

# CITY OF LOS ALAMITOS

Via videoconference

Participation via Phone: (301) 715-8592

Meeting ID: 883 0841 9723

## AGENDA BUDGET STANDING COMMITTEE SPECIAL MEETING July 27, 2022 – 6:00 p.m.

### SAFETY ALERT –NOTICE REGARDING COVID-19

Due to COVID-19, the City of Los Alamitos Budget Standing Committee Special Meeting on July 27, 2022 will be conducted by videoconference pursuant to the provisions of the Governor's Executive Orders N-25-20 and N-29-20. The public may access the meeting electronically or telephonically.

Pursuant to Executive Orders and given the current health concerns, members of the public can access meetings by using your phone to dial +1 (301) 715-8592 and enter the Meeting ID: 883 0841 9723. Your microphone will be disabled upon entry for the duration of the meeting. **Members of the public may not attend the meeting in person.**

The public can submit comments to [cityclerk@cityoflosalamitos.org](mailto:cityclerk@cityoflosalamitos.org) with the subject line "PUBLIC COMMENT ITEM #" (insert the item number relevant to your comment). Comments **received by 3:00 p.m. July 26, 2022** will be compiled and provided to the Budget Standing Committee and made available to the public before the start of the meeting. Staff will not read email comments at the meeting but the official record will include all email comments received until the close of the meeting.

Members of the public wishing to verbally deliver comments via the telephone conference can submit their requests to [cityclerk@cityoflosalamitos.org](mailto:cityclerk@cityoflosalamitos.org) **until the close of the public comment period**. The City Clerk will compile a list of speakers who have indicated a desire to speak. Before the close of the meeting, the City Clerk will announce each speaker, enable the speaker's microphone, and begin the three-minute timer. The speaker's microphone will automatically be disabled at the end of three minutes.

All speakers shall observe civility, decorum and good behavior. Any item submitted to the Budget Standing Committee during the meeting shall become public record and subject to applicable disclosure laws.

**NOTICE TO THE PUBLIC**

This Agenda contains a brief general description of each item to be considered. Except as provided by law, action or discussion shall not be taken on any item not appearing on the agenda. Supporting documents, including staff reports, are available for on the City's website at [www.cityoflosalamitos.org](http://www.cityoflosalamitos.org) once the agenda has been publicly posted.

Any written materials relating to an item on this agenda submitted after distribution of the agenda packet are available for public inspection on the City's website at [www.cityoflosalamitos.org](http://www.cityoflosalamitos.org).

It is the intention of the City of Los Alamitos to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee, or a participant at this meeting, you will need special assistance beyond what is normally provided, please contact the City Clerk's Office at (562) 431-3538, extension 220, 48 hours prior to the meeting so that reasonable arrangements may be made.

**1. CALL TO ORDER – 6:00 p.m.**

**2. ROLL CALL**

Mayor Hasselbrink  
Council Member Chirco

**3. CONSENT CALENDAR**

**A. Approval of Minutes**

Approve the Minutes of the Special Meeting on May 2, 2022, Special Meeting on June 1, 2022, Special Meeting on June 13, 2022, and Special Meeting on July 13, 2022.

**4. DISCUSSION ITEMS**

**A. Review and discuss the Pension Unfunded Liability (UAL) and review possible early funding options.**

Recommendation: Discuss the Pension Unfunded Liability (UAL) and review early funding options.

**B. Review and discuss the City's current investment policy and consider amendments to allowable investments per current State Government Code.**

Recommendation Review and discuss the City's current investment policy and consider amendments to allowable investments per State Government Code.

**C. Review and discuss the City's infrastructure needs in connection with the the three facility buildings.**

Recommendation: Review and discuss the City's infrastructure needs in connection with the three facility buildings.

- D. Review and discuss the creation and funding of a new fund for Economic Development.

Recommendation: Review and discuss the creation and funding of a new fund for Economic Development.

- E. Review and discuss the next phase of the Economic Development Plan.

Recommendation: Review and discuss the next phase of the Economic Development Plan.

- F. Review and discuss additional items.

Recommendation: Review and discuss additional items and consider recommendations.

## 5. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted at Los Alamitos City Hall, 3191 Katella Ave. and available on the City's website, [www.cityoflosalamitos.org](http://www.cityoflosalamitos.org), not less than 24 hours prior to the meeting.

*Craig Koehler*

Craig Koehler, Finance Director

# City of Los Alamitos

## BUDGET STANDING COMMITTEE

### AGENDA REPORT

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**MEETING DATE:** July 27, 2022 **ITEM NUMBER:** 4A

**To:** Budget Standing Committee Members

**Presented By:** Craig Koehler, Finance Director

**Subject:** PERS Unfunded Actuarial Liability (UAL) and Possible Early Funding Options

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#### **SUMMARY**

This report provides the Budget Standing Committee with an update of the PERS Unfunded Actuarial Liability (UAL) and possible early funding options.

#### **RECOMMENDATION**

Review and discuss the information in connection with the PERS Unfunded Actuarial Liability (UAL) and possible early funding options.

#### **BACKGROUND**

A report on additional PERS funding for an UAL paydown was presented to the City Council on June 21, 2021. Council requested that staff return to the Budget Standing Committee for additional study and review of the different options available to the City in order to determine the feasibility of an early Pay-Down Plan for the unfunded liability, as well as developing needed policies. A follow up report was provided to the Budget Standing Committee on August 23, 2021, and at the January 25, 2022 Special Meeting.

#### **DISCUSSION**

##### **PERS UAL**

Pension costs continue to be a major part of the City's employee and benefit costs and represent a major portion of the total employee costs. The City is projected to pay \$2.6 million to CalPERS in Pension Costs for FY22-23. This includes the unfunded portion, or UAL payment of \$1.8 million. The increases are being driven by a number of factors, but most notably the efforts to shorten the event horizon of amortizing the portfolio gains/losses from 30 years to 20 years.

In addition, the new discount rate is now 6.80%, a reduction from the current level of 7.0%, and will ramp-up over the first five years, reflecting 20% of the annual amortization amount recognized each year, beginning in the actuarial valuations with a measurement date of June 30, 2021 and applies to the pension contribution rates for FY23-24.

CalPERS had a return of 21.3% for FY21. This was followed by a negative return of (6.1%) for FY22, and the loss has quickly eroded the prior year's positive results. Market returns will likely remain low for the next few years, and this will likely have an impact on the funded percentage and future required contributions.

As previously discussed, one way to address the rising pension costs, is to consider an early Paydown Plan for the unfunded liability (UAL). Based on the GovInvest Pension Model, structuring a UAL paydown over a 15-year and 10-year basis were shown to produce estimated savings in the range of \$4 million and \$9 million respectfully. There are several options for an early funding of the UAL. Each option offers savings and related costs, and have advantages and disadvantages associated with the option. The options are discussed below, along with estimated savings, where known.

#### "Pay as You Go" – current payment methodology

- Advantage: Utilizes reserves (surplus) and cash to make payments toward funding the UAL.
- Disadvantage: Does not adequately address UAL and assumes paydown over a longer period of time, thus assuming additional interest cost.

Hybrid – variation of Pay as You Go utilizing surplus directed toward infrastructure and UAL to reach a targeted funding goal (similar to OCFA "Snowball" Plan)

- Advantage: establishes a funding plan to reduce the UAL applying targeted percentage of surplus toward infrastructure and reduction of UAL (i.e. 50% applied to each).
- Disadvantage: funding for UAL may be slower than some of the other options.

#### Additional Discretionary Payments (ADP) – additional payments (discretionary) made to PERS

- Advantage: provides for an accelerated reduction of the UAL and savings are based on payments and period of time. ADP can be applied to amortization bases as directed by the City and may result in savings. Bases with shorter amortization periods will produce greater savings in the short term versus longer bases, but smaller overall savings. Modeling for ADP funding of \$300,000 and \$400,000 respectfully, shortens the payment period and estimated savings were shown to range between \$2.4 million and \$2.8 million, based on the GovInvest Pension Model.
- Disadvantage: ADP are in addition to regular PERS contributions and UAL payments and requires excess cash/reserves to fund.

“CalPERS Fresh Start Program” CalPERS UAL combines multiple amortization bases into a single base that is reset and restructured. The UAL is made up of bases, which represent contract amendments, actuarial assumption changes, and investment gains/losses. Each base is separately amortized and paid over a specific period of time. Bases are removed as they are paid and each year new bases are added.

- Advantage: combines older amortization bases with newer bases, thus resetting the UAL.
- Disadvantage: change is irrevocable and may not be as advantageous at addressing the UAL as some of the other options.

#### Pension Obligation Bonds (POB)

Debt issuance to fund UAL. Based on the most recent CalPERS projections of MISC and Safety plans, UAL is approximately \$18.4 million (6/30/22).

- Advantage: Funds UAL with projected savings. A bond issue would take the place of the UAL obligation, and be replaced by debt payments.
- Disadvantage: Debt payments would be in addition to regular PERS contributions paid by cash or reserves. Savings based on market conditions at the time of issue. The pension fund could also exceed investment targets, which would cause the fund to be over funded by overextending on the borrowing amount.

Tax-Exempt Exchange – redeploys funds that would be used for capital projects, instead of financing projects with tax-exempt bonds, thus provides cash to pay down UAL.

- Advantage: enables UAL financing with tax-exempt debt.
- Disadvantage: additional debt for City to assume.

Internal Revenue Service Code Section 115 Trust – approved and established with the Public Agencies Post-Employment Benefits Trust (PARS) on August 12, 2019.

- Advantage: Allows for fixed income or diversified investing, tailored for short and long-term; opportunity to earn greater return than General Fund, may be used to fund UAL or future pension expenses; Corporate Trustee (PARS) to mitigate fiduciary risk.
- Disadvantage: irrevocable and any payments directed to trust can only be applied to funding of the UAL or future pension costs. Trustee will charge administrative costs for managing funds.

Combinations of various options, to reach an earlier paydown of the UAL.

Staff has done additional work and has contacted a Public Financial Advisory firm (PFM) to solicit advice regarding funding options for paying down the UAL. PFM will provide a financial analysis and evaluation of the City’s existing pension funding status, UAL, projected payments to CalPERS, alternative pension funding strategies, including debt issues.

### Next Steps

Staff recommends that the Budget Standing Committee direct staff to formulate a PERS UAL early funding plan and draft related funding policies.

Submitted By: Craig Koehler, Finance Director

Approved By: Chet Simmons, City Manager

# **City of Los Alamitos**

## **BUDGET STANDING COMMITTEE**

### **AGENDA REPORT**

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**MEETING DATE: July 27, 2022      ITEM NUMBER: 4B**

**To: Budget Standing Committee Members**

**Presented By: Craig Koehler, Finance Director**

**Subject: Consideration of Amendments to City Investment Policy for Allowable Investments per State Government Code**

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#### **SUMMARY**

This report provides the Budget Standing Committee with an update of the City's Investment Policy and consideration of amendments for allowable investments per State Government Code.

#### **RECOMMENDATION**

Review and discuss the City's Investment Policy and consideration of amendments for allowable investments per State Government Code.

#### **BACKGROUND**

The Investment Policy provides the guidelines for prudent investment of the City's reserve cash and outlines the policies essential to ensuring the safety and financial strength of the City's investment portfolio. The City's Investment Policy is reviewed on an annual basis for submission and approval by the City Council.

The City's investment portfolio consists primarily of Certificates of Deposit, U.S. Government Agency Securities and investment in the Local Agency Investment Fund (State Investment Pool - LAIF). It should be noted that City's permitted investments are more restrictive than the State guidelines.

The City's primary objectives, in order of priority, remain as follows:

- a. Safety of principal,
- b. Liquidity, and
- c. Yield.

While there is investment risk associated with any investment activity, there is also opportunity risk related to inactivity. The goals and objectives will be to actively manage the City's idle cash to earn a greater yield while keeping safety and liquidity as the first and foremost priority.

## DISCUSSION

The Investment Policy is reviewed and presented to Council in November of each year. The last report was dated November 21, 2021, and no changes were recommended. Under the current policy, investments are restricted to U.S. Treasury Notes, Bills, and Bonds, Certificates of Deposit, and LAIF. Attached is a copy of the Council report and current Investment Policy (Attachment 1)

Within the constraints of the current investment guidelines, the investment portfolio has increased from \$11.8 million (March 2020) to \$19.3 million in a little over two years (March 2020 to May 2022), and resulted in approximately \$200 thousand investment revenue for the City. If the Investment Policy would have allowed a wider band of investment instruments allowable under State Government Code, the investment portfolio's performance could have been enhanced to a level that would have exceeded the earnings that were obtained under the current policy.

In order to maximize the City's earnings potential on its investment portfolio, and be in compliance with investment guidelines as promulgated by the California Debt Advisory Committee (CDIAC), it is recommended that the Investment Policy be amended to expand the allowable investment instruments to be in line with State Government Code, with the noted excluded exceptions.

Attached is the California Allowable Investments as of January 1, 2022, as defined by CDIAC (Attachment 2). The proposed additional allowable investment instruments include:

- Local Agency Bonds
- State Obligations - CA and Others
- CA Local Agency Obligations
- Bankers' Acceptances
- Commercial Paper Non-Pooled Funds
- Placement Service and Certificates of Deposits
- Medium Term Notes
- Collateralized Bank Deposits
- Mortgage Pass-Through and Asset-Backed Securities
- County Pooled Investment Funds, and
- Public Bank Obligations.

As previously defined, allowable investment instruments specifically exclude reverse repurchase agreements, derivatives, options, futures, zero coupon bonds, inverse floaters, range notes, first mortgages or trust deeds, collateralized mortgage obligations (CMO's), limited partnerships, real estate investments trusts (REIT's), open-end mutual funds, closed-end mutual funds, mutual funds with a weighted average maturity greater

than 180 days, unregulated and/or uninsured investment pools, common stock, preferred stock, commodities, precious metals, securities with high price volatility, limited marketability (less than three active bidders), securities that may default on interest payments and any other speculative investment deemed inappropriate under the Prudent Investor standard, all having terms of five years or less to maintain liquidity.

### Next Steps

If the BSC approves the recommendation, staff will present a report and resolution for Council consideration requesting the changes to amend the City's Investment Policy to be consistent with State Government Code, with the noted exceptions.

Submitted By: Craig Koehler, Finance Director

Approved By: Chet Simmons, City Manager

*Attachment 1: City Investment Policy Dated November 2021- Redlined*

*Attachment 2: Allowable Investment Instruments per State Government Code CDIAC*

## City of Los Alamitos

### Statement of Investment Policy

~~TBD November 2021~~

This Statement of Investment Policy ("Policy"), as set forth by the City of Los Alamitos ("City"), provides the guidelines for prudent investment of the City's idle or reserve cash and outlines the policies essential to ensuring the safety and financial strength of the City's investment portfolio.

This Policy is based on the principles of prudent money management and conforms to all applicable Federal and State Laws governing the investment of public funds. In instances in which the Policy is more restrictive than Federal or State Law, the Policy will supersede.

**1. Purpose:** This statement sets forth policies which shall govern the investment of the City's funds. It will be used by the City Treasurer and other City officials and staff, as well as all other third-party providers of investment or investment related services. Its purpose is to direct the prudent investment and protection of the City's funds and investment portfolio, in compliance with the requirements of California Government Code Section 53600 et. seq.

**2. Application:** It is intended that this policy cover all short-term operating funds and investment activities under the direct authority of the City. These funds are described in the City's annual financial report and include:

General Fund  
Special Revenue Funds  
Capital Projects Funds  
Internal Service Funds

Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

This investment policy does not apply to Bond Proceeds. California Government Code Section 5922(d) authorizes bond, certificates of participation notes and other debt issue proceeds to be invested in accordance with the related offering documentation. This Code Section recognizes the unique needs and objectives of such proceeds.

### **3. Regulation:**

#### **A. Investment Objectives**

It is the policy of the City to invest public funds in a manner which will provide for the preservation of capital while meeting the daily cash flow requirements of the City, and attaining a reasonable rate of return within an acceptable and defined level of risk.

The Policy has three primary objectives in order of priority:

Preservation of Capital (Safety) – The protection of principal is the foremost consideration when undertaking investment decisions that affect public funds. The objective is to mitigate credit risk and interest rate risk.

Credit Risk is the risk of loss of principal due to the failure of the security issuer. Credit Risk can be mitigated by:

Limiting investments to the safest types of securities.

Pre-qualifying accountants, auditors, financial institutions, broker/dealers, financial advisors and other outside consultants with which the City does business.

Diversifying the investment portfolio so that potential losses are minimized

Interest Rate Risk is the risk that the market value of securities will fall due to a rise in general market interest rates. It is the policy of the City to hold individual securities to maturity in an effort to meet liquidity demands. Interest rate risk can be mitigated by:

Holding individual securities to maturity - Structuring the investment portfolio so that securities mature to meet cash flow requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Employing a laddering strategy whereby staggering maturities of individual securities so that bonds come due in increments assuring an overall liquidity pattern.

Limiting maturities of individual securities and the average maturity of the overall portfolio.

Liquidity – the investment portfolio shall remain sufficiently liquid to meet all daily cash flow and operating requirements that may be reasonably expected or anticipated.

Yield – the investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, consistent with the primary objectives of safety and liquidity.

#### ***B. Legal and Policy Constraints***

The authority governing investments for municipal government agencies is set forth in the California Government Code Section 53600, et. seq. In all instances, the City of Los Alamitos shall comply with the requirements of state law.

In addition to the requirements of state law, it is the investment philosophy of the City to make investment decisions based on an overall passive management style that embodies a prudent investor standard and purchases investments with the intent to hold until maturity.

Accordingly, the City's conservative philosophy prohibits active trading and speculation; i.e., the purchase of securities with the intent to profit from favorable market changes in market prices or market conditions. Leveraging or borrowing money for the purpose of investing is specifically prohibited. However, 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 needs.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

#### ***C. Safekeeping of Securities***

To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the City shall be held in safekeeping by a third party bank trust department. Designated third party shall act as agents for the City under the terms of a custody agreement. All trades executed by a dealer will settle delivery vs. payment (DVP) through the City's safekeeping agent. Investment officials shall be bonded to protect the public against possible embezzlement or malice. Securities held in custody for the City shall be independently audited on an annual basis to verify investment holdings.

#### ***D. Maturity and Term***

California Government Code Section 53601 states that except as otherwise allowed:

No investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement authorized by this section, which at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

The City of Los Alamitos administers funds according to cash flow requirements. As a result, there is a core of funds that are not necessary for the daily operational needs of the City for paying expenses. From time to time market conditions of fixed income markets present opportunities for higher interest rates on high grade securities with a low risk exposure. It is in the best interest of the City of Los Alamitos to practice a fully diversified investment plan that will ensure safety, liquidity, and the increase of acceptable yield from these situations.

To the extent possible, the City of Los Alamitos will attempt to match its investments with anticipated cash flow requirements.

Maturities of investments will be selected based on liquidity requirements to minimize interest rate risk and maximize earnings. Current and expected yield curve analysis will be monitored and the portfolio will be invested accordingly.

Market risk, the risk of market value fluctuations due to changes in the general level of interest rates, is mitigated by limiting the weighted average maturity of the portfolio along with a laddered structure. The weighted average maturity of the pooled portfolio should not exceed three years. At least 30% of the portfolio should have a maturity of 1 year or less with the balance of the portfolio laddered with maturities ranging from 1 to 5 years. No securities can be purchased with a maturity greater than five years without the prior approval of the City Council.

#### ***E. Investment Authority***

The City Treasurer, or their designee, is authorized to make investments on behalf of the City of Los Alamitos. Such investments shall only be limited to the instruments authorized under California Government Code Sections 53601 and 53635 and further described in Appendix A and B.

All investments of the City of Los Alamitos shall be approved by the City Manager, or their designee.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Treasurer.

Officers and employees of the City of Los Alamitos 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 decisions. Employees and investment officials shall disclose to the City Treasurer any material financial interests in financial institutions that conduct business with the City of Los Alamitos, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Los Alamitos, particularly with regard to the time of purchases and sales. The City Treasurer shall make similar disclosures to the City Council. Under no circumstances shall investment officers or employees accept gifts, trips, or any type of gratuity from individuals or institutions engaged in investment practices with the City of Los Alamitos.

#### ***F. Transfer of Investment Funds***

The transferring of investment funds will be carried out exclusively by use of telephonic or electronic wire transfers. Each entity with which the City does business shall receive, in writing from the City Treasurer,

a listing which limits transfers of funds to preauthorized bank accounts only. The listing will also contain the names of City staff authorized to request such transfers and will be updated, in writing, for all changes of authorized staff and bank accounts, as necessary.

**G. Deposits**

Money must be deposited in state or national banks, state or federal savings associations, or state or federal credit unions in the State of California. It may be in inactive deposits, active deposits or interest-bearing active deposits. The deposits cannot exceed the amount of the bank's, savings and loan's or credit union's paid up capital surplus.

The bank or savings and loan must secure the active and inactive deposits with eligible securities having a market value of 110% of the total amount of the deposits. The investment officer may, at his/her discretion, waive security for that portion of a deposit which is insured pursuant to federal law. Currently, the first \$250,000 of a deposit is federally insured. It is the City's policy to waive this collateral requirement for the first \$250,000 because it is possible to receive a higher rate.

The City will not maintain a deposit that is above the FDIC insured level. This will include the accrued interest on the deposit.

**H. Permitted Investments**

Investments shall be made only in those instruments specifically authorized by California State laws (Government Code Sections 53600-53609), and to no greater an extent than those authorized by those laws.

The City's specific permitted investment guidelines are listed ~~in Appendix A, with the noted restricted instruments below. It should be noted that City's permitted investments are more restrictive than the State guidelines.~~ A Glossary and a summary of the State of California Statues Applicable to Municipal Investments and is provided in Appendix BA and CB.

Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills, Notes and Bonds	5-Years	None	None
Federal Agency Obligations	5-Years	None	None
Negotiable Certificates of Deposit (CD's) or Time Deposits*	5-Years	30%	None
Non-Negotiable Certificates of Deposit (CD's) or Time Deposits*	5-Years	None	\$250,000
Local Agency Investment Fund (LAIF)	N/A	None	None

\* Denotes a collateral requirement either initially, or at a pre-determined threshold. Please refer to Collateral section of the Policy for specific requirements.

State and Federal laws notwithstanding, any investment not specifically described herein including, but not limited to, reverse repurchase agreements, derivatives, options, futures, zero coupon bonds, inverse floaters, range notes, first mortgages or trust deeds, collateralized mortgage obligations (CMO's), limited partnerships, real estate investments trusts (REIT's), open-end mutual funds, closed-end mutual funds, mutual funds with a weighted average maturity greater than 180 days, unregulated and/or uninsured investment pools, common stock, preferred stock, commodities, precious metals, securities with high price volatility, limited marketability (less than three active bidders), securities that may default on interest payments and any other speculative investment deemed inappropriate under the Prudent Investor standard are strictly prohibited. In addition, any investment transaction that might impair public confidence in the City of Los Alamitos government is to be avoided.

#### ***I. Diversification***

The City of Los Alamitos shall diversify its investments by security type and institution. The City recognizes diversification is an investment strategy that will mitigate risk in the investment portfolio. The City's investment portfolio shall be diversified to avoid incurring unreasonable and avoidable risks with regard to specific investment types. Within investment types, the City shall also maintain a mix of securities to avoid concentrations within individual financial institutions, geographic areas, industry types and maturities. The City will only invest in fixed rate securities.

#### ***J. Performance Standards***

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

Since the weighted average maturity of the pooled portfolio cannot exceed three years, the investment portfolio shall be designed to attain a market-average rate of return comparable to the Merrill Lynch 1-5 Year Federal Agency Index, on a total return basis, excluding the funds maintained in money market accounts.

#### ***K. Reporting***

In accordance with California Government Code Sections 53607 and 53646, the City Treasurer and the City Manager shall render quarterly reports to the City Council showing: (a) type of investment; (b) institution; (c) date of maturity; (d) amount of deposit; (e) current market value for all securities with a maturity of more than twelve (12) months; (f) rate of interest on each security; and (g) such other data as the City Council may, from time to time, specify. (This section is applicable when the City Treasurer has invested in other types of securities other than LAIF.)

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.

#### ***L. Policy Review***

##### **1. Annual Statement of Investment Policy**

The City Treasurer and the City Manager shall annually render to the City Council a Statement of Investment Policy which Statement shall be adopted by the City Council.

##### **2. Periodic Review**

To ensure a statement which is consistent with any new relevant legislation and financial trends, the City Treasurer shall periodically report to the City Council proposed changes and amendments to this document for review and approval. In any event, all changes in state law affecting this policy shall be

considered incorporated immediately upon their effective date unless otherwise adopted earlier by action of the City Council.

***M. Qualified Dealers***

The City of Los Alamitos shall purchase authorized investments either directly from the issuer or shall be purchased either from an institution licensed from the State as a broker dealer, as defined in the Corporations Code, or from a member of the federally regulated securities exchange, from a national or state chartered bank, from a savings association or federal association, or from a brokerage firm designated as a primary or regional government dealer.

The City Treasurer will maintain a list of financial institutions formally authorized to provide investment services. The City Treasurer shall formally authorize investment brokers to provide investment services to the City. Investment Brokers may be Primary Dealers or Regional Brokers and licensed to do business in the State of California. Brokers must complete a broker questionnaire which includes proof of Financial Industry Regulatory Authority (FINRA) certification, proof of State registration and execute a certification that the Broker's employees and supervisory personnel have read and understand the City's Investment Policy. The City Treasurer may conduct periodic reviews of the approved list of investment brokers and may remove a firm from the approval list at any time due to any failure to comply with any of the above criteria, failure to execute a transaction, any change in broker/dealer staff, or any action, event or failure to act which, in the sole discretion of the City Treasurer, is materially adverse to the best interest of the City of Los Alamitos.

## **APPENDIX A -Permitted Investments**

### **DEPOSITORY SERVICES**

**Active deposits** are demand or checking accounts which receive revenues and pay disbursements.

**Interest-bearing active deposits** are money market accounts at a financial institution (i.e., bank, savings and loan, credit union). These accounts are demand accounts (i.e., checking accounts) with restricted transaction activity.

**Inactive deposits** are Certificates of Deposit issued in any amount for periods of time as short as fourteen days and as long as several years. Interest must be calculated on a 360 day basis, actual number of days.

**Passbook savings account** is similar to an inactive deposit except not for a fixed term. The interest rate is much lower than Certificates of Deposit, but the savings account allows for flexibility. Funds can be deposited and withdrawn according to daily operational needs.

### **INVESTMENT SECURITIES**

**U.S. Treasury Issues** are direct obligations of the United States Government. These issues are called bills, notes, and bonds. The maturity range of new issues is from 13 weeks (T-Bills) to 30 years (T-Bonds). These are highly liquid and are considered the safest investment security.

**Federal Agency Issues** are issued by direct U. S. Government agencies or quasi-government agencies. These issues are guaranteed directly or indirectly by the United States Government. Examples of these securities are Federal Home Loan Bank (FHLB) notes, Federal National Mortgage Association (FNMA) notes, Federal Farm Credit Bank (FFCB) notes, Federal Home Loan Mortgage Corporation (FHLMC) notes, Federal Intermediate Credit Bank (FICB) debentures, Small Business Administration (SBA) notes, Government National Mortgage Association (GNMA) notes, and Student Loan Association (SALLMAE) notes.

**Certificates of Deposit** are investments for inactive funds issued by banks, savings and loans, and credit unions. Investments of \$250,000 are insured respectively by Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Share Insurance Fund (NCUSIF). Certificates of Deposit can be issued from 14 days to several years in maturity allowing the City investment of funds to be matched to cash flow needs. For deposits exceeding \$250,000, the financial institution is required to collateralize the investment with 110% government securities. The City does not accept 150% collateral (First Trust Deeds) or 105% Letters of Credit (L.C.).

A **Non-Negotiable Certificate of Deposit** is a promissory note issued by a depository institution (such as a bank, credit union, a saving association, etc.) that usually carries a penalty for early withdrawal and does not have a CUSIP.

**Negotiable Certificates of Deposit** are issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank and are assigned a CUSIP.

**Local Agency Investment Fund (LAIF)** is a special fund in the State Treasury which local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of \$50 million for any agency. [It offers high](#)

liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly by electronic deposit to a designated bank account.

It offers high-The State keeps an amount for reasonable costs of making the investments. State law provides that administrative costs are not to exceed 5% of quarterly earnings of the fund. However, if the 13-week Daily Treasury Bill Rate on the last day of the fiscal year is below 1%, then administrative costs shall not exceed 8% of quarterly earnings of the fund for the subsequent fiscal year.

Local Agency Bonds are bonds issued by other local agencies, maximum maturity 5 years, no maximum specified percentage of portfolio, no minimum quality requirements, Government Code 53601(a).

State Obligations – CA and others are obligations issued by California and other states, maximum maturity 5 years, no maximum specified percentage of portfolio, no minimum quality requirements, Government Code 53601(c)(d).

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California Local Agency Obligations are obligations issued by local agencies within California, maximum maturity 5 years, no maximum specified percentage of portfolio, no minimum quality requirements, Government Code 53601(e).

Bankers' Acceptances are a negotiable piece of paper that functions like a post-dated check. A bank, rather than an account holder, guarantees the payment. Banker's acceptances (also known as bills of exchange) are used by companies as a relatively safe form of payment for large transactions. BAs can also be short-term debt instruments, similar to U.S. Treasury bills, that trade at a discount to face value, maximum maturity 180 days, specified at 40% maximum percentage of portfolio, no minimum quality requirements, Government Code 53601(g).

Placement Service Deposits are deposit placement services, which enables funds to be placed in demand deposit accounts, money market deposit accounts, or both, maximum maturity 5 years, specified 50% maximum percentage of portfolio, no minimum quality requirements, Government Code 53601.8 and 53635.8.

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Placement Service Certificates of Deposit are certificates of deposit placed by a service on behalf of banks and credit unions that are FDIC or NCUA insured, 5 years maximum maturity, specified 50% maximum percentage of portfolio, no minimum quality requirements, Government Code 53601.8 and 53635.8.

Collateralized Bank Deposits are protected public funds backed by a collateralization agreement to protect the principal in the event of failure by the financial institution, maximum maturity 5 years, no maximum specified percentage of portfolio, no minimum quality requirements, Government Code 53630 et seq, and 53601(n).

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Mortgage Pass-Through and Asset-Backed Securities are pools of fixed-income securities backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security or entities who have invested in it). A pass-through security is also known as a "pay-through security" or a "pass-through certificate" though technically the certificate is the evidence of interest or participation in a pool of assets that signifies the transfer of payments to investors; it's not the security itself; maturity maximum maturity 5 years or less; specified maximum of 20% of portfolio; AA rating or better; Government Code 53061(o).

**Commercial Paper Non- Pooled Funds (under \$100 million investments)** – are short-term money market instruments that is used for obtaining short-term funding secured by a promissory note; maximum maturity 270 days or less, specified maximum of 25% of portfolio, rating of highest letter by NRSRO, Government Code 53601(h)(2)(c).

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**Medium Term Notes** – are securities that are collateralized in an amount equal to their full outstanding principal amount; maximum maturity 5 years or less, specified maximum 30% of portfolio, A rating or better, Government Code 53601(k).

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**County Pooled Investment Funds** are investments that are combined in a pool from all participating members and share in the performance of the pooled money; generally large county pools like Orange County Investment Pool (OCIP), no specified maturity but would default to 5 years maximum, no maximum specified percentage of portfolio, no minimum quality requirements, Government Code 27133.

**Public Bank Obligations** are obligations issued by a public bank or financial institution, in which a state, municipality, or public actors are the owners. It is an enterprise under government control. Prominent among current public banking models are the Bank of North Dakota, the German public bank system, and many nations' postal bank systems, maximum maturity 5 years, no specified percentage of portfolio, no minimum quality requirements, Government Code 53601(r), 53635(c), and 57603.

~~The State keeps an amount for reasonable costs of making the investments. State law provides that administrative costs are not to exceed 5% of quarterly earnings of the fund. However, if the 13-week Daily Treasury Bill Rate on the last day of the fiscal year is below 1%, then administrative costs shall not exceed 3% of quarterly earnings of the fund for the subsequent fiscal year.~~

**CUSIP** (Committee on Uniform Security Identification Procedures) is a nine-character alphanumeric code that identifies a North American financial security for the purposes of facilitating clearing and settlement of trades.

APPENDIX B

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2021)<sup>a</sup> APPLICABLE TO ALL LOCAL AGENCIES<sup>b</sup>

INVESTMENT TYPE	MAXIMUM MATURITY <sup>c</sup>	MAXIMUM SPECIFIED SLIDE PORTFOLIO <sup>d</sup>	MINIMUM QUALITY REQUIREMENTS	GOVT. CODE SECTIONS
Local Agency Bonds	5-years	None	None	53601(a)
U.S. Treasury Obligations	5-years	None	None	53601(b)
State Obligations—CA And Others	5-years	None	None	53601(c) 53601(d)
CA Local Agency Obligations	5-years	None	None	53601(e)
U.S. Agency Obligations	5-years	None	None	53601(f)
Bankers' Acceptances	180-days	40% <sup>e</sup>	None	53601(g)
Commercial Paper—Non-Pooled Funds <sup>f</sup> (under \$400,000,000 of investments)	270-days or less	25% of the agency's money <sup>g</sup>	Highest letter and number rating by an NRSRO <sup>h</sup>	53601(h)(2)(e)
Commercial Paper—Non-Pooled Funds (min: \$100,000,000 of investments)	270-days or less	40% of the agency's money <sup>g</sup>	Highest letter and number rating by an NRSRO <sup>h</sup>	53601(h)(2)(e)
Commercial Paper—Pooled Funds <sup>i</sup>	270-days or less	40% of the agency's money <sup>g</sup>	Highest letter and number rating by an NRSRO <sup>h</sup>	53635(a)(1)
Negotiable Certificates of Deposit	5-years	30% <sup>j</sup>	None	53601(i)
Non-negotiable Certificates of Deposit	5-years	None	None	53630 et seq.
Placement Service Deposits	5-years	50% <sup>k</sup>	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5-years	50% <sup>k</sup>	None	53601.8 and 53635.8
Repurchase Agreements	1-year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92-days <sup>l</sup>	20% of the base value of the portfolio	None <sup>m</sup>	53601(j)
Medium-Term Notes <sup>n</sup>	5-years or less	30%	"AA" rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple <sup>o</sup>	53601(l) and 53601.6(b)
Collateralized Bank Deposits <sup>p</sup>	5-years	None	None	53630 et seq. and 53601(m)

Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better	53601(e)
County Pooled Investment Funds	N/A	None	None	27433
Joint Powers Authority Pool	N/A	None	Multiple <sup>5</sup>	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund <sup>7</sup>	N/A	None	None	16340
Supranational Obligations <sup>6</sup>	5 years or less	30%	"AA" rating category or its equivalent or better	53601(e)
Public Bank Obligations	5-years	None	None	53601(r), 53635(e) and 57603

TABLE OF NOTES FOR FIGURE 1

- <sup>a</sup> Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.
- <sup>b</sup> Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- <sup>c</sup> Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- <sup>d</sup> Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- <sup>e</sup> No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.
- <sup>f</sup> Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
- <sup>g</sup> Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper and medium-term notes of any single issuer.
- <sup>h</sup> Issuing corporation must be organized and operating within the United States with assets of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.
- <sup>i</sup> Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).
- <sup>j</sup> No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
- <sup>k</sup> Effective January 1, 2020, no more than 50 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.
- <sup>l</sup> Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- <sup>m</sup> Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- <sup>n</sup> "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations 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."
- <sup>o</sup> No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- <sup>p</sup> A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635.
- <sup>q</sup> A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
- <sup>r</sup> Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.
- <sup>s</sup> A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
- <sup>t</sup> Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- <sup>u</sup> Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

**ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT  
CODE (AS OF JANUARY 1, 2022)<sup>A</sup> APPLICABLE TO ALL LOCAL AGENCIES<sup>B</sup>**

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS	GOVT CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations— CA And Others	5 years	None	None	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40% <sup>E</sup>	None	53601(g)
Commercial Paper—Non-Pooled Funds <sup>F</sup> (under \$100,000,000 of investments)	270 days or less	25% of the agency's money <sup>G</sup>	Highest letter and number rating by an NRSRO <sup>H</sup>	53601(h)(2)(c)
Commercial Paper—Non-Pooled Funds (min. \$100,000,000 of investments)	270 days or less	40% of the agency's money <sup>G</sup>	Highest letter and number rating by an NRSRO <sup>H</sup>	53601(h)(2)(c)
Commercial Paper— Pooled Funds <sup>I</sup>	270 days or less	40% of the agency's money <sup>G</sup>	Highest letter and number rating by an NRSRO <sup>H</sup>	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% <sup>J</sup>	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50% <sup>K</sup>	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50% <sup>K</sup>	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days <sup>L</sup>	20% of the base value of the portfolio	None <sup>M</sup>	53601(j)
Medium-Term Notes <sup>N</sup>	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple <sup>O,Q</sup>	53601(l) and 53601.6(b)
Collateralized Bank Deposits <sup>R</sup>	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple <sup>S</sup>	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund <sup>T</sup>	N/A	None	None	16340
Supranational Obligations <sup>U</sup>	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

## TABLE OF NOTES FOR FIGURE 1

- <sup>A</sup> Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.
- <sup>B</sup> Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- <sup>C</sup> Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- <sup>D</sup> Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- <sup>E</sup> No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.
- <sup>F</sup> Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
- <sup>G</sup> Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper and medium-term notes of any single issuer.
- <sup>H</sup> Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.
- <sup>I</sup> Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).
- <sup>J</sup> No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
- <sup>K</sup> Effective January 1, 2020, no more than 50 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.
- <sup>L</sup> Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- <sup>M</sup> Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- <sup>N</sup> "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations 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."
- <sup>O</sup> No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- <sup>P</sup> A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635.
- <sup>Q</sup> A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
- <sup>R</sup> Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.
- <sup>S</sup> A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
- <sup>T</sup> Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- <sup>U</sup> Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

# City of Los Alamitos

## BUDGET STANDING COMMITTEE

### AGENDA REPORT

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**MEETING DATE:** July 27, 2022      **ITEM NUMBER:** 4C

**To:** Budget Standing Committee Members

**Presented By:** Craig Koehler, Finance Director

**Subject:** Review and Discuss City's Infrastructure Needs

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#### SUMMARY

This report provides the Budget Standing Committee with an outline and discussion of the City's infrastructure needs.

#### RECOMMENDATION

Review and discuss the City's infrastructure needs as it pertains to the three main facility structures: Police, Administration, and Recreation buildings.

#### BACKGROUND

Over the course of time, buildings and facility structures decline and deteriorate if proper maintenance is not maintained on a regular basis. The three main facility structures for Police, Administration, and Recreation, have been identified as needing significant repairs in order to maintain the ongoing integrity of the structures. An outline of the specific needs is discussed below along with the respective cost estimates.

##### Police

Locker Room	\$205,000
Lobby	\$105,000
HVAC	<u>\$125,000</u>
	\$435,000

##### Administration

Generator	\$650,000 (FY22-23 budget)
HVAC	<u>\$125,000</u>
	\$775,000

##### Recreation

HVAC	\$235,000
------	-----------

The combined cost for all three facilities exceeds \$1 million. As these costs are only estimates at this point, it is important to note that the repairs will have to be addressed in the near future including related funding.

**DISCUSSION**

Submitted By: Craig Koehler, Finance Director

Approved By: Chet Simmons, City Manager

# **City of Los Alamitos**

## **BUDGET STANDING COMMITTEE**

### **AGENDA REPORT**

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**MEETING DATE: July 27, 2022      ITEM NUMBER: 4D**

**To: Budget Standing Committee Members**

**Presented By: Craig Koehler, Finance Director**

**Subject: Creation and Funding of New Fund for Economic Development**

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#### **SUMMARY**

This report provides the Budget Standing Committee with a discussion of an option of creating and funding an additional fund for Economic Development projects.

#### **RECOMMENDATION**

Discuss an option of creating and funding an additional fund for Economic Development.

#### **BACKGROUND**

During the budget development, a new division of Economic Development was added to Development Services. As the City moves forward with the next phase of Economic Development projects, it would be beneficial to track funding and related expenditures separately from the General Fund.

#### **DISCUSSION**

Creation of a new fund for Economic Development will assist Finance in accurately tracking and reporting funding for Economic Development and related project expenditures. Initial funding for the Economic Development Fund will come from the General Fund via ARPA.

It is recommended that the initial deposit to the Economic Development fund be in the range of \$250,000 to \$500,000. Approval of the new fund and initial transfer from the General Fund will need to be approved by the BSC and Council.

Submitted By: Craig Koehler, Finance Director

Approved By: Chet Simmons, City Manager

# **City of Los Alamitos**

## **BUDGET STANDING COMMITTEE**

### **AGENDA REPORT**

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**MEETING DATE:** July 27, 2022      **ITEM NUMBER: 4E**

**To:** Budget Standing Committee Members

**Presented By:** Craig Koehler, Finance Director

**Subject:** Review and Discuss the Next Phase of the Economic Development Plan

---

#### **SUMMARY**

This report provides the Budget Standing Committee with an outline of the next phase of the Economic Development Plan.

#### **RECOMMENDATION**

Review and discuss the next phase of the Economic Development Plan.

#### **BACKGROUND**

The Economic Development Plan was first introduced to the BSC on August 23, 2021 and to Council at the September 20, 2021 meeting. At that meeting, the initial phase of programs was discussed, including Welcome New Business and Resident Program, Business Spotlight, Breakfast with the City, Parklet, and the Los al Bucks Program, designed to provide business recovery assistance and strengthen relationships within the business community. Staff also received approval to utilize funding from the American Rescue Plan Recovery Act (ARPA), totaling \$369,625.

#### **DISCUSSION**

This discussion will focus on the next phase of Economic Development and the associated programs for Fiscal Year 2022-23.

Submitted By: Craig Koehler, Finance Director  
Approved By: Chet Simmons, City Manager

# City of Los Alamitos

## BUDGET STANDING COMMITTEE

### AGENDA REPORT

---

**MEETING DATE:** July 27, 2022 **ITEM NUMBER:** 4F

**To:** Budget Standing Committee Members

**Presented By:** Craig Koehler, Finance Director

**Subject:** Review and Discuss Additional Items

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#### **SUMMARY**

This report provides the Budget Standing Committee with a discussion of additional items.

#### **RECOMMENDATION**

Review and discuss additional items and consider recommendations.

#### **BACKGROUND**

Additional items have come up that warrant review with the Budget Standing Committee.

- 1) Cost Recovery Study RFP
- 2) City Treasurer Title Designation
- 3) Resolution to add additional City staff authorization to access confidential HdL sales tax data.
- 4) Police over-hire

#### **DISCUSSION**

##### **Cost Allocation Plan and Cost Recovery Schedule (Fees) Study RFP**

At the time of budget adoption, Finance committed to conducting an RFP for a Cost Recovery (Fees) study. The RFP was issued on June 16, and responses were due to Finance on July 14. A total of five responses were received:

No.	Vendor	Bid
1	Willdan	34,255.00
2	Clear Souce	36,000.00
3	RCS	44,220.00
4	Matrix	47,300.00
5	MGT	59,060.00

The lowest bidder is Willdan at \$34,255. Although this would be within the City Manager's approval authority to contract for this service, the process is being brought forward for discussion with the BSC.

Recommendation: Review the RFP process for the Cost Allocation Plan and Cost Recovery Schedule (Fees) Study, and provide direction on approval and contract award.

#### City Treasurer Title Designation

At the appointment of the City Manager in January 2020, the Finance Director position was vacant, and the designation of City Treasurer was assigned to the City Manager in March 2020. The Finance Director position was subsequently filled on an interim basis until July 2021, at which time was appointed to Finance Director by contract. The designation of City Treasurer has traditionally been assigned to the Finance Director. The recommendation is to assign the designation of City Treasurer to the Finance Director, and make the appropriate resolution, employment contract and signature changes.

Recommendation: Authorize a resolution to assign the designation of City Treasurer to the Finance Director and corresponding changes to add title to the Finance Director employment contract and City signatures.

#### Resolution to add additional City staff authorization to confidential HdL sales tax data.

Access to HdL sales tax data is confidential and limited to the City Manager and Finance Director. With the expansion of the Economic Development program, it has become necessary to expand the list of authorized City personnel to include the Director of Development Services (Ron Noda), Development Services Manager (Irving Montengro Jr.), Alicia Boothe (Special Project Coordinator), and to the to be named Part-Time Economic Development Supervisor. Allowing this additional access to confidential sales tax data will help facilitate the expansion of the Economic Development Program.

Recommendation: Authorize a resolution for additional named authorized personnel and positions for access to HdL confidential sales tax data.

#### Police Over-Hire

To reach maximum department efficiency, the Police Department is seeking approval for the over-hire of two additional officer positions. A Tobacco Grant and other grant funding have been identified that will provide funding for the over-hire of two additional officer positions, one of which is the SRO. If funding falls through, the estimated annual fully burdened cost for two police officers is \$350,000.

Recommendation: Authorize the Police Department to over-hire two additional police officer positions to be funded by grants.

Submitted By: Craig Koehler, Finance Director

Approved By: Chet Simmons, City Manager