Notes:** Notes issued by Government sponsored enterprises and corporations which have imbedded options in their debt structure (e.g., call features, step-up coupons, floating rate coupons and derivative-based returns). Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the yield curve. This includes securities from the Federal National Mortgage Association (FNMA) and Federal Home Loan Bank (FHLB).

**Sweep Account:** Short-term income account into which all uninvested cash balances from the non-interest bearing checking account are automatically transferred on a daily basis. The sweep is used in conjunction with “zero balance” accounts to maximize investment of idle cash.

**Third-Party Custodian:** Corporate agent, usually a commercial bank, who, acting as trustee, holds securities under a written agreement for a corporate client and buys and sells securities when instructed. Custody services include securities safekeeping, and collection of dividends and interest. The bank acts only as a transfer agent and makes no buy or sell recommendations.

**Treasury Bills:** A short-term non-interest bearing security that matures in one year or less and are issued by the U.S. Treasury to finance the national debt. Bills (commonly known as “T” bills) are sold at a discount (a price less than par (face) value) and are paid at par value at maturity. They do not pay interest before maturity. Return is the difference between par and discount price.

**Treasury Bonds:** Long-term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than ten years. The bonds pay a fixed rate of interest every six months.

**Treasury Notes:** Medium term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S. Government. Treasury notes mature in two, three, five, seven, or ten years. The notes pay a fixed rate of interest every six months.

**Trustee:** A bank designated as the custodian of funds and the official representative for bondholders.

**Underwriter:** A dealer bank or financial institution which arranges for the sale and distribution of a large batch of securities and assumes the responsibility for paying the net purchase price.

**Uniform Net Capital Rule:** Securities and Exchange Commission requirement that member firms, as well as non-member broker/dealers in securities, maintain a maximum ratio of indebtedness to liquid capital of 15 to 1: also called net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, and is one reason new public issues are spread

among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**Unrealized Gains (Losses):** Increases (decreases) in the value of investments representing the difference between the amortized cost of the investments and their current market value. Increases (decreases) in value are caused primarily by changes in market interest rates subsequent to purchasing the investments. Increases (decreases) in value indicate two (2) things: 1. The portfolio has a potential gain (loss) in principal if the securities are sold, and 2. The portfolio is over-performing (underperforming) the current market for similar investments. An increase in value indicates the portfolio is earning relatively more interest than current market conditions, and a decrease in value indicates that the portfolio is earning relatively less interest than current market conditions.

**U.S. Government Agencies Debt:** Instruments issued by various U.S. Government Agencies or U.S. government-sponsored enterprises, most of which are secured only by the credit worthiness of the particular agency.

- U.S. Agency Callable: A callable federal agency or government security gives the issuer of the bond the right (not the obligation) to redeem it at predetermined prices at specified times prior to maturity. Yields on callable bonds tend to be higher than yields on noncallable, “bullet” maturity bonds because the investor must be rewarded for taking the reinvestment risk the issuer will call the bond if interest rates decline, forcing the investor to reinvest the proceeds at lower yields.
- U.S. Agency Bullet: A security issued by various U.S. Government Agency which cannot be “called” back by the issuer. The security is non-callable and therefore the reinvestment risk is zero.

**Yield:** The rate of annual return on an investment expressed as a percentage. Income yield is calculated by dividing the current dollar income by the current market price for the security. Net yield, or yield to maturity, is the current income minus any premium or plus any discount from par on purchase price, with the adjustment amortized over the period from the date of purchase to the date of maturity of the instrument.

**Zero Accrual Periods:** A period of time in which an investment accumulates no interest.

**ADMINISTRATIVE, FINANCE AND PUBLIC SAFETY COMMITTEE  
AGENDA REPORT**

**TO: Administrative, Finance and Public Safety Committee (AFPS)  
Mayor Parvin and Mayor Pro Tem Simons**

**FROM: Irmina Lumbad, Interim Finance Director**

**DATE: 07/17/2019, AFPS Special Meeting**

**SUBJECT: Consider Procedures, Rules and Regulations Governing the Procurement of Personal, Professional, Consulting and Other Contractual Services That are Exempt from Bidding Procedures per Section 3.04.290 of the Moorpark Municipal Code**

**BACKGROUND AND DISCUSSION**

On July 20, 1983 City Council adopted Ordinance 2 which established the Moorpark Municipal Code, and enacting Title 1 - General Provisions; Title 2 - Administration and Personnel; and Title 3 - Revenue and Finance. Title 3 includes Chapter 3.04 Purchasing with provisions for efficient procedures for purchase of supplies and equipment at the lowest possible cost commensurate with quality needed, to exercise positive financial control over purchase, to clearly define authority for the purchasing function and to assure the quality of purchases. For consulting and contractual services, Section 3.04.290 requires that the City Council shall by resolution prescribe procedures, rules and regulations governing the solicitation, selection and award of proposal or bids for the furnishing of personal services or professional or consulting services or for other contractual services, the contract for which may be awarded without observing the bidding procedures provided for in this chapter. Such procedures, rules and regulations shall have as one purpose the obtaining of contractual services of the highest quality together with cost-effectiveness. Following consideration by the Administrative, Finance and Public Safety Committee, staff will present this item to the City Council for its consideration consistent with Section 3.04.290 of the Moorpark Municipal Code.

The City Attorney drafted policy on Procurement of Personal, Professional, Consulting or Other Contractual Service For Which Bidding is Not Required Under Municipal Code. The proposed policy includes:

- Definition for professional services - “Professional services” shall mean all personal, professional, consulting or other contractual services, the contracts for which may be awarded without observing the bidding procedures set forth in Chapter 3.04 of the Moorpark Municipal Code.
- Criteria for selection - In contracting for professional services other than those professions listed in Government Code Section 4526, contracts should only be awarded to firms or persons who have demonstrated “adequate competence” meaning: an adequate level of experience, competence, training, credentials, character, integrity, reputation, financial responsibility, resources, equipment, staffing, and other professional qualifications necessary for more than a satisfactory performance of the services required in the time period needed and price. The cost of the service may be considered, however, the lowest cost may not be the sole factor in deciding which firm or who shall be awarded the contract. It may be in the City's best interest to award the contract to a higher priced contractor based on the scope of services, availability, unique skills, staffing levels, timing, prior experience, familiarity with the City and other factors required by the department. The information needed for determining that level of competence other qualifications and the procedure for selecting such services shall be determined by the City department responsible for recommending the service contract.
- Process for Request For Proposals/Qualifications (RFP/RFQ) or waiver of informal bidding based on limits specified by §22032 of Public Contract Code (PCC)

Process	Limits
Without informal bidding or RFP/RFQ	COST < PCC §22032.(a) (2019 limit - \$60,000)
With informal bidding or RFP/RFQ	COST > PCC §22032.(a) (2019 limit - \$60,000) but COST < PCC §22032.(b) (2019 limit - \$200,000)
Formal RFP/RFQ	COST > PCC §22032.(c) (2019 limit - \$200,000)

- Approval authority - Pursuant to Section 2.12.120 of the Moorpark Municipal Code, the city manager’s designee is authorized to approve professional services contracts up to a maximum of ten thousand dollars (\$10,000), and the city manager is authorized to approve professional services contracts up to a maximum of fifty thousand dollars (\$50,000). The City Council shall award all other professional services contracts in excess of the city manager’s contracting authority, as well as those contracts that the city manager refers to the City Council for approval.

**FISCAL IMPACT**

None.

**STAFF RECOMMENDATION**

Forward to the City Council with recommendation to adopt the Procurement of Personal, Professional, Consulting or Other Contractual Service for which bidding is not required under Municipal Code Policy.

Attachment: Policy: Procurement of Personal, Professional, Consulting or Other Contractual Service For Which Bidding is Not Required Under Municipal Code

**Policy: Procurement of Personal, Professional, Consulting or Other Contractual Services for which Bidding is not Required under the Municipal Code**

**1. Purpose**

The purpose of this policy is to establish procedures, rules, and regulations governing the solicitation, selection and award of proposals or bids for the furnishing of personal, professional, consulting or other contractual services, the contracts for which may be awarded without observing the bidding procedures set forth in Chapter 3.04 of the Moorpark Municipal Code. This policy is adopted pursuant to Section 3.04.290 of the Moorpark Municipal Code.

**2. Definitions**

- A. "City" shall mean the City of Moorpark.
- B. "Professional services" shall mean all personal, professional, consulting or other contractual services, the contracts for which may be awarded without observing the bidding procedures set forth in Chapter 3.04 of the Moorpark Municipal Code.
- C. "Purchasing agent" shall mean the City Manager, pursuant to Section 3.04.030.A of the Moorpark Municipal Code.

**3. Factors to Consider**

In contracting for professional services listed in Government Code Section 4526 (currently applicable to private architectural, landscape architectural, engineering, environmental, land surveying, and construction project management firms), selection shall be based on demonstrated competence and on professional qualifications necessary for the satisfactory performance of the services required and at fair and reasonable prices to the City.

In contracting for professional services other than those professions listed in Government Code Section 4526, contracts should only be awarded to firms or persons who have demonstrated "adequate competence" meaning: an adequate level of experience, competence, training, credentials, character, integrity, reputation, financial responsibility, resources, equipment, staffing, and other professional qualifications necessary for more than a satisfactory performance of the services required in the time period needed and price. The cost of the service may be considered, however, the lowest cost may not be the sole factor in deciding which firm or who shall be awarded the contract. It may be in the City's best interest to award the contract to a higher priced contractor based on the scope of services, availability, unique skills, staffing levels, timing, prior experience, familiarity with the City and other factors required by the department. The information needed for determining that level of competence other

qualifications and the procedure for selecting such services shall be determined by the City department responsible for recommending the service contract.

#### **4. Process**

- A. **Request for Proposal/Qualifications.** Unless waived as provided in subsection B below, the acquisition of professional services shall be undertaken in the following manner:

(1) Without informal bidding or a request for proposals/qualification process, if the work or services will be less than the dollar amount specified in subsection (a) of Public Contract Code Section 22032, as such section may be amended from time to time, and which in 2019 was set at \$60,000.

(2) With informal bidding or a request for proposals/qualification process, if the work or services will be more than the dollar amount specified in subsection (a) of Public Contract Code Section 22032, as may be amended from time to time, and which in 2019 was at \$60,000, but less than the dollar amount specified in subsection (b) of Public Contract Code Section 22032, as may be amended from time to time, and which in 2019 was at \$200,000.

(3) By formal request for proposal/qualification process, if the work or services will be more than the dollar amount specified in subsection (c) of Section 22032, as may be amended from time to time, and which in 2019 was at \$200,000.

- B. **Waiver of Informal Bidding or Proposal/Qualification Process.** The purchasing agent may waive the requirement for informal bidding or a request for proposals/qualification process, if the purchasing agent determines, based on consultation with the applicable department head, that the type of work or service to be performed, can be competently and cost-effectively performed by a particular individual, firm or company, based on the purchasing agent's or department head's personal or direct prior experience in contracting with that individual, firm or company.
- C. **Selection Process.** Unless otherwise waived in subsection B above, the applicable department head or his or her designee shall contact providers of the sought after professional services in an effort to receive a minimum of three (3) written responses from persons or firms. This goal may be waived for good cause by the applicable department head and the purchasing agent in consultation with one another.

- D. **Recommendation.** Utilizing the factors set forth in Section 3 above, the applicable department head shall prepare a written recommendation to the city manager or his or her designee and, if in excess of the city manager's contracting authority, the City Council, for the firm or person to be awarded the contract.
  
- E. **Approval Authority.** Pursuant to Section 2.12.120 of the Moorpark Municipal Code, the city manager's designee is authorized to approve professional services contracts up to a maximum of ten thousand dollars (\$10,000), and the city manager is authorized to approve professional services contracts up to a maximum of fifty thousand dollars (\$50,000). The City Council shall award all other professional services contracts in excess of the city manager's contracting authority, as well as those contracts that the city manager refers to the City Council for approval.

## 5. Other Procedures

The purchasing agent is authorized to establish additional procedures, rules, and regulations, which are not inconsistent with this policy and other applicable ordinances, in order to implement this policy.