

REPORT TO FINANCE COMMITTEE

DATE: MAY 24, 2021
TO: FINANCE COMMITTEE MEMBERS
FROM: NATHAN HAMBURGER, CITY MANAGER
BY: CHRISTY PINUELAS, DIRECTOR OF FINANCE
SUBJECT: REQUIRED POLICY REVIEW

In May, 2014, the City Council adopted a Financial Policy which requires that each individual policy be updated every three years, reviewed by the Finance sub-committee and considered by the City Council for final approval. This year, the Balanced Budget Policy, Federally Funded Procurement Policy, Fund Balance Policy for the General Fund and Officer/Employee/Official Responsibility and Fraud Prevention Policy are up for review. In addition, the Investment Policy must be reviewed each year.

The only policy recommended for changes is the Federally Funded Procurement Policy. The City Attorney is recommending the changes in order to comply with the Federal guidelines. All of the policies are included for your review and recommendation.

Staff has reviewed the Statement of Investment Policy; there are no recommendations for updating the policy.

The below referenced policies will be up for future review:

2022/23

- Debt Management Policy
- Local Debt Policy
- Municipal Securities Post-Issuance Disclosure Policy
- Statement of Investment Policy
- Tax-Advantaged Bonds Post-Issuance Compliance Procedures
- Two Year Budget Policy

2023/24

- Independent Auditor Policy
- Financial Policy

RECOMMENDATION

Review the policies and recommend any changes to the Council at the June 24, 2021 Council meeting.



CITY OF AGOURA HILLS BALANCED BUDGET POLICY

PURPOSE

This policy establishes the definition of a balanced budget for the City.

POLICY

The City will maintain a balanced budget. This means that:

1. The City's operating budget is the General Fund budget.
2. Operating revenues must fully cover operating expenditures, including debt service.
3. Under this policy, it is allowable for total expenditures to exceed revenues in a given year: however, in this situation, beginning fund balance can only be used to fund capital improvement plan projects, or other "one-time", non-recurring expenditures.
4. Ending fund balance must meet the minimum policy levels as defined by Council Resolution.



CITY OF AGOURA HILLS
POLICY FOR PROCUREMENT WITH FEDERAL FUNDS
(REVISED 5-19-21)

In addition to Chapters 7 (Purchasing System) and 11 (Public Projects) of Article II of the Agoura Hills Municipal Code, this policy shall apply to the awarding of contracts and sub-grants by the City that are funded, in part or in whole, by federal grants or funds pursuant 2 CFR Subtitle A, Chapter 2, Part 200, Subpart D, Sections 200.317-200.326.

I. GENERAL PROCUREMENT STANDARDS

A. Code of Conduct. As representatives of the City of Agoura Hills, all employees are expected to conduct themselves in a professional and ethical manner, maintaining high standards of integrity and the use of good judgment. Employees are expected to be principled in their business interactions and act in good faith with individuals both inside and outside the City. The following Code of Conduct shall govern the performance, behavior and actions of the City, including employees, directors, appointed or elected officials, volunteers, or agents who are engaged in any aspect of procurement, including, but not limited to, purchasing goods and services, awarding contracts and grants, and the administration and supervision of contracts:

1. No employee, director, appointed or elected official, volunteer, or agent of the City shall participate in the selection, award, or administration of contracts supported by a federal award if a conflict of interest is real or apparent to a reasonable person.
2. Conflicts of interest may arise when any employee, officer, or agent of the City, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a real or apparent financial or other interest in or a tangible personal benefit ~~from~~ from a firm considered for the contract.
3. No employee, director, appointed or elected official, volunteer, or agent of the City shall do business with, award contracts to, or show favoritism toward a member of his or her immediate family, spouse's family, or to any company, vendor, contractor, or parties to subcontractors who either employ or has any relationship to a family member; or award a contract or bid which violates the spirit or intent of federal, state and local procurement laws and policies established to maximize free and open competition among qualified vendors.

4. The City's employees, directors, appointed or elected officials, volunteers, or agents shall neither solicit nor accept gratuities, favors, gifts, consulting fees, trips, or anything having a monetary value in excess of twenty-five dollars (\$25.00) from a vendor, potential vendor, family or employees of a vendor, contractor or parties to subcontractors.
5. Disciplinary measures for violations of the Code of Conduct by employees, directors, appointed or elected officials, volunteers, or agents who are engaged in any aspect of procurement, including, but not limited to, purchasing goods and services, awarding contracts and grants, and the administration and supervision of contracts could lead to disciplinary measures, up to and including possible termination of employment.

B. Solicitation Procedures

1. Acquisition of unnecessary or duplicative items must be avoided. Consideration should be given to consolidating or dividing procurements to obtain a more economical purchase. When appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.
2. To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services, the City shall enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.
3. Procuring federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs shall be utilized.
4. Value engineering clauses may be used in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.
5. Contracts shall only be awarded to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.
6. Records will be maintained sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. The City Clerk will be the repository for said records and shall be maintained for period of no less

than seven (7) years.

7. Time and material type contracts (open-ended) may be used only after a determination that no other contract is suitable. Time and material type contract means a contract where the cost to the City is the sum of the actual cost of materials and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expense, and profit. Each time and material contract will set a ceiling price that the contractor exceeds at its own risk. A higher degree of oversight is required in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.
8. The City alone will be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the City of any contractual responsibilities under its contracts. The federal awarding agency will not substitute its judgment for that of the City unless the matter is primarily a federal concern. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

C. Competition

1. All procurement transactions must be conducted in a manner providing full and open competition. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals will be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include, but are not limited to:
 - a. Placing unreasonable requirements on firms in order for them to qualify to do business;
 - b. Requiring unnecessary experience and excessive bonding;
 - c. Noncompetitive pricing practices between firms or between affiliated companies;
 - d. Noncompetitive contracts to consultants that are on retainer contracts;
 - e. Organizational conflicts of interest;
 - f. Specifying only a brand name product instead of allowing an equal product to be offered and describing the performance or other relevant requirements of the procurement; and
 - g. Any arbitrary action in the procurement process.
2. Procurements shall be conducted in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable

federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

3. All solicitations will incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standard to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a brand name or equivalent description may be used as a means to define the performance or other relevant requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated.
4. Bids and proposals shall identify all the requirements which the offerors must fulfill and all other factors to be used in evaluation bids or proposals

D. **Methods of Procurement** to be followed. The City shall use one of the following methods of procurement:

1. **Procurement by Micro-Purchases.** Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold as set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions) and adjusted periodically for inflation. To the extent practicable, the City must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the City considers the price to be reasonable. As of the date of this policy, the micro-purchase threshold is \$3,000.
2. **Procurement by Small Purchase Procedures.** Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies or other property that do not cost more than the simplified acquisition threshold as set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions) and in accordance with 41 U.S.C. 1908 and periodically adjusted for inflation. If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources. As of the date of this policy, the simplified acquisition threshold is \$150,000. For purchases exceeding twenty five thousand (\$25,000), City Council approval is required.

3. **Procurement by Sealed Bids (Formal Advertising).** Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the invitation for bids, is the lowest in price.
- a. For sealed bidding to be feasible, the following conditions should be present:
 - (1) A complete, adequate, and realistic specification or purchase description is available;
 - (2) Two or more responsible bidders are willing and able to compete effectively for the business; and
 - (3) The procurement lends itself to a firm-fixed-price contract and the selection of the successful bidder can be made principally based on price.
 - b. If sealed bids are used, the following requirements apply:
 - (1) The invitation for bids will be publicly advertised and bids shall be solicited from an adequate number of ~~known suppliers~~qualified sources, providing them sufficient time prior to the date set for opening the bids;
 - (2) The invitation for bids, which will include any specifications and pertinent attachments, shall define the items or services for the bidder to properly respond;
 - (3) All bids will be publicly opened at the time and place prescribed in the invitation for bids;
 - (4) A firm-fixed-price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost and life cycle costs shall be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
 - (5) If there is a sound documented reason, any or all bids may be rejected.
4. **Procurement by Competitive Proposals:** Purchases over the Simplified Acquisition threshold, which is currently \$150,000. This procurement method requires formal solicitation, fixed-price or cost-reimbursement contracts, and is used when sealed bids are not appropriate. The contract should be awarded to the responsible firm whose proposal is most advantageous to the program, with price being one of the various factors. If this method is used, the following requirements apply:
- a. Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;
 - b. Proposals must be solicited from an adequate number of qualified

sources;

- c. The methods for conducting technical evaluations of the proposals received and for selecting recipients may include, but not limited to: oral interviews, references, past performance, availability to perform work, and certifications as determined by project scope.
- d. Any response that takes exception to any mandatory items in this proposal process may be rejected and not considered;
- e. Contracts must be awarded to the responsible firm whose proposal is most advantageous to the programCity, with price and other factors considered; and,
- f. Competitive proposal procedures may be used for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services, though A/E firms are a potential source to perform the proposed effort.
- g. Noncompetitive proposals: Also known as sole-source procurement, this may be appropriate only when one or more of the following criteria are met:

- The dollar amount does not exceed the micro-purchase threshold in Subsection D.1;

- The item is available only from a single source;
- The public emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-federal entity; or
- After solicitation of a number of sources, competition is determined inadequate.

E. Contract Cost and Price. A cost or price analysis shall be performed in connection with every procurement action in excess of the Simplified Acquisition threshold (\$150,000) including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a

starting point, independent estimates shall be made prior to receiving bids and proposals.

1. Profit shall be negotiated as a separate element of the price for each contract in which there is a no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration must be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.
2. Costs or prices based on estimated costs for contracts under the federal award are allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the City under Subpart E- Cost Principles of Part 200- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
3. The cost plus a percentage of cost and percentage of construction cost methods of contracting ~~shall~~must not be used.

F. Federal Awarding Agency or Pass-Through Entity Review.

1. The City shall make available, upon request of the federal awarding agency or pass-through entity, technical specifications on proposed procurements where the federal awarding agency or pass-through entity believes such review is needed to ensure that the item or service specified is the one being proposed for acquisition. This review generally will take place prior to the time the specification is incorporated into a solicitation document. However, if the City desires to have the review accomplished after a solicitation has been developed, the Federal awarding agency or pass-through entity may still review the specifications, with such review usually limited to the technical aspects of the proposed purchase.
2. The City will make available upon request, for the Federal awarding agency or pass-through entity pre- procurement review, procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates, when:
 - a. Procurement procedures or operations fails to comply with the procurement standards in this part;
 - b. The procurement is expected to exceed the Simplified Acquisition Threshold (\$150,000) and is to be awarded without competition or only one bid or offer is received in response to a solicitation;
 - c. The procurement, which is expected to exceed the Simplified Acquisition Threshold, specifies a "brand name" product;
 - d. The proposed contract is more than the Simplified Acquisition Threshold and is to be awarded to other than the apparent low bidder

under a sealed bid procurement; or

- e. A proposed contract modification changes the scope of a contract or increases the contract amount by more than the Simplified Acquisition Threshold.
3. The City is exempt from the pre-procurement review in paragraph 2 of this section if the federal awarding agency or pass-through entity determines that its procurement systems comply with the standards of this part.
 4. The City may request that its procurement system be reviewed by the federal awarding agency or pass-through entity to determine whether its system meets these standards in order for its system to be certified. Generally, these reviews must occur where there is continuous high-dollar funding, and third-party contracts are awarded on a regular basis;
 5. The City may self-certify its procurement system. Such self-certification must not limit the federal awarding agency's right to survey the system. Under a self-certification procedure, the federal awarding agency may rely on written assurances from the City that it is complying with these standards. The City must cite specific policies, procedures, regulations, or standards as being in compliance with these requirements and have its system available for review.

G. Bonding Requirements

For construction or facility improvement contracts or subcontracts exceeding the Simplified Acquisition Threshold (\$150,000), the federal awarding or pass-through entity may accept the bonding policy and requirements of the City provided that the federal awarding agency or pass-through entity has made a determination that the federal interest is adequately protected. If such a determination has not been made, the minimum requirements must be as follows:

1. A bid guarantee from each bidder equivalent to five percent (5%) of the bid price. The bid guarantee must consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified;
2. A performance bond on the part of the contractor for 100 percent (100%) of the contract price. A performance bond is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract; and,
3. A payment bond on the part of the contractor for 100 percent (100%) of the contract price. A payment bond is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and

material in the execution of the work provided for in the contract.

H. Contract Provisions

All contracts using federal funding shall comply with the following as applicable:

1. Contracts for more than the simplified acquisition threshold currently set at \$150,000, which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 U.S.C. 1908, must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.
2. All contracts in excess of \$10,000 must address termination for cause and for convenience by the City including the manner by which it will be effected and the basis for settlement.
3. Equal Employment Opportunity. Except as otherwise provided under 41 CFR Part 60, all contracts that meet the definition of "federally assisted construction contract" in 41 CFR Part 60-1.3 must include the equal opportunity clause provided under 41 CFR 60-1.4(b), in accordance with Executive Order 11246, "Equal Employment Opportunity" (30 FR 12319, 12935, 3 CFR Part, 1964-1965 Comp., p. 339), as amended by Executive Order 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and implementing regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor. All contracts, when funded in whole or partly by monies derived from the federal government (either directly or indirectly), shall contain ~~must include the equal opportunity clause provided under 41 CFR 60-1.4(b), in accordance with Executive Order 11246, "Equal Employment Opportunity" (30 FR 12319, 12935, 3 CFR Part, 1964-1965 Comp., p. 339), as amended by Executive Order 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and implementing regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."~~
4. Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than

~~the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The City entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The City entity must report all suspected or reported violations to the Federal awarding agency. The contracts must also include a provision for compliance with the Copeland "Anti-Kickback" Act (40 U.S.C. 3145), as supplemented by Department of Labor regulations (29 CFR Part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States"). The Act provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. The City entity must report all suspected or reported violations to the Federal awarding agency.~~

5. Copeland "Anti-Kickback" Act. Applies to construction contracts in excess of \$2,000. It prohibits kickbacks in construction contracts funded with Federal monies. Contractors and subcontractors or subrecipients shall be prohibited from inducing any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled and suspected or reported violations shall be immediately reported to the Federal awarding agency.
6. Contract Work Hours and Safety Standards Act (40 U.S.C. 3701-3708). Where applicable, all contracts awarded by the City in excess of \$100,000 that involve the employment of mechanics or laborers must include a provision for compliance with 40 U.S.C. 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR Part 5). Under 40 U.S.C. 3702 of the Act, each contractor must be required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of 40 hours in the work week. The requirements of 40 U.S.C. 3704 are applicable to construction work and provide that no laborer or mechanic must be required to work in surroundings

or under working conditions which are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

7. Rights to Inventions Made Under a Contract or Agreement. If the Federal award meets the definition of “funding agreement” under 37 CFR §401.2 (a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that “funding agreement,” the recipient or subrecipient must comply with the requirements of 37 CFR Part 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts, and Cooperative Agreements”, and any implementing regulations issued by the awarding agency.
8. Clean Air Act & Federal Water Pollution Control Act. Contracts and sub grants in excess of \$150,000 must contain a provision that requires the non-Federal award to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act. Suspected or reported violations must be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
9. Debarment and Suspension. A contract award must not be made to parties listed on the governmentwide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR part 1986 Comp., p. 189) and 12689 (3 CFR part 1989 Comp., p. 235), “Debarment and Suspension.” SAM Exclusions contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.
10. Byrd Anti-Lobbying Amendment (31 U.S.C. 1352)—Contractors that apply or bid for an award exceeding \$100,000 must file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Each tier must also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to the City award~~Byrd Anti-Lobbying Amendment. Contractors that apply or bid for an award of \$100,000 must certify that they will not and have not used federal funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer~~

~~or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award. Contractors must also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award.~~

I. Contracting with small and minority business, women’s business enterprises, and labor surplus area firms.

All necessary affirmative steps will be taken to assure that minority business, women’s business enterprises, and labor surplus area firms are used when possible.

Affirmative steps include:

1. Placing qualified small and minority businesses and women’s business enterprises on solicitation lists;
2. Assuring that small and minority businesses and women’s business enterprises are solicited whenever they are potential sources;
3. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses and women’s business enterprises;
4. Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses and women’s business enterprises;
5. Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and,
6. Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (1) through (5) of this section.

J. Domestic preferences for procurements.

1. As appropriate and to the extent consistent with law, the City should, to the greatest extent practicable under a Federal award, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States (including but not limited to iron, aluminum, steel, cement, and other manufactured products). The requirements of this section must be included in all subawards including all contracts and purchase orders for work or products under this award.

2. For purposes of this Section:

a. "Produced in the United States" means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.

7.

b. "Manufactured products" means items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.



**CITY OF AGOURA HILLS
FUND BALANCE POLICY FOR THE GENERAL FUND**

POLICY

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the city against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

PROCEDURES

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts can be spent.

- Nonspendable fund balance (inherently nonspendable)
- Restricted fund balance (externally enforceable limitations on use)
- Committed fund balance (self-imposed limitations on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources)

The first two components listed above are not addressed in this policy due to the nature of their restrictions. An example of nonspendable fund balance is prepaid expenses. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This policy is focused on financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.

Committed Fund Balance

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the city Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

Assigned Fund Balance

Amounts that are constrained by the City's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This policy hereby delegates the authority to assign amounts to be used for specific purposes to the Finance Director for the purpose of reporting these amounts in the annual financial statements. A few examples of assigned fund balance follow:

- **Continuing Appropriations**

Fund balance levels must be sufficient to meet funding requirements for projects approved in prior years and which must be carried forward into the new fiscal year.

- **Debt Service**

Established to provide for future debt service obligations.

- **Budget Balancing Measures**

Funds set aside for the purpose of stabilizing the delivery of city services during periods of operational budget deficits and to mitigate the effects of major economic uncertainties resulting from unforeseen changes in revenues and/or expenditures.

Unassigned Fund Balance

These are residual positive net resources of the general fund in excess of what can properly be classified in one of the other four categories. An example of unassigned fund balance would be the following:

Minimum Fund Balance Policy

In June 2005, the City of Agoura Hills passed Resolution No. 05-1378 stating that the City Council and City Staff will endeavor to designate an amount equal to or greater than forty percent (40%) of each year's proposed General Fund Operating Budget as the City's unobligated General Fund Reserve. The City Council recognizes that the unobligated General Fund reserves are needed for cash flow requirements; and contingencies such as exposure to natural disasters, exposure to economic impacts, and vulnerability to actions of the State. This resolution requires that if, in any budget year, the City Council determines that the public interest requires expending any amount remaining in General Fund Reserves to fall below forty percent (40%) of that year's General Fund Operating budget, the City council and City staff, shall, in the following budget year, present a plan for returning the General Fund Reserve to the 40% level, as soon as practicable, based on the City's then-current budget circumstances.

Fund Balance Classification

The accounting policies of the city consider restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the city considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

This policy is in place to provide a measure of protection for the city against unforeseen circumstances and to comply with GASB Statement No. 54. No other policy or procedure supersedes the authority and provisions of this policy.



**CITY OF AGOURA HILLS
OFFICER/EMPLOYEE/OFFICIAL RESPONSIBILITY AND FRAUD
PREVENTION POLICY AND PROTOCOL**

1. PURPOSE

The City of Agoura Hills is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, vendors, agents, or its own employees, to gain financial or other benefits by deceit. It is also designed to protect its staff from false allegations.

This Policy and Protocol addresses specific guidelines and responsibilities regarding appropriate actions for detecting, reporting, and investigating fraud or other similar irregularities.

2. APPLICABILITY

This Policy and Protocol applies to Councilmembers, all employees of the City of Agoura Hills, and to employees of local boards, agencies, and commissions over which Council has authority to require general procedures to be followed.

3. POLICY

The City of Agoura Hills will identify and promptly investigate any possibility of fraudulent or related dishonest activities against the City of Agoura Hills and, when appropriate, pursue legal remedies available under the law.

The City of Agoura Hills will take appropriate disciplinary and legal actions against employees and/or entities, to include the possibility of termination of employment or contract, restitution, and forwarding information to the appropriate authorities for criminal prosecution, as appropriate.

This Policy and Protocol will attempt to clarify acts that are considered to be fraudulent, and describe the steps to be taken when fraud or other related irregularities are suspected or have occurred. This statement also includes the procedures to follow in accounting for missing funds, restitution, and recoveries.

4. DEFINITION

Fraud: For the purposes of this Policy and Protocol, fraud encompasses any array of irregularities and illegal acts characterized by intentional deception. Dishonest or fraudulent activities include, but are not limited to, the following:

- Forgery or alteration of documents (checks, promissory notes, time sheets, independent contractor agreements, purchase orders, etc.)
- Intentional misrepresentation of information by an individual
- Intentional misrepresentation of information on documents
- Misappropriation of funds, securities, supplies, or any other asset
- Unauthorized use, disappearance, or destruction of City property, equipment, materials or records
- Improprieties in the handling or reporting of money transactions
- Authorization or receipt of payments for goods not received or services not performed
- Authorization or receipt of payment for hours not worked
- Any claim for reimbursement of expenses that are not made for the exclusive benefit of the City
- Any apparent violation of Federal, State, or local laws related to dishonest activities or fraud
- Any similar or related activity

5. MANAGEMENT RESPONSIBILITY

Each department head is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations, and other irregularities.

Management should be familiar with the types of improprieties that might occur in their area and be alert to any indication that improper activity, misappropriation, or dishonest activity is or was in existence in his or her operational area.

Upon notification from an employee of suspected fraud, or if management has reason to suspect that a fraud has occurred, he/she will contact their immediate supervisor and the department head. The department head will contact the Assistant City Manager. If the Assistant City Manager position does not exist, the City Manager will designate an alternate position. If the Assistant City Manager is suspected of fraud, the employee should contact the City Manager, and the City Manager will conduct the investigation. If the City Manager is suspected of fraud, the City Attorney on behalf of the City Council, will conduct the investigation. If a

City Councilmember is suspected, the City Manager will conduct the investigation. The department head will also immediately contact the Sheriff's Department if he/she feels the situation warrants such action (for example, obvious theft has taken place, security is at risk, or immediate recovery is possible). After informing the Assistant City Manager of the matter, management will not attempt to conduct individual investigations, interviews, or interrogations.

Management will support and co-operate with the Assistant City Manager, other involved departments, and law enforcement agencies in the detection, reporting, and investigation of criminal acts, including prosecution of offenders.

The Assistant City Manager will have full and unrestricted access to all necessary City records and personnel. Upon completion of the investigation, including all legal and personnel actions, any records, documents, and other evidentiary material will be returned by the Assistant City Manager to the appropriate department(s).

All furniture and contents, including employee desks and computers, are open to inspection when there is a reasonable suspicion of a dishonest or fraudulent activity, which makes such inspection appropriate. There is no assumption of privacy in such cases. Every effort will be made to effectively recover any of the City's losses.

Great care must be taken in dealing with suspected dishonest or fraudulent activities to avoid the following:

- Incorrect accusations;
- Alerting suspected individuals/companies that an investigation is underway;
- Treating employees/third parties unfairly; or
- Making statements that could lead to claims of false accusations or other offenses. Employees who knowingly or negligently make false accusations may be subject to disciplinary action.

All participants in a fraud investigation will keep the details and results of the investigation confidential. However, the Assistant City Manager, in consultation with City Attorney, may disclose particulars of the investigation with potential witnesses/personnel if such disclosure would further the investigation.

Responsibilities of the manager in handling dishonest or fraudulent activities include the following:

- Do not contact the suspected individual to determine facts or demand restitution.

- Do not discuss the case, facts, suspicions, or allegations with anyone outside the City, unless specifically directed to do so by the Assistant City Manager or City Attorney.
- Do not discuss the case with anyone inside the City other than employees who have a need to know, such as the Assistant City Manager.
- Direct all inquiries from the suspected individual/company or his/her/its representative/attorney to the City Manager.
- Direct all inquiries from the media to the City Manager’s Office. A proper response to such an inquiry might be, “I’m not at liberty to discuss this matter. Let me refer you to the City Manager’s Office”. The City Manager’s Office will determine the appropriate media messages and identify an appropriate City spokesperson, as required.
- Take appropriate corrective and disciplinary action after consulting with the City Manager.

6. EMPLOYEE RESPONSIBILITIES

When suspected fraudulent incidents or practices are observed by, or made known to, an employee, the following will be done:

- The incident or practice must be reported to his/her supervisor for reporting to the proper management official. When the employee believes the supervisor may be involved in the inappropriate activity, the employee will make the report directly to a higher level of management and/or the Sheriff’s Department.
- The reporting employee will refrain from further investigation of the incident, confrontation with the alleged violator, or further discussion of the incident with anyone other than his/her supervisor, the Assistant City Manager/City Manager, and/or law enforcement personnel.

7. INVESTIGATION

The Assistant City Manager will carry out an initial review. If the Assistant City Manager is suspected of fraud, the City Manager will conduct the initial review. After this review is completed, a determination of whether the suspected fraud warrants additional investigation by the Assistant City Manager will be made. As warranted, the Assistant City Manager will inform Risk Management of a pending investigation.

A prompt investigation will be conducted to include detailed analyses of available records. The audit investigation requires the full co-operation of the departmental

personnel. The Assistant City Manager will proceed as follows, if evidence is uncovered showing possible dishonest or fraudulent activities:

- The Assistant City Manager will discuss the findings and recommendations for prevention of future similar occurrences with management and appropriate administrators. Management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent reoccurrence of improper actions.
- The Assistant City Manager will meet with Human Resources to determine if disciplinary actions should be taken.
- The Assistant City Manager will notify the City Manager.
- The Assistant City Manager will notify the Finance Committee as appropriate.
- If illegal activity appears to have occurred, the Assistant City Manager, in consultation with the City Attorney, will report the findings to the Sheriff's Department.
- The Assistant City Manager will contact Risk Management to coordinate the notification of insurers and the filing of insurance claims.
- The Assistant City Manager will report to the external auditors of the City all information relating to investigations of actual frauds.
- The Assistant City Manager may assign the investigation to another qualified individual (employee or non-employee). If the Assistant City Manager conducts the investigation, he or she normally will not serve in the human resources function or serve as the disciplinary authority. These functions will be assigned to or retained by others. Depending on the circumstances of the particular case, the Assistant City Manager may delegate the risk management function and reporting to external auditors to other employees. Where the Assistant City Manager assigns or delegates a function, the assignment or delegation will be documented in writing.

The Assistant City Manager is available and receptive to receiving relevant information on a confidential basis to the extent allowed by law. Individuals have the right to contact the Assistant City Manager directly whenever a dishonest or fraudulent activity is suspected.

8. RELATED POLICIES

This Policy and Protocol is designed to augment any other corporate policies containing related information. It does not replace or preclude them. To the extent that this Policy and Protocol may conflict with any other corporate policies containing related information, this Policy and Protocol will take precedence to the extent only of such conflict.

9. COMPLIANCE

Failure of staff to comply with this Fraud Policy and Protocol could result in disciplinary action.



**CITY OF AGOURA HILLS
STATEMENT OF INVESTMENT POLICY**

2021-2022

I. POLICY

The purpose of this statement is to provide guidelines for the investment of the City's funds and is based upon State law and prudent money management. This policy is designed according to the specific needs of the City of Agoura Hills. The ultimate goal is to enhance the economic status of the City while ensuring the safety of funds. The authority governing investment of public funds is set forth in the Government Code, Sections 53601 et seq.

II. SCOPE

This investment policy applies to all investment activities and financial assets of the City of Agoura Hills. The funds are accounted for and incorporated in the City of Agoura Hills Comprehensive Annual Financial Report and include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Trust Funds.

III. PRUDENCE

The City holds to the "prudent investor standard" in that all investments placed shall be made with a degree of judgment and care, not for speculation, but considering the safety of the monies and acting as a fiduciary of the public trust. The prudent investor standard as set forth in Section 53600.3 of the Government Code is as follows. "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee 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 and with like aims, to safeguard the principal and maintain the liquidity needs of the agency." Related activities which comprise good cash management include cash projections, the expeditious collection of revenue, disbursement control and a cost effective banking relationship.

IV. OBJECTIVE

The City shall be guided by the following criteria in priority order when placing investments:

1. Safety: Safety is the primary duty and responsibility in order to protect, preserve and maintain the principal of the City's public funds, which are for the benefit of citizens of the community.
2. Liquidity: The investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
3. Return: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

It is intended that the scope of this policy cover the investment of surplus (i.e., monies not required for the immediate needs of the City) of all monies held under the direct authority of the City.

Proceeds of debt issuance shall be invested in accordance with the City's general investment philosophy as set forth in this policy; however, pursuant to Government Code Sections 5922(d) and 53601(m), such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures.

V. DELEGATION OF AUTHORITY

Pursuant to Government Code Section 53607, the City Council of the City of Agoura Hills annually delegates the authority to invest or reinvest funds of the City, or to sell or exchange securities so purchased, to the City Treasurer who shall be responsible for all investment transactions undertaken, shall exercise prudence in the selection of subordinate investment officers, and shall establish a system of controls to regulate the activities of subordinate investment officers.

Subject to the foregoing paragraph, the City Treasurer may authorize the Director of Finance to act as the City's Investment Officer in performing the treasury functions and duties under this policy. When acting as the City's Investment Officer as provided in this paragraph, the Director of Finance shall be subject to the direction and supervision of the City Treasurer, shall coordinate with the City Treasurer on investments, and shall discuss changes in the composition of the City's investment portfolio with the City Treasurer prior to purchasing these investments.

Wire Transfer: Any transfers to/from LAIF representing deposits or withdrawals effectuating an investment decision by the City Treasurer shall be completed by Finance Department staff and authorized by the City Manager.

VI. ETHICS AND CONFLICTS OF INTEREST

Investment officials will refrain from personal business activity that could conflict with proper execution and management of the policy and the investment program, or which could impair their ability to make impartial decisions. Investment officials must file an annual Statement of Economic Interest Form 700 with the city clerk’s office prior to April 1 of each year or when material interest in financial institutions or personal investment positions require it.

VII. AUTHORIZED FINANCIAL DEALERS AND INSTIUTIONS

The City does not use third party broker-dealer accounts for the custody of funds or securities. However, pursuant to Government Code Section 53601.5, the City shall purchase each authorized investment either (a) directly from the issuer or (b) from an institution licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code,(c) from a member of a federally regulated securities exchange, (d) from a national or state-chartered bank, (e) from a savings association or federal association (as defined by Section 5102 of the Financial Code), or (f) from a brokerage firm designated as a primary government dealer by the Federal Reserve bank.

VIII. AUTHORIZED SUITABLE INVESTMENTS

The following is a list of the investments authorized by the City of Agoura Hills and shall be maintained within the statutory limits imposed by the Government Code and, if more stringent, the limits set forth in the table below.

Authorized Investment	Govt. Code	Max Percent	Max Maturity	Minimum Quality	Other Constraints
Local Agency Investment Fund (LAIF)	16429.1 et seq.	As permitted by LAIF	N/A	N/A	N/A
U.S. Treasury Issues	53601 (b)	No Limit	5 years	None	Notes, bonds, bills
U.S. Agency Issues	53601 (f)	75% of portfolio 20% single issuer	5 years	None	Federal Agency or U.S. Government sponsored enterprise obligations, participations, or other instruments
Commercial Paper	53601 (h)	5% of portfolio	270 days	Prime	Must be of the highest ranking or the highest letter and number rating as provided for by a nationally recognized statistical rating organization. Must meet all of the following conditions:

Authorized Investment	Govt. Code	Max Percent	Max Maturity	Minimum Quality	Other Constraints
					<p>Entity must be; Organized and operating in United States as general corp. and have total assets in excess of five hundred million dollars (\$500,000,000) and have debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.</p> <p>Or</p> <p>Entity must be organized within the USA as a special purpose corporation, trust, or limited liability company and have programwide credit enhancements including, but not limited to overcollateralization, letters of credit, or a surety bond. And have commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.</p>
Negotiable Certificates of Deposit	53601 (i) et seq	30 % of portfolio 5% single issuer	5 years	A	<p>Issued by nationally or state chartered banks; savings or federal associations (as defined in Financial Code Section 5102); state or federal credit unions; or federally licensed or state licensed branches of foreign banks.</p> <p>Per 53638 deposits may not exceed bank shareholder equity; total net worth of depository savings or federal association; unimpaired capital and surplus of a credit union; unimpaired capital and surplus of industrial loan companies.</p>

Authorized Investment	Govt. Code	Max Percent	Max Maturity	Minimum Quality	Other Constraints
Medium Term Corporate Notes	53601(k)	5% of portfolio	5 years	A	Must be issued by corporation that is organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
Bank Deposits Collateralized or FDIC Insured	53630 et seq	No limit	5 Years	Satisfactory rating from national bank rating service and from Community Reinvestment Act review per Government Code Section 53635.2.	Amounts up to \$250,000 per institution are insured by the FDIC. Amounts over the insurance limit must be placed with financial institutions participating in the California Local Agency Security Program, providing for collateralization of public funds, and pursuant to a contract with the depository meeting the requirements of Government Code Section 53649. Per 53638 deposits may not exceed bank shareholder equity; total net worth of depository savings or federal association; unimpaired capital and surplus of a credit union; unimpaired capital and surplus of industrial loan companies. Treasurer may waive collateral for the portion of any deposits insured pursuant to federal law. The use of private sector entities authorized by Gov. Code 53601.8 or 53635.8 to assist in the placement of deposits are NOT permitted.
Money Market Funds	53601 (l)(2)	15% of portfolio	N/A	Fund must have the highest ranking by not less than 2 NRSRO's.	Retained an investment advisor registered or exempt from registration with the SEC with 5 years' experience managing money market

Authorized Investment	Govt. Code	Max Percent	Max Maturity	Minimum Quality	Other Constraints
					funds in excess of \$500 million.

IX. REVIEW OF INVESTMENT PORTFOLIO

The securities held by the City of Agoura Hills must be in compliance with section VIII, Authorized Suitable Investments at the time of purchase. Because some securities may not comply with Section VIII subsequent to the date of purchase, the Treasurer shall at least annually review the portfolio to identify those securities that do not comply.

The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or City’s risk preferences; and,

If securities owned by City are downgraded by either Moody’s or S&P to a level below the quality required by this Investment Policy, it shall be the City’s policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.

X. INVESTMENT POOLS / MUTUAL FUNDS

Investment pools include LAIF and shares of beneficial interest issued by authorized diversified management companies (money market funds). A thorough investigation of any pool or fund is required prior to the City’s investment and on a periodic basis while funds are invested. The investigation will include review of the following items: Eligible investments; Investment policy and/or investment objectives; interest calculation, distribution, and treatment of gains/losses; Schedule for receiving statements and portfolio listing; Fees.

XI. COLLATERALIZATION

- a. The City does not use Reverse Repurchase Agreements for the investment of funds.
- b. The City will only place in a Non-Negotiable Certificate of Deposit that amount which is covered by FDIC Insurance (per Government Code Section 53653) or fully collateralized (per Government Code Section 53630 et seq., including but not limited to Sections 53649, 53652, and 53656).

XII. SAFEKEEPING AND CUSTODY – Code 53608

- a. The City may engage the services of one or more external investment managers to assist in the management of the City’s investment portfolio in a

manner consistent with the City's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy, provided that the City Treasurer (as the City Council's delegate for investment authority per Government Code Section 53607) exercises prudence in the selection of the manager, imposes suitable safeguards to prevent abuse in the exercise of discretion by the manager, and remains responsible for any investment decisions made by the manager. Such managers must be registered under the Investment Advisers Act of 1940.

- b. All U.S. Treasury Issues, Federal Agency Securities, Commercial Paper, and Medium Term Corporate Notes purchased shall be delivered to our safekeeping account at an independent third party custodian meeting the requirements of Government Code Section 53608 (which include a federal or state association (as defined by Section 5102 of the Financial Code), a trust company or a state or national bank located within the State of California, and the Federal Reserve Bank of San Francisco). Purchase is made on a delivery versus payment basis. Book entry is considered delivery. The City shall retain physical custody of all CD's. There is no safekeeping document for LAIF investments as it is not evidenced by physical or book entry securities.

XIII. DIVERSIFICATION

No more than 5% of the total portfolio may be invested in securities of any single issuer, other than LAIF, bank deposits, money market funds, and the US Government, its agencies and enterprises, all as further specified in Section VIII.

XIV. MAXIMUM MATURITIES

The City does not place investments with a maturity in excess of five years in accordance with Government Code, Section 53601.

XV. INTERNAL CONTROLS

Subject to the direction and supervision of the City Treasurer, the Director of Finance is responsible for establishing and maintaining an internal control structure designed to ensure that the financial assets of the City of Agoura Hills are protected from loss, theft, fraud or misuse. Annually the City's independent auditor will conduct an independent review of investment records and verify the investments have been made in accordance with this policy.

Internal controls state that every transaction must be reviewed, authorized and documented. Transaction documentation will be maintained for audit purposes. The investments placed shall conform to the City's "Statement of Investment Policy."

XVI. PERFORMANCE STANDARDS

Subject to the priority of investment objectives set forth in Section IV, this section sets forth the performance standards for the City's investment portfolio.

1. Overall objective: The investment portfolio shall be designed with the overall objective of obtaining a total rate of return throughout economic cycles, commensurate with investment risk constraints and cash flow needs.

Specific objective: The City's investment strategy is passive with investments generally held to call or maturity. Given this strategy and policy objectives, the rate of return will be maintained on a consistent level representative of current market direction.

XVII. REPORTING

The City Treasurer shall prepare a monthly Treasurer's Report meeting the requirements of Government Code Sections 53607 and 53646(b) (as modified by Section 53646(d)).

The Treasurer shall submit the monthly investment report to the City Manager and City Council which shall list each investment by investment category and include; (1) issuer, (2) purchase and maturity dates, (3) yield, (4) original cost, (5) par value, and (6) market value; provided, pursuant to Government Code Section 53646(e), for investments in LAIF or FDIC-insured accounts in a bank or savings and loan association, the Treasurer may provide the most recent statement(s) received by the City from these institutions in lieu of the foregoing monthly investment report.

The report shall include a statement denoting the ability of the City to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available. The report shall also include a statement as to compliance with this investment policy or manner in which the portfolio is not in compliance.

So long as the City Council's annual delegation of investment authority to the City Treasurer pursuant to Government Code Section 53607 is effective, the City Treasurer shall make a monthly report of all investment transactions to the City Council.

XVIII. INVESTMENT POLICY ADOPTION

The City of Agoura Hills investment policy will be adopted by resolution of the City of Agoura Hills Council. The policy will be reviewed annually by the City Council and any modifications made thereto must be approved by the City Council.

XIX. GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT: The official annual report of the (entity). It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) 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 his own account.

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

DISCOUNT SECURITIES: 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.)

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

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per depositor per insured bank.

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 HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 11 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. Due to its federal charter, FNMA is considered a U.S. government-sponsored enterprise. It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a publicly-traded stockholder-owned corporation that has also been under the conservatorship of the Federal Housing Finance Agency (FHFA) since September 6, 2008. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. For some securities issued by FNMA, FNMA provides guarantees as to the timely payment of principal and interest.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Mortgage-backed securities influencing the volume of affordable housing loans and that are guaranteed by GNMA. Security holder is protected by full faith and credit of the U.S. Government. Underlying mortgages for Ginnie Mae securities include those issued, insured, or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture's Rural Development (RD), and the U.S. Department

of Housing and Urban Development's Office of Public and Indian Housing (PIH). The term "pass throughs" is often used to describe Ginnie Maes.

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 prices is narrow and reasonable size can be done at those quotes. **LOCAL GOVERNMENT INVESTMENT POOL (LGIP):** The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

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

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

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION: A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC 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.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who 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.

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 list of securities selected by the custody state—the so-called legal list. 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. As to the City, the prudent investor standard is established by, and specifically described in, California Government Code Section 53600.3. See Section III of this investment policy.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution meeting the requirements of Government Code Section 53635.2, which has placed with an authorized depository agent per Government Code Section 53657 for the benefit of the depositor eligible collateral having a value of not less than the amount required by Government Code Section 53652 (currently ranging from 105% to 150% of the deposit, depending upon type of collateral) and the depository agent of which has been approved by the Administrator of Local Agency Security designated by Government Code Section 53661 (currently, the Commissioner of Business Oversight) to hold collateral for public deposits.

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 the current income return.

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.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

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 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.