CITY OF REDONDO BEACH
BUDGET & FINANCE COMMISSION AGENDA
Thursday, November 14, 2024

415 DIAMOND STREET, REDONDO BEACH

CITY COUNCIL CHAMBER

REGULAR MEETING OF THE BUDGET & FINANCE COMMISSION - 6:30 PM

ALL PUBLIC MEETINGS HAVE RESUMED IN THE CITY COUNCIL CHAMBER. MEMBERS OF THE PUBLIC MAY PARTICIPATE IN-PERSON, BY ZOOM, EMAIL OR eCOMMENT.

Budget & Finance Commission meetings are broadcast live through Spectrum Cable, Channel 8, and Frontier Communications, Channel 41. Live streams and indexed archives of meetings are available via internet. Visit the City's office website at www.Redondo.org/rbtv.

TO WATCH MEETING LIVE ON CITY'S WEBSITE:
https://redondo.legistar.com/Calendar.aspx
*Click "In Progress" hyperlink under Video section of meeting

TO WATCH MEETING LIVE ON YOUTUBE:
https://www.youtube.com/c/CityofRedondoBeachIT

TO JOIN ZOOM MEETING (FOR PUBLIC COMMENT ONLY):
Register in advance for this meeting:
https://us02web.zoom.us/webinar/register/WN_ooIs9pe3TaSP59gEgyrHUQ
After registering, you will receive a confirmation email containing information about joining the meeting.
If you are participating by phone, be sure to provide your phone # when registering. You will be provided a Toll Free number and a Meeting ID to access the meeting. Note; press # to bypass Participant ID. Attendees will be muted until the public participation period is opened. When you are called on to speak, press *6 to unmute your line. Note, comments from the public are limited to 3 minutes per speaker.

eCOMMENT: COMMENTS MAY BE ENTERED DIRECTLY ON WEBSITE AGENDA PAGE:
https://redondo.granicusideas.com/meetings
1) Public comments can be entered before and during the meeting.
2) Select a SPECIFIC AGENDA ITEM to enter your comment;
3) Public will be prompted to Sign-Up to create a free personal account (one-time) and then comments may be added to each Agenda item of interest.
4) Public comments entered into eComment (up to 2200 characters; equal to approximately 3 minutes of oral comments) will become part of the official meeting record.

EMAIL: TO PARTICIPATE BY WRITTEN COMMUNICATION WITH ATTACHED DOCUMENTS BEFORE 3PM DAY OF MEETING:
Written materials that include attachments pertaining to matters listed on the posted agenda received after the agenda has been published will be added as supplemental materials under the relevant agenda item.

FinanceMail@redondo.org

REGULAR MEETING OF THE BUDGET & FINANCE COMMISSION - 6:30 PM

A. CALL MEETING TO ORDER

B. ROLL CALL

C. SALUTE TO THE FLAG

D. APPROVE ORDER OF AGENDA

E. BLUE FOLDER ITEMS - ADDITIONAL BACK UP MATERIALS

Blue folder items are additional back up material to administrative reports and/or public comments received after the printing and distribution of the agenda packet for receive and file.

F. CONSENT CALENDAR

Business items, except those formally noticed for public hearing, or discussion are assigned to the Consent Calendar. The Commission Members may request that any Consent Calendar item(s) be removed, discussed, and acted upon separately. Items removed from the Consent Calendar will be taken up under the "Excluded Consent Calendar" section below. Those items remaining on the Consent Calendar will be approved in one motion following Oral Communications.

F.1. APPROVAL OF AFFIDAVIT OF POSTING FOR THE REGULAR BUDGET AND FINANCE COMMISSION MEETING OF NOVEMBER 14, 2024

G. EXCLUDED CONSENT CALENDAR ITEMS

H. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

This section is intended to provide members of the public with the opportunity to comment on any subject that does not appear on this agenda for action. This section is limited to 30 minutes. Each speaker will be afforded three minutes to address the Commission. Each speaker will be permitted to speak only once. Written requests, if any, will be considered first under this section.

I. ITEMS CONTINUED FROM PREVIOUS AGENDAS

J. ITEMS FOR DISCUSSION PRIOR TO ACTION

J.1. ANNUAL REVIEW OF CITY'S STATEMENT OF INVESTMENT POLICY 2024

J.2. CITY TREASURER'S QUARTER 1 FISCAL YEAR 2024-2025 REPORT

CONTACT: NILESH MEHTA

J.3. NOMINATIONS AND ELECTION OF CHAIRPERSON AND VICE-CHAIR

J.4. FISCAL YEAR 2024-25 Q1 FINANCIAL REPORTING: JULY 2024-SEPTEMBER 2024

J.5. RESERVE POLICIES-COMPARATIVE RESEARCH

K. MEMBER ITEMS AND REFERRALS TO STAFF

L. ADJOURNMENT

The next meeting of the Redondo Beach Budget & Finance Commission will be a regular meeting to be held at 6:30 p.m. on December 12, 2024, in the Redondo Beach Council Chambers, at 415 Diamond Street, Redondo

Beach, California.

It is the intention of the City of Redondo Beach 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, the City will attempt to accommodate you in every reasonable manner. Please contact the City Clerk's Office at (310) 318-0656 at least forty-eight (48) hours prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible. Please advise us at that time if you will need accommodations to attend or participate in meetings on a regular basis.

An agenda packet is available 24 hours at www.redondo.org under the City Clerk.

Administrative Report

F.1., **File #** BF24-1785 **Meeting Date:** 11/14/2024

TITLE
APPROVAL OF AFFIDAVIT OF POSTING FOR THE REGULAR BUDGET AND FINANCE COMMISSION MEETING OF NOVEMBER 14, 2024

REDONDO BEACH

Financial Services
415 Diamond Street
Redondo Beach CA 90277

Tel: 310.697.3648

Redondo.org

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF REDONDO BEACH)

AFFIDAVIT OF POSTING

In compliance with the Brown Act, the following materials have been posted at the locations indicated below.

Legislative Body	Budget and Finance Commission
Posting Type	Regular Meeting Agenda
Posting Locations	415 Diamond Street, Redondo Beach, CA 90277 ✓ Adjacent to Council Chambers ✓ City Clerk's Counter, Door "1"
Meeting Date & Time	November 14, 2024 6:30 p.m.

As the Administrative Analyst and Liaison of the Budget and Finance Commission of the City of Redondo Beach, I declare, under penalty of perjury, the document noted above was posted at the date displayed below.

Erin Smith, Administrative Analyst
Budget and Finance Commission

Date: November 8, 2024

Administrative Report

J.1., **File #** BF24-1703 **Meeting Date:** 11/14/2024

To: **BUDGET AND FINANCE COMMISSION**

From: **EUGENE SOLOMON CITY TREASURER**

TITLE
ANNUAL REVIEW OF CITY'S STATEMENT OF INVESTMENT POLICY 2024

EXECUTIVE SUMMARY
The City Treasurer strives to maintain a well-balanced and diversified investment portfolio that meets the investment criteria and performance objectives of the City's Statement of Investment Policy.
The governing body of public funds should regularly review and approve investment guidelines. The City Council approves the City's Statement of Investment Policy annually.
California Government Code Section 53646(a)(2) states that the treasurer or chief fiscal officer of a local agency may annually render to his/her legislative body and any oversight committee an investment policy, that the legislative body shall consider at a public meeting. This raises questions about whether or not the policy should be adopted officially by the legislative body, and the time during the year that this "consideration" should take place.
The consensus recommendation of the California Debt and Investment Advisory Commission (CDIAC) states: "An investment policy should always be in place. While not required by statute, it is in the best interest of the local agency to present and discuss the policy with the agency's legislative body or oversight committee, and then have the policy approved by a vote of the legislative body. A public vote signifies that the legislative body shares fiduciary responsibility with the treasurer, increases the authority and legitimacy of the investment policy, and provides transparency and disclosure."
Section 23 of the City's Investment Policy specifies that the City Treasurer present the City's statement of investment policy for annual review and adoption by the City Council, as well as annual review by the Budget and Finance Commission. Review of the investment policy incorporates input and analysis of the State of California government code; Legislative changes impacting investment management enacted in 2024; and information from the California Debt and Investment Advisory Committee's (CDIAC) annual update of local agency investment policy guidelines. Local Agency Investment Guidelines may be found at: http://www.treasurer.ca.gov/cdiac/LAIG/guideline.pdf.
The City Treasurer recommends the following addition to the investment policy:
Addition of section N.

N. Joint Powers Authority Maximum Limit 20%

The City may invest up to 20% of its portfolio in shares issued by a Joint Powers Authority, established under California Government Code Section 6509.7. These investments must meet the following:

1. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the Joint Powers Authority.

2. The Joint Powers Authority issuing the shares must retain an investment adviser meets all of the following criteria:

   (a) Is registered or exempt from registration with the Securities and Exchange Commission (SEC).

   (b) Has a minimum of five years of experience investing in the securities and obligations authorized in sections (a) to (r) of California Government Code Section 53601.

   (c) Manages assets under in excess of five hundred million dollars ($500,000,000).

COORDINATION
The City's statement of investment policy and CAMP documents were reviewed by the City Attorney's office.

FISCAL IMPACT
There is no direct fiscal impact as a result of the review and approval of this Investment Policy.

ATTACHMENTS
Exhibit A - Draft City of Redondo Beach Statement of Investment Policy 2024
Exhibit B - Registered investment advisor and list of qualified brokers from which the City may purchase investments.
Exhibit C - Investment Procedures Manual
Exhibit D - Powerpoint Presentation
CAMP Documents

CITY OF REDONDO BEACH, CALIFORNIA

STATEMENT OF INVESTMENT POLICY FISCAL YEAR 2024

Table of Contents

1. Introduction

This statement is intended to establish the policies for prudent investment of the City of Redondo Beach’s ("City") funds, and to provide guidelines for suitable investments. The City is located in the South Bay region of the Greater Los Angeles area and has a population of about 68,000.

2. Governing Authority

The City Council is the governing body of the entity.

3. Delegation of Authority

In accordance with the City of Redondo Beach Charter Section 11.1, the City Treasurer is authorized to invest and reinvest the City's funds according to State law; provided, however, that the City Council may adopt investment guidelines by resolution.

The Charter of the City of Redondo Beach and the authority granted by City Council assign the responsibility of investing unexpended surplus cash to the City Treasurer. In the absence of the City Treasurer, the authority to execute investment transactions will be restricted to the Deputy City Treasurer, or other City Treasurer designee, after notification to both the City Council and the Budget and Finance Commission.

4. Budget and Finance Commission

The City's Budget and Finance Commission, within the advisory powers assigned to the Commission by Ordinance, shall serve in an independent investment advisory capacity, providing oversight of the investment activities of the City Treasurer.

The Budget and Finance Commission shall review on a quarterly basis reports submitted by the City Treasurer analyzing the City's Pool and Investment market trends. With respect to the Commission's investment oversight responsibilities, the intended purpose of the Budget and Finance Commission is to serve in an advisory capacity to the City Treasurer and City Council. Serving in this advisory capacity, the Budget and Finance Commission will provide an important oversight role to the function of City Treasurer's management of the City's Pool, ensuring that the investment decisions of the City Treasurer are made in compliance with the established investment policy guidelines contained within this statement of Investment Policy. The Budget and Finance Commission is not authorized to direct investment decisions, or select individual investment advisors, brokers, or dealers.

5. Policy Statement

It is the policy of the City of Redondo Beach to invest public funds not required for immediate day-to-day operations in safe and liquid investments having a market-average rate of return while conforming to all state statutes governing the investment of public funds.

The ultimate goal is to enhance the economic status of the City while protecting its funds.

The investment policies and practices of the City of Redondo Beach are based upon Federal, State, and local law and prudent money management. The primary goals of these policies are:

a. To assure compliance with all Federal, State and local laws governing the investment of monies under the control of the City Treasurer.

b. To maintain the principal value of assets entrusted to this office and provide adequate liquidity to meet operating expenditures.

c. It is recognized that within a well-diversified portfolio, at any particular point in time, that security valuations are impacted by changes in interest rates and economic conditions. Accordingly, securities may at times be worth less than original purchase price based on market fluctuations. Recognizing these factors, it is the expressed intention of our investment policy to hold all investments to maturity to ensure the return of all invested principal dollars. Securities shall generally be held until maturity with the following exceptions:

    - A security with declining credit may be sold early to minimize loss of principal.
    - A security swap may be executed if it will increase the quality, yield, or target duration in the portfolio.
    - Liquidity needs of the City require that the security be sold.

d. In addition, through the maintenance of sufficient diversification of investments, the forced liquidation of investments at a loss will be avoided, if possible. It is further understood,
however, that in the event of the need for a forced liquidation of investments to meet unplanned or unanticipated cash flow demands, a potential loss of investment principal may potentially occur.

e. Within constraints of safety and liquidity, generate a market rate of return within the parameters of this Statement of Investment Policy and the guidelines for suitable investments.

6. Scope of the Investment Policy

This investment policy applies to all financial assets, investment activities and debt issues of the City of Redondo Beach (including funds, which are invested by trustees appointed under debt trust indentures, with direction from the City Treasurer). This policy covers the investment activities of all contingency reserves and inactive cash balances under the direct authority of the City.

All monies entrusted to the City Treasurer will be pooled in a diversified portfolio. The Investment Pool or "Portfolio" will be referred to as the "Pool" throughout the remainder of this document. The City Treasurer and staff will observe, review and react to changing conditions that affect the Pool.

Investments made on a pooled basis include investments of the City and its component units, including the City of Redondo Beach, the Successor Agency to the City Redevelopment Agency, the Parking Authority, the Public Financing Authority, and the Housing Authority. The City's Comprehensive Annual Financial Report identifies the fund types incorporated under the City's investment pool as follows:

- ➢ General Fund

- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- Fiduciary-Agency Funds
- Any new funds created by the City Council, unless specifically exempted

All debt issue proceeds will be invested in accordance with the associated trust indenture, and in such a manner that facilitates arbitrage rebate calculations.

In determining the investment of funds associated with bonded debt issues, debt proceeds will be invested in accordance with the most restrictive investment requirements contained within either the City's investment policy or the associated bond trust indenture.

Excluded from the scope of the City Treasurer's Investment responsibilities are investments related to funds dedicated for Retirement purposes and Deferred Compensation investment funds.

7. Objectives

A. Safety of Principal

Safety of Principal is the foremost objective of the City of Redondo Beach. Each investment transaction shall seek to ensure that capital losses are avoided whether from institution default or broker-dealer default. The City shall seek to preserve principal by mitigating the two types of risk, credit risk and market risk.

1. **Credit Risk** Credit risk, defined as the risk of loss due to failure of an issuer of a security, shall be mitigated by investing in only very safe institutions and by diversifying the Pool so that the failure of any one issuer would not unduly harm the City's cash flow.

2. **Market Risk** The risk of market value fluctuations due to overall changes in the general level of interest rates shall be mitigated by limiting the weighted average maturity of the City's Pool to no greater than 2.5 years in a diversified Pool.

B. Liquidity

Liquidity is the second most important objective of the City of Redondo Beach. It is important that an investment contain the feature of being easily sold at any time with a minimal risk of loss of some portion of principal or interest. The City may experience unexpected or unusual circumstances that result in some investments needing to be sold to meet a contingency. Therefore, the City maintains a high degree of liquidity in its pool. To the extent possible, investments will be made so that maturities are compatible with cash flow requirements. To ensure that sufficient investment Pool liquidity is maintained at all times, a minimum of twenty-five percent (25%) of the overall investment Pool's investments will be maintained in liquid investments in (a) the State Local Agency Investment Fund (LAIF), (b) allowable mutual funds as set forth in Section 15, or (c) securities with a remaining maturity of one year or less, and (d) a combination. No single investment shall be purchased with a term to maturity at the date of purchase that exceeds 5 years, except as special circumstances dictate and with the expressed approval of the City Council.

C. Maturity Matrix

Maturities of investments will be selected based on liquidity requirements in order to minimize interest rate risk and maximize earnings. Current and expected yield curve analysis will be monitored, and the Pool will be invested accordingly. As a general investment guideline, the following percentages of the Pool should be utilized in the selection of investment maturity sectors:

Maturity Range	Suggested Percentage
Less than 1 year	Minimum of 25%
Less than 3 years	Minimum of 50%
3 years to 5 years	Maximum of 50%
Over 5 years	City Council Authorization Required

D. Diversification

The City's Pool will be diversified to avoid incurring unreasonable and avoidable risks. The investments will be diversified by security type and institution. Allowable limits for specific securities types and institutions are delineated in paragraph VI of this Investment Policy. The aggregate single institution limit of commercial paper, medium term corporate notes, certificates of deposits over the FDIC limit, and banker's acceptances, shall not be greater than five percent (5%) of the Pool. In accordance with Section 7.F, maturities shall be laddered to reduce interest rate risk. In a diversified portfolio, occasional measured losses must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

E. Performance Standard/Benchmark

Investment return becomes a consideration only after the basic requirements of investment safety and liquidity have been met. The City's Pool shall be designed to attain a market-average rate of return through economic cycles. Because the Pool is designed to operate on a 'hold-to-maturity' premise (or passive investment style) and because of the safety, liquidity, and yield priorities, the basis that will be used by the City Treasurer in the periodic purchase of investment instruments to determine whether market yields are being achieved shall be the following book return performance standard and benchmark: The 30 month moving average of the 0-5 Year Treasury Index, using month end values.

F. Timing of Maturities and Maximum Maturities

Investment maturities shall be consistent with the cash flow requirements of the City. Investment maturities will also be timed so that a disproportionate number of investments will not mature simultaneously. In consideration of the timing of investment maturities, the City Treasurer shall select investment maturities utilizing a "laddering" maturity strategy, ensuring a sufficient, well balanced mix of investment maturities, on a regular basis, consistent with the operating cash flow requirement of the City. The maximum maturity of any security shall not exceed five years unless authorized by the City Council.

8. Primary Investment Philosophy

The primary investment philosophy of the City is to match investment maturities with expected cash outflows.

9. Standard of Prudence

Management of the City's investments is governed by the Prudent Investor Standard as set forth in the California Government Code section 53600.3:

> "Except as provided in subdivision (a) of Section 27000 .3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

10. Ethics and Conflicts of Interest

All parties involved in the City's investment process shall seek to act responsibly as custodians of the public trust. The City Treasurer, or if appropriate, the Deputy City Treasurer, shall avoid any transaction that might impair public confidence in the City's ability to govern and manage the investment of public funds in an effective manner, including but not limited to, personal business activity that would impair the City Treasurer or Deputy City Treasurer's ability to make an impartial investment decision. The City Treasurer, Deputy City Treasurer, or other official charged with the responsibility of making investment decisions shall have no vested interest in any investment being made involving public funds of the City, and shall gain no financial benefit from such investment decisions.

The City Treasurer and Deputy City Treasurer shall disclose to the City Council any material interests in the financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Redondo Beach.

11. Indemnification

To the fullest extent permitted by law, no investment officer exercising his or her assigned authority with due diligence and prudence, and that acts in accordance with the City's Investment Policy, shall be held personally liable for any individual investment losses or for total Pool losses.

Prior to investment, the City Treasurer or designee shall complete an investigation of the pool/fund.

12. Investment Procedures Manual

The City Treasurer will maintain an Investment Procedures Manual as attached in Exhibit C. The purpose of this manual is to provide both current operational details, and a central point of reference, with respect to Treasury Departmental operations associated with the placement, settlement and clearance of all City Investments. The Investment Procedures Manual serves as an operational complement to the City's Statement of Investment Policy, which will be reviewed on an annual basis by both the City Council and the Budget and Finance Commission as provided in Section 23 of this Investment Policy. The City's Independent Auditors will also be provided with a current copy of both the Statement of Investment Policy and the Investment Procedures Manual on an annual basis.

13. Investment Internal Controls

The City Treasurer will maintain a system of internal investment controls and segregation of responsibilities of investment functions in order to assure an adequate system of internal control over the investment function.

Internal controls over investment transactions include a separation of duties so no one person is selecting, executing, and monitoring investment transactions. Investment transactions are reviewed each year by the City's external auditor to ensure internal controls, including compliance with policies, procedures, and applicable laws.

14. Safekeeping And Custody of Securities

The Treasurer shall select one or more financial institutions to provide safekeeping and custodial services for the City, in accordance with the provisions of Section 53608 of the California Government Code. A Safekeeping agreement approved by the City shall be executed with each custodian bank prior to utilizing that bank's related services. To protect against fraud, embezzlement, or potential losses caused by collapse of individual securities dealers, all securities owned by the City shall be held in safekeeping by a third party bank trust department, acting as agent for the City under the terms of a custody agreement or PSA agreement (repurchase agreement collateral). All trades executed by a dealer will settle delivery vs. payment (DVP) through the City's safekeeping agent.

Upon purchase, sale, or maturity of investment securities, standing settlement instructions are provided to the servicing banks and broker dealers involved in the transactions. Adherence to these standing settlement instructions ensures accurate and timely settlement of investment security transactions. Standing settlement instructions are restricted in nature, ensuring investment settlements are with established institutions.

15. Authorized Investments

The City shall not enter into any investment transaction that might impair public confidence in the Redondo Beach City government. The City is governed by the California Government Code, Sections 53600 et seq. Except as otherwise provided herein, the maximum maturity period for any of these authorized investments is five years from the date of the original purchase of the investment. Within the context of these limitations, the following investments are authorized, as further limited herein. The percentage limitations of authorized investment component categories within this investment policy represent percentages following the provision of sufficient Pool liquidity achieved by maintaining at all times a minimum of twenty-five percent (25%) of the overall Pool's investments in (a) the State Local Agency Investment Fund (LAIF), (b) allowable mutual funds as set forth in Section 15, (c) securities with a remaining maturity of one year or less, and (d) a combination.

A. United States Treasury Obligations No Limit

United States Treasury Bills, Notes and Bonds, certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for payment of principal and interest. This investment is both safe and liquid. There is no percentage limitation of the Pool that can be invested in this category, although a five-year maturity limitation is applicable.

B. United States Agency Obligations No Limit

Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal Home Loan Mortgage Corporation (FHLMC), and the Federal National Mortgage Association (FNMA) and those insured by the Federal Housing Administration (FHA). The "prudent investor" rule shall apply for a single agency name, as U.S. Government backing is implied rather than guaranteed. There is no percentage limitation of the Pool that can be invested in this category; although, no greater than forty percent (40%) of the Pool shall be invested with any one issuer.

C. Banker's Acceptances Maximum of 40%

Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances. Banker's acceptances purchased may not exceed 180 days to maturity or forty percent of the Pool. No more than five percent of the Pool may be invested in banker's acceptances issued by any one commercial bank. Only those banker's acceptances eligible for purchase by the Federal Reserve System meet eligibility requirements for investment by the pool. Investments in Banker's Acceptances shall be placed in instruments ranked within the top two rating categories by two of the three largest rating services. No more than five percent (5%) of the Pool may be invested in banker's acceptances issued by any one entity.

D. Time Deposits No Limit

Time Deposits are issued by depository institutions against funds deposited for a specific length of time. Time Deposits include instruments such as deposit notes. They are distinct from Certificates of Deposit (CDs) in that interest payments on time deposits are calculated in a manner similar to that of corporate bonds whereas interest payments on CDs are calculated similar to that of money market instruments.

The City may invest in non-negotiable time deposits collateralized in accordance with the California Government Code, in those banks and savings and loan associations that meet the requirements for investment in non-negotiable time deposits. Despite the fact that time deposits are not liquid, there is no restriction by the California Government Code on the percentage of bank/time deposits in the Pool. As such, one hundred percent of the Pool may be invested in this category. All investments in time deposits must be issued by a financial institution whose performance has been reliable, and whose safety rating meets the standards established by the City Treasurer. All investments in time deposits must be properly collateralized in accordance with Section 53652 of the California Government Code. The City Treasurer will periodically monitor, on a discretionary yet diligent basis, the operating performance of all financial institutions holding City time deposits, to ensure compliance to collateralization requirements.

E. Negotiable Certificates of Deposit Maximum of 30%

Negotiable certificates of deposit issued by a nationally or State-Chartered Bank or a State or Federal Savings and Loan Association. Purchases of FDIC insured negotiable certificates of deposits will be insured up to the FDIC limit, which is currently $250,000. No more than $250,000 of the Pool may be invested in negotiable certificates of deposit in any one bank or savings and loan association. Negotiable Certificates of Deposits maximum thirty percent (30%) limit is in aggregate with Certificate of Deposit Placement Service investments.

F. Commercial Paper Maximum of 25%

Commercial Paper ranked "P1" by Moody's Investor Services or "A1" or higher by Standard and Poor's, and issued by a domestic corporation having assets in excess of $500,000,000 and having an "A" or better rating on its long term debentures as provided by Moody's or Standard and Poor's. Purchases of eligible commercial paper may not exceed twenty-five percent (25%) of the Pool or have a term to maturity which exceeds 270 days. No more than five percent of the Pool may be invested in commercial paper issued by any one corporation.

G. Local Agency Investment Fund Maximum of $65 million per account

The City may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the $65 million maximum permitted by State law.

H. Medium-Term Notes Maximum of 30%

Medium-Term Notes are all corporate and depository institution debt securities, with a maximum remaining maturity of five years 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. The minimum quality credit rating requirements of Medium Term Notes by California Government Code is "A". City investment policy requires that at time of purchase, Medium Term Notes eligible for investment shall be rated in a rating category of "A" by S&P or Fitch, or "A2" by Moody's Investors Services or its equivalent or better by a nationally recognized rating service. In the event that prior to maturity any Medium

Term Note investment experiences a credit rating downgrade to a level below the City's required credit rating, the City Treasurer will initiate a thorough review of the credit quality of the downgraded Medium Term Note to determine the prudency of selling the note prior to its maturity.

No more than thirty percent (30%) of the Pool may be invested in medium term notes. No more than five percent (5%) of the Pool may be invested in notes issued by one corporation or depository institution. In the event that the percentage of Medium Term Note investments within the Pool temporally exceeds the percentage limitation of this investment policy as dictated by California Government Code, the City Treasurer will take prudent action within 30 days to bring the percentage of the Pool invested in Medium Term Notes into compliance with the percentage limitation of this investment policy.

I. Money Market Mutual Funds Maximum of 20%

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

1. Prior to selection of investments in any authorized money market mutual funds, the City Treasurer will exercise due diligence in ensuring that all investments in money market mutual funds meet the investment qualification requirements of the California Government Code.

2. No more than twenty percent (20%) of the Pool may be invested in money market mutual funds. . No more than twenty percent (20%) of the Pool may be invested in any individual money market mutual fund.

J. Certificate of Deposit Placement Service Maximum of 30%

AB 2011 added California Government Code Sections 53601.8 and 53635.8, which expanded Local Agencies' permissible investments to include the use of private Certificate of Deposit placement services. AB 2011 provided Local Agencies with an investment tool that minimizes monitoring and administration of their surplus cash investments while allowing smaller local banks to accept deposits that they currently are unable to because of collateralization requirements. Rather than dealing potentially with multiple banks to ensure full FDIC insurance coverage for deposits, AB 2011 provided Local Agencies with a means to work with one bank for non-negotiable Certificate of Deposit investments. The statute limits total Pool investment in Certificates of Deposit to thirty percent (30%) of combined negotiable Certificates of Deposit as authorized under California Government Code Section 53601 (h).

K. Supranationals Maximum of 15%

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American

Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA" or better by at least one of the three large rating agencies, Moody's, Standard & Poor's, or Fitch, and shall not exceed fifteen percent of the Pool. No greater than five percent (5%) of the Pool shall be invested in any one issuer.

L. Authorized yet Currently Unutilized Investments

In managing the Pool, the City Treasurer does not currently utilize the following types of investments that are authorized by California Government Code: Local Agency Bonds; State Obligations of California and other States; California Local Agency Obligations; Repurchase Agreements; Reverse Repurchase Agreements; Mortgage Pass through Securities; and County Pooled Investment Funds. It is the policy of the City of Redondo Beach not to use the above listed types of investments.

M. Collateralized Bank Deposits No Limit

Deposits that are at all times secured by a valid first priority security interest in securities of all types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry 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, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

N. Joint Powers Authority Maximum Limit 20%

The City may invest up to 20% of its portfolio in shares issued by a Joint Powers Authority, established under California Government Code Section 6509.7. These investments must meet the following:

1. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the Joint Powers Authority.

2. The Joint Powers Authority issuing the shares must retain an investment adviser meets all of the following criteria:

   (a) Is registered or exempt from registration with the Securities and Exchange Commission (SEC).

   (b) Has a minimum of five years of experience investing in the securities and obligations authorized in sections (a) to (r) of California Government Code Section 53601.

(c) Manages assets under in excess of five hundred million dollars ($500,000,000).

O. Summary of Maximum Percentage Limitations of Investments, by Investment Type

Recognizing maintenance of the minimum investment liquidity requirements as addressed within section 7.B of this Investment Policy, the following summary of maximum percentage limitations by investment instrument is established for the City's Pool. The percentage limitations of authorized investment component categories within this investment policy represent percentages following the provision of sufficient Pool liquidity.

Investment Type	Maximum Percentage	Maximum Issuer %	Maximum Maturity	CA Government Code Section
U.S. Treasury Obligations	No limit	No limit	5 years	Cal. Gov't Code § § 53601 (b), 53651 (a)
U.S. Agency Obligations	No limit	40%	5 years	Cal. Gov't Code § 53601 (f)
Bankers Acceptances	40%	5%	180 days	Cal. Gov't Code § 53601 (g)
Time Deposits	No limit	No limit	5 years	Cal. Gov't Code § § 53601, 53638
Negotiable Certificates of Deposit	30% (combined with CD Placement Service)	$250,000	5 years	Cal. Gov't Code § 53601 (i)
Commercial Paper	25%	5%	270 days	Cal. Gov't Code § 53601 (h)
Local Agency Investment Fund	Per State Limit - $65 million per Account	Per State Limit - $65 million per Account	N/A	Cal. Gov't Code § 16429.1
Medium Term Corporate	30%	5%	5 years	Cal. Gov't Code § 53601 (k)
Money Market Mutual Funds	20%	20%	N/A	Cal. Gov't Code § 53601 (l)
Certificate of Deposit Placement Service	30% (combined with CDs)	30%	5 years	Cal. Gov't Code § § 53601.8 53635.8
Supranationals	15%	5%	5 years	Cal. Gov't Code § 53601 (q)
Collateralized Bank Deposits	No Limit	No Limit	N/A	Cal. Gov't Code § § 53651 and 53652 (a)
Joint Powers Authority	20%	20%	NA	Cal. Gov't Code § 53601 (p)

In the event, the percentage of investments within any of the authorized types of investments within the Pool temporally exceeds the percentage limitation of this investment policy as dictated by the California Government Code, the City Treasurer will take prudent action within 30 days to bring the percentage of the type of investment that temporally exceeds the percentage limitation into compliance with the percentage limitation of this investment policy.

P. Legislative Changes

Any State of California legislative action, that further restricts allowable maturities, investment type or percentage allocations, will be incorporated into the Investment Policy and supersede any and all previous applicable language.

16. Unauthorized Investments

Ineligible Investments are those that are described herein, including but not limited to common stocks, long term (over five years to maturity) notes and bonds, derivative based instruments, inverse floaters, futures and options, interest-only strips that are derived from a pool of mortgages, securities with high price volatility or limited marketability, and any maturity that could result in zero interest accrual if held to maturity, are prohibited from use in the Pool.

17. Portfolio Management Activity

The investment program shall seek to augment returns consistent with the intent of this policy, identified risk limitations and prudent investment principals. These objectives will be achieved by use of the following strategies:

A. **Active Portfolio Management--**Through active fund and cash flow management taking advantage of current economic and interest rate trends, the pool yield may be enhanced with limited and measurable increases in risk by extending the weighted maturity of the total pool.

B. **Portfolio Maturity Management--**When structuring the maturity composition of the pool, the City shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions longer maturities produce higher yields. However, the securities with longer maturities also experience greater price fluctuations when the level of interest rates change.

C. **Security Swaps--**The City may take advantage of security swap opportunities to improve the overall pool yield. A swap which improves the pool yield may be selected even if the transactions result in an accounting loss. Documentation for swaps will be included in the City's permanent investment file documents.

D. **Competitive Bidding--** To ensure that the purchase of City investments is obtained in the most cost effective and efficient manner, the City Treasurer will encourage competitive bidding for City investment transactions. On an annual basis, the City Treasurer will accept applications from qualified members of the investment broker-dealer community interested in bidding on City investment instruments. The City Treasurer shall establish, on an annual basis, a limited array of qualified broker-dealers to serve the City's investment opportunities. Selection criteria for inclusion on the City's annual list of broker-dealers will be based upon merit, expertise, and performance.

Competitive bidding on individual investment transactions is required on all transactions except those pertaining to "new issue" securities. A new issue security denotes a security that is originally brought to market. Investments in "non-new issue" securities, and the sale of all securities, will require the competitive bid of at least two bidders from the approved list of broker dealers.

Competitive bidding for security swaps is also suggested, however, it is understood that certain time constraints and broker inventory limitations exist which would not accommodate the competitive bidding process. If a time or inventory constraining condition exists, the pricing of the swap should be verified to current market conditions and documented for auditing purposes.

Details of investment transactions involving competitive bidding will be included in the City Treasurer's quarterly report provided to the City Council and the Budget and Finance Commission.

To ensure the accurate and timely processing, clearance, and settlement of all City Investments, the City Treasurer shall maintain an Investment Procedures Manual. This manual provides current details with respect to operational procedures associated with the placement and clearance of all City Investments. To ensure the accuracy and timeliness of this Investment Procedures Manual, the manual will be reviewed on an annual basis by the City's Independent Auditors.

If the City utilizes an Investment Advisor, the Investment Advisor shall act on a non-discretionary basis as set forth below.

> Upon written approval from the City Treasurer, the Investment Advisor shall execute trades on behalf of the City by obtaining at least three bids or offers. However, multiple offers may not be available if the security is a new issue or offered by fewer than three broker/dealers. In that event, the Investment Advisor shall document the bids and offers received, and provide yield information to the City Treasurer for comparable securities.
>
> All investment transactions executed by the Investment Advisor shall comply with Sections 7 (Objectives) and 15 (Authorized Investments) of this Policy. The Investment Advisor shall also comply with applicable laws, rules, regulations, and guidelines, including but not limited to, the Securities and Exchange Commission, and guidelines stipulated in its Securities and Exchange Commission Form ADV and ADV Part 2A Brochures, which shall be provided to the City annually.

18. Collateralization

Investments in time certificates of deposits shall be fully insured up to $250,000 by the Federal Deposit Insurance Corporation or the Federal Savings & Loan Insurance Corporation, as appropriate. Investments in time certificates of deposit in excess of $250,000 shall be properly collateralized. Section 53652 of the California Government Code requires that the depository pledge securities with a market value of at least ten percent (10%) in excess of the City's deposit as collateral in government securities, and fifty percent (50%) in excess of the deposit as collateral in mortgage pools. Section 53649 of the California Government Code specifies that the City Treasurer is responsible for entering into deposit contracts with each depository. Investments held with Third Parties holding collateral for the investment shall be properly collateralized in accordance with collateralization requirements of the California Government Code.

19. Registered Investment Advisor Service

Federal and State Regulation: Investment Advisors with assets under management of $25 million to $100 million or more are registered by the Securities and Exchange Commission (SEC), under the Investment Advisers Act of 1940 (Act). The Act requires investment advisors to file an initial application, known as the "Uniform Application for Investment Advisor Registration" or "Form ADV," with the SEC. They also must file an annual updating amendment, as well as an amendment any time a significant change has occurred at the firm. The

SEC requires investment advisors to maintain extensive records, and has the authority to sanction advisors who break the law or rules established under the Act. The SEC generally conducts routine inspections of advisors' records about once every five years, and may initiate an inspection on the basis of an investor complaint. Advisors registered with the SEC also must submit a simplified filing with securities authorities in the states in which they do business. The City shall only deal with SEC registered investment advisors with $1 billion or more of funds under management.

Investment advisors with assets under management of less than $25 million are regulated by the states in which they do business. In California, such investment advisors register with the California Department of Corporations. It is important to note that the regulatory authorities do not review the credentials or qualifications of advisors, nor do they "approve" or endorse any advisory firm or individual. The role of the regulatory authorities is to enforce the securities laws and not to judge the qualifications of individual advisors.

CDIAC advises that in 1996, the California Attorney General published Opinion 95-807 which addresses utilization of outside investment managers. The opinion states that a City Treasurer can have a contract with an external investment manager. Since there is no specific reference to a section of the California Government Code regarding these services, reference to Opinion 95-807 is sufficient.

20. Authorized Financial Dealers And Institutions

The City shall transact business only with nationally or state chartered banks, federal or state savings and loan institutions, and registered primary investment securities dealers. The purchase by the City of any investment other than those purchased directly from the issuer, shall be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the California Corporations Code, who is a member of the Financial Industry Regulatory Authority (FINRA), or a member of a Federally regulated securities exchange, a National or State-Chartered Bank, a Federal or State Association (as defined by Section 5102 of the California Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

To continue to maintain broker/dealers with quality services, expertise, and credit worthiness, the City Treasurer may, on a selective basis, expand the approved list of primary dealers to include "qualified regional" dealers.

A "qualified regional" dealer must demonstrate the following requirements:

- The "qualified regional" firm must be able to demonstrate their services and/or expertise is not currently being provided by a primary broker/dealer and will specifically and immediately benefit the City.

- In addition to qualifying under the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule), the regional dealer shall not self-clear securities. The clearinghouse through which all transactions are cleared and settled has a minimum investment grade rating of A or better by S&P or Moody.

- The representatives chosen to work with the City Treasurer are institutional brokers familiar with and experienced in the specific needs of California public funds. "Familiar" implies an institutional broker who spends the majority of their time and effort working with public funds.

All institutions which the City Treasurer wishes to do business shall be investigated to determine if they are adequately capitalized, have pending legal action against the firm or the individual broker, are registered with FINRA, make markets in the securities appropriate to the City's needs, and agree to abide by the conditions set forth in the City of Redondo Beach's Investment Policy.

The City Treasurer shall annually send a copy of the current Investment Policy to all broker/dealers approved to do business with the City. Confirmation is required of broker dealers of receipt of this policy and shall be considered evidence that the dealer understands the City's investment policies and intends to sell the City only appropriate investments authorized by this investment policy.

To further ensure that investments are purchased only through well established, financially sound institutions, the City Treasurer shall maintain a list of financial institutions and brokers approved for the conduct of investment transactions. All financing institutions and brokers who desire to become qualified bidders for investment transactions will be given a copy of the City's Investment Policy, and in turn must supply the City Treasurer with the following:

- Current audited financial statements (within 120 days of Fiscal Year End).

- Depository contracts, as appropriate.

- A copy of the latest FDIC call report or the latest FHLB report, as appropriate

- Proof that commercial banks, savings banks, or savings and loan associations are state or federally chartered.

- Proof that brokerage firms are members in good standing on a national securities exchange.

- Proof of State registration.

- Trading resolution.

- Completed Broker/Dealer Questionnaire.

- Certification of having read the City's investment policy and depository contracts.

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

A list of qualified brokers from which the City may purchase investments will be submitted annually by the City Treasurer for approval by the City Council as part of the annual review of investment strategy.

See EXHIBIT A regarding broker/dealers utilized by the investment advisor.

21. Monthly and Quarterly Reporting

The City Treasurer shall render a monthly report to the City Council showing the type of investment, issuing institution, date of maturity, amount of deposit, current market value for all securities, rate of interest, percentage of the Pool representing each investment category, transactions for the period, the ability of the City to meet the expenditure requirements for the next six months or provide and explanation why requirements may not be met, comments with respect to the current fixed income marketplace and current economic conditions impacting the value of fixed income investments, and such data as may be required by the City Council. The City Treasurer shall make quarterly presentations to the Budget and Finance Commission and to the City Council analyzing the Pool and investment market trends.

The securities held by the City must be in compliance with Section 15 Authorized Investments at the time of purchase. Because some securities may not comply with Section 15 Authorized Investments subsequent to the date of purchase, the Treasurer shall at least quarterly review the portfolio to identify those securities that do not comply. The Treasurer shall report to the Budget and Finance Commission, should one exist, major and critical incidences of noncompliance identified through the review of the Pool.

22. Ongoing Training and Education

The City strives for professionalism and accountability in the investment of its funds. In order to assure the highest possible professional standards, the City may provide opportunities and funding for the personnel involved in the investment function to complete continuing education programs or other training in cash and investment management sufficient to maintain their skills and remain up-to-date on best practices and new regulations.

23. Annual Policy Review and Adoption

This Investment Policy shall be reviewed annually by both the Budget and Finance Commission and the City Council to ensure its consistency with the overall objectives of preservation of Principal, Liquidity, and Yield, its relevance to current financial and economic trends, and ability to meet the cash flow operational needs of the City. As part of the City Council's annual review of the City's Statement of Investment Policy, and in accordance with the requirements of the California Government Code, the City Council will adopt the City's Statement of Investment Policy, inclusive of amendments, on an annual basis. To ensure that the Statement of Investment Policy meets continued high standards of legal compliance and reporting excellence, the City Treasurer will submit the Statement of Investment Policy to the California Municipal Treasurer's Association or the Association of Public Treasurers of the United States and Canada for review and recertification no sooner than every three years, nor later than every five years.

EXHIBIT A

REGISTERED INVESTMENT ADVISOR AND QUALIFIED BROKERS FROM WHICH THE CITY MAY PURCHASE INVESTMENTS

Registered Investment Advisor: Rick Phillips, Meeder Public Funds, Inc.

Qualified Brokers: Meeder Public Funds, Inc. maintains an approved list of qualified Broker Dealers, which will be used in transacting business with the City of Redondo Beach.

City Investment Policy Annual Review: November 19, 2024

Budget and Finance Commission Review: November 14, 2024

City Investment Policy Annual Adoption: November 19, 2024

EXHIBIT B

GLOSSARY OF TERMS

The following is a glossary of key terms which appear in the Government Investment Officers Association's Model Investment Policy. (Note: The entity's Policy should include relevant terms, not all terms may need to be included)

144A: A Section of the Securities and Exchange Commission (SEC) which restricts trades of privately placed securities so that these investments can be traded among qualified institutional buyers.

Accretion: The increase in the value of a discounted instrument as time passes and as the maturity date gets closer. The value of the instrument will accrete (grow) at the interest rate implied by the discounted issuance price, the value at maturity, and the term to maturity.

Accrued Interest: The interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

Agency: A debt security issued by an agency or instrumentality of the United States. Agencies are backed by each particular agency or instrumentality of the United States with a market perception that there is an implicit government guarantee.

Amortized Cost: The original cost of the principal adjusted for the periodic reduction of any discount or
premium from the purchase date until a specific date (also called "Book Value").

Amortization: The systematic reduction of the amount owed on a debt issue through periodic payments of principal. The decrease in the value of a premium instrument as time passes and as the maturity date gets closer. The value of the instrument will amortize (decrease) at the interest rate implied by the discounted issuance price, the value at maturity, and the term to maturity.

Asset-Backed Security: A security backed by notes or receivables against assets other than real estate. Examples are autos, credit cards, and equipment.

Ask/Offer: The price at which securities are offered.

Bankers' Acceptances: A short-term credit instrument created by a non-financial firm and guaranteed by a bank as to payment. Acceptances are traded at discounts from face value in the secondary market on the basis of the credit quality of the guaranteeing banks.

Basis Point: A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield. As an example, the difference between a security yielding 2.00% and 2.25% is 25 basis points.

Benchmark: A comparative base for measuring the performance or risk tolerance of an investment portfolio. A benchmark should represent the persistent and prominent characteristics of a portfolio, taking into account metrics such as duration, investment type, and asset allocation.

Bid: The indicated price at which a buyer is willing to purchase a security or commodity.

Bond: A long-term debt instrument of a government or corporation promising payment of the original
investment plus interest by a specified future date.

Book or Effective Return: The sum of all investment income plus realized gains and losses.

Book Value: The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Broker: A broker facilitates security trades on behalf of investors (see Dealer).

Bullet: A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

Callable Bond: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk: The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase: A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Certificate of Deposit: A debt instrument issued by financial institutions that will pay interest, periodically or at maturity, and principal when it reaches maturity. Maturities range from a few weeks to several years.

Collateralization: A process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Collateralization: Process by which a borrower pledges securities, property or other deposits for the
purpose of securing the repayment of a loan and/or security.

Collateralized (Guaranteed) Investment Contracts (CIC): A CIC is a fixed rate, fixed maturity contract similar to a bond that is typically collateralized by an insurance company. However, unlike a bond, a CIC is always carried or valued at par. CICs are primarily utilized for the investment of bond proceeds.

Commercial Paper: An unsecured short-term promissory note issued by corporations, with maturities typically ranging from 1 to 270 days, and usually transacts at a discount with no coupon payments.

Comprehensive Annual Financial Report (CAFR): The CAFR is the entity's official annual financial report. It consists of three major sections: introductory, financial, and statistical. The introductory section furnishes general information on the entity's structure, services, and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. The reported information is in conformity with accounting principles generally accepted in the United States of America (GAAP). The financial section may also include supplementary information not required by GAAP. The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic condition.

Convexity: A measure of how much a fixed-income instrument's duration changes when interest rates change. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Corporate Security: A debt obligation issued by a corporation.

Coupon or Coupon Rate: The stated interest rate on a debt security that an issuer promises to pay. The origin of the term "coupon" is that bonds were historically issued in the form of bearer certificates. Physical possession of the certificate was proof of ownership. Several coupons, one for each scheduled interest payment, were printed on the certificate.

Credit Quality: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return): A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

CUSIP: A unique identifier for a security developed by the Committee on Uniform Security Identification
Procedures (CUSIP). The identifier is a nine-digit alphanumeric character. The first six characters identify the issuer, the following two identify the issue, and the final character is a check digit. CUSIPs are correlated to an alphabetical listing of the issuer's name.

Day Count Convention: A day-count convention is the system used to calculate the amount of accrued interest or the present value when the next coupon payment is less than a full coupon period away. Each bond market and financial instrument has its own day-count convention, which varies depending on the type of instrument, whether the interest rate is fixed or floating, and the country of issuance. Among the most common conventions are 30/360 or 365, actual/360 or 365, and actual/actual.

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

Debenture: A bond secured only by the general credit of the issuer and not by physical assets or collateral of the company.

Delivery (Settlement): There are typically four types of delivery or settlement of securities: cash, which is the same day as the transaction occurred; regular, which trade day plus one; corporate, which is trade day plus two; and forward, which typically occurs three to thirty days after the trade date.

Delivery Versus Payment (DVP): A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Derivative Security: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Discount: The amount by which the par value of a security exceeds the price paid for the security.

Discount Rate: The interest rate member banks pay the Federal Reserve when the banks use securities as collateral.

Diversification: A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates. There are three primary types of duration: Macaulay Duration, Modified Duration, and Effective Duration.

> **Macaulay Duration** was developed in 1938 by Frederic Macaulay, this form of duration measures the number of years required to recover the true cost of a bond, considering the present value of all coupon and principal payments received in the future. Thus, it is the only type of duration quoted in "years." Interest rates are assumed to be continuously compounded.
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> **Modified Duration** expands or modifies Macaulay duration to measure the responsiveness of a bond's price to interest rate changes. It is defined as the percentage change in price for a 100 basis point change in interest rates. The formula assumes that the cash flows of the bond do not change as interest rates change (which is not the case for most callable bonds).
>
> **Effective Duration** (sometimes called option-adjusted duration) further refines the modified duration calculation and is particularly useful when a portfolio contains callable securities. Effective duration requires the use of a complex model for pricing bonds that adjusts the price of the bond to reflect changes in the value of the bond's "embedded options" (e.g., call options or a sinking fund schedule) based on the probability that the option will be exercised. Effective duration incorporates a bond's yield, coupon, final maturity and call features into one number that indicates how price-sensitive a bond or portfolio is to changes in interest rates.

Earnings Apportionment: The distribution of investment income to investment pool participants.

Environmental, Social, and Governance (ESG): (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Fair Value: The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Agricultural Mortgage Corporation (FAMC/Farmer Mac): Farmer Mac is a stockholder-owned, federally chartered corporation with the mission of providing a secondary market for a variety of loans made to borrowers in rural America. Farmer Mac was established under federal legislation in 1988. Farmer Mac is an instrumentality of the United States and government-sponsored enterprise ("GSE") by virtue of the status conferred by its charter. s. Farmer Mac is part of the Farm Credit System but is separate from the Federal Farm Credit Banks and Funding Corporation. It is based primarily in Washington, D.C, and also has offices in Iowa, Idaho, and California.

Federal Deposit Insurance Corporation (FDIC): The FDIC preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least $250,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails. An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a failure. The FDIC receives no Congressional appropriations - it is funded by premiums that banks and thrift institutions pay for deposit insurance coverage and from earnings on investments in U.S. Treasury securities. The FDIC insures trillions of dollars of deposits in U.S. banks and thrifts - deposits in virtually every bank and thrift in the country.

Federal Funds (Fed Funds): Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate: Interest rate charged by one institution lending federal funds to the other.

Federal Farm Credit Bank (FFCB/Farm Credit): The Federal Farm Credit Banks Funding Corporation is responsible for issuing and marketing debt securities on behalf of the four Banks of the Farm Credit System: AgFirst FCB, Agribank FCB, FCB of Texas. And CoBank, ACB. These four Banks (located in South Carolina, Minnesota, Texas, and Colorado) are a leading provider of loans, leases and services to rural communities and U.S. agriculture. The Farm Credit System is a government-sponsored enterprise, created in 1916 and dedicated to assuring a steady source of financing to qualified borrowers. The Federal Farm Credit Banks Funding Corporation is based in Jersey City, New Jersey.

Federal Home Loan Banks (FHLB/Home Loan): The Federal Home Loan Banks are 11 U.S. government-sponsored banks that provide reliable liquidity to member financial institutions to support housing finance and community investment. With their members, the FHLB represents the largest collective source of home mortgage and community credit in the United States. FHLB was created by Congress in 1932 by the Federal Home Loan Bank Act and is located in Reston, Virginia.

Federal Home Loan Mortgage Corporation (FHLMC/Freddie Mac): Freddie Mac was created by Congress in 1970 to expand the secondary market for mortgages in the US. Along with the Federal National Mortgage Association, buys mortgages on the secondary market, pools them, and sells them as a mortgage-backed security to investors on the open market. This secondary mortgage market increases the supply of money available for mortgage lending and increases the money available for new home purchases. Freddie Mac, is headquartered in McLean, Virginia.

Federal National Mortgage Association (FNMA/Fannie Mae): Fannie Mae was created Congress in 1938 to provide supplemental liquidity to the mortgage market, similar to the FHLMC. Fannie Mae, is headquartered in Washington, D.C.

Federal Open Market Committee (FOMC): The FOMC is the branch of the Federal Reserve Board that determines the direction of monetary policy. The FOMC meets several times a year to discuss whether to maintain or change current policy.

Federal Reserve Board (FRB): The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 6,000 commercial banks that are members of the system. These member banks hold stock in the Federal Reserve Banks and earn dividends.

Financial Industry Regulatory Authority (FINRA): FINRA is a private corporation, authorized by Congress, that acts as a self-regulatory organization. FINRA is the successor to the National Association of Securities Dealers, Inc. and the member regulation, enforcement, and arbitration operations of the New York Stock Exchange. FINRA also provides BrokerCheck, which is a service to obtain information regarding brokers, brokerage firms, and investment advisors.

Fitch: A credit rating agency that as one of its services, analyzes and rates securities. Fitch Ratings is one of the “Big Three” credit rating agencies, along with Moody’s and S&P.

Floating Rate Securities: A bond whose interest rate is adjusted according to the interest rates of other financial instruments. These instruments provide protection against rising interest rates, but pay lower yields than fixed rate notes.

Futures: Futures are derivative financial contracts that obligate the parties to transact an asset at a predetermined future date and price. Here, the buyer must purchase or the seller must sell the underlying asset at the set price, regardless of the current market price at the expiration date.

Generally Accepted Accounting Principles (GAAP): GAAP refer to a common set of accepted accounting principles, standards, and procedures that companies and their accountants must follow when they compile their financial statements. GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP improves the clarity of the communication of financial information.

Governmental Account Standards Board (GASB): GASB is a non-profit entity that was organized in 1984 by the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities.
Government National Mortgage Association (GNMA/Ginnie Mae): Ginnie Mae is a U.S. government corporation that guarantees the timely payment of principal and interest on mortgage-backed securities issued by approved GNMA lenders. That assurance allows the mortgage lenders to obtain a better price for these offerings in the capital markets. Those improved proceeds, in turn, allow the lenders to make additional mortgage loans, and at lower costs to finance. GNMA was created by Congress in 1968 and is headquartered in Washington D.C.

Government Securities: An obligation backed by the full faith and credit of the U.S. government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Government Sponsored Enterprises (GSEs): Federally-chartered agency or instrumentality of the United States Government

IDC Ranking: IDC Financial Publishing, Inc. compiles financial data on all banks, thrifts, and credit unions reporting to the federal government, and publishes a ranking based on 24 key indicators.

Interest Rate: See "Coupon Rate."

Interest Rate Risk: The risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value. Duration is a measure of interest rate risk.

Interest Rate Swap: An interest rate swap is a forward contract in which one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps usually involve the exchange of a fixed interest rate for a floating rate, or vice versa, to reduce or increase exposure to fluctuations in interest rates or to obtain a marginally lower interest rate than would have been possible without the swap.

Inter-American Development Bank (IADB): An international financial institution that supports Latin American and Caribbean economic development, social development and regional integration by lending to governments and government agencies, including State corporations. The IADB is headquartered in Washington, D.C. IADB is a supranational organization and was established in 1959.

International Bank for Reconstruction and Development (IBRD): An international financial institution that offers loans to middle-income developing countries. The IBRD is the first of five member institutions that compose the World Bank Group, and is headquartered in Washington, D.C. IBRD is a supranational organization and was established in 1944.

International Finance Corporation (IFC): An international financial institution that offers investment, advisory, and asset-management services to encourage private-sector development in less developed countries. The IFC is a member of the World Bank Group and is headquartered in Washington, D.C. IFC is a supranational organization and was established in 1956.

Inverse Floater: An inverse floater is a bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate. An inverse floater adjusts its coupon payment as the interest rate changes.

Inverted Yield Curve: A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of (or anticipation of) high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940: Federal legislation, which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.
Investment Policy: A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment-Grade Obligations: Obligations that are rated BBB or higher by a rating agency

Joint Powers Authority: A Joint Powers Authority (JPA) is a legal entity formed by two or more public agencies to work together on a specific project or purpose.

Leverage: The use of financial leverage to control a greater amount of assets (by borrowing money) will cause the returns on the owner's cash investment to be amplified.

Liquidity: The amount of a portfolio or an asset that can be converted easily and quickly into cash.

Local Government Investment Pool (LGIP): An investment by local governments in which their money is pooled as a method for managing local funds.

Make Whole Call: A make whole call provision is a type of call provision on a bond allowing the issuer to pay off remaining debt early. The issuer typically has to make a lump sum payment to the investor derived from a formula based on the net present value (NPV) of future coupon payments that will not be paid incrementally because of the call combined with the principal payment the investor would have received at maturity.

Mark-to-Market: The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk: The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value: Current market price of a security.

Master Repurchase Agreement (MRA): 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. SIFMA's MRA is the industry standard agreement.

Maturity: The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity".

Medium Term Notes: Debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

Monetary Policy: The way in which the money supply is managed by the Federal Reserve Board. The FRB manipulates the money supply either through open market transactions, member bank reserve requirements, or through changing the Fed Funds Rate or the Discount Rate.

Money Market: Typically refers to short-term debt instruments (bills, commercial paper, discount notes, etc.).

Money Market Fund: Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos, and federal funds).

Moody's Investors Service: A company that as one of its services, analyzes and rates securities (similar to Fitch and Standard and Poor's).

Mortgage-Backed Security: A security that is backed by a pool of mortgages. Generally, the security is issued or guaranteed by the United States or its agencies or instrumentalities, but also may be issued by financial institutions such as banks.

Municipal Bond: A municipal bond is a debt security issued by a local government, such as county, state, city, special improvement district, to finance its capital expenditures, including the construction of highways, bridges or schools. Municipal bonds can issue taxable or tax-exempt from federal, state, and local taxes.

Mutual Fund: A mutual fund is a professionally managed investment fund that pools money from many investors to purchase securities. These investors may be retail or institutional in nature. Mutual funds have advantages and disadvantages compared to direct investing in individual securities.

Nationally Recognized Statistical Rating Organization (NRSRO): A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. The most recognized NRSROs are Fitch, Moody's, and Standard and Poor's.

National Association of Securities Dealers (NASD): A self-regulatory organization of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Nominal Yield: The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Offer: An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

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.

Option Adjusted Spread (OAS): Option-adjusted spread is the yield spread which has to be added to a benchmark yield curve to discount a security's payments to match its market price, using a dynamic pricing model that accounts for embedded options. OAS is hence model-dependent.

Overnight Indexed Swap (OIS): OIS is an interest rate swap where the periodic floating payment is generally based on a return calculated from a daily compound interest investment. ... The LIBOR–OIS spread is the difference between LIBOR and the OIS rates.

Par: Face value or principal value of a bond, typically $1,000 per bond.

Pass-Thorough Securities: A debt instrument that reflects an interest in a mortgage pool, consumer
receivables pool and equipment lease-backed pool that serves as collateral for a bond.

Portfolio: Collection of securities held by an investor.

Positive (Normal) Yield Curve - A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium: The amount by which the price paid for a security exceeds the security's par value.

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 and banks.

Prime Rate - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal - The face value or par value of a debt instrument. Also, may refer to the amount of capital invested in a given security.

Private Placements: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

Prospectus - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Range Notes: Notes which pay interest only if the underlying index upon which it is benchmarked, falls
within a certain range.

Real Adjustment: When a specific metric or economic indicator is adjusted for inflation.

Regional Dealer: Non-Primary broker-dealers and banks, which transact in the fixed-income markets.

Regular Settlement: Securities settlement that calls for delivery and payment on the next business day following the trade day for government securities and the second business day following the trade date for corporate and municipal securities. Money market funds and money market instruments are settled on a same day basis.

Reinvestment Risk: The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (Repo or RP): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.
Reverse Repurchase Agreement (Reverse Repo): An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13- month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

Safekeeping: The holding of assets (e.g., securities) by a financial institution.

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

Securities and Exchange Commission (SEC): The government agency that regulates and supervises the securities industry. The commission administers federal law, formulates and enforces rules to protect against malpractice, and seeks to ensure that companies provide the fullest possible disclosure to investors. All of the national exchanges and virtually all institutions in the securities industry fall under its jurisdiction.

SEC RULE I5(C))3-1: See Uniform Net Capital Rule.

Securities Lending: Securities lending is when entities transfer or "loan" their securities to broker-dealers in return for cash collateral and simultaneously agree to return the collateral in exchange for the same securities in the future. Entities then invest the cash received as collateral in allowable investments, such as commercial paper, at a rate that exceeds the "rebate" or loan rate paid to the broker-dealer for the cash collateral. These transactions are structured to result in earning an incremental income on a portion of the investment portfolio. The amount of securities loaned from the portfolio and the income generated is dependent upon market conditions.

Security Swap: Selling one asset and buying another.

Securities Industry and Financial Markets Association (SIFMA): SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets.
SIFMA was formed in 2006, from the merger of the Bond Market Association and the Securities Industry Association. SIFMA also provides a recommended holiday schedule for the U.S. financial markets.

Standard and Poor's (S&P): A company that as one of its services, analyzes and rates securities (similar to Moody's Investors Service).

Standard of Prudence: An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices. Generally, the Prudent Person and Prudent Investor are used, with the Prudent Investor being more relevant to state and local governments.

Stated Final Maturity: The date when the final principal amount of a note, draft, or other debt instrument becomes due and is repaid to the investor.

Straight Line Amortization: A common method of calculating accretion or amortization of a discount or premium security to par or 100 from the purchase date to the maturity date. It is calculated by dividing the discount/premium amount by the number of days to maturity, without regard to a security's day count convention.

Structured Notes: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, etc.) and corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Structured Overnight Financing Rate (SOFR): SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The SOFR includes all trades in the Broad General Collateral Rate plus bilateral Treasury repurchase agreement (repo) transactions cleared through the Delivery-versus-Payment (DVP) service offered by the Fixed Income Clearing Corporation (FICC), which is filtered to remove a portion of transactions considered "specials".
The SOFR is calculated as a volume-weighted median of transaction-level tri-party repo data collected from the Bank of New York Mellon as well as GCF Repo transaction data and data on bilateral Treasury repo transactions cleared through FICC's DVP service, which are obtained from DTCC Solutions LLC, an affiliate of the Depository Trust & Clearing Corporation. Each business day, the New York Fed publishes the SOFR on the New York Fed website at approximately 8:00 a.m.

Supranational: A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. The three U.S. based supranationals are International Bank for Reconstruction and Development, the International Finance Corporation, and the Inter-American Development Bank.

Total Return: The sum of all investment income plus realized and unrealized gain and losses.

Trade Reporting and Compliance Engine (TRACE): TRACE is the FINRA-developed vehicle that facilitates the mandatory reporting of over-the-counter secondary market transactions in eligible fixed income securities. All broker-dealers who are FINRA member firms have an obligation to report transactions in corporate bonds to TRACE under an SEC-approved set of rules.

Treasury Bills: Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes: Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

Treasury Bonds: Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of $1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule: SEC Rule 15C3-1 outlining capital requirements for broker/dealers who must maintain a maximum ratio of indebtedness to liquid capital of 15 to 1. Indebtedness covers all money owed to a firm, including margin loans, and commitments to purchase securities (one reason new issues are spread among members of underwriting syndicates). Liquid capital includes cash and assets easily converted to cash.

Volatility: A degree of fluctuation in the price and valuation of securities.

Volatility Risk Rating: A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns to those that are highly sensitive with currently identifiable market volatility risk.

Warrant: In finance, a warrant is a security that entitles the holder to buy the underlying stock of the issuing company at a fixed price called exercise price until the expiry date. Warrants and options are similar in that the two contractual financial instruments allow the holder special rights to buy securities. In accounting, a warrant sometimes similar to a check or an instrument to present for payment.

Weighted Average Life (WAL): The average number of years that each dollar of unpaid principal due on loan, asset-backed security, or mortgage-backed security remains outstanding. WAL delineates how many years it will take to pay half of the outstanding principal.

Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio, weighted by the individual securities.

When Issued: A transaction that is made conditionally because a security has been authorized but not yet issued. Treasury securities, stock splits, and new issues of stocks and bonds are traded on a when-issued basis.

World Bank: The World Bank is an international financial institution that provides loans and grants to the governments of poorer countries for the purpose of pursuing capital projects. It comprises two institutions: the International Bank for Reconstruction and Development, and the International Development Association.

Yield: The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield-to-Call (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.
Yield Curve: A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-Maturity (YTM): The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Yield-to-Worst (YTW): The YTW is the lowest potential yield that can be received on a bond without the issuer actually defaulting. The YTW is calculated by making worst-case scenario assumptions on the issue by calculating the return that would be received if the issuer uses provisions, including prepayments or calls.

Zero-Coupon Securities: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

EXHIBIT C

INVESTMENT PROCEDURES MANUAL

The Investment Procedures Manual is attached.

INVESTMENT PROCEDURES MANUAL

In accordance with Section 12 of the City's Statement of Investment Policy, the City Treasurer will maintain an Investment Procedures Manual. The Investment Procedures Manual lists operations associated with the placement, settlement, and clearance of all City investments.

The City Treasurer in conjunction with the City's contracted financial advisor ("Financial Advisor"), will plan, execute and report investment activity in compliance with the City's Statement of Investment Policy. The investment procedures are as follows:

1. The City Treasurer will periodically discuss cash inflows and outflows with the City management to identify dates of when maturities are needed to provide liquid funds and meet the City's Statement of Investment Policy's parameters.
2. On behalf of the Treasurer, the Financial Advisor will perform the following duties.
    a. Seek securities which meet cash flow needs.
    b. After cash flow needs are met, seek securities which provide additional relative value to the portfolio's yield and duration.
    c. Obtain offers to purchase, or bids if selling, securities which meet the above mentioned criteria.
3. On behalf of the Treasurer, the Financial Advisor will perform the following duties.
    a. Contact the City Treasurer to review and either approve or disapprove the transaction.
    b. If City Treasurer directs that a security be sold, place the security out for bid with at least three broker/dealers in compliance with the competitive bid requirement.
    c. Execute the trade at the most advantageous price.
    d. Send trade ticket to the City Treasurer for signature.
    e. Send signed trade ticket to the custodian and the City's Financial Services Department for settlement.
    f. Send signed trade packet to the City Treasurer
4. City Treasurer will review wire transfers by the City's Financial Services Department to the custodian for settlement.
5. On behalf of the Treasurer, the Financial Advisor will perform the following duties.
    a. Monitor and verify the settlement of the transaction.
    b. Input trading activity into the investment accounting system.
    c. Send Monthly Investment Reports to the City Treasurer
    d. Include all detailed investment reporting on all Quarterly reports.
    e. Monitor credit ratings of the securities in the investment pool for compliance with the City's Statement of Investment Policy.
    f. Analyze the entity, if a security's credit rate drops below allowable ratings..
6. In the event the Financial Advisor determines that a security should be sold due to expected value deterioration, then the Financial Advisor shall seek direction from the City Treasurer.
7. The City Treasurer will send monthly investment reports to the Mayor and City Council, City Manager, City Clerk, and Director of Financial Services.
8. The City Treasurer will present quarterly investment reports to the City Budget and Finance Commission, and to the Mayor and City Council.
9. Annually, the City Treasurer will present this Investment Procedures Manual and the City's Statement of Investment Policy to the City Budget and Finance Commission and to the Mayor and City Council for review and adoption.

Exhibit D – Powerpoint Presentation

Annual Review of City's Statement of Investment Policy

Recommendation: Review Statement of Investment Policy as Amended

Presented by: Eugene Solomon, City Treasurer

Nilesh Mehta, Chief Deputy City Treasurer

Introduction

- The City Treasurer strives to maintain a well-balanced and diversified investment portfolio that meets the investment criteria and performance objectives of the City's Statement of Investment Policy.

- Section 23 of the City's Investment Policy specifies that the City Treasurer present the City's statement of investment policy for annual review and adoption by the City Council, as well as annual review by the Budget and Finance Commission.

Recommendation of Amendments

Recommendation to add Section N.

N. Joint Powers Authority Maximum Limit 20%

The City may invest up to 20% of its portfolio in shares issued by a Joint Powers Authority, established under California Government Code Section 6509.7. These investments must meet the following:

1. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the Joint Powers Authority.
2. The Joint Powers Authority issuing the shares must retain an investment adviser meets all of the following criteria:

Is registered or exempt from registration with the Securities and Exchange Commission (SEC).

Has a minimum of five years of experience investing in the securities and obligations authorized in sections (a) to (r) of California Government Code Section 53601.

Manages assets under in excess of five hundred million dollars ($500,000,000).

Investment Type	Maximum Percentage	Maximum Issuer %	Maximum Maturity	CA Government Code Section
U.S. Treasury Obligations	No limit	No limit	5 years	Cal. Gov't Code § § 53601 (b), 53651 (a)
U.S. Agency Obligations	No limit	40%	5 years	Cal. Gov't Code § 53601 (f)
Bankers Acceptances	40%	5%	180 days	Cal. Gov't Code § 53601 (g)
Time Deposits	No limit	No limit	5 years	Cal. Gov't Code § § 53601, 53638
Negotiable Certificates of Deposit	30% (combined with CD Placement Service)	$250,000	5 years	Cal. Gov't Code § 53601 (i)
Commercial Paper	25%	5%	270 days	Cal. Gov't Code § 53601 (h)
Local Agency Investment Fund	Per State Limit - $65 million per Account	Per State Limit - $65 million per Account	N/A	Cal. Gov't Code § 16429.1
Medium Term Corporate	30%	5%	5 years	Cal. Gov't Code § 53601 (k)
Money Market Mutual Funds	20%	20%	N/A	Cal. Gov't Code § 53601 (l)
Certificate of Deposit Placement Service	30% (combined with CDs)	30%	5 years	Cal. Gov't Code § § 53601.8 53635.8
Supranationals	15%	5%	5 years	Cal. Gov't Code § 53601 (q)
Collateralized Bank Deposits	No Limit	No Limit	N/A	Cal. Gov't Code § § 53651 and 53652 (a)
Joint Powers Authority	20%	20%	NA	Cal. Gov't Code § 53601 (p)

Introduction to CAMP

- California Asset Management Program

Program Administrator

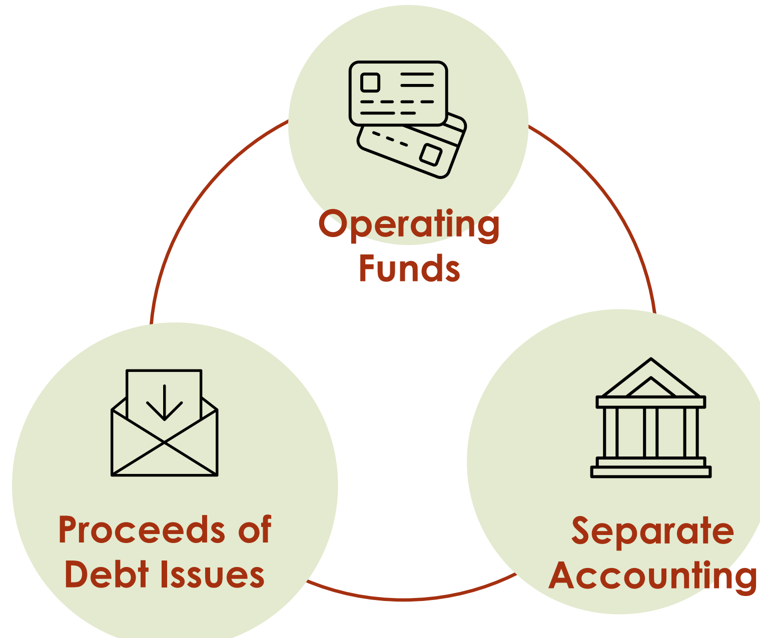
Kyle Tanaka

tanakak@pfmam.com

Cash Reserve Portfolio (Pool)

- Rated AAAm by S&P Global[1]
- Same-day liquidity (11:00 a.m. PST cut-off)
- Unlimited transactions via wire, ACH, or check
- Online account management
- Option to open multiple sub-accounts
- No minimum investment
- Interest paid monthly
- No additional out of pocket expenses
- Specialized services for bond proceeds

May Be Ideal For:

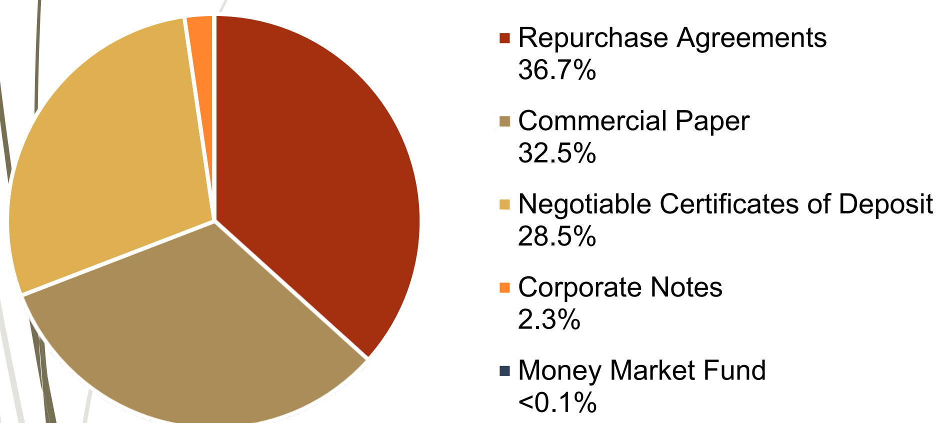


- The Pool's Objective:
  To earn a competitive rate of return while preserving principal, providing liquidity and seeking a stable net asset value (NAV) of $1.00

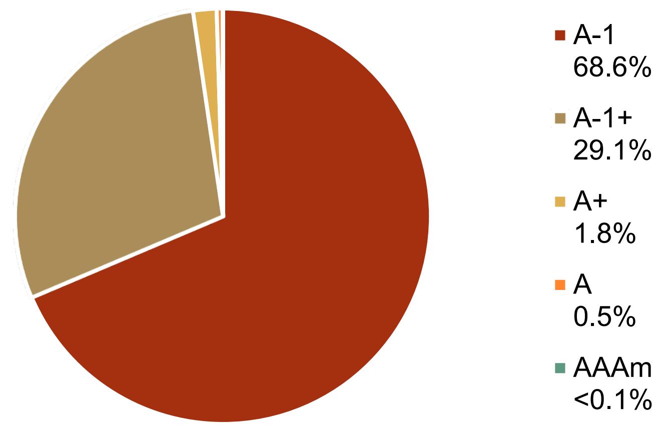
Cash Reserve Portfolio Characteristics as of August 31, 2024

Total Fund Net Assets[1]	$18,984,206,161	**Weighted Average Maturity**	44 Days
Current 7-Day Yield[2]	5.42%	**Net Asset Value per Share**	$1.00

Sector Composition



Sector Composition



Percentages may not total to 100% due to rounding.

1 Total fund net assets, portfolio holdings valued at amortized cost, trade date based.

2 The current seven-day yield, also known as the current annualized yield, represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a balance of one share (normally $1.00 per share) over a seven-day base period expressed as a percentage of the value of one share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7. ***Past performance is no guarantee of future results****. Yields will fluctuate as market conditions change. The current fund performance may be higher or lower than that cited. Updated monthly.*

3 See fund ratings disclosures at the end of this presentation.

Pooled Investment Comparison

Features of each pool vary depending on the type of investments selected and should be carefully reviewed before investing.

	CAMP [1] *Established in 1989*	LAIF [2] *Established in 1977*
Valuation of NAV	Daily	Monthly
S&P Rating	AAAm	Not Rated
Weighted Average Maturity	44 Days	221 Days
Interest Payment Frequency	Monthly	Quarterly
Investment Limit	10% of the beneficial interest in the Pool	$75 million per account

1 *Source: CAMP website. As of August 31, 2024. Please see important disclosures at the end of this presentation.*
2 *Source: LAIF website. Weighted average maturity is as of August 31, 2024.*

What Does GASB 79 Compliance Mean for Your Agency?

- Participants in daily NAV pools that are structured to follow GASB 79 can use amortized cost in their financial reporting and do not need to adjust their investments to fair value.[1]

- This is possible because the pool seeks to follow GASB 79 criteria for:
  - Portfolio maturity
  - Shadow pricing (per share price of a portfolio based on the market value of the securities in that portfolio)
  - Credit quality
  - Diversification
  - Liquidity

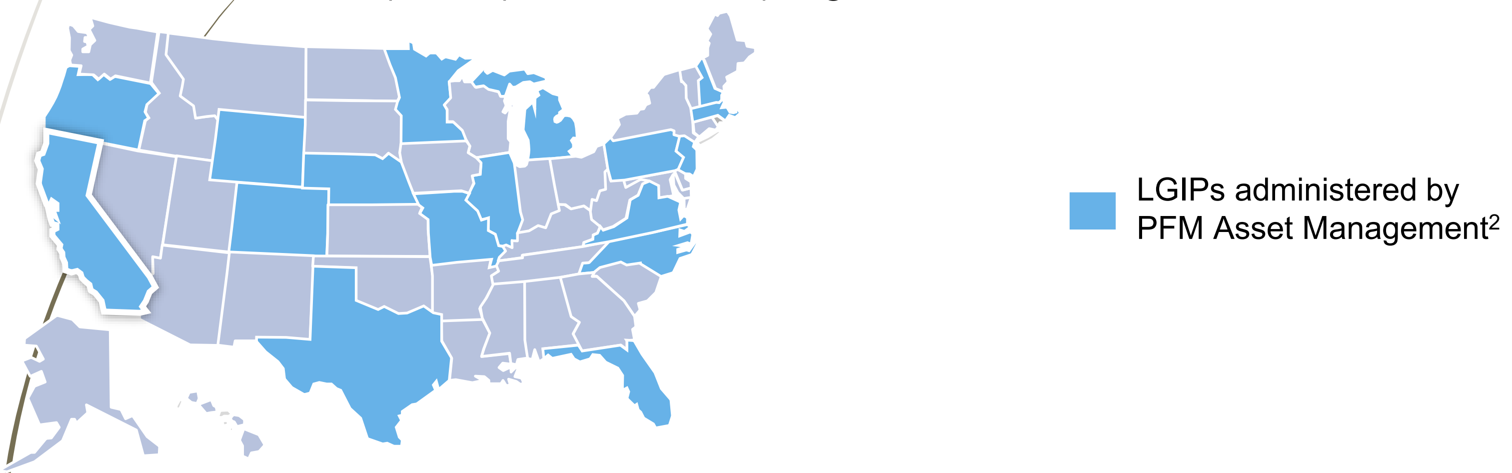
The use of the amortized cost method allows pools to maintain a stable $1 NAV per share.

1. Source: https://www.gasb.org/standards-and-guidance/pronouncements

Advised by a Pioneer in the LGIP Industry

- CAMP's investment adviser helped pioneer the first grassroots LGIP – a Pennsylvania LGIP in 1981.
- Served by resources supporting:
  - 18 local government investment pools
  - More than $81 billion in combined total assets from over 6,000 participants in these programs[1]

CAMP was established in 1989 as a Joint Powers Authority to provide California public agencies with professional investment services.



1 Assets under management as of 6/30/2024 represent the assets managed by PFM Asset Management LLC (PFMAM). As of 10/1/2024, PFMAM and U.S. Bancorp Asset Management, Inc. (USBAM) formerly separately registered investment advisers consolidated into one legal entity and one registered investment adviser with the SEC, with USBAM as the continuing legal entity and registered investment adviser.

2 PFM Asset Management is a division of U.S. Bancorp Asset Management Inc., CAMP's investment adviser and administrator, that services public sector clients.

Professional Service Providers

The Board of Trustees has contracted for all services with national firms.

SERVICES	PROVIDERS
Program Administrator Rebate Calculation Agent	PFM Asset Management[1]
Custodian	U.S. Bank National Association
Auditor	Ernst & Young, LLP
Legal Counsel	Nossaman LLP

1 PFM Asset Management is a division of U.S. Bancorp Asset Management Inc., CAMP's investment adviser and administrator, that services public sector clients.

Fund Rating Disclosures

S&P Global AAAm Rating*: S&P evaluates a number of factors, including credit quality, market price, exposure, and management. Please visit SPGlobal.com/Ratings for more information and ratings methodology.*

Fitch AAAf Rating: *portfolios with this rating indicate having the highest underlying credit quality. Please visit fitchratings.com for more information and ratings methodology.*

Disclosure

CAMP® is a registered trademark and the CAMP logos and designs are trademarks owned by the California Asset Management Trust (Trust).

This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the Trust's investment objectives, risks, charges and expenses before investing in the Trust. This and other information about the Trust is available in the Trust's current Information Statement, which should be read carefully before investing. A copy of the Trust's Information Statement may be obtained by calling 1-800-729-7665 or is available on the Trust's website at www.camponline.com. While the Cash Reserve Portfolio seeks to maintain a stable net asset value of $1.00 per share and the CAMP Term Portfolio seeks to achieve a net asset value of $1.00 per share at the stated maturity, it is possible to lose money investing in the Trust. An investment in the Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Trust are distributed by U.S. Bancorp Investments, Inc., member FINRA (www.finra.org) and SIPC (www.sipc.org). PFM Asset Management is a division of U.S. Bancorp Asset Management, Inc., which serves as administrator and investment adviser to the Trust. U.S. Bancorp Asset Management, Inc. is a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bancorp Investments, Inc. is a subsidiary of U.S. Bancorp and affiliate of U.S. Bank N.A.

Recommendation:

Recommendation: Review Statement of Investment Policy as Amended

ATTACHMENT D

CALIFORNIA ASSET MANAGEMENT TRUST
INVESTOR AGREEMENT

By signing this Investor Agreement ("Agreement"), the undersigned Public Agency ("Investor") agrees with California Asset Management Trust ("Trust") to the following:

1. Program Guide, Declaration of Trust, and By-Laws. Investor acknowledges that it has received and read a copy of the Program Guide, consisting of the Information Statement ("Information Statement") and additional information, in effect as of the date of this Agreement (collectively the "Program Guide"), the Declaration of Trust, in effect as of the date of this Agreement (the "Declaration of Trust"), and the By-Laws, in effect as of the date of this Agreement ("By-Laws"). Unless otherwise stated, capitalized terms used but not otherwise defined in this Agreement have the meanings set forth in the Declaration of Trust.

2. Investment. The Trust will sell to the Investor and the Investor will purchase shares of beneficial interest ("Shares"), which are part of a series of Shares issued by the Trust for Public Agencies that invest in the Trust but do not join the Trust as Participants ("Investor Shares Series").

3. Representations and Warranties. The Investor represents and warrants to the Trust as follows and acknowledges that the Investor has full knowledge that the Trust intends to rely on such representations and warranties and that such representations and warranties shall be deemed renewed with each purchase of the Shares of Investor Shares Series:

(a) The rights, privileges, preferences and restrictions of the Investor Shares Series being purchased are subject to the terms of the Information Statement, the Declaration of Trust, the By-Laws, and this Agreement.

(b) The Investor is duly organized and validly existing as a Public Agency of the State of California, as that term is defined in Sections 6500 and 6509.7(b) of the Act, as may be amended from time to time, and has full legal right, power and authority to enter into this Agreement to observe and perform its obligations hereunder and to invest its assets as provided herein; and by all necessary official actions the Investor has duly authorized and approved the execution hereof, the observance and performance of its obligations hereunder and the investment of its assets as provided herein.

(c) This Agreement constitutes a legal, valid and binding obligation of the Investor enforceable against such Investor in accordance with its respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally.

(d) The Investor has read carefully and understands the Program Guide, the Declaration of Trust and the By-Laws.

(e) The Investor has been furnished any and all materials that it requested relating to the Trust, the offering of the interests in the Trust and the information contained in the Program Guide and has been afforded the opportunity to obtain any additional information necessary to verify the accuracy of any such information.

(f) The Investor has been advised to consult with its own attorneys and tax advisors regarding the legal, regulatory, and tax matters concerning the Trust and the purchase of Shares of Investor Shares Series.

(g) The execution and delivery of this Agreement and the completion of the transactions will not conflict with, or result in any violation of or default pursuant to, any provision of any governing instrument applicable to the Investor, or any agreement or other instrument to which it is a party or by which it or any of its properties are bound or any permit, franchise, judgment, decree, statute, rule or regulation applicable to it or any of its properties.

(h) All of the information that the Investor has furnished in this Agreement is correct and complete as of the date hereof, and if there is any material change in such information, the Investor will immediately furnish such revised and corrected information to the Trust.

(i) The Investor agrees that the foregoing representations and warranties may be used as a defense in any action relating to the Trust or the offering of Shares issued by the Trust.

(j) The Investor represents and warrants to the Trust that all information provided by the Investor to the Trust is correct and complete as of the date of its execution of the Agreement.

(k) The Investor represents and warrants to the Trust that the individual executing this Agreement on its behalf holds the title indicated below his/her name and that such individual is authorized in the name of and on behalf of the Investor to execute and deliver this Agreement.

4. Acknowledgements. The Investor acknowledges and agrees with the Trust that:

(a) Neither the Shares nor the Trust are registered under the Securities Act or any other applicable securities laws in reliance upon the exemption from registration provided in Section 3(a)(2) of the '33 Act, Section 2(b) of the '40 Act, and applicable exemptions under securities laws of the State of California. The Investor understands that as of the date hereof the Trust does not intend to register the Shares under the '33 Act or the Trust itself under the '40 Act.

(b) The Investor will indemnify and hold harmless the Trust, the Trustees, its officers and advisors in respect of all claims, actions, losses, costs, and damages resulting from any inaccuracy in any representations or breach of any warranties of the Investor contained in this Agreement.

(c) The Investor undertakes to make all payments in respect of its purchase of the Shares of Investor Shares Series in accordance with the terms of the Program Guide.

(d) The Investor agrees that the foregoing acknowledgements may be used as a defense in any action relating to the Trust or the offering of Shares of Investor Shares Series.

5. Miscellaneous.

(a) Amendments. This Agreement may be amended only with the approval or consent of the Trustees and the Investor.

(b) Governing Law; Severability. This Agreement shall be construed in accordance with the laws of the State of California and, to the maximum extent possible, in such manner as to comply with all the provisions of the Act. If it is determined by a court of competent jurisdiction that any provision of this Agreement is invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(c) Notices. All notices hereunder must be in accordance with Section 6.6 of the Declaration of Trust.

(d) Failure to Assert or Insist Upon Strict Performance. No failure by any party hereto to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement, or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach or any other covenant, duty, Agreement or condition hereof.

(e) Entire Agreement. This Agreement contains the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, or proposal with respect thereto.

(f) Immunity from Liability, Limited Waiver of Sovereign Immunity of Certain Investors**.** All of the privileges and immunities from liability, all exemptions from laws, ordinances and rules, and all pension, relief, disability, workmen's compensation, and other benefits which apply to the activity of Trustees, officers, agents or employees of the Initial Participants and any additional Participants and Investors when performing their functions within the territorial limits of their respective Public Agencies, shall apply to them to the same degree and extent while engaged in the performance of any of their functions and duties associated with the Trust; provided however, that notwithstanding the foregoing, any Investor that is a federally recognized Indian tribe agrees (i) to a limited waiver of its sovereign immunity solely for the purpose of authorizing the Trustees, to initiate an action against it to enforce any right under this Investor Agreement, to seek provisional remedies and to enforce an award or judgment rendered in any such action; and (ii) to waive its sovereign immunity from any judgment or liability arising from any such action, but any such waiver shall be limited to and co-extensive with any immunity afforded an Investor that is a California Public Agency but not a federally recognized Indian tribe. The Trust, acting through one or more service providers, with the consent of the Board President, shall be authorized to negotiate and to enter into agreements with federally recognized Indian tribes on behalf of the Trust consistent with the above waivers as required to address terms and conditions.

IN WITNESS WHEREOF, the Investor has executed this Investor Agreement on the date set forth below.

This Investor Agreement shall not be binding on the Trust unless and until it has been duly executed below by an authorized representative of the Trust.

INVESTOR

ON BEHALF OF THE____

(Name of Public Entity)

By:____________________________________

Name: __________________________________

Title: ___________________________________

Date: ___________________________________

CALIFORNIA ASSET MANAGEMENT TRUST

By:____________________________________

Name: __________________________________

Title: Secretary_____________________________

Date: ___________________________________

CALIFORNIA ASSET MANAGEMENT TRUST

DECLARATION OF TRUST

Dated as of December 15, 1989, as amended and restated as of October 25, 2022

Table of Contents

THIS DECLARATION OF TRUST, made as of December 15, 1989, by the Initial Participants, is amended and restated as of October 25, 2022. Capitalized terms used herein shall have the meanings specified in Article I.

WITNESSETH

WHEREAS, Section 6502 of the Act provides that "if authorized by their legislative or other governing bodies, two or more public agencies by agreement may jointly exercise any power common to the contracting parties"; and

WHEREAS, Section 6509.7(a) of the Act provides that "two or more public agencies that have the authority to invest funds in their treasuries may, by agreement, jointly exercise that common power"; and

WHEREAS, Section 6500 of the Act defines "Public Agency" to include "the federal government or any federal department or agency, this state, another state or any state department or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission of this state or another state, a federally recognized Indian tribe, or any joint powers authority formed pursuant to this article by any of these agencies"; and

WHEREAS, Section 6509.7(b) of the Act provides that in addition to those public agencies listed in Section 6500, the definition of "Public Agency" also includes "a nonprofit corporation whose membership is confined to public agencies or public officials"; and

WHEREAS, the Initial Participants are both California Public Agencies and are both authorized to invest funds pursuant to the Government Code of the State of California; and

WHEREAS, the Initial Participants have been authorized by their legislative or other governing bodies, and desire to agree by this Declaration of Trust, to jointly exercise their common power to invest funds through creation of the Trust as a separate entity under the Act; and

WHEREAS, the Initial Participants anticipate that other California Public Agencies as defined by the Act, as it may be amended from time to time, may wish to become Participants by adopting and executing this Declaration of Trust and thus becoming parties to it; and

WHEREAS, Section 6509.7(a) of the Act provides that Public Agencies' funds invested pursuant to an agreement entered into under the Act may be invested as authorized under subdivision (p) of Section 53601 of the California Government Code ("Section 53601"); and

WHEREAS, Section 53601 of the California Government Code, subdivision (p), makes shares of beneficial interest issued by the Trust eligible investments for Public Agencies; and

WHEREAS, Public Agencies that do not wish to become parties to this Declaration of Trust, but that wish to acquire Shares of Beneficial Interest issued by the Trust, may do so on terms provided hereunder and in accordance with the By-Laws governing the Trust.

NOW, THEREFORE, the Initial Participants hereby declare that all money and property contributed to the Trust established under this Declaration of Trust shall be held and managed in trust for the benefit of holders, from time to time, of the Shares of Beneficial Interest issued hereunder and subject to the provisions hereof.

ARTICLE I. DEFINITIONS

Except as otherwise expressly provided for in this Declaration of Trust, or unless the context otherwise requires, as used throughout this Declaration of Trust the following terms shall have the respective meanings specified below.

Act: The Joint Exercise of Powers Act, Section 6500 et seq. of Title 1, Division 7, Chapter 5 of the Government Code of the State of California.

Affiliate: As to any person, any other person who owns beneficially, directly or indirectly, 1% of the outstanding capital stock or equity interest of such person or of any other person who controls, is controlled by or is under common control with such person, or is an officer, retired officer, director, employee, partner or Trustee of such person or of any other person who controls, is controlled by or is under common control with such person.

By-Laws: The By-Laws of the Trust made as of December 15, 1989, as amended and restated from time to time.

Cash Reserve Portfolio: A short-term money market portfolio of the Trust which is divided into two Series of Shares, the Participant Shares Series and the Investor Shares Series.

Certificate of Determination: An instrument, a copy of which is attached hereto as Exhibit A and incorporate by reference here, which has been approved by a majority of the Trustees establishing a Class or Series of Shares of a particular Class and setting forth therein the relative rights, preferences, approval powers, and terms and conditions of each Series or Class, as may be provided in such instrument.

Class. The designation of Shares issued by the Trust which currently includes two classes known as the "Cash Reserve Portfolio Class of Shares" and the "Term Portfolio Class of Shares."

Declaration of Trust: The Declaration of Trust made as of December 15, 1989, by the Initial Participants, as amended and restated as of October 25, 2022.

Information Statement: A disclosure document which describes in detail the management, policies and operations of the Pool, risks attendant to investments in the Trust, and other matters related to the Trust and the Pool.

Initial Participants: Monterey Peninsula Water Management District and Placer County.

Investment Advisory Agreement: The Amended and Restated Investment Advisory Agreement made as of May 14, 2004, by and between the Trust and PFM Asset Management LLC, as further amended and restated from time to time, and last amended and restated as of January 1, 2023.

Investor Agreement. An agreement entered into between the Investor and the Trust in connection with the Investor's purchase of shares of Investor Shares Series.

Investor Shares Series: Shares in the Trust held by Investors. Shares of Investor Shares Series have no voting rights.

Investors: Public Agencies that acquire Shares of Investor Shares Series issued by the Trust without executing the Declaration of Trust and on such other terms as provided in the Declaration of Trust and By-Laws.

Participant Shares Series: Shares in the Trust held by Participants. Shares of Participant Shares Series have voting rights conferring approval powers in proportion to the number of full and fractional Shares held by each Participant.

Participants: Initial Participants and any subsequent Participants that are Public Agencies that join the Trust by executing the Declaration of Trust and who may acquire shares of Participant Shares Series.

Program Guide. Information consisting of the Information Statement and additional information provided to Investors and Participants in the Trust.

Public Agency: As that term is defined in Section 6500 and Section 6509.7 of the Act.

Series: Subdivision of Shares within a Class. Each Series has rights, privileges, preferences and restrictions applicable to that Series as more fully set forth in a Certificate of Determination with respect to such Series. The Shares issued by the Trust within the Cash Reserve Portfolio Class of Shares are currently designated into two Series, the Participant Shares Series and Investor Shares Series. The Shares issued by the Trust within the Term Portfolio Class of Shares are from time to time designated into a Series, and each such Series is designated into two Subseries, the Participant Shares Subseries and the Investor Shares Subseries.

Shareholders: Public Agencies that own Shares of a Class within the Trust or a Series within a Class.

Shares: Units of beneficial interests issued by the Trust and generally refers to shares of any one or more Series or Classes, or of all Series and Classes, as may apply.

Term Portfolio: A fixed-rate, fixed-term money market portfolio of the Trust , and each Series designated therein, each such Series constituting a pool of assets for purposes of Section 53601. Each such Series is divided into two Subseries of Shares, the Participant Shares Subseries and the Investor Shares Subseries.

Trust: The California Asset Management Trust formed pursuant to Section 6502 of the Act.

Trustees: Individuals appointed by the Board of Trustees and approved by Participants pursuant to the Declaration of Trust and By-Laws to manage the Trust's activities on behalf of the Trust. So for as may be practicable, the Trustees shall conduct the Trust's activities, execute all documents and sue or be sued under that name, which name (and the word "Trust" wherever used herein) shall refer to the Trustees as Trustees, and not as individuals or personally, and shall not refer to the officers, employees, agents or Participants of the Trust. If the Trustees determine that the use of that name is not advisable, they may use another designation or adopt another name under which the Trust may hold property or conduct its activities.

ARTICLE II. NAME, PURPOSE AND REPRESENTATIONS

Section 2.1. Name.

The name of the trust created hereby is CALIFORNIA ASSET MANAGEMENT TRUST. The Trust shall constitute a separate public entity within the meaning of Section 6507 of the Act.

Section 2.2. Purpose.

The purpose of the Trust is to provide California Public Agencies, both the Participants and the Investors, with an instrumentality or agency to pool their proceeds of debt issues and other funds and to facilitate the investment of and accounting for such funds. Public Agencies of the State of California, authorized under the Act, as may be amended from time to time, or other applicable California statutes, as shall be in effect from time to time, to enter into joint arrangements of this nature, may become Participants after their governing bodies have adopted and executed this Declaration of Trust. Investors may invest in the Shares of the Trust without becoming Participants by executing an Investor Agreement containing the representations and warranties, waivers, covenants and agreements referenced herein as applicable to the Investors.

Section 2.3. Representations of Participants and Investors.

Each Participant and each Investor (by execution of an Investor Agreement), represents and warrants to the other Participants and Investors, but only as to itself, as follows:

(a) The Shareholder is duly organized and validly existing as a Public Agency of the State of California, as that term is defined in Sections 6500 and 6509.7(b) of the Act, as may be amended from time to time, and has full legal right, power and authority to enter into this Declaration of Trust or the Investor Agreement, as may be applicable, to observe and perform its obligations hereunder or thereunder and to invest its assets as provided herein or therein; and by all necessary official actions the Shareholder has duly authorized and approved the execution of this Declaration of Trust or the applicable Investor Agreement, as the case may be, the observance and performance of its obligations hereunder or thereunder and the investment of its assets as provided herein or therein.

(b) This Declaration of Trust with respect to each Participant and Investor Agreement with respect to each Investor constitutes a legal, valid and binding obligation of the Shareholder enforceable against the Shareholder in accordance with its respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, and by the application of equitable remedies in appropriate cases.

ARTICLE III. TRUSTEES

Section 3.1. Initial Trustees.

By the execution of this Declaration of Trust, the Initial Participants appoint the following five individuals to serve as initial Trustees:

Bruce Buel
Earl Corin
Nancy E. Hicks

James S. Kennedy
Robert C. Leland

Section 3.2. Number, Qualification, Election and Term of Trustees.

The number of Trustees shall be fixed from time to time by resolution of the Trustees; provided, however, that the number of Trustees shall not be less than three and not greater than fifteen and shall not be less than the number of classes of California Public Agencies entitled to representation on the Board of Trustees as provided in the By-Laws. All Trustees shall be members of the governing body, officers or full-time employees of California Public Agencies. Other than the initial Trustees and Trustees named to fill vacancies as provided in Section 3.4., the Trustees shall be appointed by the Board of Trustees and approved annually by the Participants. Except in the event of resignations or removals pursuant to Section 3.3., each Trustee shall hold office until his or her successor is appointed and approved by the Board of Trustees and the Participants and qualified to serve as Trustee. Each Trustee shall either sign this Declaration of Trust or agree in writing to be bound by it.

Section 3.3. Resignation and Removal.

Any Trustee may resign his or her trust (without need for prior or subsequent accounting) by an instrument in writing signed by such Trustee and delivered to the other Trustees, and such resignation shall be effective upon such delivery, or at a later date according to the terms of the instrument. A Trustee who has ceased to be qualified as provided in the By-Laws, who has died, who has been judged incompetent or bankrupt, or for whom a guardian or conservator has been appointed, shall be deemed to have resigned as of the date of such disqualification, death, adjudication or appointment. Any Trustee may be removed, with or without cause, by the action of two-thirds of the remaining Trustees. Upon the resignation or removal of a Trustee, such former Trustee shall execute and deliver such documents as the remaining Trustees shall require for the purpose of conveying to the Trust or the remaining Trustees any Trust property held in the name of the resigning or removed Trustee. Upon the incapacity or death of any Trustee, his or her legal representative shall execute and deliver such documents as the remaining Trustees shall require as provided in the preceding sentence.

The Superior Court of the City and County of San Francisco, California, may at the suit of any Participants holding at least 10% of the Shares, remove from office any Trustee in case of fraudulent or dishonest acts or gross abuse of authority or discretion with reference to the Trust and may bar from reelection any Trustee so removed for a period determined by the Court.

Section 3.4. Vacancies.

The term of office of a Trustee shall terminate and a vacancy shall occur in the event of the disqualification, death, resignation, removal, bankruptcy, adjudicated incompetence or other incapacity to perform the duties of the office of a Trustee. No such vacancy shall operate to annul this Declaration of Trust or to remove any existing agency created pursuant to the terms of this Declaration of Trust. In the case of an existing vacancy, including a vacancy existing by reason of an increase in the number of Trustees, the remaining Trustees shall fill such vacancy by the appointment of such other person as they in their discretion shall see fit and as is qualified as provided herein and in the By-Laws. If there shall be no remaining Trustee, any Participant may petition the Superior Court of the City and County of San Francisco to appoint a Trustee who is qualified as provided herein and by the By-Laws. Any such appointment shall not become effective, however, until the person appointed shall have accepted in writing such appointment and agreed in writing to be bound by the terms of this Declaration of Trust. An appointment of a Trustee may be made in anticipation of a vacancy to occur at a later date by reason of resignation, provided that such appointment shall not become effective prior to such resignation. Whenever a vacancy in the number of Trustees shall occur, until such vacancy is filled as provided in this Section 3.4., the Trustees in office, regardless of their number, shall have all the powers granted to the Trustees and shall discharge all the duties imposed upon the Trustees by this Declaration of Trust.

ARTICLE IV. POWERS OF TRUSTEES

Section 4.1. General.

The Trustees shall have exclusive and absolute control over the Trust property and over the affairs of the Trust to the same extent as if the Trustees were the sole owners of the Trust property in their own right, but with such powers of delegation as may be permitted by this Declaration of Trust. The Trustees shall have power to conduct the affairs of the Trust and carry on its operations in any and all of its branches and maintain offices both within and without the State of California, and to do all such other things and execute all such instruments as the Trustees deem necessary, proper or desirable in order to promote the interests of the Trust although such things are not herein specifically mentioned. Any determination as to what is in the interests of the Trust made by the Trustees in good faith shall be conclusive. In construing the provisions of this Declaration of Trust, the presumption shall be in favor of a grant of a power to the Trustees. The enumeration of any specific power herein shall not be construed as limiting the aforesaid powers. Such powers of the Trustees may be exercised without order of or resort to any court. Notwithstanding the foregoing, the investment powers of the Trustees under this Declaration of Trust shall be subject to any restrictions upon the manner of exercising such powers imposed by the laws of the State of California, including Section 53635 of Title 5, Division 7, Part 1, Chapter 4, Article 2 of the Government Code, as in effect on the date of adoption of this Declaration of Trust by the Initial Participants and as may be amended from time to time. In the event that such Initial Participants (or any successor Participants designated as described below) cease to be parties to this Declaration of Trust, the Trustees shall designate other Participants as successor Participants for purposes of this Section.

Section 4.2. Investments.

The Trustees shall have the power to subscribe for, invest in, reinvest in, purchase or otherwise acquire, own, hold, pledge, sell, assign, transfer, exchange, distribute, lend or otherwise deal in or dispose of investments of every nature and kind, provided such investment is (in the sole and absolute discretion of the Trustees) consistent with the investment objectives and policies set forth in the Trust's Program Guide including the Information Statement, as most recently amended or supplemented, and to exercise any and all rights, powers and privileges of ownership or interest in respect of any and all such investments of every kind and description, including without limitation, the right to consent and otherwise act with respect thereto, with power to designate one or more persons, firms, associations or corporations to exercise any of such rights, powers and privileges in respect of any of such investments.

Section 4.3. Legal Title.

Legal title to all the Trust property shall be vested in the Trustees as joint tenants, except that the Trustees shall have power to cause legal title to any Trust property to be held by or in the name of one or more of the Trustees, or in the name of the Trust, or in the name of any other person as nominee, on such terms as the Trustees may determine, provided that the interest of the Trust therein is appropriately protected. The right, title and interest of the Trustees in the Trust property shall vest automatically in each person who may hereafter become a Trustee. Upon the resignation, removal, incapacity, disqualification or death of a Trustee such Trustee shall automatically cease to have any right, title or interest in any of the

Trust property, and the right, title and interest of such Trustee in the Trust property shall vest automatically in the remaining Trustees. Such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered.

Section 4.4. Issuance and Redemption of Shares.

The Trustees shall have the power to issue, sell, repurchase, redeem, retire, cancel, acquire, hold, resell, reissue, dispose of, transfer, and otherwise deal in Shares and, subject to the provisions hereof, to apply to any such repurchase, redemption, retirement, cancellation or acquisition of Shares any funds or property of the Trust, whether capital or surplus or otherwise, to the full extent now or hereafter permitted by California law.

Section 4.5. Borrowing Money and Lending Trust Property.

Subject to applicable law, the Trustees shall have power to borrow money or otherwise obtain credit and to secure the same by mortgaging, pledging or otherwise subjecting as security the assets of the Trust, to endorse, guarantee, or undertake the performance of any obligation, contract or engagement of any other person and to lend Trust property.

Section 4.6. Delegation and Committees.

The Trustees shall have power to delegate from time to time to such of their number or to officers, employees or agents of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Trustees or otherwise as the Trustees may deem expedient, to the same extent as such delegation is permitted by law and consistent with the By-Laws.

Section 4.7. Collection and Payment.

The Trustees shall have power to collect all property due to the Trust; to pay all claims, including taxes, against the Trust property; to prosecute, defend, compromise or abandon any claims relating to the Trust property; to foreclose any security interest securing any obligation by virtue of which any property is owed to the Trust; and to enter into releases, agreements and other instruments.

Section 4.8. Expenses and Limits Thereon.

The Trustees shall have the power to incur and pay any expenses which in the opinion of the Trustees are necessary or incidental to carry out any of the purposes of this Declaration of Trust. The Trustees shall fix the compensation of all officers and employees who are not Trustees.

Section 4.9. Litigation.

The Trustees shall have the power to engage in and to prosecute, defend, compromise, abandon, or adjust, by arbitration or otherwise, any actions, suits, proceedings, disputes, claims, and demands relating to the Trust or the Trust property, and, out of the Trust property, to pay or to satisfy any debts, claims or expenses incurred in connection therewith, including those of litigation, and such power shall include without limitation the power of the Trustees or any appropriate committee thereof, in the exercise of their or its good faith business judgment, consenting to dismiss any action, suit, proceeding, dispute, claim, or demand, derivative or otherwise, brought by any person, including a Participant or an Investor in such Participant's or Investor's own name or in the name of the Trust, whether or not the Trust or any of the

Trustees may be named individually therein or the subject matter arises by reason of business for or on behalf of the Trust.

Section 4.10. Manner of Acting and By-Laws.

Except as otherwise provided herein or in the By-Laws, any action to be taken by the Trustees may be taken by a majority of the Trustees present at a meeting of Trustees (a quorum being present). The Trustees may adopt By-Laws not inconsistent with this Declaration of Trust to provide for the conduct of the affairs of the Trust and may amend or repeal such By-Laws.

Section 4.11. Miscellaneous Powers.

The Trustees shall have the power to: (a) employ or contract with such persons as the Trustees may deem desirable for the transaction of the affairs of the Trust; (b) to the extent permitted by law, enter into joint ventures, partnerships and any other combinations or associations; (c) remove Trustees or fill vacancies in or add to their number, elect and remove such officers and appoint and terminate such agents or employees as they consider appropriate, and appoint from their own number and others, and terminate, any one or more committees which may exercise some or all of the power and authority of the Trustees as the Trustees may determine; (d) purchase, and pay for out of Trust property, insurance policies insuring the Trustees, officers, employees, agents, Participants, investment advisers, distributors, or independent contractors of the Trust against all claims arising by reason of holding any such position or by reason of any action taken or omitted by any such person in such capacity, whether or not constituting negligence, or whether or not the Trust would have the power to indemnify such person against such liability; (e) to the extent permitted by law, indemnify any person with whom the Trust has dealings to such extent as the Trustees shall determine; (f) determine and change the fiscal year of the Trust and the method by which its accounts shall be kept; and (g) adopt a seal for the Trust but the absence of such seal shall not impair the validity of any instrument executed on behalf of the Trust.

In addition to these specific powers, the Trustees shall also have all other powers consistent with the Act and the laws of California governing California business trusts and reasonably necessary from time to time to carry out the purposes of the Trust as set forth in Section 2.2.

ARTICLE V. INVESTMENT ADVISORY AND OTHER SERVICES TO TRUST

Section 5.1. Investment Adviser and Approval of Agreements.

The Trustees are responsible for the general policies of the Trust and for such general supervision of the business of the Trust conducted by all officers, agents, employees, advisers, managers or independent contractors of the Trust as may be necessary to insure that such business conforms to the provisions of this Declaration of Trust. However, the Trustees shall not be required personally to conduct all the business of the Trust, and consistent with their ultimate responsibility as stated above, the Trustees shall have the power to appoint, employ or contract with any person (including one or more of themselves or any corporation, partnership, or Trust in which one or more of them may be directors, officers, stockholders, partners or trustees) as the Trustees may deem necessary or proper for the transaction of the business of the Trust. The Trustees may in their discretion, from time to time, enter into an investment advisory or management contract whereby the other party to such contract shall undertake to furnish the Trust such management, investment advisory or supervisory, administrative, accounting, legal, statistical, research, and promotional facilities and services, and such other facilities and services, if any, as the Trustees may in their discretion determine. The Trustees may authorize the investment adviser to effect purchases, sales, loans or exchanges of portfolio securities of the Trust on behalf of the Trustees or may authorize any officer, employee or Trustee to effect such purchases, sales, loans or exchanges pursuant to recommendations of the investment adviser, all without further action by the Trustees. Any such purchases, sales, loans and exchanges shall be deemed to have been authorized by all of the Trustees.

The Trustees shall have the power to determine the compensation and other terms of employment or contract of the investment adviser or any other person whom they may employ or with whom they may contract; provided, however, that any determination to employ or contract with any Trustee or any person of which a Trustee is an Affiliate, shall be valid only if made, approved or ratified by a majority of the Trustees who are not Affiliates of such person. The Trustees may exercise broad discretion in allowing the investment adviser to administer and regulate the operations of the Trust, to act as agent for the Trust, to execute documents on behalf of the Trustees, and to make decisions which conform to general policies and general principles previously established by the Trustees.

Section 5.2. Other Activities of Investment Adviser.

Subject to and as limited by the terms and conditions of any Investment Advisory Agreement or other agreement between the Trust and the investment advisor, the investment adviser shall not be required to administer the investment activities of the Trust as its sole and exclusive function and may have other business interests and may engage in other activities similar or in addition to those relating to the Trust, including the rendering of services and advice to other persons and the management of other investments (including investments of the investment adviser and its Affiliates).

The investment adviser shall be required to use its best efforts to present a continuing and suitable investment program to the Trust which is consistent with the investment policies and objectives of the Trust.

Section 5.3. Other Services to the Trust.

The Trustees may, from time to time in their discretion, enter into contracts or agreements with independent contractors to carry out the following functions: (l) transfer agent and dividend disbursing agent; (2) administrator, to maintain the books and records of the Trust, to supervise all aspects of the Trust's operations, including periodic updating of the Trust's Program Guide and Information Statement, to prepare the Trust's tax returns and periodic reports to Shareholders, to compute the Trust's daily net asset value and yield, to provide office space, equipment and facilities necessary for the Trust's operations and to provide such other administrative services as the Trustees may require; (3) distributor, to act as the Trust's sales agent for the distribution of the Shares, (4) customer service agent, to provide information to California Public Agencies which are Participants or Investors or are interested in becoming Participants or Investors; (5) custodian bank, to hold all money and securities constituting the Trust property; (6) independent certified public accountants, to perform an annual audit and provide such other services as the Trustees may require, and (7) legal counsel. The foregoing specific list shall not prevent the Trustees from employing other persons to provide such advice, assistance or services as the Trustees may, from time to time, require to carry out the purposes of the Trust as set forth in Section 2.2.

ARTICLE VI. LIMITATIONS OF LIABILITY

Section 6.1. No Personal Liability.

No Participant shall be subject to any personal liability whatsoever to any person in connection with the Trust property or the acts, obligations or affairs of the Trust. Subject to Section 6.2., no Trustee, officer, employee or agent of the Trust shall be subject to any personal liability whatsoever to any person in connection with Trust property or the acts, obligations or affairs of the Trust, and all such persons shall look solely to the Trust property for satisfaction of claims of any nature arising in connection with the affairs of the Trust. No Participant, Trustee, officer, employee, or agent, as such, of the Trust, made a party to any suit or proceeding to enforce any such liability, shall be held to any personal liability. The Trust shall indemnify and hold each Participant harmless from and against all claims and liabilities to which such Participant may become subject by reason of its being or having been a Participant and shall reimburse such Participant for all legal and other expenses reasonably incurred by it in connection with any such claim or liability; provided that such indemnity or reimbursement shall be made from assets (or proceeds thereof or income therefrom) of the one or more Series of Shares of the Trust in respect of which such claim or liability arose and not from the assets (or proceeds or income therefrom) of any other Series of Shares of the Trust. The rights accruing to a Participant under this Section 6.1. shall not exclude any other right to which such Participant may be lawfully entitled, nor shall anything herein contained restrict the right of the Trust to indemnify or reimburse a Participant in any appropriate situation even though not specifically provided herein.

Section 6.2. Non-Liability and Indemnification of Trustees and Others.

No Trustee, officer, employee or agent of the Trust shall be liable to the Trust, to its Shareholders, or to any Participant, Trustee, officer, employee or agent thereof for any action or failure to act (including, without limitation, the failure to compel, in any way, any former or acting Trustee to redress any breach of trust), except for its, his or her own bad faith, willful misfeasance, gross negligence or reckless disregard of duty. Each Trustee, officer, employee and agent of the Trust shall be indemnified as provided in the By-Laws and to the fullest extent provided by California law.

Section 6.3. Official Bond Required.

The Trustees shall obtain an official bond in such amounts and with such terms as they shall determine pursuant to Section 6505.1 of Title 1, Division 7, Chapter 5 of the Government Code of the State of California.

Section 6.4. No Duty of Investigation and Notice in Trust Instruments.

No purchaser, lender, transfer agent or other person dealing with the Trustees or any officer, employee or agent of the Trust shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trustees or by such officer, employee or agent or be liable for the application of money or property paid, loaned, or delivered to or on the order of the Trustees or of such officer, employee or agent. Every obligation, contract, instrument, certificate, Share or other security of the Trust and undertaking, and every other document executed in connection with the Trust, shall be conclusively presumed to have been executed or done by the executors thereof only in their capacity as Trustees under this Declaration of Trust or in their capacity as officers, employees or agents of the Trust. Every written obligation, contract, instrument, certificate, Share or other security of the Trust or undertaking made or issued by the Trustees shall recite that it is executed by them not individually, but as Trustees under this Declaration of Trust, and that the obligations of any such instruments are not binding upon any of the Trustees or Participants individually, but bind only the Trust property, but the omission of such recital shall not operate to bind the Trustees or Participants individually.

Section 6.5. Reliance on Experts.

Each Trustee, officer and employee of the Trust shall, in the performance of his or her duties, be fully protected with regard to any act or any failure to act resulting from reliance in good faith upon the books of account or other records of the Trust, upon an opinion of counsel, or upon reports made to the Trust by any of its officers or employees or by the investment adviser, administrator, transfer agent, custodian, distributor accountants, appraisers or other experts or consultants selected with reasonable care by the Trustees, officers or employees of the Trust.

Section 6.6. Immunity from Liability, Limited Waiver of Sovereign Immunity of Certain Participants.

All of the privileges and immunities from liability, all exemptions from laws, ordinances and rules, and all pension, relief, disability, workmen's compensation, and other benefits which apply to the activity of Trustees, officers, agents or employees of the Initial Participants and any additional Participants when performing their functions within the territorial limits of their respective Public Agencies, shall apply to them to the same degree and extent while engaged in the performance of any of their functions and duties associated with the Trust; provided however, that notwithstanding the foregoing, any Participant that is a federally recognized Indian tribe agrees (a) to a limited waiver of its sovereign immunity solely for the purpose of authorizing another Participant or Participants, including the Trustees, to initiate an action against it to enforce any right under the Declaration of Trust, to seek provisional remedies and to enforce an award or judgment rendered in any such action; and (b) to waive its sovereign immunity from any liability or judgment arising from any such action, but any such waiver shall be limited to and co-extensive with the immunity afforded a Participant that is a California Public Agency but not a federally recognized Indian tribe. The Trust, acting through one or more service providers, with the consent of the Board President, shall be authorized to negotiate and to enter into agreements with federally recognized Indian tribes on behalf of the Trust consistent with the above waivers as required to address terms and conditions.

Section 6.7. Further Restriction of Duties and Liabilities.

Without limiting the foregoing provisions of this Article VI, the Trustees, officers, employees, agents, and Participants of the Trust shall in no event have any greater duties or liabilities than those imposed by applicable law as shall be in effect from time to time.

ARTICLE VII. SHARES OF BENEFICIAL INTEREST

Section 7.1. Beneficial Interest.

The interest of the Shareholders hereunder shall be divided into transferable units to be called Shares. The number of Shares authorized hereunder is unlimited. Except as otherwise provided in this Section 7.1. and in Section 7.8. hereof, each Share shall represent an equal proportionate interest in the net assets of the applicable pool of securities within the Trust. Each Share of any Class of Shares created by the Trustees, whether or not the Trustees have created more than one Series of Shares of such Class, shall represent an equal proportionate interest in the assets of that Class with each other Share in that Class. The Trustees may divide or combine the Shares of any Class into a greater or lesser number of Shares of that Class or any Series of that Class without thereby changing the proportionate interests of each Share of that Class in the assets of that Class.

There is hereby established and designated two Classes of Shares known as the "Cash Reserve Portfolio" Class and the "Term Portfolio" Class. These Classes of Shares shall be divided into two Series of Shares, within the same portfolios, a "Participant Shares Series" and an "Investor Shares Series." Subject to the provisions of Section 7.8. hereof, the Trustees may authorize the creation of additional Classes of Shares (the proceeds of which may be invested in other portfolios with investment objectives different from the "Cash Reserve Portfolio" Class and the "Term Portfolio" Class) and such series of Shares of such additional Classes as the Trustees may deem appropriate. All Shares issued hereunder, including, without limitation, Shares issued in connection with a dividend in Shares or a division of Shares, shall be fully paid and nonassessable. Except as expressly provided herein, or in the action of the Trustees in creating any new Series of a Class, no division of Shares into Series shall result in the creation of a preference as to dividends or distributions or a preference in the event of any liquidation, termination or winding up of the Trust. All references to Shares in this Declaration of Trust shall be deemed to be Shares of any one or more Series or Classes, or of all Series and Classes, as the context may require.

Section 7.2. Rights of the Shareholders.

The ownership of the Trust property of every description and the right to conduct the affairs of the Trust herein before described are vested exclusively in the Trustees, and the Shareholders shall have no interest therein other than the beneficial interest conferred by their Shares, and they shall have no right to call for any partition, division, dividend or distribution of any property, profits, rights or interests of the Trust nor can they be called upon to assume any losses of the Trust or suffer an assessment of any kind by virtue of their ownership of the Shares beyond their beneficial interests in the Shares. The Shares shall be personal property giving only the rights specifically set forth in this Declaration of Trust. The Shares shall not entitle the holder to preference, preemptive, appraisal, conversion or exchange rights, except as the Trustees may determine.

Section 7.3. Establishment of a Trust.

It is the intention of the Trustees and the Shareholders to create the relationship of Trustee and beneficiary between the Trustees and each Shareholder from time to time. It is not the intention of the Trustees and the Shareholders to create a general partnership, limited partnership, joint stock association, corporation, bailment or any form of legal relationship other than a trust. Nothing in this Declaration of Trust shall be construed to make the Shareholders, either by themselves or with the Trustees, partners or members of a partnership or a joint stock association.

Section 7.4. Register of Shares.

A register shall be kept at the principal office of the Trust or at such place as the Trustees shall designate containing the names and addresses of all the Shareholders and the number of Shares held by them respectively and a record of all transfers thereof. Such register shall be conclusive as to which California Public Agencies are the holders of the Shares and which California Public Agencies shall be entitled to receive distributions or otherwise to exercise or enjoy the rights of Participants or Investors. No Shareholder shall be entitled to receive payment of any distribution, nor to have rights given to it as herein or in the By-Laws provided, until its correct name and address has been given to the transfer agent or such other officer or agent of the Trustee as shall keep the register. The Trustees, in their discretion, may but need not authorize the issuance of Share certificates and promulgate appropriate rules and regulations as to their use.

Section 7.5. Transfer of Shares.

Shares shall be transferable on the records of the Trust only by the record holder thereof or by its agent thereunto duly authorized in writing, upon delivery to the transfer agent of a duly executed instrument of transfer, together with such evidence of the genuineness of each such execution and authorization and of other matters as may reasonably be required. Upon such delivery the transfer shall be recorded on the register of the Trust. Until such record is made, the Shareholder of record shall be deemed to be the holder of such Shares for all purposes hereunder and neither the Trustees nor any transfer agent nor any officer, employee or agent of the Trust shall be affected by any notice of the proposed transfer. No Shares may be transferred to a transferee other than a California Public Agency or the Trust itself. Any attempted transfer to any other person shall be void and of no effect.

Section 7.6. Notices.

Any and all notices and communications to which a Shareholder may be entitled shall be deemed duly given or made if delivered in person, by email or other electronic communication with respect to which a record of delivery of the notice shall be obtained and maintained, or mailed, postage prepaid, addressed to the Shareholder of record at its address as recorded on the register of the Trust. In addition to any other notice or communication to which a Shareholder may be entitled, each Shareholder shall be entitled to notice of any amendment to this Declaration of Trust or of any matter which is approved by the Participants.

Section 7.7. Approval Powers.

The following matters taken by the Trustees shall require the approval of a majority of the holders of outstanding voting Shares: (i) the appointment of Trustees as provided in Section 3.2., (ii) liquidation of any Class of Shares or Participant Shares Series as provided in Section 7.8.(e), (iii) termination of the Trust as provided in Section 10.2., (iv) amendment of this Declaration of Trust to the extent provided in Section 10.3., (v) merger, consolidation or sale of assets of the Trust as provided in Section 10.4., (vi) a change in the investment restrictions or fundamental policies set forth in the Program Guide and Information Statement, except as set forth therein, and (vii) such additional matters relating to the Trust as may be required by this Declaration of Trust or the By-Laws or as the Trustees may consider necessary or desirable. Only Participants shall be entitled to exercise such approval powers in proportion to the number of full and fractional Shares held by each Participant. Investors shall have no voting rights.

Shares shall not be cumulated for the purpose of approving Trustees. Until Shares are issued, the Trustees may exercise all rights of the Participants and may take any action required by law, this Declaration of Trust or the By-Laws to be taken by the Participants. The By-Laws may include further provisions for the approval of the Participants and related matters.

Section 7.8. Series and Classes of Shares.

The following provisions are applicable regarding the Series or Classes of Shares of the Trust established and designated by Section 7.1. hereof and shall be applicable if the Trustees shall establish and designate additional Classes or Series of a Class as provided in that Section:

(a) The number of Shares of each Series or Class that may be issued shall be unlimited.

(b) All consideration received by the Trust for the issue or sale of Shares of a particular Class (whether or not Shares of such Class have been divided into Series), together with all assets in which such consideration is invested or reinvested, all income, earnings, profits and proceeds thereof, including any proceeds derived from the sale, exchange or liquidation of such assets, and any funds or payments derived from reinvestment of such proceeds in whatever form the same may be, shall irrevocably belong to Shares of that Class for all purposes, subject only to the rights of creditors, and shall be so recorded upon the hooks of account of the Trust. In the event that there are any assets, income, earnings, profits, or proceeds thereof, or funds or payments of the Trust which are not readily identifiable as belonging to any particular Class, the Trustees shall allocate them among any one or more of the Classes established and designated from time to time in such manner and on such basis as they, in their sole discretion, deem fair and equitable. Each such allocation by the Trustees shall be conclusive and binding upon the Shareholders of all Classes for all purposes.

(c) The assets belonging to each particular Class shall be charged with the liabilities of the Trust in respect of that Class, as will all expenses, costs, charges and reserves attributable to that Class, and any general liabilities, expenses, costs, charges or reserves of the Trust which are not readily identifiable as belonging to any particular Class shall be allocated and charged by the Trustees to and among any one or more of the Classes established and designated from time to time in such manner and on such basis as the Trustees in their sole discretion deem fair and equitable. Each allocation of liabilities, expenses, costs, charges and reserves by the Trustees shall be conclusive and binding upon the Shareholders in all Classes for all purposes.

(d) Except as otherwise provided in the Certificate of Determination of the Trustees creating a Series of Shares of a particular Class, all dividends and distributions on Shares of a particular Class shall be distributed pro rata to the holders of that Class in proportion to the number of Shares of that Class held by such holders at the date and time of record established in the By-Laws for the payment of such dividends or distributions.

(e) In the event of the liquidation of a particular Series of a Class or of an entire Class, the Participants or Investors in that Series or Class, as the case may be, which is being liquidated shall be entitled to receive, when and as declared by the Trustees, the excess of the assets belonging to Shares of that Class over the liabilities attributable to Shares of the Class. The holders of Shares of any such Class shall not be entitled thereby to any distribution upon liquidation of any other Series or Class. The assets so distributable to the Participants or Investors, as the case may be, in any Class shall be distributed among such Participants or Investors in proportion to the number of Shares of that Class, whether in one or more Series, held by them and recorded on the books of the Trust. The liquidation of any particular Series or Class in which there are Shares then outstanding held by Participants may be authorized by an instrument in writing, without a meeting, signed by a majority of the Trustees then in office, subject to the affirmative vote of a majority of the outstanding voting Shares of that Series or Class held by Participants.

(f) The Trustees shall have the authority to provide that the holders of Shares of any Series or Class shall have the right to convert or exchange such Shares for or into Shares of one or more other Series or Class in accordance with such requirements and procedures as may be established by the Trustees.

(g) The Trustees shall have the power to determine the designations, preferences, privileges, limitations and rights, including approval and dividend rights, of each Series or Class of Shares. Subject to the provisions of this Section 7.8., all Shares of all Series or Classes shall have identical rights and privileges.

(h) The establishment and designation of any Series or Class of Shares in addition to those established and designated in Section 7.1. hereof shall be effective upon the execution by a majority of the then Trustees of an instrument setting forth such establishment and designation and the relative rights, preferences, approval powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption of such Series or Class or as otherwise provided in such instrument. At any time that there are no Shares outstanding of any particular Series or Class previously established and designated, the Trustees may by an instrument executed by a majority of their number abolish that Series or Class and the establishment and designation thereof. Each instrument referred to in this paragraph shall constitute an amendment to this Declaration of Trust.

ARTICLE VIII. REDEMPTIONS

Section 8.1. Redemptions.

In case any Shareholder at any time desires to dispose of its Shares, it may deposit a written request or other such form of request as the Trustees may from time to time authorize, at the office of the transfer agent or at the office of any bank or trust company, either in or outside of California which is a member of the Federal Reserve System and which the transfer agent has designated in writing for that purpose, to have the Shares redeemed by the Trust at the net asset value thereof per Share next determined after such deposit as provided in the By-Laws. Payment for redemption shall be made to the Shareholder within the number of business days specified in the Trust's current Program Guide and Information Statement, unless the date of payment is postponed pursuant to Section 8.2. hereof, in which event payment may be delayed beyond such period.

Section 8.2. Suspension of Right of Redemption.

The Trustees may declare a suspension of the right of redemption or postpone the date of payment or redemption for the whole or any part of any period (i) during which the New York Stock Exchange is closed other than customary weekend and holiday closings, (ii) during which trading on the New York Stock Exchange is restricted, or (iii) during which an emergency exists as a result of which disposal by the Trust of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Trust fairly to determine the value of its net assets. Such suspension shall take effect at such time as the Trustees shall specify, but not later than the close of business on the business day next following the declaration of suspension, and thereafter there shall be no right of redemption or payment on redemption until the Trustees shall declare the suspension at an end, except that the suspension shall terminate in any event on the first day on which the New York Stock Exchange shall have reopened or the period specified in (ii) or (iii) shall have expired (as to which the determination of the Trustees shall be conclusive). In the case of a suspension of the right of redemption, a Shareholder may either withdraw its request for redemption or receive payment based on the net asset value existing after the termination of the suspension.

Section 8.3. Redemptions to Reimburse Trust for Loss on Nonpayment for Shares or for Other Charges.

The Trustees shall have the power to redeem Shares owned by any Shareholder to the extent necessary (i) to reimburse the Trust for any loss it has sustained by reason of the failure of such Shareholder to make full payment for Shares purchased by such Shareholder, or (ii) to collect any charge relating to a transaction effected for the benefit of such Shareholder which is applicable to Shares as provided in the Program Guide and Information Statement. Any such redemption shall be effected at the redemption price determined in accordance with Section 8.1. hereof.

Section 8.4. Redemptions Pursuant to Constant Net Asset Value Policy.

The following provisions shall apply to any Series, or multiple Series of a Class or Classes of Shares invested in the same portfolio, of investments of the Trust during any period that the Trustees, in their discretion, establish a policy of maintaining a constant net asset value per Share. If for any reason the net income of the Trust attributable to such Shares invested in the same portfolio shall, at the time of any determination thereof in accordance with Section 9.1. hereof, be a negative amount, then the Trustees shall have power to cause the number of outstanding Shares of such Series or multiple Series of a Class or Classes of Shares invested in the same portfolio to be reduced by requiring each Shareholder to contribute to the capital of the Trust such Shareholder's proportionate part of the total number of Shares which have an aggregate current net asset value equal as nearly as may be practicable to the amount of the Trust's net loss in respect of such portfolio. Each Shareholder, by becoming a registered holder of Shares, agrees to make any such contribution which may be required.

Section 8.5. Redemptions in Kind.

Payment for Shares redeemed pursuant to Section 8.1. may, at the option of the Trustees, or such officer or officers as they may duly authorize for the purpose, in their complete discretion be made in cash, or in kind, or partially in cash and partially in kind. In case of payment in kind, the Trustees, or their delegate, shall have absolute discretion as to what security or securities shall be distributed in kind and the amount of the same, and the securities shall be valued for purposes of distribution at the figure at which they were appraised in computing the net asset value of the Shares.

Section 8.6. Minimum Investment.

The Trustees shall have the power to fix the minimum investment for Shareholders expressed in dollars or Shares, or both. Whenever a Shareholder's investment is less than the minimum established by the Trustees, the Trustees may redeem the Shares of such Shareholder, provided thirty days prior notice is given to such Shareholder. If the Trustees increase the minimum investment to an amount greater than it was at the time of the investment of any Shareholder, the investment of such Shareholder shall not be redeemed solely because it is less than such minimum amount without such Shareholder's consent.

ARTICLE IX. DETERMINATION OF NET ASSET VALUE, NET INCOME AND DISTRIBUTIONS

Section 9.1. By-Laws to Govern Net Asset, Net Income and Distribution Procedures.

The Trustees, in their absolute discretion, may prescribe and shall set forth in the By-Laws such bases and times for determining the per Share net asset value of Class of the Shares that is a separate pool, the net income of the Trust, and the declaration and payment of distributions, as they may deem necessary or desirable. If authorized by the By-Laws such provisions may be set forth in the Information Statement.

ARTICLE X. DURATION, TERMINATION AND AMENDMENT

Section 10.1. Duration.

The Trust shall continue without limitation of time but subject to the provisions of this Article X.

Section 10.2. Termination of Trust.

(a) The Trust may be terminated by the vote of the majority of the authorized Trustees, subject to approval of the holders of not less than two-thirds of the holders of outstanding voting Shares. Upon the termination of the Trust:

(i) The Trust shall carry on no activities except for the purpose of winding up its affairs;

(ii) The Trustees shall proceed to wind up the affairs of the Trust and all of the powers of the Trustees under this Declaration of Trust shall continue until the affairs of the Trust shall have been wound up, including the power to fulfill or discharge the contracts of the Trust, collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the Trust property to one or more persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities, and do all other acts appropriate to liquidate its business; provided that any sale, conveyance, assignment, exchange, transfer or other disposition of all or substantially all the Trust property shall require approval in accordance with Section 10.4. hereof; and

(iii) After paying or adequately providing for the payment of all liabilities, and upon receipt of such releases, indemnities and refunding agreements as they deem necessary for their protection, the Trustees may distribute the remaining Trust property, in cash or in kind or partly in cash and partly in kind, among the Shareholders according to their respective beneficial interests.

(b) After termination of the Trust and distribution to the Shareholders as herein provided, a majority of the Trustees shall execute and lodge among the records of the Trust an instrument in writing setting forth the fact of such termination, and the Trustees shall thereupon be discharged from all further liabilities and duties hereunder, and the rights and interests of all Shareholders shall thereupon cease.

Section 10.3. Amendment Procedure.

(a) This Declaration of Trust may be amended by the vote of the Trustees, subject to approval of such amendment by the holders of a majority of outstanding voting Shares. The Trustees may also amend this Declaration of Trust without such approval to change the name of the Trust or any Series or Class, to establish and designate additional Series or Classes, to supply any omission herein or to correct or supplement any ambiguous, defective or inconsistent provision hereof, or if they deem it necessary, to conform this Declaration of Trust to the requirements of applicable laws or regulations, or to eliminate or reduce any taxes which may be payable by the Trust or the Shareholders, but the Trustees shall not be liable for failing to do so.

(b) No amendment may be made under this Section 10.3. which would change any rights with respect to any Share by reducing the amount payable thereon upon liquidation of the Trust, or by diminishing or eliminating any approval rights pertaining thereto, except with the vote of a majority of the Trustees and the approval of the holders of two-thirds of the outstanding voting Shares. Nothing in this Declaration of Trust shall permit its amendment to impair the exemption from personal liability of the Participants, Trustees, officers, employees and agents of the Trust or to permit assessments upon the Shareholders.

(c) A certificate signed by a majority of the Trustees setting forth an amendment and reciting that it was duly adopted by the Trustees and, if applicable, by the majority of the outstanding voting Shares, or a copy of the Declaration of Trust as amended, and executed by a majority of the Trustees, shall be conclusive evidence of such amendment when lodged among the records of the Trust.

Section 10.4. Merger, Consolidation and Sale of Assets.

To the extent permitted by law, the Trust may merge into or consolidate with any other corporation, association, trust or other organization or may sell, lease or exchange all or substantially all of the Trust property, including its good will, upon such terms and conditions and for such consideration when and as authorized by vote of a majority of the Trustees and approved by the holders of two-thirds of the outstanding voting Shares.

ARTICLE XI. MISCELLANEOUS

Section 11.1. Governing Law.

This Declaration of Trust is executed by the Initial Participants and delivered in the State of California and with reference to the laws thereof, and the rights of all parties and the validity and construction of every provision hereof shall be subject to and consented according to the laws of the State of California.

Section 11.2. Counterparts.

This Declaration of Trust may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts, together, shall be constituted one and the same instrument, which shall be sufficiently evidenced by any such original counterpart.

Section 11.3. Adoption by California Public Agencies.

A Public Agency of the State of California may become a Participant of this Trust by taking appropriate action to adopt this Declaration of Trust, furnishing the Trust with satisfactory evidence that such action has been taken, and signing a counterpart of this Declaration of Trust. A copy of this Declaration of Trust may be adopted through incorporation by reference into an ordinance or resolution of such Public Agency, and a certified copy of such ordinance or resolution shall constitute satisfactory evidence of adoption contemplated by this Section.

Section 11.4. Certificates.

Any certificate executed by an individual who, according to the records of the Trust, appears to be a Trustee hereunder, or Secretary or Assistant Secretary of the Trust, certifying to: (a) the number or identity of Trustees or Shareholders, (b) the due authorization of the execution of any instrument or writing, (c) the form of any vote passed at a meeting of Trustees, (d) the number of Trustees present or voting at any meeting, (e) the form of any By-Laws adopted by or the identity of any officers elected by the Trustees, or (f) the existence of any fact or facts which in any manner relate to the affairs of the Trust, shall be conclusive evidence as to the matters so certified in favor of any person dealing with the Trustees and their successors.

Section 11.5. Provisions in Conflict with Law or Regulations.

(a) The provisions of this Declaration of Trust are severable, and if the Trustees shall determine, with the advice of counsel, that any of such provisions is in conflict with applicable laws and regulations, the conflicting provisions shall be deemed superseded by such laws or regulations to the extent necessary to eliminate such conflict; provided, however, that such determination shall not affect any of the remaining provisions of this Declaration of Trust or render invalid or improper any action taken or omitted prior to such determination.

(b) If any provision of this Declaration of Trust shall be held invalid or unenforceable, such invalidity or unenforceability shall pertain only to such provision and shall not in any manner affect any other provision of this Declaration of Trust in any jurisdiction.

Section 11.6. Index and Headings for Reference Only.

The index and headings preceding the text, articles and sections hereof have been inserted for convenience and reference only and shall not be construed to affect the meaning, construction or effect of this Declaration of Trust.

Section 11.7. Successors in Interest.

This Declaration of Trust and the By-Laws shall be binding upon and inure to the benefit of the undersigned Initial Participants and their successors and assigns, and every Shareholder and its successors and assigns.

IN WITNESS WHEREOF, the undersigned have executed this Declaration of Trust as of the date first herein above set forth.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

By: /s/ Dick Heuer

Name: Dick Heuer

Title: Chairman

PLACER COUNTY

By: /s/ Alex Ferreira

Name: Alex Ferreira

Title: Chairman, Board of Supervisors

The undersigned Public Agency hereby represents that the governing body of the undersigned has duly adopted by appropriate action the Declaration of Trust of the California Asset Management Trust dated as of December 15, 1989, as amended and restated as of October 25, 2022; hereby executes such Declaration of Trust and, by such execution, hereby becomes a party to and Participant of the Trust and agrees to be bound by all the provisions of the Declaration of Trust.

Date: ____________________________________

Public Agency: ____________________________

By: ______________________________________

Name:____________________________________

Title: ____________________________________

EXHIBIT A

AMFENDED AND RESTATED CERTIFICATE OF DETERMINATION OF CALIFORNIA ASSET MANAGEMENT TRUST (PARTICIPANT SHARES SERIES AND INVESTOR SHARES SERIES OF THE CASH RESERVE PORTFOLIO CLASS AND THE TERM PORTFOLIO CLASS)

We, the undersigned Trustees of the California Asset Management Trust ("Trust"), a California Joint Exercise of Powers Authority, formed pursuant to Section 6500 of the Joint Exercise of Powers Act, Title 1, Division 7, Chapter 5 of the Government of the State of California, and a common law trust established under a Declaration of Trust dated as of December 15, 1989, as amended and restated as of February 28, 2005 ("Declaration of Trust") (capitalized terms used herein, unless otherwise provided, have the meaning assigned in the Declaration of Trust), do hereby adopt the following:

WHEREAS, the Declaration of Trust authorizes the Trustees to divide the shares of beneficial interest ("Shares") into any number of Classes and Series of Classes and determine the rights, preferences, privileges and restrictions granted to or imposed upon any of the such Classes or Series of Classes of Shares; and

WHEREAS, the Declaration of Trust authorizes two Series of Shares of the Cash Reserve Portfolio Class and the Term Portfolio Class, consisting of Participant Shares Series and Investor Shares Series with each Share representing an equal proportionate Share in the net assets of the Class; and

WHEREAS, the Participant Share Series consists of Shares issued and outstanding to Participants in the Trust with rights, preference, privileges and restrictions as more fully set forth herein and in the Declaration of Trust and By-Laws; and

WHEREAS, the Trustees wish to designate the rights, preferences, privileges and restrictions of the Participant Shares Series and the Investor Share Series.

NOW, THEREFORE, BE IT RESOLVED, as follows:

(a) Participant Shares Series. The rights, preferences, privileges and restrictions granted to or imposed upon the Participant Shares Series are as follows:

1. Voting Rights. Except as otherwise expressly provided by law, the By-Laws as adopted as of December 15, 1989, as amended and restated as of October 25, 2022, ("By-Laws"), or the Declaration of Trust, Participant Shares have exclusive voting rights on the following matters: (a) the appointment of Trustees, (b) liquidation of any Participant Shares Series, or any Class of Shares held in whole or in part by Participants, (c) termination of the Trust, (d) amendment of the Declaration of Trust, (e) merger, consolidation or sale of assets of the Trust, (f) change in the investment restrictions or fundamental policies set forth in the Information Statement, and (g) such other matters relating to the Trust as may be required by the By-Laws or the Declaration of Trust or as the Trustees may consider necessary or desirable to obtain the approval of the holders of the Participant Shares Series; and

2. Dividends. The holders of the Participant Shares Series shall be entitled to receive dividends and distributions as may be determined by the Trustees, in accordance with the By-Laws and the Declaration of Trust, and all such dividends and distributions shall be distributed pro rata to each

holder of the Participant Shares Series in proportion to the number of Shares of the Participant Shares Series held by such holder at the date and time of record established by the By-Laws for the payment of such dividends and distributions; and

3. Liquidation. In the event of any liquidation of the Participant Shares Series of any Class, each holder of the Participant Shares Series shall be entitled to receive, when and as declared by the Trustees in accordance with the By-Laws and the Declaration of Trust, the net asset value of each Share of the Participant Shares Series held by the Participant. The holders of the Participant Shares Series shall not be entitled to any distribution upon liquidation of any other Series of any Class. The assets so distributable to the holders of the Participant Shares Series shall be distributed in proportion to the number of Shares of the Participant Shares Series of such Class held by each holder and recorded on the books of the Trust; and

4. Redemption. The holder of the Participant Shares Series shall have the right at any time to redeem Shares of the Participant Shares Series at the net asset value per Share with payment for the Shares of the Participant Shares Series redeemed to be made by the Trustees to such holder either in cash or in kind or partially in cash and partially in kind, as may be determined by the Trustees, in their complete discretion, or by such officer or officers as the Trustees may duly authorize for this purpose.

RESOLVED, FURTHER,

(b) Investor Shares Series. The rights, preferences, privileges and restrictions granted to or imposed upon the Investor Shares Series are as follows:

1. Voting Rights. Except as otherwise expressly provided by law, the Investor Shares Series shall have no voting rights; and

2. Dividends. The holders of the Investor Shares Series of a Class of Shares shall be entitled to receive dividends and distributions as may be determined by the Trustees, in accordance with the By-Laws and the Declaration of Trust, and all such dividends and distributions shall be distributed pro rata to each holder of the Investor Shares Series of such Class in proportion to the number of Shares of the Investor Shares Series held by such holder at the date and time of record established by the By-Laws for the payment of such dividends and distributions; and

3. Liquidation. In the event of any liquidation of the Investor Shares Series of a Class, each holder of the Investor Shares Series of such Class shall be entitled to receive, when and as declared by the Trustees, in accordance with the By-Laws and the Declaration of Trust, the net asset value of each share of the Investor Shares Series of such Class. The holders of the Investor Shares Series shall not be entitled to any distribution upon liquidation of any other Series. The assets so distributable to the holders of the Investor Shares Series of a Class shall be distributed in proportion to the number of Shares of the Investor Shares Series held by each holder and recorded on the books of the Trust; and

4. Redemption. The holder of the Investor Shares Series of a Class shall have the right at any time to redeem Shares of the Investor Shares Series of such Class at the net asset value per Share with payment for the Shares of the Investor Shares Series redeemed to be made by the Trustees to such holder either in cash or in kind or partially in cash and partially in kind, as may be determined by the Trustees, in their complete discretion, or by such officer or officers as the Trustees may duly authorize for this purpose.

VERIFICATIONS BY WRITTEN DECLARATION OF
AMENDED AND RESTATED CERTIFICATE OF DETERMINATION

Steve Dial declares under penalty of perjury under the laws of the State of California that he has read the foregoing Amended and Restated Certificate and knows the contents thereof and that the same is true of his own knowledge.

Dated: October 25, 2022

By: /s/ Steve Dial

Name: Steve Dial

Karen Adams declares under penalty of perjury under the laws of the State of California that he has read the foregoing Amended and Restated Certificate and knows the contents thereof and that the same is true of his own knowledge.

Dated: October 25, 2022

By: /s/ Karen Adams

Name: Karen Adams

André Douzdjian declares under penalty of perjury under the laws of the State of California that he has read the foregoing Amended and Restated Certificate and knows the contents thereof and that the same is true of his own knowledge.

Dated: October 25, 2022

By: /s/ André Douzdjian

Name: André Douzdjian

Duane Wolterstorff declares under penalty of perjury under the laws of the State of California that he has read the foregoing Amended and Restated Certificate and knows the contents thereof and that the same is true of his own knowledge.

Dated: October 25, 2022

By: /s/ Duane Wolterstorff

Name: Duane Wolterstorff

Lauren Warrem declares under penalty of perjury under the laws of the State of California that he has read the foregoing Amended and Restated Certificate and knows the contents thereof and that the same is true of his own knowledge.

Dated: October 25, 2022

By: /s/ Lauren Warrem

Name: Lauren Warrem

Jordan Kaufman declares under penalty of perjury under the laws of the State of California that he has read the foregoing Amended and Restated Certificate and knows the contents thereof and that the same is true of his own knowledge.

Dated: October 25, 2022

By: /s/ Jordan Kaufman

Name: Jordan Kaufman

David Persselin declares under penalty of perjury under the laws of the State of California that he has read the foregoing Amended and Restated Certificate and knows the contents thereof and that the same is true of his own knowledge.

Dated: October 25, 2022

By: /s/ David Persselin

Name: David Persselin

CALIFORNIA ASSET MANAGEMENT PROGRAM
JOINT POWERS AUTHORITY

ONE CALIFORNIA STREET
SUITE 1000
SAN FRANCISCO
CALIFORNIA 94111

213 MARKET STREET
HARRISBURG
PENNSYLVANIA 17101

PHONE (800) 729-7665
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AMENDED AND RESTATED BY-LAWS OF

CALIFORNIA ASSET MANAGEMENT TRUST

A California Joint Exercise of Powers Authority and Common Law Trust

Established Under a Declaration of Trust

Dated as of December 15, 1989, as amended and restated as of

October 25, 2022

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BY-LAWS
OF THE
CALIFORNIA ASSET MANAGEMENT TRUST

(Dated as of December 15, 1989, as amended and restated as of October 25, 2022)

A California Joint Exercise of Powers Authority and Common Law Trust
established under a Declaration of Trust dated as of December 15, 1989
(as amended and restated as of October 25, 2022 (the “Declaration of Trust”)

ARTICLE I. GENERAL

Section 1. Principal Offices.

Until changed by the Trustees, the principal office of the Trust shall be co-located at One California Street, Suite 1000, San Francisco, California 94111, and 213 Market Street, Harrisburg, Pennsylvania 17101. Each such location shall be considered a principal office of the Trust for all purposes, including, but not limited to, determining the location for the conduct of meetings of the Trustees.

Section 2. Other Offices.

The Trust may have offices in such other places without as well as within the State of California as the Trustees may from time to time determine.

Section 3. Definitions.

Unless otherwise stated herein, capitalized terms have the meanings assigned by the Declaration of Trust, as amended from time to time.

ARTICLE II. SHAREHOLDERS

Section 1. Action By Participants.

Any action which may be taken by the Participants may be taken if a majority of the outstanding voting securities of the Class or Series, as may be applicable, entitled to vote thereon (or such larger proportion thereof as shall be required by law, the Declaration of Trust, or these By-Laws for approval of such matter) consent to the action in writing and the written consents are filed with the records of the Trust. Prompt notice shall be given of any Trust action approved by the Participants by less than unanimous written consent to those Participants who did not consent in writing to such action.

Section 2. Record Date.

For the purpose of determining the Shareholders entitled to participate in any distribution, or for the purpose of any other action, the Trustees shall fix a date not more than sixty (60) days prior to the date of any distribution or other action as a record date for the determination of the Shareholders of record for such purposes.

Section 3. <u>Inspection of Records</u>.

The records of the Trust shall be open to inspection by the Shareholders at any time during usual business hours of the Trust, upon written demand on the Trust, for a purpose reasonably related to such Shareholder's interest as a Shareholder.

ARTICLE III. TRUSTEES

Section 1. <u>Public Agency Representation on the Board of Trustees</u>.

At least one of the Trustees shall be either a member of the governing body, an officer or a full-time employee of a California Public Agency of each of the following classes:

(a) A county; and

(b) A city; and

(c) A public district or other public or sovereign entity, including a Joint Powers Authority and a federally recognized Indian tribe;

provided, however, that a Public Agency of such class has become and remains a Participant of the Trust.

In the event that there is a vacancy in any class of Public Agency entitled to representation on the Board of Trustees, the Trustees shall fill such vacancy as soon as practicable. During such vacancy, the Trustees shall continue to have all the powers granted to the Trustees, and no action by the Trustees shall be invalidated by such vacancy.

By resolution duly adopted by a majority of the Trustees, the Trustees may designate additional classes of Public Agencies as being entitled to representation on the Board of Trustees. The Trustees may designate a class of Public Agencies as being entitled to representation on the Board of Trustees if at least one member of the class has become a Participant of the Trust. The number of classes shall in no event exceed the maximum number of Trustees established under Section 3.2 of the Declaration of Trust.

Section 2. <u>Disqualification of Persons as Trustees</u>.

No person who is an affiliate of the Trust's investment adviser, administrator, distributor, custodian, or any other agency shall serve as Trustee of the Trust. If a Trustee ceases to be a member of the governing body, officer or full-time employee of a California Public Agency that is a Participant, the Trustee shall no longer be qualified to serve on the Board of Trustees and the position shall be deemed to be vacant.

Section 3. <u>Meetings of the Trustees</u>.

The Trustees may in their discretion provide for regular meetings of the Trustees. Notice of regular meetings need not be given if the time and place of such meetings are fixed in advance by the Board of Trustees. Meetings of Trustees other than regular meetings may be called by the President or by a majority of the Trustees. Notice of the time and place of each special meeting shall be given by the Secretary or an Assistant Secretary or by the Trustees calling the meeting and shall be mailed to each Trustee at least four days before the meeting, or delivered personally to such person at least 48 hours before the meeting. Notice of a special meeting need not be given to any Trustee if a written waiver of notice, executed by such person at or prior to the meeting, is filed with the Secretary, or to any Trustee who attends the meeting. A notice or waiver of notice of a special meeting must specify the purpose of the meeting. The agenda of any regular meeting shall be posted at least 72 hours prior to the regular meeting, and the notice and agenda of any special meeting shall be posted at least 24 hours prior to the special meeting, in a location that is freely accessible to members of the public. All meetings of the Trustees shall be open and public, except as permitted by California Government Code Sections 54950 et seq. (the "Brown Act"). All meetings of the Trustees shall be conducted in accordance with the Brown Act.

Section 4. Quorum and Manner of Acting.

A majority of the Trustees shall be present in person or by audio or video teleconference at any regular or special meeting of the Trustees in order to constitute a quorum for the transaction of business at such meeting, and (except as otherwise required by law, the Declaration of Trust, or these By-Laws) the act of a majority of the Trustees present at any such meeting, at which a quorum is present, shall be the act of the Trustees. The Trustees present at a duly called meeting at which a quorum is initially present may continue to do business notwithstanding the withdrawal of Trustees, provided any action taken is approved by at least a majority of the required quorum for such meeting. In the absence of a quorum, a majority of the Trustees present may adjourn the meeting to a time and place specified in the order of adjournment. A copy of the order of adjournment shall be conspicuously posted on or near the door of the place where the meeting was held within 24 hours after the time of adjournment.

Section 5. Procedure for Filling Vacancies on the Board of Trustees.

By resolution duly adopted by a two-thirds vote by the full Board of Trustees, the Trustees shall establish and may revise the number of Trustees suitable to manage the Trust under the then-current operating environment, provided, however, that the number of Trustees shall be not less than three and not greater than fifteen and shall not be less than the number of classes of California Public Agencies entitled to representation on the Board of Trustees as set forth in Section 1 of this Article III. In the event that there is a change in the operating environment, the Trustees shall, by resolution duly adopted by a two-thirds vote of the full Board of Trustees, modify the number of Trustees as they deem appropriate. The number of Trustees shall be an odd number.

Every two (2) years a notice shall be disseminated to the Participants indicating that the Trust is soliciting letters of interest from individuals to join the Board of Trustees. A list of the individuals that have submitted a letter of interest, and each submitted letter of interest, shall be maintained for the two (2) year period subsequent to the dissemination of such notification. In the event that there is a vacancy on the Board of Trustees, the Trustees shall fill that vacancy by considering persons who have satisfied the following selection criteria:

(a) Submission of a current letter of interest;

(b) Fiscal or Financial Officer of a Participant of the Trust;

(c) Officer of a Participant located in a then under-represented geographic region of California as defined below, if feasible;

(d) Demonstration of an interest in the Trust by attending a meeting of the Board of Trustees; and

(e) Participation in an interview with a panel of the Trustees, to be established by an action of the Board of Trustees, (the "Candidate Review Panel") and, based upon that interview, is recommended to the full Board as a suitable candidate.

Upon recommendation by the Candidate Review Panel, at the Trustees' next regularly scheduled meeting, the Trustees will consider the recommendation and may appoint a new Trustee by the vote of the Trustees to serve pursuant to the conditions set forth in the By-Laws and Declaration of Trust. In the course of considering a recommendation from the Candidate Review Panel, the Trustees shall make a good faith effort to (i) create a geographic balance among the Trustees in regard to the number of Trustees from Participants located in Southern California, comprising of San Diego, Imperial, Riverside, Orange, Los Angeles, San Bernardino, Ventura, Kern, Santa Barbara, and San Luis Obispo Counties, and Participants located in Northern California, defined as the region comprised of all other counties in California; and (ii) provide for Trustee representation that reflects the diversity of agency size.

ARTICLE IV. COMMITTEES OF TRUSTEES

Section 1. Executive and Other Committees.

The Trustees by vote of a majority of all the Trustees may elect from their own number an Executive Committee to consist of not less than two (2) to hold office at the pleasure of the Trustees, which shall have the power to conduct the current and ordinary business of the Trust while the Trustees are not in session, including the purchase and sale of securities and such other powers of the Trustees as the Trustees may, from time to time, delegate to them, except those powers which by law, the Declaration of Trust, or these By-Laws they are prohibited from delegating and except with respect to (a) the approval of any action which also requires the approval of the Participants or any Class or Series of the Participants, (b) the filling of vacancies on the Board of Trustees or on any Committee, (c) the fixing of compensation of the Trustees, (d) the amendment of the By-Laws, (e) the amendment of any resolution of the Board of Trustees which by its terms is not so amendable, (f) a dividend or distribution to the Shareholders other than at a rate or in a periodic amount or price range determined by the Board of Trustees, and (g) the appointment of other Committees or the members thereof. The Trustees may also elect from their own number or other persons other Committees from time to time, the number composing such Committees, the powers conferred upon the same (subject to the same limitations as the Executive Committee), and the term of membership on such Committees to be determined by the Trustees. The Trustees may designate a Chairman of any such Committee. In the absence of such designation, the Committee may elect its own Chairman.

Section 2. Meetings, Quorum and Manner of Acting.

Meetings and action of Committees shall be held and taken in accordance with the procedures for meetings of the Board of Trustees, except as otherwise provided by law, by the By-Laws or by resolution of the Board of Trustees. Each Committee shall keep regular minutes of its meetings and cause them to be recorded in a book designated for that purpose and kept in the office of the Trust.

ARTICLE V. OFFICERS

Section 1. General Provisions.

The officers of the Trust shall be a President, a Treasurer, and a Secretary, who shall be elected by the Trustees. The Trustees may elect or appoint such other officers or agents as the business of the Trust may require, including one or more Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers. The Trustees may delegate to any officer or Committee the power to appoint any subordinate officers or agents.

Section 2. Terms of Office and Qualifications.

Except as otherwise provided by law, the Declaration of Trust, or these By-Laws, all officers shall hold office at the pleasure of the Trustees. Any two or more offices may be held by the same person. The President, Vice-President and Treasurer shall all be Trustees. Any other officer may be, but none need be, a Trustee.

Section 3. Removal.

The Trustees, at any regular or special meeting of the Trustees, may remove any officer with or without cause. Any officer or agent appointed by any officer or Committee may be removed with or without cause by such appointing officer or Committee.

Section 4. Powers and Duties of the President.

The President shall be a Trustee. The President may call meetings of the Trustees and of any Committee thereof when such person deems it necessary and shall preside at all meetings of the Trustees. Subject to the control of the Trustees and any Committees of the Trustees, such person shall at all times exercise general supervision and direction over the affairs of the Trust. The President shall have the power to employ such subordinate officers, employees, and agents, as such person may find necessary to transact the business of the Trust. Such person shall also have the power to grant, issue, execute or sign such powers of attorney, proxies, or other documents as may be deemed advisable or necessary in furtherance of the interests of the Trust. The President shall also have such powers and duties as, from time to time, may be conferred upon or assigned to such person by the Trustees.

Section 5. Powers and Duties of the Vice Presidents.

In the absence or disability of the President, the Vice President, or if there be more than one Vice President any Vice President designated by the Trustees, shall perform all the duties and may exercise any of the powers of the President, subject to the control of the Trustees. Each Vice President shall perform such other duties as may be assigned to such person from time to time by the Trustees or the President.

Section 6. Powers and Duties of the Treasurer.

The Treasurer shall be the principal financial and accounting officer of the Trust. Such person shall deliver all funds of the Trust which may come into such person's hands to such custodian as the Trustees may employ pursuant to Article IX of these By-Laws. Such person shall render a statement of condition of the finances of the Trust to the Trustees as often as they shall require the same and such person shall in general perform all the duties incident to the office of the Treasurer and such other duties as from time to time may be assigned to such person by the Trustees. The Treasurer shall give a bond for the faithful discharge of such person's duties in such sum and with such surety or sureties as the Trustees shall require. The Treasurer shall also perform the functions of depository and auditor or controller as specified in the Joint Exercise of Powers Act.

Section 7. Powers and Duties of the Secretary.

The Secretary shall keep the records of all action of the Participants in proper books provided for that purpose; such person shall have custody of the seal of the Trust; and such person shall have charge of the Share transfer books, lists, and records unless the same are in the charge of the Transfer Agent. Such person shall attend to the giving and serving of all notices by the Trust in accordance with the provisions of these By-Laws and as required by law. Such person shall keep the minutes of all meetings of the Trustees and Committees. Such person shall perform such other duties and have such other powers in addition to those specified in these By-Laws as the Trustees shall from time to time designate.

Section 8. Powers and Duties of the Assistant Treasurers.

In the absence or disability of the Treasurer, any Assistant Treasurer designated by the Trustees shall perform all the duties, and may exercise any of the powers, of the Treasurer. The Assistant Treasurers shall perform such other duties as from time to time may be assigned to them by the Trustees. Each Assistant Treasurer shall give a bond for the faithful discharge of such person's duties, if required to do so by the Trustees, in such sum and with such surety or sureties as the Trustees shall require.

Section 9. Powers and Duties of the Assistant Secretaries.

In the absence or disability of the Secretary, any Assistant Secretary designated by the Trustees shall perform all of the duties, and may exercise any of the powers, of the Secretary. The Assistant Secretaries shall perform such other duties as from time to time may be assigned to them by the Trustees.

Section 10. Compensation of Officers; Reimbursement for Expenses. The compensation of the officers shall be fixed from time to time by the Trustees or by any Committee or officer upon whom such power may be conferred by the Trustees. No Trustee shall be entitled to fixed compensation. The Trust may, however, advance to the Trustees and officers, or reimburse the Trustees and officers, or other persons on CAMP® official business upon approval of the Trustees, for all costs and expenses incurred in connection with attendance at meetings of the Trustees and Committee meetings.

ARTICLE VI. CONTRACTS, CHECKS AND DRAFTS

Section 1. Contracts.

The Trustees may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name and on behalf of the Trust, and such authority may be general or confined to specific instances. All contracts entered into on behalf of the Trust shall comply with Section 4.5 of the Declaration of Trust.

Section 2. Checks and Drafts.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Trust shall be signed by such officer or officers or agent or agents of the Trust and in such manner as shall from time to time be determined by the Trustees.

ARTICLE VII. FISCAL YEAR

The fiscal year of the Trust shall begin on the first day of January in each year and shall end on the thirty-first day of December in each year, provided, however that the Trustees may from time to time change the fiscal year.

ARTICLE VIII. SEAL

The Trustees shall adopt a seal which shall be in such form and shall have such inscription thereon as the Trustees may from time to time prescribe.

ARTICLE IX. ADMINISTRATIVE SERVICES

Section 1. Custodian.

The Trustees shall at all times employ one or more banks or trust companies having a capital, surplus and undivided profits of at least one hundred million dollars ($100,000,000) as Custodian with authority as its agent, but subject to such restrictions, limitations or other requirements, if any, as may be contained in the Declaration of Trust. The Custodian shall constitute a “Depository” within the meaning of California Government Code Section 53630 or any successor provision. Except as otherwise provided herein, all moneys and all investment securities of the Trust shall be held by the Custodian at all times. The Custodian may act as transfer agent, disbursement agent, and agency for any other legal purposes not inconsistent with the Declaration of Trust.

Section 2. Other Administrative Services.

Subject to the provisions of the Declaration of Trust, the Trustees may employ one or more professional organizations to act as investment adviser, transfer agent, registrar, dividend disbursement agent, administrator, distributor, and customer servicing agent. It is contemplated that the Trust will have no full-time employees and that all administrative operations of the Trust will be carried out by such independent contractors, operating under service agreements with the Trust.

Section 3. Central Certification System.

The Trustees may direct the Custodian to deposit all or any part of the securities owned by the Trust in a system for the central handling of securities established by a national securities exchange or a national association registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, or such other person as may be permitted by that Commission, pursuant to which system all securities of a particular class or series of an issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of such securities, provided that all such deposits shall be subject to withdrawal only upon the order of the Trustees.

Section 4. Acceptance of Receipts in Lieu of Certificates.

The Trustees may direct the Custodian to accept written receipts or other written evidence indicating purchases of securities held in book-entry form in the Federal Reserve System in accordance with the regulations promulgated by the Board of Governors of the Federal Reserve System and the local Federal Reserve Banks in lieu of receipt of certificates representing such securities.

ARTICLE X. INDEMNIFICATION AND INSURANCE

Section 1. Indemnification of Trustees and Officers.

Each person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, formal or informal, whether brought in the name of the Trust or otherwise and whether of a civil, criminal, administrative or investigative nature (hereinafter, a "proceeding"), by reason of the fact that such person, or a person of whom such person is the legal representative, is or was a Trustee or officer of the Trust whether the basis of such proceeding is an alleged action or inaction in an official capacity or in any other capacity while serving as such a Trustee or officer, shall, subject to the terms of any agreement between the Trust and such person, be indemnified and held harmless by the Trust to the fullest extent permissible under applicable law and the Declaration of Trust, against all costs, charges, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a Trustee or officer and shall inure to the benefit of such person's heirs, executors and administrators; provided, however, that (a) the Trust shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Trustees of the Trust; (b) the Trust shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof), other than a proceeding by or in the name of the Trust to procure a judgment in its favor, only if any settlement of such a proceeding is approved in writing by the Trustees; (c) no such person shall be indemnified (i) except to the extent that the aggregate of losses to be indemnified exceeds the amount of such losses for which such person is paid pursuant to any trustees', directors' and officers' liability insurance policy maintained by the Trust or (ii) if a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful; and (d) no such person shall be indemnified with regard to any liability incurred by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of duty. The right to indemnification conferred in this Section 1 shall be a contract between the Trust and each person entitled to indemnification hereunder who serves in any capacity specified in this Section 1 at any time while these provisions are in effect, and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a contract right may not be modified retroactively without the consent of such person. The right to indemnification conferred in this Section 1 shall include the right to be paid by the Trust expenses incurred in defending any proceeding in advance of its final disposition; provided, however, that such advances shall be made only upon delivery to the Trust of a written undertaking, by or on behalf of such Trustee or officer, to repay all amounts to the Trust if it shall be ultimately determined that such person is not entitled to be indemnified.

Section 2. Indemnification of Employees and Agents.

A person who was or is a party or is threatened to be made a party to or is involved in any proceeding by reason of the fact that such person is or was an employee or agent of the Trust, whether the basis of such proceeding is an alleged action or inaction in an official capacity or in any other capacity while serving as such an employee or agent, may, subject to the terms of any agreement between the Trust and such person, be indemnified and held harmless by the Trust to the fullest extent permitted under applicable law and the Declaration of Trust, against all costs, charges, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, fines, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith. The immediately preceding sentence is not intended to be and shall not be construed to confer a contract right on any such person (other than the persons referred to in Section 1 of this Article).

Section 3. Right of Trustees and Officers to Bring Suit.

If a claim under Section 1 of this Article is not paid in full by the Trust within 30 days after a written claim has been received by the Trust, the claimant may at any time thereafter bring suit against the Trust to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. Neither the failure of the Trust (including its Board of Trustees, its independent legal counsel, or its Participants) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because such person has met the applicable standard of conduct, if any, nor an actual determination by the Trust (including its Board of Trustees, its independent legal counsel, or its Participants) that the claimant has not met the applicable standard of conduct, shall be a defense to such action or create a presumption for the purposes of such action that the claimant has not met the applicable standard of conduct.

Section 4. Successful Defense.

Notwithstanding any other provision of this Article, to the extent that a person referred to in Section 1 of this Article has been successful on the merits or otherwise (including, without limitation, the dismissal of an action without prejudice or the settlement of a proceeding or action without admission of liability) in defense of any proceeding referred to in Section 1 of this Article or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including, without limitation, attorneys' fees) actually and reasonably incurred in connection therewith.

Section 5. Nonexclusivity of Rights.

The right to indemnification provided by this Article shall not be exclusive of nor limit any other right which any person may have or hereafter acquire under any statute, bylaw, agreement, action of the Participants or disinterested Trustees or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be such a Trustee, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 6. Insurance.

The Trust may maintain insurance, at its expense, to protect itself and any Trustee, officer, employee or agent of the Trust against any expense, liability or loss asserted against such person or incurred by such person or arising out of such person's status as such, whether or not the Trust would have the power to indemnify such person against such expense, liability or loss under applicable law, the Declaration of Trust or this Article. In addition to or in lieu of such insurance, the Trustees may create a fund or funds to secure such protection and may deposit moneys from the Trust property in such fund or funds from time to time in such amounts as the Trustees in their sole judgment may deem advisable.

Section 7. Expenses as a Witness.

To the extent that any Trustee, officer, employee or agent of the Trust is by reason of such position a witness in any proceeding, such person shall be indemnified against all costs and expenses actually and reasonably incurred by such person on such person's behalf in connection therewith.

Section 8. Indemnity Agreements.

The Trust may enter into agreements with any Trustee, officer, employee or agent of the Trust providing for indemnification to the fullest extent permissible under applicable law and the Declaration of Trust.

Section 9. Severability.

Each and every paragraph, sentence, term and provision of this Article is separate and distinct so that if any paragraph, sentence, term or provision hereof shall be held to be invalid, unlawful or unenforceable for any reason, such invalidity, unlawfulness or unenforceability shall not affect the validity, lawfulness or enforceability of any other paragraph, sentence, term or provision hereof. To the extent required, any paragraph, sentence, term or provision of this Article may be modified by a court of competent jurisdiction to preserve its validity and to provide the claimant with, subject to the limitations set forth in this Article and any agreement between the Trust and such claimant, the broadest possible indemnification permitted under applicable law.

Section 10. Effect of Repeal or Modification.

Any repeal or modification of this Article shall not adversely affect any right of indemnification of a person referred to in Section 1 of this Article existing at the time of such repeal or modification with respect to any action or omission occurring prior to such repeal or modification.

ARTICLE XI. ISSUANCE OF SHARES

The Trustees in their discretion may, from time to time without approval of the Shareholders, issue Shares of any Series or Class in addition to the then issued and outstanding Shares of such Series or Class to such party or parties and for consideration in such amount not less than the greater of the net asset value per Share (determined as set forth in Article XII hereof) and of such type, including cash or property, at such time or times and on such terms as the Trustees may deem fitting, and may in such manner acquire other assets (including the acquisition of assets subject to, and in connection with, the assumption of liabilities) and businesses. In connection with any issuance of Shares, the Trustees may issue fractional Shares. Reductions in the number of outstanding Shares of any Series or Class with respect to which the Trustees shall have established a policy of maintaining a constant net asset value per Share of such Series or Class may be made pursuant to the provisions of Section 7.4 of the Declaration of Trust in order to maintain the constant net asset value per share of such Series or Class. Contributions to the Trust may be accepted for, and Shares shall be redeemed as, whole Shares and fractions of a Share as described in the Information Statement.

ARTICLE XII. NET ASSET VALUE OF SHARES

Net asset value per Share shall be determined as of 11:00 a.m., Pacific Time, each day the Trust is open for business. For the purpose of calculating the net asset value per Share, the securities held shall be valued pursuant to the amortized cost method. The amortized cost method of valuation shall mean the acquisition cost as adjusted for the amortization of premiums or accumulation of discounts. The daily amount of premium to be amortized and the daily amount of discount to be accumulated shall be calculated by dividing the amount of the premium or discount, as determined at the time of acquisition of a security by the Trust, by the number of days remaining from the date of the security's acquisition by the Trust until the maturity date of the security.

ARTICLE XIII. DIVIDENDS AND DISTRIBUTIONS

The days on which the determination of the net income of each Share shall occur (each such day, a “Business Day”), the deadline during such Business Day for such determination, the declaration of such net income as a dividend, and the determination of the record date for Shareholders entitled to receive such dividend shall be as set forth in the Information Statement. The Information Statement shall also provide for the manner in which such dividend is to be paid, including whether such dividend is to be payable in additional Shares, and when such dividend shall be payable. The Information Statement shall provide for the manner in which such net income is to be calculated. Capital distributions, if any, may be made in the manner set forth in the Information Statement.

ARTICLE XIV. AMENDMENTS

These By-Laws, or any of them, may be altered, amended, or repealed, or new By-Laws may be adopted, by the Trustees. The Trustees shall in no event adopt By-Laws which are in conflict with the Declaration of Trust; and any apparent inconsistency shall be construed in favor of the related provisions in the Declaration of Trust.

ARTICLE XV. LIMITATION OF LIABILITY

The Declaration of Trust establishing the Trust, dated as of December 15, 1989, a copy of which, together with all amendments thereto, is on file in the office of the Secretary of the Trust, provides that the name "California Asset Management Trust" and any substitute therefore refers to the Trustees under the Declaration of Trust collectively as Trustees, but not as individuals or personally; and no Trustee, Participant, officer, employee or agent of the Trust shall be held personally liable, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise, in connection with the affairs of the Trust, but the Trust property only shall be liable.

CALIFORNIA ASSET MANAGEMENT PROGRAM
JOINT POWERS AUTHORITY

PROGRAM GUIDE

January 12, 2023

This Program Guide includes an Information Statement that contains important information on the California Asset Management Trust. Please read the Information Statement carefully before you invest in the Trust.

CONTENTS

Part 1

Key Facts

Part 1 presents key facts about the Portfolios, including information on costs, minimums, policies, and how to place transaction orders. Part 1 is descriptive, not definitive, and is qualified by the information contained in Part 2.

Terms

Portfolio Summaries

Investing

Part 2

Information Statement

Part 2 contains supplemental information to Parts 1 and 3. Some of this information further defines or qualifies information presented in Part 1. There is also information on additional topics, such as the history of the Trust and a list of the Trustees. Parts 1, 2, and 3 together constitute the offering document for the Pool, Term, and Individual Portfolios.

General Information

The Portfolios

Part 3

Individual Portfolios

Part 3 presents key facts about an Individual Portfolio investment and is qualified by the information contained in Part 2.

General Information

Part 1

Terms Used in This Document

Account Application The form to open a CAMP account.

ACH Automated clearing house is a secure payment transfer system that connects all U.S. financial institutions. The ACH network acts as the central clearing facility for all Electronic Fund Transfer (EFT) transactions that occur nationwide.

Advisory Agreement Investment advisory agreement between the Investment Adviser and the Trust.

Act California Joint Exercise of Powers Act (California Government Code Section 6500 et seq.).

Board The Trust's Board of Trustees. These individuals are employees of California Public Agencies which are Participants in the Trust.

Business Day Any day on which both the bond market (as determined by the Securities Industry and Financial Markets Association "SIFMA") and the Custodian are open for business. The Trust may close early on any days when the bond market closes early. In light of anticipated limited availability for money market securities and fixed income settlement capacity limitations, the Trust will not be open for business on Good Friday even if the primary trading markets are open.

California Asset Management Program or CAMP or Program The Program consisting of the Trust and Individual Portfolios.

Cash Reserve Portfolio A short-term portfolio and cash management vehicle (the "Pool") designed to earn a high rate of return while preserving principal, providing liquidity, and seeking a stable NAV of $1.00.

Custodian U.S. Bank National Association or the designated bank, agent, or trust company responsible for safeguarding financial assets of the Trust and the Individual Portfolios.

Connect The Investment Adviser's web-based information and transaction service.

FINRA Financial Industry Regulatory Authority.

Individual Portfolio Professionally managed investment accounts which Shareholders may establish by separate agreement with the Investment Adviser.

Internal Revenue Code The Internal Revenue Code of 1986, as amended.

Investment Adviser PFM Asset Management LLC, the Trust's investment adviser, administrator, and transfer agent.

Investor Agreement The Agreement to become an Investor and purchase shares of the Investor Shares Series.

Investors Shareholders that invest in the Trust's Portfolios without joining the Trust.

JPA Joint Exercise of Powers Authority. The Trust is a JPA.

MSRB Municipal Securities Rulemaking Board.

NAV Net asset value.

NRSRO Nationally recognized statistical-rating organization.

Officers Executive officers of the Trust.

PFMAM PFM Asset Management LLC

Pacific Time The local West Coast time, either daylight or standard depending on time of year.

Participants Shareholders that invest in the Trust's Portfolios who have joined the Trust.

Pool The Trust's Cash Reserve Portfolio.

Portfolios The Cash Reserve Portfolio and Term Portfolio which are each professionally managed investment portfolios.

Public Agency As defined in California Government Code, Section 6500, and includes, but is not limited to, the federal government or any federal department or agency, this state, another state or any state department or agency, a county, county board of education, county superintendent of schools, city, public corporation, public district, regional transportation commission of this state or another state, a federally recognized Indian tribe, or any joint powers authority formed pursuant to this article by any of these agencies.

Shares Series Reference to the Participant Shares Series and the Investor Shares Series of the Cash Reserve Portfolio, or series of the CAMP Term Portfolio when applicable and, collectively, the "Shares Series," where applicable.

Shares Units representing an equal proportionate share of beneficial interest in the Portfolios of the Trust.

Shareholders Public agencies that invest in the Trust's Portfolios.

Standard & Poor's Standard & Poor's Rating Agency.

Term The Trust's CAMP Term Portfolio or individual series thereof.

Trust California Asset Management Trust.

Trustees Members of the Board of Trustees of the Trust.

USBAM U.S. Bancorp Asset Management, Inc.

U.S. Bank U.S. Bank National Association

Portfolio Summary

Cash Reserve Portfolio *Participant Shares and Investor Shares*

Investment Objective

The objective of the Cash Reserve Portfolio is to earn a high rate of return while preserving principal, providing liquidity, and seeking a stable NAV of $1.00.

For proceeds of debt issuances invested in the Pool, the objective of the Trust is to invest and account for such proceeds in compliance with the arbitrage rebate and yield restriction requirements as set forth in the Internal Revenue Code and the related U.S. Treasury regulations.

Principal Investment Strategies

The Cash Reserve Portfolio invests exclusively in the following types of investments, all of which are authorized investments for Public Agencies pursuant to California Government Code Section 53601:

- U.S. Government and agency obligations
- Repurchase agreements collateralized by U.S. Government and agency obligations
- Bankers' acceptances
- Negotiable certificates of deposit
- Commercial paper
- Corporate notes
- Supranationals
- Asset-Backed Securities
- Money Market Funds

The Investment Adviser may adjust exposure to interest rate risk, typically seeking to protect against possible rises in interest rates and to preserve yield when interest rates appear likely to fall.

The Pool is managed to maintain a dollar-weighted average maturity of no more than 60 days and a dollar-weighted average life (final maturity, adjusted for demand features but not interest rate adjustments) of no more than 120 days. In addition, it only buys investments that have a remaining maturity of three hundred ninety-seven (397) days or less at the time of purchase (except for variable-rate notes issued by the U.S. Government or its agencies or instrumentalities, which must have remaining maturities of 762 days or less.

The Pool has received a rating of AAAm from Standard & Poor's.

For a more complete description of authorized investments and investment restrictions for the Portfolio, see the "Authorized Investments" section in Section 2 of this document.

Main Risks

As with any similar pooled investment, there are several factors that could hurt the Pool's performance, cause Shareholders to lose money, or cause the Pool's performance to be less than that of other investments.

- **Interest rate risk** When short-term interest rates fall, the Pool's yield is likely to fall. When interest rates rise, especially if the rise is sharp or unexpected, the Pool's share price could fall.
- **Credit risk** The issuer of a security could fail to pay interest or principal in a timely manner. The credit quality of the Pool's holdings could change rapidly in certain markets, and the default or decline in credit quality of even a single investment could cause the Pool's share price to fall.
- **Liquidity risk** The Pool's share price could fall during times when there are abnormal levels of redemption requests or markets are illiquid.
- **Management risk** Performance could be hurt by decisions made by the Investment Adviser, such as choice of investments or timing of buy/sell decisions.

An investment in the Pool is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Pool seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Pool.

Management

Investment Adviser PFM Asset Management LLC.

The features of the Pool are summarized below.

Fees and Expenses

These are the fees and expenses Shareholders will pay when they buy and hold Shares in this Pool. The figures shown here do not reflect the effects of any voluntary expense reductions. Going forward, actual expenses may be higher or lower. The Investment Adviser is obligated to reimburse the Pool for the amount by which annual operating expenses, including investment management, custodian, legal, and audit fees, exceed 0.22% of average daily net assets. There were no reimbursements to the Pool for the year ended December 31, 2021.

Annual Pool Operating Expenses

(Fees and expenses shown are based on the prior year's audited financial statements and may be subject to certain fee waivers or recoupment thereof.)

Management and administrative fees	0.10%
Other operating expenses	0.01%
Total annual operating expenses	**0.11%**

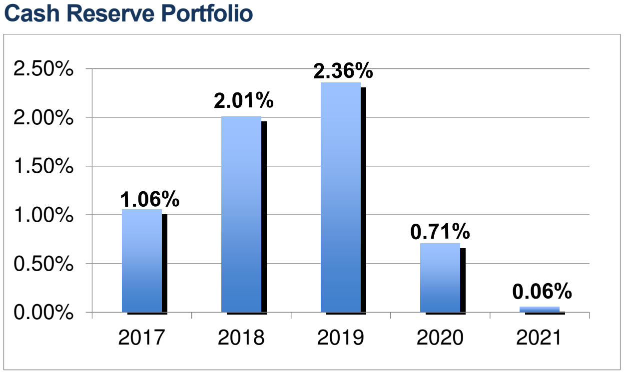
For a more complete description of the fees and expenses for this Portfolio, see the Expenses of the Trust section in Part 2 of this document.

Past Performance

All performance figures shown here assume that dividends were reinvested. Figures shown are for the five most recent audited calendar years. For current yield information, call (800) 729-7665. Past performance may not indicate future results.

Calendar Year Total Returns (%)

Cash Reserve Portfolio



Purchase and Sale of Pool Shares

Minimum Initial Investment No minimum.

Minimum Account Balance No minimum.

Minimum Holding Period 1 day.

You can place orders to buy or sell Shares by wire, ACH transfer, check or via the Internet using Connect.

Placing Orders

To place orders, contact us at:

Online www.camponline.com

Phone (800) 729-7665

Wire transfer orders can be processed the same Business Day if they are received and accepted by the Investment Adviser by 11:00 a.m. Pacific Time and if the Pool's Custodian receives federal funds by wire prior to the close of business. Wire orders received after 11:00 a.m. Pacific Time are processed on the next Business Day. ACH transfer orders are processed on the next Business Day if requested by 1:00 p.m. Pacific Time. ACH orders received after 1:00 p.m. Pacific Time are processed on the second Business Day after the Business Day on which they are received.

For more complete information on buying and selling Shares, see "Buying Shares" and "Redeeming Shares." For information on the potential tax consequences of investing in the Pool, see "Tax Information."

CAMP Term Portfolio

Investment Objective

To provide an investment subject to pre-set redemptions occurring from 60 days to one year from the date of investment, and that will produce the highest earnings consistent with maintaining safety of principal at maturity and meeting the redemption schedule. The CAMP Term Portfolio seeks to assure the return of principal on the planned maturity date, although principal value may fluctuate prior to that date, and therefore may be greater or less than $1.00 a share. There may be a penalty for early withdrawal, and the NAV prior to a pre-set redemption may be more or less than $1.00 a share.

The securities will be valued using market values to determine fair value of the Portfolio. The CAMP Term Portfolio does not offer daily liquidity and therefore does not qualify under GASB Statement No. 79 to utilize amortized cost for external GAAP financial reporting. Rather, it utilizes market prices to determine fair value for external GAAP financial reporting in accordance with GASB Statement No. 31. Annual financial statements issued for the Portfolio will include a statement of net position and statement of changes in net position.

The Portfolio may also maintain a rating from a NRSRO and implement corresponding policies and procedures designed to comply with additional rating guidelines to achieve the Portfolio's investment objective.

Principal Investment Strategies

The Term Portfolio invests exclusively in the following types of investments, all of which are authorized investments for Public Agencies pursuant to California Government Code Section 53601:

- U.S. Government and agency obligations
- Repurchase agreements collateralized by U.S. Government and agency obligations
- Bankers' acceptances
- Negotiable certificates of deposit
- Commercial paper
- Corporate notes
- Supranationals
- Asset-Backed Securities
- Money Market Funds

For a more complete description of authorized investments and investment restrictions for the Portfolio, see the "Authorized Investments" section in Section 2 of this document.

Main Risks

As with any similar pooled investment, there are several factors that could hurt the Portfolio's performance, cause you to lose money, or cause the Portfolio's performance to trail that of other investments.

- **Credit risk** The issuer of a security could fail to pay interest or principal in a timely manner. The credit quality of the Portfolio's holdings could change rapidly in certain markets, and the default or decline in credit quality of even a single holding could cause the Portfolio's share price to fall.
- **Early redemption risk** Early redemption penalties charged to a Shareholder by the Portfolio could reduce or eliminate investment gains and could mean that the amount that Investor receives back is less than the initial investment.
- **Management risk** Performance could be hurt by decisions made by the Investment Adviser, such as choice of investments or investment maturities or timing of buy/sell decisions.

An investment in the Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Portfolio seeks to preserve the value of your investment on the planned redemption date at $1.00 per share, it is possible to lose money by investing in the Portfolio.

Past Performance

The performance of each individual series of the Portfolio and of each Shareholder's individual investment therein may vary. Past performance may not indicate future results.

Management

Investment Adviser PFM Asset Management LLC

Fees and Expenses

These are the fees and expenses you will pay when you buy and hold shares in this Portfolio. The figures shown on the following page do not reflect the effects of any voluntary expense reductions which would lower expenses.

Annual Portfolio Operating Expenses

(Fees and expenses shown may be subject to certain fee waivers)

Management and administrative fees	0.15%
Other operating expenses	0.07%
Maximum total annual operating expenses	**0.22%**

The Portfolio may charge significant fees/penalties for any redemptions prior to the agreed upon redemption date. As these charges are based on protecting the interests of other Portfolio Shareholders, the actual amount of the fees cannot be stated in advance.

For a more complete description of the fees and expenses for this Portfolio, see the Expenses of the Trust section in Part 2 of this document.

Purchase and Sale of CAMP Term Portfolio Shares

Minimum Investment $1,000,000.

Minimum Term 60 days. Premature withdrawal may result in a fee/penalty.

Maximum Term 1 year.

Placing Orders

Prior to placing any order, call CAMP's toll-free number to discuss the amount and term of your investment and to get information on the projected yield. Once your investment has been approved, you can place orders to buy Term shares by redeeming available Pool shares. Any additional funds needed to cover the purchase of shares may be sent to the Shareholder's Pool account via separate wire, or automated clearing house (ACH) transfer.

All transactions for purchases in a CAMP Term series are dependent upon funds being available in the Shareholder's Pool account from which the transaction originated.

To arrange or place orders, contact us at:

Phone 800-729-7665

Orders can be processed the same day if funds are available in the Shareholder's Pool account by 10:00 am Pacific Time. Otherwise, they are processed on the next business day so long as funds are made available in the Shareholder's Pool account.

For more complete information on buying and redeeming shares, see "Buying Shares—CAMP Term Portfolio" and "Redeeming Shares—CAMP Term Portfolio." For information on the potential tax consequences of investing in the Portfolio, see "Tax Information."

Investing

Opening an Account

Eligible Shareholders

The Trust is a JPA and a California common law trust. The Trust will not accept funds for investment from sources other than California Public Agencies.

Account Opening Process

- Complete the appropriate Account Application. To obtain additional forms, call (800) 729-7665 or visit www.camponline.com to download them.
- ***If Participant Shares are being purchased*** for the initial account, provide a copy of an ordinance or resolution authorizing participation in the Trust, and execute a conformed copy of the Declaration of Trust.
- ***If Investor Shares are being purchased,*** execute a copy of the Investor Agreement. To obtain a copy of the Investor Agreement, call (800) 729-7665 or visit www.camponline.com. *Complete a separate Account Application, signed by an authorized person, for each account.*
- Provide a completed IRS W-9 *form.*

Send the above documents via U.S. mail to:

CAMP Client Services Group
P. O. Box 11760
Harrisburg, PA 17108-1760

Please note: UPS and Federal Express will not deliver packages to a P.O. Box. If using one of these shipping methods, please contact CAMP at (800) 729-7665 for an alternative delivery address.

Or send by fax to:

(888) 535-0120

Buying Shares—CAMP Cash Reserve Portfolio

Once a Shareholder's application has been accepted, an investment in the Pool can be made using one of the methods in the table on the following page. Funds used to purchase investments must be in U.S. dollars and must be drawn on a U.S. Bank or a U.S. branch of a foreign bank. **All investments must meet the terms described in the Portfolio Summary.**

Special Requirements for the Proceeds of Debt Issues. Shareholders are advised to invest proceeds of tax-exempt borrowings by same-day wire transfer as any other method could result in delays in investing funds and, for rebate calculation purposes, may limit the Investment Adviser's ability to track the investment of all the proceeds of a debt issue through a single account from the time of actual settlement on the debt issue.

Unless all proceeds from a particular debt issue are invested through the Trust immediately upon receipt by the Shareholder, and unless the recommended withdrawal procedures are followed, the Investment Adviser may decline to provide arbitrage compliance assistance or may require additional information from the Shareholder, otherwise, the Investment Adviser may not be able to complete a rebate calculation report or may have to qualify the rebate calculation report. The Trust may accept the proceeds of debt issues which previously have been deposited or invested outside of the Trust, subject to the preparation of a rebate calculation report for the period prior to deposit with the Trust. The Investment Adviser will provide instructions and assistance in arranging for preparation of this report (see Part 2 - Rebate Calculation Services for the Proceeds of Debt Issues).

Method	Instructions	Additional information
Wire (same-day settlement)	• Initiate the transaction on the Internet at www.camponline.com or by calling the Investment Adviser at (800) 729-7665 before 11:00 a.m. Pacific Time. • Provide the following information: – Shareholder's account name and account number – Amount being wired – Whether the transfer is by Federal funds wire (preferred) or bank wire – Name of bank sending wire • Instruct your bank to initiate the wire on the same day to U.S. Bank National Association. Detailed instructions can be obtained on the Internet at www.camponline.com or by calling the Investment Adviser at (800) 729-7665.	• The Pool does not charge fees for receiving wires. However, the sending bank may charge for wiring funds. To reduce potential charges, use ACH transfers as described below. • Important—A Shareholder must initiate an Internet transaction or notify the Investment Adviser by telephone of a deposit before 11:00 a.m., Pacific Time, and a Federal Reserve wire or bank wire convertible to Federal Funds on a same-day basis must be received that day by the Custodian if the investment is to begin earning income that day.
ACH transfer (settles next Business Day)	• Before making your first transfer, call the Investment Adviser at (800) 729-7665 and register for ACH transfers. • A Shareholder may initiate an Internet transaction at www.camponline.com or call the Investment Adviser at (800) 729-7665 prior to 1:00 p.m., Pacific Time, and give instructions for the movement of funds from its financial institution to its Pool account.	• Funds will transfer overnight and begin earning income the next Business Day. • Funds may be transferred to the Trust by ACH according to the written banking instructions provided by an authorized person. • A Shareholder must notify the Trust in writing of any changes to the specified banking instructions.
Check (settles two or more Business Days after the order arrives)	• Instructions for depositing checks by mail are available by contacting the Investment Adviser at (800) 729-7665. • Checks will be deposited when received by the Custodian, and proceeds will be invested when they are converted to Federal Funds. This procedure may take two or more Business Days.	• It is not advisable to use checks for investment of proceeds of tax-exempt borrowings.
Online	• Before making your first online transaction, submit a Contact Record Form, which may be obtained either by calling the Investment Adviser at (800) 729-7665 or by visiting www.camponline.com. • Use Connect to place wire or ACH orders with the Investment Adviser. • Instruct your bank to initiate the wire on the same day to U.S. Bank National Association. Detailed instructions can be obtained on the Internet at www.camponline.com or by calling the Investment Adviser at (800) 729-7665.	

Redeeming Shares—CAMP Cash Reserve Portfolio

A Shareholder may withdraw all or any portion of the funds in its Pool account at any time by redeeming Shares. Shares will be redeemed at the NAV per share next determined after receipt of a request for withdrawal in proper form. The NAV determination is made at the conclusion of each Business Day. Funds may be withdrawn in any of the ways shown below.

Method	Instructions	Additional information
Wire (same-day settlement)	• Initiate the transaction on the Internet at www.camponline.com or call the Investment Adviser at (800) 729-7665 on any Business Day to request a withdrawal and the transfer of proceeds. Funds will be transferred to the Trust according to the written banking instructions provided by an authorized person. • If your request is received before 11:00 a.m. Pacific Time, funds will be wired on that same day. • Requests received after 11:00 a.m. Pacific Time will be processed on the following Business Day.	• Funds may be transferred to the Trust by wire according to the written banking instructions provided by an authorized person. • A Shareholder must notify the Trust in writing of any changes to the specified banking instructions.
ACH transfer (settles next Business Day)	• Before making your first transfer, call the Investment Adviser at (800) 729-7665 and register for ACH transfers. • Initiate the transaction on the Internet at www.camponline.com or by calling the Investment Adviser at (800) 729-7665 **before 1:00 p.m. Pacific Time.**	• Funds will transfer overnight and be available the next Business Day. • Funds will remain invested in the Shareholder's Pool account until the day they are transferred. • Funds may be transferred from the Trust by ACH according to the written banking instructions provided by an authorized person. • A Shareholder must notify the Trust in writing of any changes to the specified banking instructions.
Check	• Upon request, the Investment Adviser will provide a Shareholder with a supply of checks imprinted with the Shareholder's name and account number for each Pool account. • Checks may be made payable to anyone and deposited by the payee as with any other check. • When these checks are presented to the Custodian for payment, the Trust will redeem the appropriate number of full or fractional Shares from the Shareholder's Pool account to cover the amount of the check.	• There is currently no charge for checkwriting. • Funds will continue to earn income until the check clears. • If you use checks, you will receive images of checks paid with monthly statements. • Do not use a check to withdraw all available funds or to close your account. Please contact the Investment Adviser for instructions on how to fully redeem your shares. • You may be charged a fee for writing a check that is returned for insufficient funds.

Buying Shares—CAMP Term Portfolio

Once your application to open a CAMP Term Portfolio account has been accepted, you may invest in the CAMP Term Portfolio by authorizing the Investment Adviser to invest funds in a CAMP Term Portfolio account.

Prior to placing any order, call us to discuss the amount and term of your investment and to get information on the projected yield. Each investment will be given its own projected yield. Yields may vary according to the term of the investment and the interest rates available at the time of investment.

The Investment Adviser may refuse any investment or limit the size of an investment.

Redeeming Shares—CAMP Term Portfolio

Funds may be withdrawn only as described in the table below. Be sure that one or more bank accounts have been pre-authorized to receive redemptions proceeds. If there is more than one pre-authorized bank account, call 800 729-7665 in advance to let the Trust know which account is to receive redemption proceeds.

Type of Redemption	Instructions	Additional information
Maturity	• No action required. Proceeds will be automatically transferred to the Pool account from which funds for the original purchase were withdrawn.	• Redemption value per share will equal the purchase price plus dividends (at the projected yield) minus any losses incurred by the series (not counting those resulting from premature redemptions).
Premature Redemption *Redemption prior to maturity date*	• Send a letter to the Investment Adviser requesting redemption prior to the maturity date. Alternatively, you can notify the Investment Adviser by calling (800) 729-7665 and following up with written confirmation of your instructions. • 7 days after we receive your request, redemption proceeds will be transferred to your Pool account from which funds for the original purchase were withdrawn.	• Premature redemption amounts must be for the entire investment or, for partial redemptions, must be in increments of $100,000. • Redemption value per share will equal the purchase price plus dividends earned to date minus any losses incurred by the Term series and any premature redemption penalty.
Planned Early Redemption *Redemption prior to maturity date*	• At the time an order for shares is placed, Shareholders may submit a request for redemption on a Planned Early Redemption Date prior to the termination date for the Term series without the imposition of a penalty. • No action necessarily required. Proceeds will be automatically transferred to the Pool account from which funds for the original purchase were withdrawn.	• The redemption value per share for shares being redeemed on a Planned Early Redemption Date is equal to the original purchase price for such shares plus dividends thereon, less such shares' allocation of any losses incurred by the Term series (other than losses resulting from Premature Redemption of shares of the series).

Special Withdrawal Procedures for Proceeds of Tax-Exempt Obligations

It is recommended that checks payable to the Shareholder and wire transfers to the Shareholder's account be used only to reimburse the Shareholder for project costs already incurred and that appropriate documentation of such reimbursement be retained by the Shareholder to maintain a clear audit trail of the expenditure of funds for rebate calculation purposes. Failure to follow this procedure could result in additional rebate calculation costs and/or issuance of a qualified rebate calculation report or a rebate exceptions compliance report.

If, at the time the debt instruments are issued, a Shareholder expects to make rebate payments and designates this on Schedule A - Bond Issue Information of the Account Application, the Investment Adviser will track withdrawals and will notify the Shareholder when cumulative withdrawals from an account total the amount of the original proceeds of a debt issue deposited in that account. Within five days of such notice, the Investment Adviser will provide an estimate of the Shareholder's rebate obligation, if any, with respect to the account. To the extent the Shareholder has rebate liability, it is recommended that the Shareholder open a separate account and fund it in an amount at least equal to the estimated rebate liability or reserve an amount equal to the estimated rebate liability in its project funds.

Upon receiving the above-described notification, the Shareholder should promptly request preparation of a rebate calculation report by calling the Investment Adviser at (800) 729-7665 (see Part 3 - Rebate Calculation Services for the Proceeds of Debt Issues).

Upon completion of the rebate calculation report, the Investment Adviser will provide the Shareholder with copies of the rebate calculation report. The Investment Adviser recommends that the Shareholder open a separate account to deposit the rebate amount identified in the rebate calculation report. It is further recommended that the Shareholder withdraw the balance in the separate account and make the required rebate payment within sixty (60) days of the installment computation date (as defined in the applicable U.S. Treasury regulations).

A Shareholder could be liable for rebate payments in addition to the amount identified in the rebate calculation report if, among other things, the date of the rebate calculation report does not correspond with an installment computation date, if payment of the amount is not made within sixty (60) days of the installment computation date, or if some future action by the Shareholder changes the yield of the related tax-exempt obligations.

It is advisable that a Shareholder not withdraw all of its funds prior to completion of rebate estimates and a rebate calculation report in order to track all earnings accurately and to fulfill its rebate obligation. Failure by the Shareholder to follow these guidelines may result in the Shareholder having to fulfill its rebate obligation from other sources of funds and may make it impossible for the Investment Adviser to prepare an unqualified rebate calculation report.

If a Shareholder withdraws funds from the Program prior to the end of a rebate calculation period and reinvests them elsewhere, the Investment Adviser will be unable to issue an unqualified rebate calculation report.

Emergencies: Right to Suspend Withdrawals

The Declaration of Trust permits the Trustees to suspend the right of withdrawal from the Trust or to postpone the date of payment of redemption proceeds if the New York Stock Exchange is closed other than for customary weekend and holiday closings, if trading on the New York Stock Exchange is restricted, or if, in the opinion of the Trustees, an emergency exists such that disposal of the Trust's securities or determination of its net asset value is not reasonably practicable.

If the right of withdrawal is suspended, a Shareholder may either withdraw its request for that withdrawal or receive payment based on the net asset value of the Trust next determined after termination of the suspension of the right of withdrawal.

Other Redemption Policies

The Trust may redeem Shares owned by a Shareholder to reimburse the Trust for any failure by that Shareholder to make full payment for Shares purchased by the Shareholder.

Redemption payments may be made in whole or in part in securities or other property of the Trust. Shareholders receiving any such securities or other property on redemption will bear any costs of sale.

Additional Account Features

The Trust offers certain additional account features at no extra charge, including:

- **Statements** Confirmations of each investment in and withdrawal from a Trust account will be made available online at www.camponline.com within two days of the transaction. A statement of each account will be mailed (or obtained online at www.camponline.com) each month to each Shareholder. This statement will show the dividend paid and the account balance as of the statement date. The statement will also show total income earned during the year. Any checks the Shareholder has written against a Trust account which have been paid by the Trust and canceled during the month will be returned to the writer by U.S. Bank National Association.

- **Information Services** Toll-free telephone service ((800) 729-7665) is available to provide Shareholders with information including current yield, up-to-date account information and transaction history, and to receive instructions for the investment or withdrawal of funds.
- **Technical Assistance** Technical and operational assistance ((800) 729-7665) is available to Shareholders and Public Agency officials who are considering the Trust for investment purposes.
- **Estimated Earnings on the Proceeds of Debt Issue and Projected Draws** Upon request, the Investment Adviser will provide estimates of future earnings on the proceeds of a debt issue for Shareholders. This estimate will be based on the projected drawdown schedule provided by the Shareholder. The Investment Adviser may request estimates of project drawdown schedules from Shareholders from time to time to facilitate efficient investment of funds.
- **Website** Account information and information regarding the Trust can be found at www.camponline.com. A password and user identification is required to initiate a transaction or access account information. The system can be accessed through the Trust's website by selecting "Access Your Account." Instructions on how to obtain a password and user identification can be received by contacting investor services at (800) 729-7665.
- **Information on Portfolio Holdings** The Trust discloses a summary of each Portfolio's holdings online monthly and a full description of holdings in the annual audited financial reports.

For our policy on the disclosure of Portfolio holdings, see Part 2.

Rights the Trust reserves

The Trust reserves the right to do any of the following:

- Add, change, or remove account minimums at any time without advance notice.
- Reject any investment or limit the size of any Shareholder's account.
- Limit the frequency of purchases for any reason.
- Establish a minimum check amount, or terminate, suspend, or alter check writing privileges.

Policies Specific to the CAMP Term Portfolio

Dividends and Distributions

A projected dividend rate is determined when shares are purchased, and the dividend is declared and paid on the maturity or on the planned redemption date.

Dividends on shares in the series constituting the CAMP Term Portfolio shall be paid on the termination date of the series, except for dividends on shares redeemed pursuant to a planned early redemption or a premature redemption before the termination date, which will be paid when such dividends on shares in the series are redeemed.

The yield for any CAMP Term Portfolio investment is determined by dividing the expected net income per share for the period from the settlement date to the termination date by the purchase price per share, dividing this result by the actual number of days between the settlement date and termination date, and then multiplying the result by 365/366.

For more detail about Dividends and Distributions, see Part 2.

Premature Redemption Penalty

Shareholders may be charged a premature redemption penalty equal to (i) all penalty charges, losses, banking fees and other costs (including, without limitation, interest paid on funds borrowed to pay the redemption) associated with amending, terminating, selling or otherwise affecting any of the investments in the series and (ii) an amount sufficient to maintain the projected yield on the remaining shares to the stated termination date for the series or to the planned early redemption dates, as the case may be, less any losses affecting projected yield attributable to such shares.

Allocation of Losses

Any losses incurred by a CAMP Term Portfolio series (other than losses resulting from Premature Redemptions of shares of the series or in the normal course of portfolio management) will be allocated among all shares of the series outstanding at the time such loss is incurred. Such a loss may result from a default on an investment or from a sale of an investment. If such a loss occurs, the redemption value per share could be lower than that on which the projected yield was quoted at the time of issuance of the share.

Calculating Share Price

Any losses incurred by a CAMP Term Portfolio series (other than the redemption value per share for any series of the Portfolio will be determined on any day when redemption is made and on termination of the series. It is the intent of the Trust to manage each series in the Portfolio in a manner that produces a share price of at least $1.00 on the termination date.

The Investment Adviser, on behalf of CAMP, determines the net asset value of the shares of the Portfolio at the close of each Business Day for the purpose of computing expenses and fees. The net asset value per share for each series of the Portfolio is calculated by dividing the total value of investments and other assets less any liabilities by the total outstanding shares of the series as of the day the calculation is made.

Tax Information

We suggest that you check with your tax advisor before investing in the Trust or an Individual Portfolio. Relevant considerations include:

- Section 115(1) of the Internal Revenue Code, which provides that the gross income of a state or political subdivision does not include income derived from the exercise of any essential government function.
- Section 148 of the Internal Revenue Code (and related regulations) covering rebate requirements, which may apply to anyone investing tax-exempt or tax-credit bond proceeds.
- Section 148 of the Internal Revenue Code (and related regulations) covering arbitrage limitations or rebate requirements under which states and municipalities may be required to pay the U.S. Treasury a portion of earnings they derive from the investment of certain funds.

Use of Amortized Cost

The Board of Trustees has determined, in consultation with the Investment Adviser, that it will manage the Trust's Cash Reserve Portfolio in accordance with GASB 79 requirements, as applicable, for continued use of amortized cost.

Financial Highlights

The Trust's financial statements are audited by Ernst & Young LLP and are included in the CAMP Annual Report for the Trust's most recent fiscal year end. The Annual Report is available upon request or on the Trust's website (www.camponline.com).

Part 2 – Information Statement

General Information

The Trust

History

The California Asset Management Trust was established in 1989 as a California JPA and as a California common law trust to meet local government investments needs. The Trust is responsible for the management of the Cash Reserve and Term Portfolios. The Trust's activities are directed by the Board. Because the Trust is accountable only to its Public Agency Shareholders, it has adapted over time to meet their changing needs. Initially, the Trust was formed to assist California public agencies with investing proceeds of tax-exempt debt issues and complying with the arbitrage regulations. Responding to needs of its Shareholders, the Trust was later expanded to include investment of operating funds and capital reserves.

In 2005, in response to changes in the law and the needs of California Public Agencies for a more flexible investment option, the Trust was amended to create two new Shares Series: Investor Shares and Participant Shares. Participant Shares are available to California Public Agencies that have joined the JPA as members. Shares of the Investor Shares are available to California Public Agencies that have not joined the JPA as a member. Shares of both Series are invested in the same portfolios. As such, the Participant and Investor Shares will realize the same investment results. **Please review Parts 1 and 2 of the Program Guide carefully for a more detailed description of the respective rights, privileges, preferences, and restrictions of investment in any Portfolios of the Trust.**

Additionally, in 2005, in response to a change in the law, the Trust was amended to expand the definition of Public Agency to include certain California nonprofit corporations, membership of which is limited to California Public Agencies or public officials, and again in 2021 to include federally recognized Indian tribes. These changes allow California nonprofit corporations and federally recognized Indian Tribes that meet the expanded definition of Public Agency to either join or invest in the JPA.

Organization and Purpose

The Trust is a JPA and Public Agency created by the Declaration of Trust and established under the provisions of the Act for the purpose of exercising the common power of its Participants to invest funds. The Trust cannot accept funds for investment from other sources.

The Trust provides Shareholders a Cash Reserve and a Term portfolio for comprehensive investment management and accounting services. For proceeds of tax-exempt debt issues, the Trust also offers Arbitrage Rebate calculations. Public Agencies invest in the Pool by contributing assets to the Trust, which are used to purchase Shares in the Pool.

Shares of the Pool and Term are currently divided into two Shares Series: "Participant Shares" and "Investor Shares." Public Agencies may invest in the Pool and Term by formally joining the Trust or by not joining the Trust and only purchasing shares of the Investor Shares Series which have no voting rights. Participants must become parties to the Declaration of Trust, dated as of December 15, 1989, as amended and restated as of October 25, 2022.

Public Agencies that own Participant Shares have voting rights on matters affecting the operation of the Trust. Public Agencies may also invest in the Pool and Term without joining the Trust. Public Agencies that own Investor Shares have rights similar to the Participant Shares except that voting rights are reserved for owners of the Participant Shares.

The Trust seeks to provide Shareholders with the following features through the Portfolios:

Preservation of Principal Investments in the Portfolios are made only in high-quality investments in which Public Agencies are permitted by California statute to invest their funds and in accordance with other investment policies of the Trust designed to preserve capital. While the Pool seeks to maintain a stable NAV of $1.00 per Share and Term seeks to maintain $1.00 upon planned maturity date, it is possible to lose money investing in either the Pool or Term. An investment in the Portfolios is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Liquidity Investments in the Pool may be made at any time, and Shareholders may withdraw funds from the Pool on any Business Day. Term Portfolio investments are structured to provide liquidity on the predetermined maturity date.

Income The Pool seeks to earn a high rate of income consistent with preserving principal and maintaining liquidity. Term seeks to produce the highest earnings consistent with maintaining safety of principal at maturity and meeting the redemption schedule of Shareholders.

Arbitrage Rebate Compliance For the proceeds of tax-exempt debt issues, the Trust is designed to assist Shareholders in complying with certain arbitrage rebate requirements of the Internal Revenue Code. Investments are purchased and investment documentation is maintained in accordance with requirements of the Internal Revenue Code, and rebate calculation reports are prepared by the Investment Adviser upon request in a manner and at such times as to enable Shareholders to comply with these requirements. The Trust is also designed to assist Shareholders in determining whether they have satisfied the expenditure test for any available exceptions to the arbitrage rebate requirements and to provide calculations of penalties due in lieu of rebate payments.

Convenience The Trust offers the option of investing by electronic funds transfer or check. Shareholders that invest the proceeds of debt issues in the Pool do not have to schedule investment maturities to meet project draw schedules. Shareholders can use the Internet to check account balances and activity and to initiate transactions.

Professional Management Investments in the Portfolios are managed by investment professionals who are experienced in managing local government investment pools like the Trust and who follow both general economic and current market conditions affecting interest rates.

Diversification The Shares of the Pool and Term represent beneficial interests in diversified portfolios of certain high-quality instruments authorized for investment by Public Agencies by the California Government Code Section 53601 (a) through (q).

Accounting, Safekeeping and Separate Accounts The Trust does all of the bookkeeping and safekeeping associated with the ownership of securities accounts for each Shareholder's funds to facilitate Shareholder's compliance with governmental accounting and auditing requirements.

A Public Agency can also enter into a separate agreement with the Investment Adviser to manage a separate portfolio that is not part of the Trust. These Individual Portfolios allow a Public Agency to invest its funds in a segregated account (not within the Trust) for a term that is longer than the average maturity of the Pool or Term.

The Trust also provides record keeping and custodial and arbitrage rebate calculation services for the proceeds of debt issues.

For further information or assistance, call toll free (800) 729-7665.

The Declaration of Trust

The Trust is a JPA and a separate Public Agency established as a common law trust under the laws of the State of California by execution of a Declaration of Trust by two California Public Agencies as the initial Participants in the Trust. Additional Public Agencies have become Participants in the Trust by enacting an ordinance or passing a resolution to adopt the Declaration of Trust and by signing a conformed copy of the Declaration of Trust. As of the date of these materials, January 12, 2023, 120 Public Agencies were Participants in the Trust. Additional Public Agencies may become Participants by following the same procedure as outlined above in this paragraph.

Copies of the Declaration of Trust and the By-Laws of the Trust may be obtained from the Investment Adviser or online at www.camponline.com and should be read carefully before joining the Trust. All descriptions contained in this Information Statement are subject to and limited by provisions set forth in the Declaration of Trust and the By-Laws.

The Declaration of Trust permits the Trustees to issue an unlimited number of Shares. The Trustees, in their discretion, may authorize the division of Shares into one or more Shares Series. The Trust consists of one class known as the Cash Reserve Portfolio and one class known as Term. Each Portfolio consists of two Shares Series known as Participant Shares and Investor Shares. Participant Shares are issued to Public Agencies that have joined the Trust, and, as Participants in the Trust, they have certain voting rights provided by the Declaration of Trust. Investor Shares are issued to Public Agencies that invest in the Trust but have not become a party to the Declaration of Trust. Investor Shares are similar to Participant Shares but lack voting rights. Both the Participant Shares and the Investor Shares represent an equal proportionate interest in the respective Portfolio.

The Shares of each Shares Series are only payable from that portion of the Trust's assets held by the Trust. Each Share represents an equal proportionate interest in the Trust with each other outstanding Share. Upon redeeming Shares, a

Shareholder receives the current net asset value per Share. If liquidation should occur, Shareholders will be entitled to receive their proportionate share of the assets of the applicable Portfolio less any liabilities of the that Portfolio including, but not limited to, all expenses, costs, charges, and reserves attributable to that Portfolio, as well as their proportionate share of any general assets and liabilities of the Trust. The Shares of each Shares Series are fully paid and non-assessable, except as set forth in Part 2 under "Participant and Trustee Liability," and have no preemptive or conversion rights.

Shareholders can sell shares or purchase additional Shares in accordance with the procedures outlined in Part 1 of this Program Guide. The Trust also permits transfers of Shares directly between eligible California Public Agencies; however, the Trust reserves the right to require Shareholders to provide proof of authorization, evidence of the genuineness of such authorization, and such other matters as may reasonably be required in order to effect such purchases and sales. Upon such delivery, the transaction will be recorded on the register of the Trust. Until such record is made, the Shareholder of record will be deemed to be the holder of such Shares for all purposes, and neither the Trustees nor any transfer agent officer, employee, or agent of the Trust will be affected by any notice of the proposed transfer. No Shares may be transferred to a transferee other than a Public Agency, or to the Trust itself.

For all matters requiring action by the Shareholders, such action will be taken by a vote of the Participant Shares Series Shareholders, who will be entitled to that number of votes equal to the number of full and fractional Participant Shares held by each Participant Shares Series Shareholder.

The Trust may be terminated by the vote of a majority of its Trustees with the approval of the holders of two-thirds of the Shares of the Participant Shares Series. Upon the termination of the Trust, and after paying or adequately providing for the payment of all liabilities and upon receipt of such releases, indemnities, and refunding agreements as they may deem necessary for their protection, the Trustees may distribute the remaining Trust assets, in cash or in kind or partly in cash and partly in kind, among the Shareholders according to their respective beneficial interests.

The Declaration of Trust may be amended by the vote of the Trustees, with the approval of the holders of a majority of the Shares of the Participant Shares Series. The Trustees may also amend the Declaration of Trust without the approval of Participants for the following reasons: to change the name of the Trust or any Series; to establish additional Series or classes of Shares; to supply omissions or correct or supplement ambiguous, defective, or inconsistent provisions; or, if they deem it necessary, to conform the Declaration of Trust to the requirements of applicable laws and regulations or to eliminate or reduce any taxes which may be payable by the Trust or the Participants, but the Trustees will not be liable for failing to do so. No amendment may be made which would change any rights of any Shares by reducing the amount payable thereon upon liquidation of the Trust or by diminishing or eliminating any approval rights pertaining thereto except with the vote of a majority of the Trustees and the approval of the holders of two-thirds of the Shares of the Participant Shares Series.

The Trustees

The Trust is currently governed by a Board of seven Trustees, all of whom are officials or employees of Public Agencies that are Participants in the Trust. The Trustees are appointed pursuant to, and are provided authority under, the Declaration of Trust. The Trustees are responsible for setting overall policies and procedures for the Trust and for hiring and supervising the activities of the Investment Adviser, the Custodian, and other agents of the Trust and monitoring the investment performance of the Portfolios and the method of valuing Shares. The names and business addresses of the current Trustees and Officers of the Trust and their principal occupations and other affiliations during the past five years are as follows:

Karen D. Adams, CPA—Ms. Adams has served as a Trustee since February 2010 and is the Treasurer of the Trust. Since October 2002, Ms. Adams has served as the Treasurer-Tax Collector, Merced County, 2222 M Street, Merced, California 95340. Ms. Adams was Assistant Treasurer-Tax Collector, Merced County, October 1996 – October 2002.

Past President, California Association of County Treasurers and Tax Collectors (CACTTC); Member of the Government Finance Officers Association (GFOA), Government Investment Officers Association (GIOA), California Municipal Treasurers Association (CMTA), California Revenue Officers Association (CROA); Finance Committee Member, Merced County Community Foundation; Past President of Kiwanis Club of Greater Merced; and Past Treasurer of Business & Professional Women (BPW).

Steve Dial—Mr. Dial has served as a Trustee since August 2002 and is the President of the Trust. Since February 2006, Mr. Dial has served as the Deputy Executive Director and Chief Financial Officer, San Joaquin Council of Governments (SJCOG), 555 East Weber Avenue, Stockton, California 95202, and SJCOG's subsidiaries: SJCOG, Inc., Commute Connection, Inc., and the San Joaquin County Transportation Authority. In 2009, Mr. Dial was designated Treasurer and Controller for SJCOG. From 1985 to February 2006, he was Director of Administration and Chief Financial Officer for SJCOG.

Former Chair, Financial Affairs Committee, National Association of Regional Councils; Board Member of the Child Abuse Prevention Council of San Joaquin County; Past Treasurer of the Leadership Stockton Alumni Association; Past President of the Board of Directors for United Cerebral Palsy of San Joaquin County; Past Vice President of the United Way of San Joaquin County; and Member of the Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers (CSMFO).

André Douzdjian—Mr. Douzdjian has served as a Trustee since May 2014. Since October 2019, Mr. Douzdjian has served as the Chief Financial Officer, San Diego Association of Governments (SANDAG), 401 B Street, Suite 800, San Diego, California 92101. Mr. Douzdjian served as the Director of Finance for SANDAG from June 2012 – October 2019. Prior to June 2012, he worked in the private sector, and from 1991 – 2000 was the Financial Services Manager for SANDAG.

Member of the Government Finance Officers Association (GFOA), American Institute of Certified Public Accountants (AICPA); CFO, Roundtable of San Diego; and Former Treasurer of the Entrepreneurs Organization, San Diego Chapter.

Jordan Kaufman—Mr. Kaufman has served as a Trustee since January 2022. Since January 2015, Mr. Kaufman has served as the elected Treasurer-Tax Collector, Kern County, 1115 Truxtum Avenue, Bakersfield, California 93301. Mr. Kaufman was the Assistant Treasurer-Tax Collector 2006 – 2015 and the Deputy County Administrative Officer 1995 – 2006.

President, California Association of County Treasurers and Tax Collectors (CACTTC); Treasurer and past President, Kern County Management Council; Treasurer and past President United Way of Kern County; Treasurer Boy Scouts of America Southern Sierra Council; Commissioner, California Statewide Communities Development Authority (CSCDA); Statutory Trustee, past elected Trustee, past Chairman, Kern County Employees Retirement Association (KCERA); Member, Rotary Club of Bakersfield, Downtown; and Adjunct Professor, California State University Bakersfield.

David Persselin—Mr. Persselin has served as a Trustee since January 2022. Since January 2014, Mr. Persselin has served as the Finance Director/Treasurer, City of Fremont, 3300 Capitol Avenue, Fremont, California 94537. January 2012 – May 2016, Mr. Persselin was an Adjunct Faculty/Lecturer at San Jose State University. He was the Assistant Finance Director, City of Pleasanton, 2011 – 2013, and from 2001 – 2011 worked for the City of San Jose.

Member of the Government Finance Officers Association (GFOA), California Society of Municipal Finance Officers (CSMFO), and International City/County Management Association (ICMA).

Lauren Warrem—Ms. Warrem has served as a Trustee since January 2022. Prior to January 2022, Ms. Warrem served as a Trustee from 2017 – 2019. Since March 2019, Ms. Warrem has served as the Chief Deputy Treasurer, San Diego County, 1600 Pacific Highway, Room 152, San Diego, California 92101. Ms. Warrem worked as the Finance Director/City Treasurer, City of Vista, from April 2015 – February 2019. Prior to April 2015, Ms. Warrem worked in the private sector, and from 2001 – 2012 she worked at the San Diego Association of Governments (SANDAG), Finance Manager 2001 – 2009 and Director of Finance 2009 – 2012.

Member of the Government Finance Officers Association (GFOA), California Society of Municipal Finance Officers (CSMFO), and California Municipal Treasurers Association (CMTA).

Duane Wolterstorff, CPA—Mr. Wolterstorff has served as a Trustee since May 2014. Since November 2000, Mr. Wolterstorff has served as the Senior Director, Planning and Facilities, Modesto City Schools, 426 Locust Street, Modesto, California, 95351.

Secretary and Administrative Executive of Salida Area Public Facilities Financing Agency (SAPFFA) and Schools Infrastructure Financing Agency (SIFA); Treasurer of the Youth Committee and member of the Finance Committee, Pacific Association, USA Track and Field; Member of California Society of Certified Public Accountants (CalCPA) and American Institute of Certified Public Accountants (AICPA).

The Trustees are appointed by the Board of Trustees and each must be a member of the governing body, officer, or full-time employee of a Public Agency that is a Participant in the Trust, and the appointment must be approved annually by the Participants. Except in the case of resignation or removal, each Trustee holds office until such person's successor is appointed. In order to assure representation on the Board of the several classes of Public Agencies participating in the Trust, at least one of the Trustees must be either a member of the governing body, an officer, or a full-time employee of each of the following: a California county, a city, and a public district (including a JPA), as long as there is at least one Public Agency from that class that is a Participant of the Trust. The Officers of the Trust serve at the discretion of the Board. No Trustee or Officer has an immediate family member serving as a Trustee or Officer of the Trust.

The present Trustees and Officers, or other persons on CAMP official business upon approval of the Trustees, serve without compensation but all are reimbursed by the Trust for reasonable travel and other out-of-pocket expenses incurred in connection with their duties as Trustees and Officers.

Participant and Trustee Liability

Under California law, members of a common law trust may be held personally liable for the obligations of the trust if they are deemed to control the management of the trust. Because the Board has ultimate control over all matters relating to the Trust, the Trust does not believe that Participants would be deemed to have such control. The Declaration of Trust contains an express disclaimer of Participant liability for acts or obligations of the Trust. The Declaration of Trust also provides that the Trust will indemnify each Participant against all claims and liabilities out of the assets of the Series of the Trust in respect of which such claim or liability arose.

The Declaration of Trust provides that no Trustee, officer, employee, or agent of the Trust will be liable for any action or failure to act that does not involve bad faith, willful misfeasance, gross negligence, or reckless disregard of duty. Each Trustee, officer, employee, and agent of the Trust will be indemnified by the Trust against claims and liabilities as provided in the By-Laws and to the fullest extent provided by California law. The Trustees may also purchase, and pay out of Trust assets, insurance policies insuring the Trustees, Officers, Agents, Participants, employees, investment advisers, distributors, or independent contractors of the Trust against all claims arising by reason of holding any such position or by reason of any action taken or omitted by any such person in such capacity.

The Act provides that all immunities from liability which apply to the activity of officers, agents or employees of Participants when performing their functions within the territorial limits of their respective Public Agencies will apply to them to the same extent while engaged in the performance of any of their functions associated with the Trust.

Under the Declaration of Trust, the Trustees may obtain insurance or establish self-insurance funds to cover certain liabilities. This may be done on a joint basis with other similar entities, and the Trust may contribute more than its pro rata share of such insurance premiums or self-insurance funds.

Services Providers

Investment Adviser and Administrator PFMAM, an investment advisory firm with offices at One California Street, Suite 1000, San Francisco, California 94111 and 213 Market Street, Harrisburg, Pennsylvania 17101, is the Trust's investment adviser and administrator. The daily management of the investment affairs and research relating to the Portfolios is conducted by or under the supervision of the Investment Adviser. PFMAM is an investment adviser registered with the U.S. Securities and Exchange Commission, under the Investment Advisers Act of 1940, as amended, and a subsidiary of USBAM. USBAM is a subsidiary of U.S. Bank. U.S. Bank is a separate entity and subsidiary of U.S. Bancorp Shares of the Portfolios are distributed by the Investment Adviser's affiliate, PFM Fund Distributors, Inc., a member of FINRA and subject to the rules of the MSRB. The Investment Adviser is also the investment manager and/or program administrator for 17 other local government investment pool programs, which provide services similar to those provided by the Trust.

Advisory Services. The Investment Adviser manages the investment of the assets of the Trust's Portfolios, including the placement of orders for the purchase and sale of investments, pursuant to an Advisory Agreement. The Investment Adviser obtains and evaluates such information and advice relating to the economy and the securities markets as it considers necessary or useful to manage continuously the assets of the Trust in a manner consistent with the Trust's investment objectives and policies. The Investment Adviser also administers and maintains the Trust's website which provides access to Connect. The Investment Adviser also serves as the rebate calculation agent for the Program, which requires, among other duties, collecting relevant information from, and sending notices to, Shareholders, and making calculations and preparing rebate reports. Rebate calculation services are subject to a separate agreement, and separate fee schedule, between each Shareholder and the Investment Adviser. The Advisory Agreement will remain in effect until the specified termination date, unless terminated sooner, and may not be assigned by the Investment Adviser without the consent of the Trustees. The Advisory Agreement may be terminated by either party, at any time and without penalty, upon at least one hundred eighty (180) days prior written notice to the other party.

Investment Transactions. The Investment Adviser is responsible for decisions to buy and sell securities for the Trust and arranges for the execution of security transactions on behalf of the Trust. Purchases of securities are made from broker/dealers, underwriters, and issuers. Sales prior to maturity are made to dealers and other persons. Money market securities bought from dealers are generally traded on a "net" basis, with dealers acting as principal for their own accounts without a stated commission, although the price of the instrument usually includes a profit to the dealer. Thus, the Trust does not normally incur any brokerage commission expense on such transactions. Securities purchased in underwritten offerings include a fixed amount of compensation to the underwriter, generally referred to as the underwriter's commission or discount. When securities are purchased or sold directly from or to an issuer, no commissions or discounts are paid.

The policy of the Trust regarding purchases and sales of securities is that primary consideration will be given to obtaining the most favorable price and efficient execution of transactions. In seeking to implement this policy, the Investment Adviser will effect transactions with those dealers whom the Investment Adviser believes provide the most favorable price and efficient execution. If the Investment Adviser believes such price and execution can be obtained from more than one dealer, it may give consideration to placing portfolio transactions with those dealers who also furnish research and other services to the Trust. Such services may include, but are not limited to, any one or more of the following: information as to the availability of securities for purchase or sale; statistical or factual information or opinions pertaining to investments; wire services; and appraisals or evaluations of portfolio securities. The services received by the Investment Adviser from dealers may be of benefit in the management of accounts of some or all of its other clients and may not in all cases benefit the Trust directly. While such services are useful and important in supplementing its own research and facilities, the Investment Adviser believes the value of such services is not determinable and does not significantly reduce its expenses. The Trust does not reduce the management fee paid to the Investment Adviser by any amount that may be attributable to the value of such services.

Administrative Services. The Investment Adviser also provides the following administrative services to the Trust in accordance with the Advisory Agreement:

- *Customer Service*. Operation of an Internet website and a toll-free telephone facility to be used exclusively by Shareholders or by Public Agencies interested in investing in the Trust.
- *Administration and Marketing*. Maintenance of the books and records of the Portfolios, including Shareholder account records; supervision, under the general direction of the Trustees, of all administrative aspects of operations; periodic updating and preparation of the Information Statement; preparation of tax returns, financial statements, and reports for all Portfolios; supervision and coordination of the activities of the Custodian; determination of dividends and net asset value of each Portfolio in accordance with the policies of the Trust; provision of office space, equipment, and personnel to administer the Trust; distribution to Public Agencies of the Program Guide; preparation and distribution of other explanatory and promotional materials; and provision of technical assistance and guidance to Public Agencies considering use of the Trust as an investment vehicle.
- *Shareholder Account Reports*. Preparation and provision to Shareholders of confirmation of each Shareholder investment and redemption transaction and of monthly statements summarizing transactions, earnings, and assets of each Shareholder account.
- *Rebate Calculation Services*. Preparation and provision to Shareholders, upon request, of interim rebate calculation estimates and of rebate calculation reports and rebate exceptions compliance reports to Shareholders in the Trust. If applicable, provision of notice to Shareholders prior to any expenditure test date related to any exception from rebate requirements and preparation of an exception compliance report.

Custodian U.S. Bank National Association, Minneapolis, Minnesota, is the custodian for the Trust. The Custodian holds cash and securities of the Portfolios and also acts as the check clearing and disbursing agent for the Pool and Term. In addition to internal governance, numerous federal agencies, including the Office of the Comptroller of the Currency (OCC), the Federal Reserve System and the Consumer Financial Protection Bureau (CFPB), supervise and inspect U.S. Bank and its parent company, U.S. Bancorp, to ensure sound banking practices and to protect clients. Appropriate information barriers relating to activities and data exist to facilitate fully independent and segregated oversight of client assets as custodian. The Custodian does not participate in determining the investment policies of the Trust or in investment decisions. The

Investment Adviser may not invest funds of the Portfolios with, nor buy or sell any securities through, any affiliated service provider. Securities purchased under certain repurchase agreements may be held by other custodians agreed to by the Trust and the other parties to the repurchase agreements.

Trust Counsel Nossaman LLP, with an office at 50 California Street, 34th Floor, San Francisco, California 94111, is legal counsel to the Trust for certain matters.

Auditor The financial statements of the Trust are audited annually by Ernst & Young LLP with an office at 560 Mission Street, Suite 1600, San Francisco, California 94105. The fiscal year for the Trust ends December 31.

Expenses of the Trust

The Trust has entered into arrangements for the Pool and Term for investment management, custodial, legal, accounting, audit, and rebate calculation services. The Trust also pays for organizational expenses, insurance premiums, Trustees' expenses, and other expenses not expressly assumed by the Investment Adviser. All expenses related to operation of the Portfolios are paid from the income of the Portfolios (see "Dividends").

For the services provided to the Pool by the Investment Adviser, effective January 1, 2023, the Investment Adviser is paid a monthly fee based on the following percentages of the average daily net assets of the Pool:

Average Cash Reserve Portfolio Daily Net Assets Annual Rate

First $1 billion	0.145%
Next $1 billion	0.110%
Next $2 billion	0.100%
Next $2 billion	0.095%
Next $4 billion	0.085%
Next $5 billon	0.80%
In excess of $15 billion	0.075%

The Investment Adviser may, from time to time, waive some or all of its fees. Such waiver will have the effect of increasing the yield of the Pool during the period the fees are waived.

For the services provided to Term by the Investment Adviser, the Investment Adviser is paid a monthly fee based on the following percentages of the average daily net assets of Term:

Average Term Portfolio Daily Net Assets Annual Rate

All Assets	0.150%

Under the Advisory Agreement, the Investment Adviser has agreed to reimburse the Pool and Term for the amount by which the "annual operating expenses" of the Pool exceed 0.22% of its average daily net assets. "Annual operating expenses" generally include all expenses of the Pool (including investment management, administration, marketing, custodial, legal, accounting, and audit fees), other than any reserves established by the Trustees to pay for extraordinary costs.

As of December 31, 2022, the Pool had reserved $156,855 to pay for extraordinary costs that it may incur from time to time, such as special legal, audit, and consulting fees. The Trustees may determine to reserve additional amounts, not expected to exceed, on an annual basis, 0.02% of the average daily net assets of the Pool, for those and other similar purposes in the future.

Tax Matters

Pursuant to Section 115(1) of the Internal Revenue Code, federal gross income does not include income derived from the exercise of any essential governmental function that accrues to a state or any political subdivision of a state. In the opinion of Counsel to the Trust, the Trust is not subject to Federal or California income tax upon the income realized by it.

Arbitrage Rebate: General The Internal Revenue Code generally requires issuers of tax-exempt obligations to rebate to the federal government their arbitrage profits derived from investment of gross proceeds in non-purpose obligations. Various exceptions from the rebate requirements are available, and each Shareholder should consult with its bond counsel to determine whether and to what extent appropriate exceptions might be available. The investment by Shareholders of gross proceeds of debt issues in the Trust will be an investment in a non-purpose obligation and will be taken into account in determining any rebate liability.

Treatment of Administrative Costs of the Portfolios U.S. Treasury Regulations Title 26 Section 1.148-5 limits the ability for the expenses of an external commingled fund, like the Pool, to be treated as qualified administrative costs within the arbitrage rebate and yield restriction liability calculations. The limitations apply to an external commingled fund in which an individual Shareholder owns more than 10% of the beneficial interest of the fund. From time to time, the Pool may contain one or more Shareholders that individually own more than 10% of the beneficial interest of the fund. Therefore, Shareholders should consider the use of the gross yields of the Pool in all arbitrage rebate and yield restriction liability calculations.

The limitations regarding an external commingled fund in which an individual Shareholder owns more than 10% of the beneficial interest of the fund applies only to the Pool and not the Term Portfolio. The 10% rule in U.S. Treasury Regulations Title 26 Section 1.148-5 is not followed by Term.

The foregoing summary of federal income tax matters affecting Shareholders in the Portfolios does not purport to be complete. Shareholders should consult their bond counsel for advice as to the application of federal income tax law to their particular investment in the Portfolios.

Arbitrage Rebate Compliance

To further the objective of providing Shareholders with simplified arbitrage rebate compliance for proceeds of tax-exempt borrowings, the Trust has adopted the following recommended set of practices. The Trust strongly recommends that they be followed to minimize the Shareholder's rebate compliance costs.

1. A Shareholder should deposit all the proceeds of a debt issue subject to arbitrage rebate in the Trust on the same day as they are received by the Shareholder. This will enable the Investment Adviser to track the investment and expenditure of these funds.
2. A Shareholder should identify all the proceeds of a debt issue subject to the same yield at the time of initial investment. A separate account should be established for each fund or group of funds having a different yield by completing an Account Application. The Investment Adviser will provide advice on the number and type of accounts that will be needed to provide a clear audit trail.
3. Federal tax law requires issuers of tax-exempt obligations either to make certain rebate payments to the Federal government or to meet certain expenditure guidelines. If the Shareholder expects to meet one of the expenditure exceptions, it should notify the Investment Adviser when making its initial investment so the Investment Adviser can provide information regarding the expenditure of the proceeds of an issue.
4. If the Shareholder expects to make rebate payments, it should note that Federal tax law requires issuers of tax-exempt obligations to meet certain rebate payment requirements at least every five years. However, a Shareholder may need to account for its rebate liability on an annual basis. The Investment Adviser will provide estimates of rebate amounts at any time for a Shareholder, and the Investment Adviser will provide a rebate calculation report more frequently than every five years if requested. There will be a separate charge for each rebate calculation report (see Part 2 - Rebate Calculation Services for the Proceeds of Debt Issues).
5. If the Shareholder is eligible and has elected to pay a penalty in lieu of making rebate payments, it should notify the Investment Adviser by designating this on Schedule A - Bond Issue Information when making its initial investment.
6. It is recommended that Shareholders not draw down the entire proceeds of a debt issue account before providing for any rebate requirement or penalty payment.

If any Shareholder and any parties related to the Shareholder own more than ten percent (10%) of the Shares of the Pool, such ownership may adversely affect the rebate liability of all Shareholders (see "Tax Matters").

Documentation of Market Price The Investment Adviser will follow certain procedures to document that investments are purchased at a "market price" in accordance with requirements of the Internal Revenue Code and related rulings and regulations. These procedures include obtaining three bids or offers for all securities transactions on the secondary market, documenting transaction prices using independent pricing services, and following practices to avoid making "prohibited payments" or receiving "imputed receipts" (as these terms are used in the applicable U.S. Treasury regulations) that improperly reduce the yield on investments.

Rebate Exception Services for the Proceeds of Debt Issues

Upon initial investment of the proceeds of a debt issue, a Shareholder should inform the Investment Adviser, by designating on Schedule A - Bond Issue Information, if it expects to qualify for an expenditure exception to the Federal rebate requirements or if it has elected to pay a penalty in lieu of rebate. If the Investment Adviser has been so informed thirty (30) days before any expenditure test date related to such an exception from the rebate requirements, the Investment Adviser will provide a notice to the Shareholder that tracks the cumulative percentage of proceeds of a debt issue drawn from funds invested in the Trust from any debt issue whose proceeds are then invested in the Trust and compares the cumulative percentage of funds drawn to the requirements of the exception to assist the Shareholder in determining its eligibility for such exception. Thirty (30) days after any expenditure test date, the Investment Adviser will provide a report (a "rebate exceptions compliance report") to such Shareholder showing the cumulative percentage of the proceeds of a debt issue (including investment income) actually drawn and calculating the penalty, if any, due to the Internal Revenue Service if actual amounts drawn do not meet the expenditure test.

Rebate Calculation Services for the Proceeds of Debt Issues

With respect to proceeds of tax-exempt borrowings invested in the Trust, including funds whose cash flows are tracked through Shareholder accounts in the Trust, the Investment Adviser will, upon request, provide interim rebate calculation estimates to enable Shareholders to estimate rebate liabilities for financial reporting purposes. There is no charge for these estimates.

The Investment Adviser will provide each Shareholder who so requests with a rebate calculation report for any given report period that summarizes calculations of

- the allowable investment yield,
- investment activities for the Report Period, and
- a calculation of the rebate liability at the end of the Report Period using the methodology prescribed by the applicable U.S. Treasury regulations.

When an account for the proceeds of a debt issue is opened, the Investment Adviser will request certain information from a Shareholder, including information necessary to permit scheduling of the rebate calculation report or Rebate Exceptions Compliance Report. The Investment Adviser will require additional information from a Shareholder, including copies of the official statement, non-arbitrage or tax certificate, debt issue resolution, and similar documents, before the first such rebate calculation report or Rebate Exceptions Compliance Report can be prepared.

Normally, the rebate calculation report will be completed and furnished to the Shareholder for each debt issue no later than thirty (30) days after the Installment Computation Date, provided that the Shareholder has authorized its preparation and provided the necessary information to the Investment Adviser, but a Shareholder may request that a rebate calculation report be completed at shorter intervals. Every effort will be made to honor such requests, although no assurance can be given that reports can be completed in a shorter time period.

If an account is opened for the proceeds of a debt issue that have been invested outside of the Trust, the Investment Adviser will require a rebate calculation report from the date of debt issuance to the date of investment in the Trust.

There will be a separate charge for each rebate calculation report. The fee for a rebate calculation report prepared by the Investment Adviser will be billed separately to the Shareholder at the following rates for debt issues, the proceeds of which are invested exclusively through the Trust from their date of issuance until the date of calculation of the rebate calculation report:

One-time set-up fee, per debt issue:................. $ 250

Each rebate calculation report, per debt issue:..$3,000

There will be additional charges for refundings requiring allocations of transferred proceeds and for other calculations involving more extensive services. For proceeds of tax-exempt debt issues invested outside the Trust, due to differences of elapsed time since the issuance of the debt, types of investments, volume and type of transactions, number of funds, and condition and availability of records, the Investment Adviser cannot charge a standard fee. However, at the request of the Shareholder, the Investment Adviser will provide an estimated cost based on the Shareholder's specific circumstances.

In addition to the rebate calculation services offered by the Investment Adviser, Shareholders also have the option of contracting directly with another service provider for rebate calculation services. If another service provider is used, the scope of the services provided and the fees charged are entirely the responsibility of the Shareholder and its service provider.

Information Common to All Portfolios

Authorized Investments

The Investment Adviser will invest available cash in the Cash Reserve Portfolio and Term Portfolio exclusively in the following investments, which are authorized investments under the California Government Code Section 53601. It is noted that certain other investment types, although authorized by the applicable sections of the California Government Code, may not be approved for inclusion in this investment policy. Except as otherwise provided in sub-paragraph (1) under "Investment Restrictions" below, a change in authorized investments requires approval of the Trustees and the Participants holding a majority of the outstanding Participant Shares of the Trust.

(1) United States Treasury notes, bonds, bills, or certificates of indebtedness or other obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(2) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

(3) Repurchase agreements with respect to securities described in paragraphs (1) and (2) above, provided that the term of any such repurchase agreement shall be one year or less at the time of purchase.

(4) Bills of exchange or time drafts drawn on and accepted by a commercial bank (otherwise known as bankers' acceptances) which are eligible for purchase by the Federal Reserve System, provided that such bankers' acceptances may not exceed one hundred eighty (180) days maturity or forty percent (40%) of the assets of the Portfolio and no more than ten percent (10%) of the Portfolio's assets are invested in the bankers' acceptances of any one commercial bank and further provided that the accepting bank has the highest short-term letter and numerical rating as provided by at least one NRSRO.

(5) Negotiable certificates of deposit issued by a nationally or state-chartered bank or by a savings association or a federal association (as defined in Section 5102 of the California Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that no more than thirty percent (30%) of the assets of the Portfolio may be invested in certificates of deposit and further provided that the deposits in any one institution shall not exceed the shareholders' equity of such institution.

(6) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by at least one NRSRO, provided that its maturity may not exceed two hundred seventy (270) days. No more than forty percent (40%) of the assets of the Portfolio may be invested in eligible commercial paper; if assets of the Portfolio fall below $100,000,000, no more than twenty-five percent (25%) of assets may be invested in eligible commercial paper; and no more than ten percent (10%) of the Portfolio's total investment assets may be invested in the commercial paper and the medium-term notes of any single corporate issuer. The entity that issues the commercial paper shall meet all of the following conditions either in (a) or (b) as follows: (a) the entity is organized and operating in the United States as a general corporation, has total assets in excess of five hundred million dollars ($500,000,000), and has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by at least one NRSRO or (b) the entity is organized within the United States as a special purpose corporation, trust, or limited liability company, has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and has commercial paper that is rated "A-1" or higher, or the equivalent, by at least one NRSRO.

(7) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of 397 days or less, and eligible for purchase and sale within

the United States. Investments shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the assets of the Portfolio.

(8) Medium-term notes, defined as all corporate and depository institution debt securities, with a maximum remaining maturity of 397 days 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. Investments shall be rated in a rating category of "A" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the assets of the Portfolio. No more than 10 percent (10%) of the Portfolio's total investment assets may be invested in the commercial paper and the medium-term notes of any single issuer.

(9) A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Investments shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO, have a maximum remaining maturity of 397 days or less, and shall not exceed 20 percent of the assets of the Portfolio.

(10) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.). The company shall have met either of the following criteria: (a) attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs or (b) retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000). The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20 percent of the assets of the Portfolio.

Obligations of Agencies or Instrumentalities of the United States Government Certain short-term obligations of agencies or instrumentalities of the United States Government purchased for the Portfolios may be backed only by the issuing agency or instrumentality and may not be backed by the full faith and credit of the United States Government. For example, Fannie Mae and Freddie Mac have agreements with the U.S. Treasury to provide them with capital in exchange for senior preferred stock. Securities issued by the Federal Home Loan Banks are supported only by the credit of the agency and not by the United States Government, and securities issued by the Federal Farm Credit System are supported by the agency's right to borrow money from the U.S. Treasury under certain circumstances.

Repurchase Agreements A repurchase agreement involves the sale of securities to the Portfolio and the concurrent agreement by the seller to repurchase the securities within a specified period of time at an agreed upon price, thereby establishing the yield during the buyer's holding period. The yield established for the repurchase agreement is determined by current short-term rates and may be more or less than the interest rate on the underlying securities. The securities underlying a repurchase agreement are, in effect, collateral under the agreement. Securities purchased by the Portfolio and subject to repurchase agreements are limited to the obligations of the United States Government and agencies of the United States but may have maturities longer than one year. At the time a repurchase agreement is made, the underlying securities will have a market value at least equal to one hundred and two percent (102%) of the price plus the price differential. If an agreement is in effect for more than one day, the Investment Adviser is responsible for monitoring the value of the underlying securities, and, in the event their value drops below one hundred and two percent (102%) of the price plus price differential, the counterparty to the repurchase transaction is required to provide additional securities or money within one Business Day so that the value of the collateral is not less than one hundred and two percent (102%) of the price plus price differential. All securities underlying repurchase agreements are required to be delivered to the Custodian or to another custodian agreed to by the Trust and the counterparty. At the expiration of each agreement, the Custodian receives payment of the price plus price differential as a condition for the transfer of the underlying securities to the counterparty. If the counterparty fails to pay the agreed upon price plus price differential on the repurchase date, the risks to the Portfolio would include any difference between the liquidation value of the underlying securities and the price plus price differential, any costs of disposing of such securities, any costs related to foreclosure, and any loss resulting from a delay in foreclosing on such securities.

Funds placed by the Trust into the Portfolios will be invested in accordance with the prudent investor standard set forth in Section 53600.3 of the California Government Code. The Portfolios will not invest in any inverse floaters, range notes or mortgage derived, interest-only strips, or in any security that could result in a zero-interest accrual if held to maturity.

The Trust is not registered as an investment company under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and, accordingly, is not subject to the provisions of the Investment Company Act of 1940 and the rules and regulations promulgated thereunder including rules relating to registered money market mutual funds.

The authorizing statute, charter, or bylaws of a Public Agency or the trust indenture or ordinance or resolution under which the debt obligations of a Public Agency are issued or its funds are invested may contain investment restrictions which prohibit or otherwise limit investment in one or more of the above-described investments. Accordingly, Public Agencies should consult with their legal counsel or financial adviser regarding the legality of investing bond proceeds under the Trust prior to participating in the Trust or investing in the Shares issued by the Trust.

Investment Restrictions

The Trustees have adopted the following investment restrictions and fundamental policies, which, except as otherwise provided in (1) below, may be changed only by approval of the Trustees and the Shareholders holding a majority of the outstanding Participant Shares of the Portfolios. The Trust will not:

(1) Purchase any securities other than those described under "Investment Objectives and Policies" unless California law at some future date redefines the types of securities which are legal investments for some or all classes of Shareholders, in which case the permitted investments for the Portfolios may be changed by the Trustees to conform to California law, provided that prior written notification is given to Shareholders of the Trust.

(2) Invest in securities of any issuer in which a Trustee, Officer, employee, agent, or adviser of the Trust is an officer, director, or ten percent (10%) shareholder unless such investment is periodically authorized by resolutions adopted by a majority of the Trustees who are not officers, directors, or ten percent (10%) shareholders of such issuer.

(3) Make loans, except that the Portfolios may enter into repurchase agreements.

(4) Borrow money or pledge, hypothecate, or mortgage its assets to an extent greater than twenty percent (20%) of the market value of the total assets of the Portfolios, and then only as a temporary measure for extraordinary or emergency purposes to facilitate withdrawal requests which might otherwise require untimely dispositions of portfolio securities. All such borrowings may be secured only by the assets of the Portfolios and must be repaid before the Portfolios make any additional investments. Interest paid on such borrowings will reduce net income of the Portfolios.

(5) Purchase any security or enter into a repurchase agreement if, as a result, more than ten percent (10%) of the Portfolios' total assets would be invested in securities subject to restrictions on resale, securities for which there is no readily available market, and repurchase agreements with maturities exceeding seven (7) days and not terminable at approximately the carrying value before that time.

(6) Purchase the securities of any single issuer (other than obligations issued and guaranteed as to principal and interest by the government of the United States, its agencies, or instrumentalities) if, as a result, more than ten percent (10%) of the Portfolios' total assets would be invested in the securities of any one issuer.

(7) Invest more than 5% of net assets in illiquid investments. Illiquid investments are securities that cannot be sold or disposed of in the ordinary course of business at approximately the value ascribed to it by the Trust. Illiquid investments include:

- Restricted investments (those that, for legal reasons, cannot be freely sold).
- Fixed time deposits with a maturity of more than seven days that are subject to early withdrawal penalties.
- Any repurchase agreement maturing in more than seven days and not terminable at approximately the carrying value in the Trust before that time.
- Other investments that are not readily marketable at approximately the carrying value in the Trust.

If the 5% limitation on investing in illiquid securities is adhered to at the time of investment but later increases beyond 5%, resulting from a change in the values of the Trust's portfolio securities or total assets, the Trust shall then bring the percentage of illiquid investments back into conformity as soon as practicably possible. The Trust believes that these liquidity requirements are reasonable and appropriate to assure that the securities in which the Trust invests are sufficiently liquid to meet reasonably foreseeable redemptions of Shares.

Any percentage limitation or rating requirement described under "Authorized Investments" will be applied at the time of purchase.

Procedures for Investment in the Trust

Public Agencies have two options for investing in the Trust. One option is for a Public Agency to become a Participant in the Trust by adopting an ordinance/resolution thereby becoming a member of the JPA. A copy of a sample ordinance/resolution can be obtained by contacting the Investment Adviser and is available on the Trust's website (www.camponline.com). Participation in the Trust requires the formal approval of the governing body of the Public Agency by ordinance/resolution, as appropriate, and execution of the Declaration of Trust. In addition to the rights provided to all Shareholders, Participants are provided approval rights on certain matters as provided in the Declaration of Trust. Public Agencies should consult with their legal counsel regarding the required form of action (ordinance/resolution) and the procedures for enactment or adoption of the ordinance/resolution. No representation is made as to the legal sufficiency of the model form for any given Public Agency. Only members of the governing body, officers, or full-time employees of a Public Agency that is a Participant in the Trust may serve as a Trustee of the Trust.

Alternatively, a Public Agency may purchase Investor Shares of any of the Trust's Portfolios without joining the Trust. Such purchase requires authorization by the Public Agency and execution of the Investor Agreement. A copy of the Investor Agreement can be obtained by contacting the Investment Adviser and is available on the Trust's website (www.camponline.com). Public Agencies owning Investor Shares are provided certain rights with regard to their Shares; however, Investors do not have the approval rights provided to Participants under the Declaration of Trust.

For the proceeds of debt issues, to provide for the investment in the Trust, the Public Agency should either list the Trust in the permitted investments section of the trust indenture or state that bond proceeds can be invested in a permitted investment under Section 53601 of the California Government Code. Sample language is available on the online at www.camponline.com.

Every prospective Shareholder in the Trust (or the applicable trustee of a debt issue) must complete an Account Application (available online at www.camponline.com or by calling the Investment Adviser at (800) 729-7665) and an appropriate Checkwriting Authorization if check writing is desired and forward them along with, if a Participant, (i) a certified copy of the ordinance/resolution as adopted and (ii) an executed copy of the Declaration of Trust, or if an Investor, a completed and executed Investor Agreement, to the Program Administrator via U.S. mail at the following address:

California Asset Management Program
P. O. Box 11760
Harrisburg, Pennsylvania 17101

Please note: UPS and Federal Express will not deliver packages to a P.O. Box. If using one of these shipping methods, please contact CAMP at (800) 729-7665 for an alternative delivery address.

There is no limit to the number of accounts that can be opened by a Shareholder. Additional Account Applications are provided for this purpose. The Investment Adviser will notify the Public Agency of its approval of the application(s) and the account number(s) assigned. The Trust and the Investment Adviser each reserve the right to reject any application in their sole discretion.

Instructions provided by the Shareholder in the Account Application will remain in effect until the Investment Adviser receives written notification from the Shareholder to change them. Any changes to addresses, account applications, names or signatures of authorized officials, or other critical information will require appropriate documentation. Instructions or forms may be obtained by calling the Investment Adviser at (800) 729-7665 or online at www.camponline.com.

Information Specific to the CAMP Cash Reserve Portfolio

Investment Restrictions

The Trust's investment policies and objectives require that all Pool investments have a remaining maturity of three hundred ninety-seven (397) days or less at the time of purchase (except for variable rate notes issued by the U.S. Government or its agencies or instrumentalities, which must have remaining maturities of 762 days or less), and that the dollar-weighted average maturity of Pool investments will not exceed sixty (60) days, and that the dollar-weighted average life (portfolio maturity computed to final maturity without regard to interest rate adjustments on investments) will not exceed one hundred twenty (120) days. The repurchase date of a repurchase agreement is used to determine its maturity. Debt obligations purchased by the Pool may have interest rates that are periodically adjusted at specified intervals or whenever a reference rate or index changes. These adjustable-rate securities may have demand features which give the Pool the right to demand repayment of principal on specified dates or after giving a specified notice. Adjustable-rate securities and securities with demand features that meet the definition of "Adjustable Rate Government Securities" in Rule 2a-7 of the Investment Company Act of 1940 Rules and Regulations may be deemed to have maturities shorter than their stated maturity dates.

Dividends

Net income of the Pool shall be determined on the accrual basis as of the conclusion of each Business Day and declared as dividends to each Shareholder at the time of such determination in proportion to the number of shares in the Pool then held by each Shareholder.

Net income of the Pool shall consist of interest earned, plus any discount ratably amortized to the date of maturity plus or minus all realized gains and losses on the sale of securities prior to maturity, less ratable amortization of any premium and all accrued expenses of the Pool including the fees payable to the Investment Advisor/ Administrator, and others who provide services to the Pool. Dividends declared by the Pool are paid to Shareholders as of the last Business Day of each calendar month in the form of additional shares which are credited to each Shareholder's account. If the net income of the Pool at the time of such determination is a negative amount, the Trust shall have the power and authority (i) to allocate such negative amount among such Shareholders in proportion to the number of shares held at the time of such determination and to offset the allocable share of each Shareholder of such negative amount against any income accrued to such Shareholder, and/or (ii) reduce the number of outstanding shares of the Pool by reducing the number of shares of each Shareholder by that number of shares which represents the amount of its allocable share of such negative amount which is not offset against income accrued to such Shareholder.

Valuation of Shares

The Investment Adviser, on behalf of the Pool, determines the NAV of Shares of the Pool as of 11:00 a.m. Pacific Time on each Business Day. The NAV per Share of the Pool is computed by dividing the total value of the securities and other assets of the Pool, less any liabilities, by the total number of outstanding Shares of the Pool. Liabilities include all accrued expenses and fees of the Pool, including fees of the Investment Adviser, Custodian, and others who provide services to the Pool, which are accrued daily (see "Expenses of the Trust").

For the purposes of calculating the NAV per Share of the Pool, the By-Laws of the Trust provide that investments held by the Pool be valued at original cost, plus or minus any amortized discount or premium.

The result of this calculation will be a per Share value which is rounded to the nearest penny. Accordingly, the price at which Pool Shares are sold or redeemed will not reflect unrealized gains or losses on Pool securities which amount to less than $.005 per Share. The Pool will endeavor to minimize the amount of such gains or losses. However, if unrealized gains or losses were to exceed $.005 per Share, the amortized cost method of verification would not be used, and the NAV per Share of the Pool would change from $1.00.

It is a fundamental policy of the Pool to maintain a NAV of $1.00 per Share, but for the reasons discussed here, there can be no assurance that the NAV of the Pool's Shares will not vary from $1.00 per Share. The market value basis NAV per Share for a Pool may be affected by general changes in interest rates resulting in increases or decreases in the value of securities held by the Pool. The market value of such securities will tend to vary inversely to changes in prevailing interest rates. Thus, if interest rates rise after a security is purchased, such a security, if sold, might be sold at a price less than its amortized cost. Similarly, if interest rates decline, such a security, if sold, might be sold at a price greater than its amortized cost. If a security is held to maturity, no loss or gain is normally realized as a result of these price fluctuations; however, withdrawals by Investors could require the sale of Pool securities prior to maturity.

The Investment Adviser and the Trustees will periodically monitor, as they deem appropriate and at such intervals as are reasonable in light of current market conditions, the relationship between the amortized cost value per Share and a NAV per Share based upon available indications of market value. In the event that the difference between the amortized cost basis NAV per Share and market value basis NAV per Share exceeds 1/2 of 1 percent, the Investment Adviser and the Trustees will consider what, if any, corrective action should be taken to minimize any material dilution or other unfair results which might arise from differences between the two. This action may include the reduction of the number of outstanding Shares by having each Shareholder proportionately contribute Shares to the Pool's capital, suspension or rescission of dividends, declaration of a special capital distribution, sales of Pool securities prior to maturity to reduce the average maturity or to realize capital gains or losses, transfers of Pool securities to a separate account, or redemptions of Shares in kind in an effort to maintain the net asset value at $1.00 per Share. If the number of outstanding Shares is reduced in order to maintain a constant NAV of $1.00 per Share, Shareholders will contribute proportionately to the Pool's capital the number of Shares that represents the difference between the amortized cost valuation and market valuation of the Pool. Each Shareholder will be deemed to have agreed to such contribution by its investment in the Pool.

To minimize the possible adverse effects of changes in interest rates and to help maintain a stable NAV of $1.00 per Share, the Pool will maintain a dollar-weighted average portfolio maturity of not more than sixty (60) days and a dollar-weighted average life of not more than one hundred twenty (120) days and will not purchase any security with a remaining maturity of more than three hundred ninety-seven (397) days and will only invest in securities determined by the Investment Adviser to be of high-quality with minimal credit risk.

Yield

Current yield information for the Pool may, from time to time, be quoted in reports, literature, and advertisements published by the Trust. The current yield of the Pool, which is also known as the current annualized yield or the current seven-day yield, represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a value of one Share (normally $1.00 per share) over a seven-day base period expressed as a percentage of the value of one Share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365/7.

The Trust may also quote a current effective yield of the Pool from time to time. The current effective yield represents the current yield compounded to assume reinvestment of dividends. The current effective yield is computed by adding 1 to the net change in account value (exclusive of capital changes and income other than investment income) over a seven-day base period, raising the sum to a power of 365/7, and subtracting 1 from the result. The current effective yield will normally be slightly higher than the current yield because of the compounding effect of the assumed reinvestment.

The Trust also may publish a "monthly distribution yield" on each Shareholder's month-end account statement or provide it to Shareholders upon request. The monthly distribution yield represents the net change in the value of a hypothetical account with a value of one Share (normally $1.00 per Share) resulting from all dividends declared during a month by the Pool expressed as a percentage of the value of one Share at the beginning of the month. This resulting net change is then annualized by multiplying it by 365 and dividing it by the number of calendar days in the month.

At the request of the Trustees or Shareholders, the Trust may also quote the current yield of the Pool from time to time on bases other than seven days for the information of its Shareholders.

The yields quoted by the Trust or any of its representatives should not be considered a representation of the yield of the Pool in the future since the yield is not fixed. Actual yields will depend on the type, quality, yield, and maturities of securities held by the Pool, changes in interest rates, market conditions, and other factors.

Since the yield on the Pool may fluctuate daily, Shareholders should consult with their counsel or financial adviser as to the appropriateness of investing proceeds of tax-exempt bonds in the Pool in the event that covenants with bondholders or provisions of the Internal Revenue Code restrict the yield on investment of the bond proceeds.

Information Specific to the CAMP Term Portfolio

Maturity

The CAMP Term Portfolio is a fixed-term investment portfolio of the California Asset Management Program with a maturity of up to one year, depending on the termination date of any particular series within the Portfolio.

Dividends

Dividends on shares in the series constituting the CAMP Term Portfolio shall be paid on the termination date of the series, except for dividends on shares redeemed pursuant to a planned early redemption or a premature redemption before the termination date, which will be paid when such dividends on shares in the series are redeemed. For the purpose of calculating dividends for any series, net income shall consist of interest earned, plus any discount ratably amortized to the date of maturity, plus or minus all realized gains and losses on the sale of securities prior to maturity, less ratable amortization of any premium and all accrued expenses of that series.

Dividends on shares of the series of the CAMP Term Portfolio which are declared and paid are equal to the projected yield for such shares to the redemption date, less any losses affecting projected yield attributable to such shares (other than losses resulting from premature redemptions of shares of the series). Dividends on shares of the series of the CAMP Term Portfolio declared and paid on a premature redemption date are equal to the projected yield for such shares to the premature redemption date, less any losses affecting projected yield attributable to such shares and less a premature redemption penalty, if any. Investors may be charged a premature redemption penalty equal to (i) all penalty charges, losses, banking fees and other costs (including, without limitation, interest paid on funds borrowed to pay the redemption) associated with amending, terminating, selling or otherwise affecting any of the investments in the series and (ii) an amount sufficient to maintain the projected yield on the remaining shares to the stated termination date for the series or to the planned early redemption dates, as the case may be, less any losses affecting projected yield attributable to such shares.

Any excess net income of a series of a CAMP Term Portfolio on the termination date will be distributed as an additional dividend to the shares of the series that were issued over the life of the series and the excess net income will be allocated on a pro rata basis based on the average shares outstanding during that time period. Investments may be distributed to Shareholders in any series in lieu of cash whenever the Trust determines that such distribution would be in the best interest of Shareholders of the CAMP Term Portfolio.

Valuation of Shares

For the purpose of calculating the net asset value per share of the series constituting the CAMP Term Portfolio each Business Day, investments held therein shall be valued using the amortized cost method. The amortized cost method of valuation shall mean the acquisition cost of the investment as adjusted for the amortization of premiums or accretion of discounts, regardless of the impact of fluctuating interest rates on the market value of the investment. Amortized cost valuation provides certainty in valuation but may result in periods during which the value of an investment, as determined by amortized cost, is higher or lower than the price that would be received if the investment were sold. For external period-end reporting, all assets will be valued at fair value determined in good faith by the Trust or adviser acting under contract with the Program as required under statutory and applicable accounting standards. Such fair value-based determinations will only be used to satisfy applicable external reporting standards unless the Trust or adviser has determined that use of the fair value method instead of the amortized cost method would be in the best interest of the holders of outstanding shares of a series of the CAMP Term Portfolio.

The redemption value per share will be determined on any day when redemption is made and on the termination date of a series of the CAMP Term Portfolio. Except as otherwise provided below, the redemption value per share is equal to the original purchase price for such share, plus dividends thereon, less such share's allocation of any losses incurred by the series (other than losses resulting from premature redemptions of shares of the series). The redemption value per share for shares redeemed on a premature redemption date is equal to the original purchase price for such share, plus dividends thereon, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any, determined as described in the "Dividends" section above.

Each CAMP Term Series provides for a fixed-rate, fixed-term investment by Shareholders, but the market value of the underlying assets will, prior to their maturity, tend to fluctuate inversely with the direction of interest rates. It is the intent of the CAMP Term Portfolio to manage each of its series in a manner that produces a share price of at least $1.00 on the termination date for the Shareholder that redeems on said date.

Yield

The projected yield quoted for any investment in the CAMP Term Portfolio is determined by dividing the expected net income per share for the period from the settlement date to the termination date by the purchase price per share, dividing this result by the actual number of days between the settlement date and the termination date, and multiplying the result by 365.

Part 3 – Individual Portfolios

Purpose

Individual Portfolios are designed to offer California Public Agencies a comprehensive program to meet their investment needs. Shareholders may invest in longer-term investments in a manner that the Investment Adviser will coordinate with the Public Agency. Created pursuant to separate agreements between the Shareholder, the Investment Adviser, and the Custodian, these Individual Portfolios will be managed solely by the Investment Adviser in accordance with specific instructions from the Shareholder. Individual Portfolios are designed to complement investment in the Pool by providing specific investments for surplus funds or for a portion of the proceeds of a debt issue where liquidity is not needed or where specific expenditures are to be funded. For proceeds of debt issues, an Individual Portfolio may be appropriate for Shareholders with relatively lengthy project drawdown schedules, or for Shareholders that wish to match expected construction draws more closely with investment maturities to fix earnings on some or all of their funds. Individual Portfolios may also be appropriate for the investment of debt service reserve funds and certain funds subject to investment yield restrictions. The Investment Adviser will assist each Shareholder in evaluating the possible use of an Individual Portfolio. For further information, call the Investment Adviser at (800) 729-7665. In order to establish an Individual Portfolio, the Shareholder must first establish an account with the Trust either as a Participant or an Investor. The Custodian will hold assets in an Individual Portfolio in a separate account in the Shareholder's name. ***However, Individual Portfolios are not assets of the Trust and are not under the management or supervision of the Board of Trustees***.

Investment Policies

Assets in an Individual Portfolio may be invested in those investments that are legal investments for the Shareholder under the California Government Code and the Shareholder's investment policy or are permitted under the terms of related debt issue documents, if any. Individual Portfolios are not governed by the investment policy of the Trust. The Investment Adviser will invest assets in the Individual Portfolios in accordance with the prudent investor standard of the California Government Code. A Shareholder should discuss the characteristics of specific investments in an Individual Portfolio with the Investment Adviser.

Opening an Individual Portfolio

The Investment Adviser offers advice on Individual Portfolio investments to Shareholders in order to provide Shareholders with the benefits of coordinating the investments in an Individual Portfolio with investing in the Pool and the economies achieved by using the Trust's Custodian. Accordingly, before Public Agency funds are invested in an Individual Portfolio, the Public Agency must first join the Trust or become an Investor (See Part 1 - Investing). A Shareholder may then open an Individual Portfolio by signing a separate agreement with PFM Asset Management LLC and U.S. Bank National Association, Minneapolis, Minnesota. Shareholders should contact the Investment Adviser directly at (800) 729-7665 regarding investments in an Individual Portfolio.

Individual Portfolio Transactions

The Investment Adviser will arrange for the execution of all security transactions in an Individual Portfolio on behalf of the Shareholder. Individual Portfolio transactions are normally conducted through the Shareholder's pre-designated Pool account using the Pool's convenient and economic cash management tools. In arranging for security transactions, the Investment Adviser will give primary consideration to obtaining the most favorable price and efficient execution of transactions. Investment transactions can only be executed on Business Days during normal operating hours.

Individual Portfolio Investments The Investment Adviser will purchase investments for an Individual Portfolio based upon specific instructions received from the Shareholder. When investing the proceeds of debt issues, the Investment Adviser will request a schedule of expected withdrawals, which will be used in managing investments to help assure adequate liquidity. Investment purchases for an Individual Portfolio are settled by the Custodian using funds made available from the Shareholder's pre-designated Pool account (see Part 1 - Investing).

Individual Portfolio Withdrawals Shareholders may arrange for the sale of investments in an Individual Portfolio by contacting the Investment Adviser directly at (800) 729-7665. Sales made prior to maturity will be made at the current market price which may be lower or higher than the investment's book value. Proceeds and earnings from the maturity, sale, or coupon payment of any investment in a Shareholder's Individual Portfolio will be deposited automatically into the Shareholder's pre-designated Pool account where they may be withdrawn by the Shareholder in accordance with Pool withdrawal procedures (see Part 1 - Investing).

Arbitrage Rebate Compliance

The Investment Adviser has agreed to provide arbitrage rebate compliance services for proceeds of tax-exempt debt issues invested in the Trust and will provide similar services for funds invested in an Individual Portfolio.

The Investment Adviser has agreed to manage Individual Portfolios that the Shareholder designates for the proceeds of a debt issue in accordance with arbitrage rebate regulations. At the Shareholder's request, the Investment Adviser will provide arbitrage rebate compliance services for the proceeds of tax-exempt debt issues to include funds in both the Shareholder's Pool, Term, and Individual Portfolio accounts (see Part 2 - Rebate Calculation Services for the Proceeds of Debt Issues).

Since the yield on an Individual Portfolio may not be fixed, Shareholders should consult with their counsel or financial adviser as to the appropriateness of investing proceeds of tax-exempt bonds in an Individual Portfolio in the event that covenants with bondholders or provisions of the Internal Revenue Code restrict the yield on investment of the bond proceeds.

Individual Portfolio Costs

All costs associated with an Individual Portfolio will be charged separately to the Shareholder that has set up the Individual Portfolio. Unless an alternative fee schedule has been negotiated, for services provided to Individual Portfolios by the Investment Adviser, the Shareholder will be billed a fee, in monthly installments, based on the following percentages of the average daily net assets of each Individual Portfolio:

Average Daily Net Assets	Annual Rate
First $25 million	0.10%
Over $25 million	0.08%

Individual Portfolios will also be charged an annual custody administration fee of $200, plus a portfolio market value-based fee of 1/3 basis point (0.00333%), plus applicable custody transaction fees. A detailed schedule of custody fees is available upon request.

All Individual Portfolios of a single Shareholder will be aggregated to determine the fee for that Shareholder.

Custodian

The Trust has arranged for its Custodian, U.S. Bank National Association, Minneapolis, Minnesota, to provide custody for assets of each Individual Portfolio.

The Custodian holds cash and securities of each Individual Portfolio in a separate account in the name of the appropriate Shareholder. The Custodian does not participate in determining investment decisions for the Individual Portfolios. The Investment Adviser may invest in the Custodian's obligations and may buy or sell securities through the Custodian.

For further information or assistance regarding Individual Portfolios, please call the Investment Adviser at (800) 729-7665.

CALIFORNIA ASSET MANAGEMENT PROGRAM
JOINT POWERS AUTHORITY

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Administrative Report

J.2., **File #** BF24-1706 **Meeting Date:** 11/14/2024

To: **BUDGET AND FINANCE COMMISSION**

From: EUGENE SOLOMON, CITY TREASURER

TITLE
CITY TREASURER'S QUARTER 1 FISCAL YEAR 2024-2025 REPORT

EXECUTIVE SUMMARY
Please see attached quarterly administrative report.

ATTACHMENTS
City Treasurer's Quarter 1 Administrative Report

Quarter 1 Report, Meeder Investment September 2024

Quarter 1 Economic Report, Meeder Investment September 2024

Quarter 1 PowerPoint Presentation

Administrative Report

Date: November 14, 2024

To: **BUDGET AND FINANCE COMMISSION**

From: **EUGENE SOLOMON, CITY TREASURER**

Subject: **CITY TREASURER'S FIRST QUARTER 2024-25 REPORT**

EXECUTIVE SUMMARY

The City Treasurer maintains the City's cash flows while earning a competitive rate of return on the Investments within the constraints of the City's investment policy and state law. This City Treasurer's report for the first quarter of fiscal year 2024-2025, details the composition of the investment portfolio and investment transactions occurring during the period of July through September of 2024. Meeder Investment serves as investment advisor to the City Treasurer. The Meeder Investment report with this package includes a comprehensive analysis of the City's investment portfolio and investment market trends.

Notable sections of this report include:

- Treasurer's Portfolio Summary
- Investment Reporting Guidelines
- Investment Report by Meeder Investment
    - Portfolio Summary
    - Investment Policy Compliance Report
    - Investment Activity Report
    - Economic and Market Update

City Treasurer's Portfolio Summary

The market value of the City's general investment portfolio changed to $92.56MM from $105.06MM at the end of the prior quarter. This change in the investment portfolio resulted from anticipated fluctuations within the cash flow trends on both general operations and capital improvement program revenue and spending.

Investment portfolio liquidity is 42.14% of the portfolio having maturities of one year or less. The Bank of America General Fund Checking Account ending balance was $7,621,788.55. It earned a rate of 3.75%, to offset the expenses of banking support services.

QOQ Comparison of Investment Portfolio Positions

Portfolio positions at the end of each quarter are listed by investment type, dollar amount, and percentage mix of the overall general investment portfolio:

Composition of Portfolio 2019-Present
Comparison of Investment Portfolio Positions

FY 2024-2025

Comparison of Investment Portfolio Positions F.Y. 2024-2025								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%						
Cash in Banks	$7,621,789	*						
Money Market	$6,410,529	6.86%						
Local Agency Investment Fund	$104,103	0.11%						
Federal Agency Issues	$35,668,724	38.19%						
Commercial Paper	$0	0.00%						
Corporate Medium Term Notes	$12,463,061	13.35%						
Bank Certificates of Deposit	$247,995	0.27%						
Treasuries	$38,496,825	41.22%						
Total: Investment Portfolio	$93,391,237	100%						
Weighted Average Maturity (Yrs)	1.45							
Portfolio Effective Rate of Return (YTD)	3.21%							
L.A.I.F. Yield	4.58%							
Yield on Benchmark	4.21%							
Interest earned YTD	$615,313.46							
General Fund Contribution (60%)	$369,188							

FY 2023-2024

Comparison of Investment Portfolio Positions F.Y. 2023-2024								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%						
Cash in Banks	$6,469,818	*	13,256,219	*	$11,755,717	*	$ 10,560,379.31	*
Money Market	$8,733,993	8.78%	$19,612,340	19.53%	$15,881,678	15.37%	$ 18,202,927.12	16.95%
Local Agency Investment Fund	$98,106	10.00%	$100,842	0.10%	$101,853	0.10%	$ 102,941.43	0.10%
Federal Agency Issues	$49,969,031	50.24%	$48,017,978	47.81%	$48,066,986	46.52%	$ 46,615,560.54	43.42%
Commercial Paper	$0	0.00%	$0	0.00%	$0	0.00%	$ -	0.00%
Corporate Medium Term Notes	$6,905,358	6.94%	$2,921,402	2.91%	$4,468,652	4.32%	$ 8,405,345.37	7.83%
Bank Certificates of Deposit	$991,797	1.00%	$991,856	0.99%	$991,914	0.96%	$ 247,964.77	0.23%
Treasuries	$32,755,612	32.94%	$28,785,152	28.66%	$33,811,331	32.72%	$ 33,785,898.60	31.47%
Total: Investment Portfolio	$99,453,897	100%	$100,429,570	100.0%	$103,322,415	100.00%	$ 107,360,637.83	100.00%
Weighted Average Maturity (Yrs)	1.96		1.73		1.54		1.39	
Portfolio Effective Rate of Return (YTD)	2.82%		2.96%		2.71%		2.78%	
L.A.I.F. Yield	3.55%		3.93%		4.25%		4.33%	
Yield on Benchmark	2.66%		3.10%		3.53%		3.95%	
Interest earned YTD	$675,178.00		$1,260,353.00		$2,023,050		$2,773,041	
General Fund Contribution (60%)	$405,107		$756,212		$1,213,830		$1,663,824.86	

FY 2022-2023

Comparison of Investment Portfolio Positions F.Y. 2022-2023								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%						
Cash in Banks	$10,955,229	*	9,223,658	*	$6,359,470	*	$ 9,742,075	*
Money Market	$0	0.0%	$5,149,678	4.38%	$13,392,052	11.33%	$ 8,931,843	7.80%
Local Agency Investment Fund	$16,071,480	14.5%	$27,137,556	23.1%	$5,225,372	4.42%	$ 1,087,813	0.95%
Federal Agency Issues	$53,439,957	48.3%	$47,448,367	40.4%	$56,867,881	48.12%	$ 56,918,780	49.70%
Commercial Paper	$0	0.0%	$0	0.0%	$0	0.00%	$0	0.00%
Corporate Medium Term Notes	$6,981,521	6.3%	$8,847,387	7.5%	$8,866,737	7.50%	$ 8,885,872	7.76%
Bank Certificates of Deposit	$1,239,564	1.1%	$991,622	0.8%	$991,680	0.84%	$ 991,738	0.87%
Treasuries	$32,895,368	29.7%	$27,910,842	23.8%	$32,831,737	27.78%	$ 37,713,483	32.93%
Total: Investment Portfolio	$110,627,890	100%	$117,485,452	100.0%	$118,175,459	100.00%	$ 114,529,529	100.00%
Weighted Average Maturity (Yrs)	1.99		1.72		1.97		1.91	
Portfolio Effective Rate of Return (YTD)	1.51%		1.71%		2.10%		2.29%	
L.A.I.F. Yield	1.60%		2.17%		2.83%		3.17%	
Yield on Benchmark	0.97%		1.38%		1.76%		2.19%	
Interest earned YTD	$425,011.78		$952,194.05		$1,695,368		$2,435,724	
General Fund Contribution (60%)	$255,007		$571,316.00		$1,017,221		$1,461,434.40	

FY 2021-2022

Comparison of Investment Portfolio Positions F.Y. 2021-2022								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%		%		%		
Cash in Banks & Money Markets	$11,834,546	*	$11,833,288	*	$14,063,300	*	$ 15,087,417	*
Local Agency Investment Fund	$9,000,500	10.7%	$20,012,320	21.9%	$20,018,196	20.81%	$ 20,033,972	18.43%
Federal Agency Issues	$30,579,369	36.3%	$30,574,250	33.5%	$40,569,151	42.18%	$ 45,564,006	41.92%
Commercial Paper	$0	0.0%	$0	0.0%	$0	0.00%	$0	0.00%
Corporate Medium Term Notes	$15,948,457	19.0%	$15,957,757	17.5%	$10,963,900	11.40%	$ 8,974,595	8.26%
Bank Certificates of Deposit	$1,735,250	2.1%	$1,735,339	1.9%	$1,735,425	1.80%	$ 1,239,505	1.14%
Treasuries	$26,896,065	32.0%	$22,894,191	25.1%	$22,899,581	23.81%	$ 32,878,387	30.25%
Total: Investment Portfolio	$84,159,641	100%	$91,173,857	100.0%	$96,186,253	100.00%	$ 108,690,464	100.00%
Weighted Average Maturity (Yrs)	2.06		1.81		2.03		1.92	
Portfolio Effective Rate of Return (YTD)	2.24%		1.90%		1.53%		1.47%	
L.A.I.F. Yield	0.21%		0.21%		0.22%		0.86%	
Yield on Benchmark	0.76%		0.62%		0.59%		0.68%	
Interest earned YTD	$497,915.05		$817,147		$1,021,840		$1,342,113	
General Fund Contribution (60%)	$298,749		$490,288		$613,104		$805,267.80	

FY 2020-2021

Comparison of Investment Portfolio Positions F.Y. 2020-2021								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%		%				
Cash in Banks & Money Markets	$10,855,843	*	$10,000,681	*	$5,180,168	*	$10,538,424	*
Local Agency Investment Fund	$7,004,742	9.6%	$15,028,642	19.7%	$15,039,065	18.30%	$23,055,498	26.1%
Federal Agency Issues	$34,598,183	47.2%	$34,593,480	45.3%	$34,588,776	42.00%	$30,054,073	34.7%
Commercial Paper	$0	0.0%	$0	0.0%	$0	0.00%	$0	0.0%
Corporate Medium Term Notes	$20,903,182	28.5%	$20,915,171	27.4%	$21,927,159	26.70%	$18,937,844	21.5%
Bank Certificates of Deposit	$2,726,898	3.7%	$1,734,986	2.3%	$1,735,073	2.10%	$ 1,735,161	2.0%
Treasuries	$8,053,427	11.0%	$4,041,832	5.3%	$8,985,108	10.90%	$13,890,876	15.7%
Total: Investment Portfolio	$73,286,432	100.0%	$76,314,111	100.0%	$82,275,181	100.00%	$88,203,451	100.0%
Weighted Average Maturity (Yrs)	1.97		1.68		1.69		1.63	
Portfolio Effective Rate of Return (YTD)	2.10%		2.12%		2.07%		2.00%	
L.A.I.F. Yield	0.68%		0.54%		0.36%		0.26%	
Yield on Benchmark	1.67%		1.45%		1.21%		0.97%	
Interest earned YTD	$430,578.83		$815,051		$1,198,761		$1,574,081	
General Fund Contribution (49%)	$210,984		$399,375		$587,393		$771,300	

FY 2019-2020

Comparison of Investment Portfolio Positions F.Y. 2019-2020								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%		%		%		%
Cash in Banks & Money Markets	$8,004,405	*	$10,421,483	*	$5,306,333	*	$ 9,193,009	*
Local Agency Investment Fund	$7,000,000	8.3%	$17,052,131	19.7%	$14,000,000	15.40%	$ 22,000,000	23.3%
Federal Agency Issues	$41,455,587	49.1%	$35,460,741	40.9%	$40,606,033	44.70%	$ 38,602,882	40.8%
Commercial Paper								
Corporate Medium Term Notes	$24,837,904	29.4%	$22,851,300	26.4%	$22,865,644	25.20%	$ 20,891,194	22.1%
Bank Certificates of Deposit	$3,223,020	3.8%	$3,222,544	3.7%	$3,222,661	3.60%	$ 2,974,779	3.1%
Treasuries	$7,994,458	9.5%	$8,041,480	9.3%	$10,073,719	11.10%	$ 10,063,635	10.6%
Total: Investment Portfolio	$84,510,969	100.0%	$86,628,195	100.0%	$90,768,058	100.00%	$ 94,532,490	100.0%
Weighted Average Maturity (Yrs)	2.1		1.89		2.02		1.72	
Portfolio Effective Rate of Return (YTD)	2.23%		2.27%		2.26%		2.22%	
L.A.I.F. Yield	2.28%		2.04%		1.79%		1.20%	
Yield on Benchmark	2.06%		2.08%		2.06%		2.02%	
Interest earned YTD	$502,505.00		$973,145		$1,483,028		$1,965,199	
General Fund Contribution (44%)	$221,102		$428,184		$652,532		$864,688	

Comparison of Total Cash and Investments
2019-Present

	Investments	General Fund	Subtotal	Other Cash	Total
2024-2025	$ MM	$ MM	$ MM	$ MM	$ MM
Q1	93.39	7.62	101.01	12.66	113.67
2023-2024	$ MM	$ MM	$ MM	$ MM	$ MM
Q4	107.36	10.56	117.92	9.35	127.27
Q3	103.32	11.76	115.08	11.89	126.97
Q2	100.43	13.26	113.69	10.66	124.35
Q1	99.45	6.47	105.92	10.65	116.57
2022-2023	$ MM	$ MM	$ MM	$ MM	$ MM
Q1	110.63	10.96	121.59	9.33	130.92
Q2	117.49	9.22	126.71	9.44	136.15
Q3	118.18	6.36	124.54	10.25	134.79
Q4	114.53	9.74	124.27	10.15	134.42
2021-2022	$ MM	$ MM	$ MM	$ MM	$ MM
Q1	84.16	11.83	95.99	8.65	104.64
Q2	91.17	11.83	103	8.61	111.61
Q3	96.19	14.06	110.25	9.12	119.37
Q4	108.69	15.09	123.78	8.99	132.77
2020-2021	$ MM	$ MM	$ MM	$ MM	$ MM
Q1	73.29	10.86	84.15	6.81	90.96
Q2	76.31	10.00	86.31	7.02	93.33
Q3	82.28	5.18	87.46	7.59	95.05
Q4	88.20	10.54	98.74	7.84	106.58
2019-2020	$ MM	$ MM	$ MM	$ MM	$ MM
Q1	84.51	8.00	92.51	5.86	98.37
Q2	86.63	10.42	97.05	6.64	103.69
Q3	90.77	5.31	96.08	7.63	103.71
Q4	94.53	9.19	103.72	7.35	111.07

Yields: The book yield of the portfolio is 3.03%. The effective rate of return for the fiscal year to date is 3.21%. The book yield is a snapshot on a specific day whereas the effective rate of return is annualized return generated for the period.

Investment Portfolio Performance vs. Benchmark: At the end of the quarter, the yield on the City's general investment portfolio was 3.03%. This yield provided a 118 basis point disadvantage to the yield provided by the investment portfolio benchmark, U.S. Treasury Note 0-5 year index (30 month moving average), which yielded 4.21%. The 30 month moving average is used to represent a market rate of return.
Mark to Market: The City Treasurer compares market values of the portfolio holdings to their original cost. At the close of the quarter, the net asset value is $0.99. That means the Market Value is slightly below the cost of investments. The difference between the book value (cost) of investments at $93,391,237 and the current market value at $92,559,242 is $-831,995.

Cash in Banks:

	As of 9/30/2024
General Fund	$ 7,621,788.55
Workmen's Compensation Fund	$ 1,362,907.60
Successor Agency of RDA	$ 1,755,190.15
Trust Account	$ 7,614.40
Housing Authority BLKPNDG	$ 3,183,494.64
Financing Authority	$ 4,452,346.62
Parking Authority	$ 1,023.56
Measure R Local Return	$ 1,769,364.03
City of Redondo Beach - FSA	$ 132,961.13
Total	$20,286,690.68

All Agency, Authority and Miscellaneous Funds in Banks

Bank Account Descriptions

General Fund - 201
Into the City's general checking account are deposited most of the City's revenue, including General Fund taxes, grant revenue (with the exception of that for the Housing Authority), Harbor Enterprise rental income, and sewer fees. From the general checking account are automatic transfers to the payroll and warrant accounts (as payments clear the bank) and purchases of investments.

Workmen's Compensation Fund - 210
A Bank of America checking account has been established for the payment of workers' compensation claims. The City's third party administrator, AdminSure, writes the checks from this account on the City's behalf. Monthly, the City replenishes the account with a City Council approved accounts payable check.

Successor Agency of RDA - 213 / Successor Agency of RDA - 694

The Successor Agency to the former Redevelopment Agency maintains both a Bank of America checking account (with a larger balance) and a Bank of America interest checking account (with a smaller balance). A few years ago, the bank changed the accounts to this structure from a checking account and a savings account. The checking account activity reflects biannual deposits of Redevelopment Property Tax Trust Fund (RPTTF) revenue as a result of the Recognized Obligation Payment Schedule (ROPS) process whereby the City reports to the Department of Finance the amount of funding necessary to make its Redevelopment Agency debt service payments (together with the applicable administrative costs). Those debt service payments are then made from this checking account, and the administrative cost reimbursement is transferred to the City's general checking account. The activity in the interest checking account is currently only deposits of interest earned.

Trust Account - 212
The Police Department deposits bail money into this checking account and then transfers these funds to the courts by way of checks. The balance of the account has been $7,364.40 for several years, but it could be higher at the end of the month/quarter if a check is outstanding at the time.

Housing Authority – 207/Housing Authority – 023
The Housing Authority maintains both a checking account and a government money market savings account. Into the checking account are deposited grant funds from HUD for operation of the Fair Housing and Section 8 housing programs. Payments to landlords are then made monthly from this account, and periodically a check is written to the City as reimbursement for administrative costs paid by the City on the Housing Authority's behalf. The activity in the government money market savings account is currently only deposits of interest earned.

Financing Authority -168
The Community Financing Authority (CFA), a joint powers authority of the City and the Parking Authority, was formed January 31, 2012 when the Kincaid's Restaurant lease was transferred from the Public Financing Authority (PFA), a joint powers authority of the City and the Redevelopment Agency, upon the Redevelopment Agency's elimination by the State. The Financing Authority checking account is used for the lease-related transactions, including rental income, loan payments, sewer user fees, and possessory interest property tax payments.

Parking Authority - 675
The Parking Authority was established on March 3, 1969, pursuant to the provisions of the Streets and Highway Code of the State of California. Its primary purpose has been to provide public off-street parking within the City. The Parking Authority is currently inactive with a little more than $5,000 remaining in a Bank of America interest checking account and a little less than $5,000 remaining in a LAIF account from its previous activities.

Measure R Local Return - 874

Measure R monies come from a 2008 voter-approved ½ cent sales tax levied within Los Angeles County for public transportation purposes. Per a Los Angeles County Metropolitan Transportation Authority (LACMTA) audit recommendation, Measure R monies are to be maintained in a separate bank account. Because expenditures from the Measure R Fund (primarily for capital improvement projects) are paid through the City's accounts payable system and "General Fund" bank account, this separate Measure R Local Return interest checking account is funded by periodic transfers from the "General Fund" bank account instead of Measure R monies deposited directly to the account.

City of Redondo Beach – FSA - 825
The City contracts with Sterling to offer its employees Flexible Spending Accounts (FSAs) which allow the employees to set aside, before taxes, a portion of their yearly income to pay for qualified medical and/or dependent care expenses. These funds withheld from the employees' paychecks are transferred to this separate checking account each pay period. The medical and dependent care expenses are then paid by Sterling from this account.
LAIF Balances:

LAIF ACCOUNT SEPTEMBER 2024

ACCOUNT NAMES	
GENERAL ACCOUNT	$ 104,102.92
SUCCESSOR AGENCY FOR RDA	$ 1,988,777.26
PUBLIC FINANCING AUTHORITY	$ 189,767.38
PARKING AUTHORITY	$ 5,508.88
Total:	$ 2,288,156.44

<u>Trading Activity</u>
During the quarter, the City purchased five securities. Also, five securities were redeemed.

Fiscal Impact

Interest earned year to date is $615,313.46 for the entire portfolio. The General Fund contribution rate of our investment portfolio is approximately 60% of the total interest earned thus contributing approximately $369,188 to the General Fund through investment activity. Budgeted contribution of interest to the general fund for the entire fiscal year is $1,500,000.

<u>Investment Reporting Guidelines</u>
Please note the following guidelines from the Government Finance Officers Association *Financial Management Checklists for Elected Officials.*

Always remember whose money it is (it's the community's, not yours)—and act accordingly in a responsible stewardship capacity.

The generally accepted objectives in managing public funds, in priority order, are:

- Safety
- Liquidity
- Yield

An investment manager's objective is to earn a reasonable rate of return on the city's investments, while preserving capital in the overall portfolio. It should *never* be an investment manager's goal to earn *maximum* returns on the city's portfolio as this would expose the city to an unacceptable level of risk. Failures in public investing occur when either:

- Policies were not clear.
- Policies were inappropriate.
- Policies were not followed.
- Oversight was inadequate.

Questions to Ask:

- Do you review the investment policy?
- Do you understand the city's investment program?
- Do you receive and review periodic investment reports?
- Are they clear, concise? Are they readable? Do you fully understand them? (If you can't, this is more likely to be because they've been presented poorly, and may in fact reflect problems, than any "technical" problems with your ability to understand them because it's too "complex." First, it's the job of your staff to make them readable and understandable; and secondly, if the city's portfolio is genuinely that complex, perhaps it shouldn't be.)
- Are there lots of investments and transactions? Why? Most cities do not have portfolios that justify "active" management with lots of sales, purchases and trades.
- Are your investments diversified? Or have you placed "all of your eggs in one basket?"
- What ongoing oversight is there? By whom?

Submitted by:
Eugene Solomon, City Treasurer

MEEDER
PUBLIC FUNDS

Monthly Investment Report

City of Redondo Beach

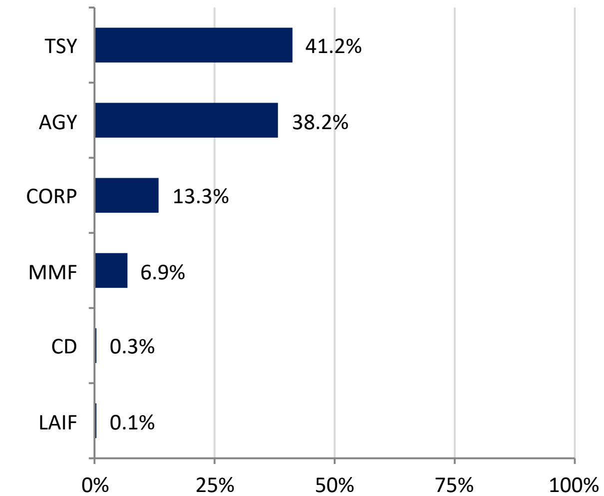
September 2024

10655 Park Run Drive, Suite 120 | Las Vegas, NV 89144 | Phone 702.575.6600 | www.meederpublicfunds.com

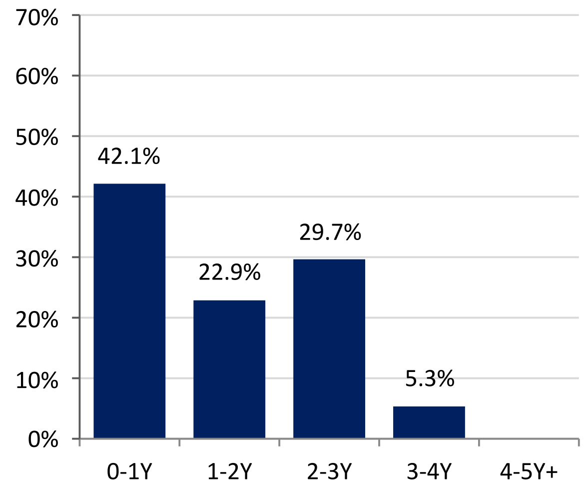
Portfolio Summary

City of Redondo Beach **9/30/2024**

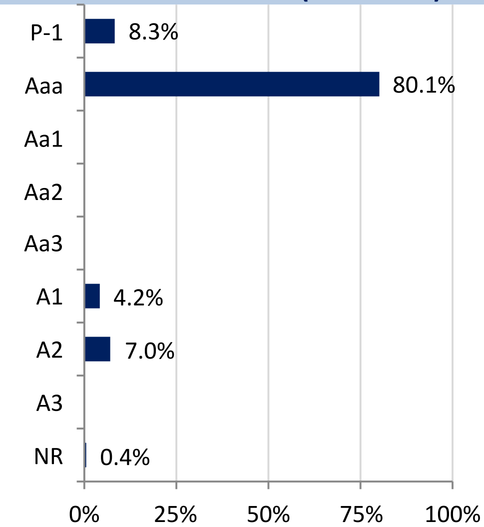
SECTOR ALLOCATION



MATURITY DISTRIBUTION



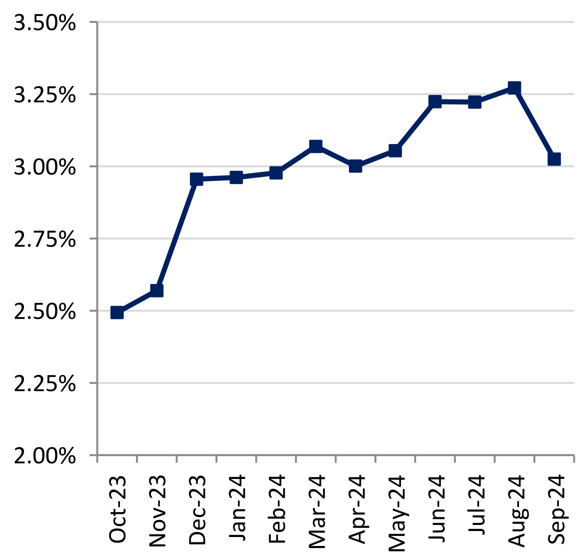
CREDIT QUALITY (MOODY'S)



ACCOUNT SUMMARY

	9/30/24	8/31/24
Market Value	$92,559,242	$97,825,383
Book Value	$93,391,237	$99,095,821
Variance	-$831,995	-$1,270,438
Par Value	$94,362,632	$99,954,151
Net Asset Value	$99.11	$98.72
Book Yield	3.03%	3.27%
Market Yield	3.94%	4.33%
Years to Maturity	1.45	1.35
Effective Duration	1.25	1.17

MONTH-END PORTFOLIO BOOK YIELD



TOP ISSUERS

Issuer	% Portfolio
U.S. Treasury	41.2%
FHLB	15.0%
FHLMC	10.3%
FFCB	7.5%
First American Tsy FUZXX	6.9%
FNMA	5.4%
Caterpillar	4.3%
UnitedHealth	2.7%
Toyota	2.1%
National Securities Clearing	2.1%
John Deere	2.1%
Wells Fargo	0.3%
LAIF	0.1%

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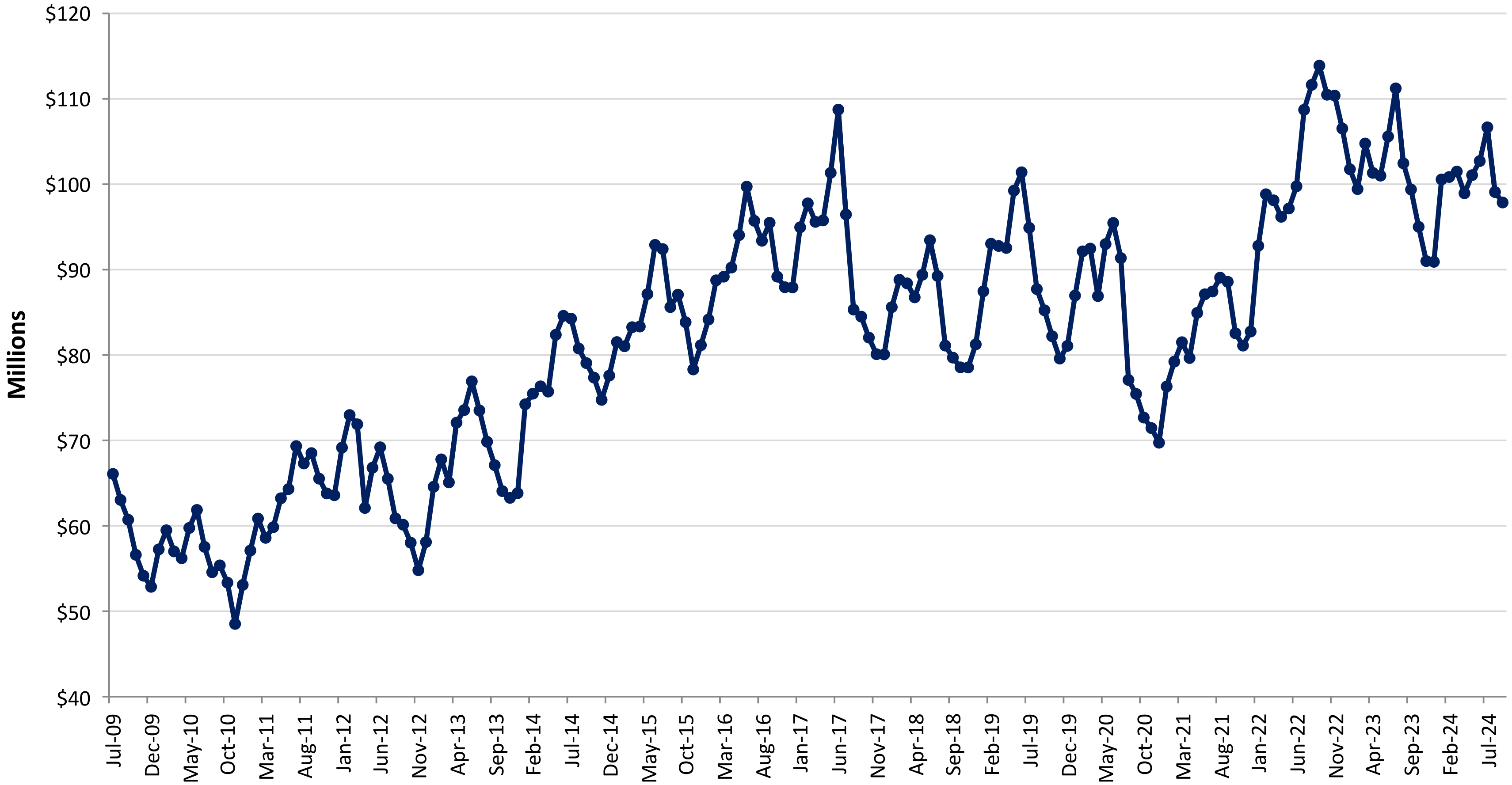
Amortizing

Category	Book Value	% of Portfolio	% Allowed by Policy	In Compliance
US Treasuries	38,496,825.30	41.22%	100%	Yes
US Federal Agencies	35,668,724.46	38.19%	100%	Yes
Supranational Obligations	0.00	0.00%	15%	Yes
LAIF	104,102.92	0.11%	65,000,000	Yes
Commercial Paper	0.00	0.00%	25%	Yes
Money Market Funds	6,410,528.77	6.86%	20%	Yes
Negotiable Certificates of Deposit	247,994.50	0.27%	30%	Yes
Corporate Obligations	12,463,061.15	13.35%	30%	Yes
Total	93,391,237.11	100.00%		

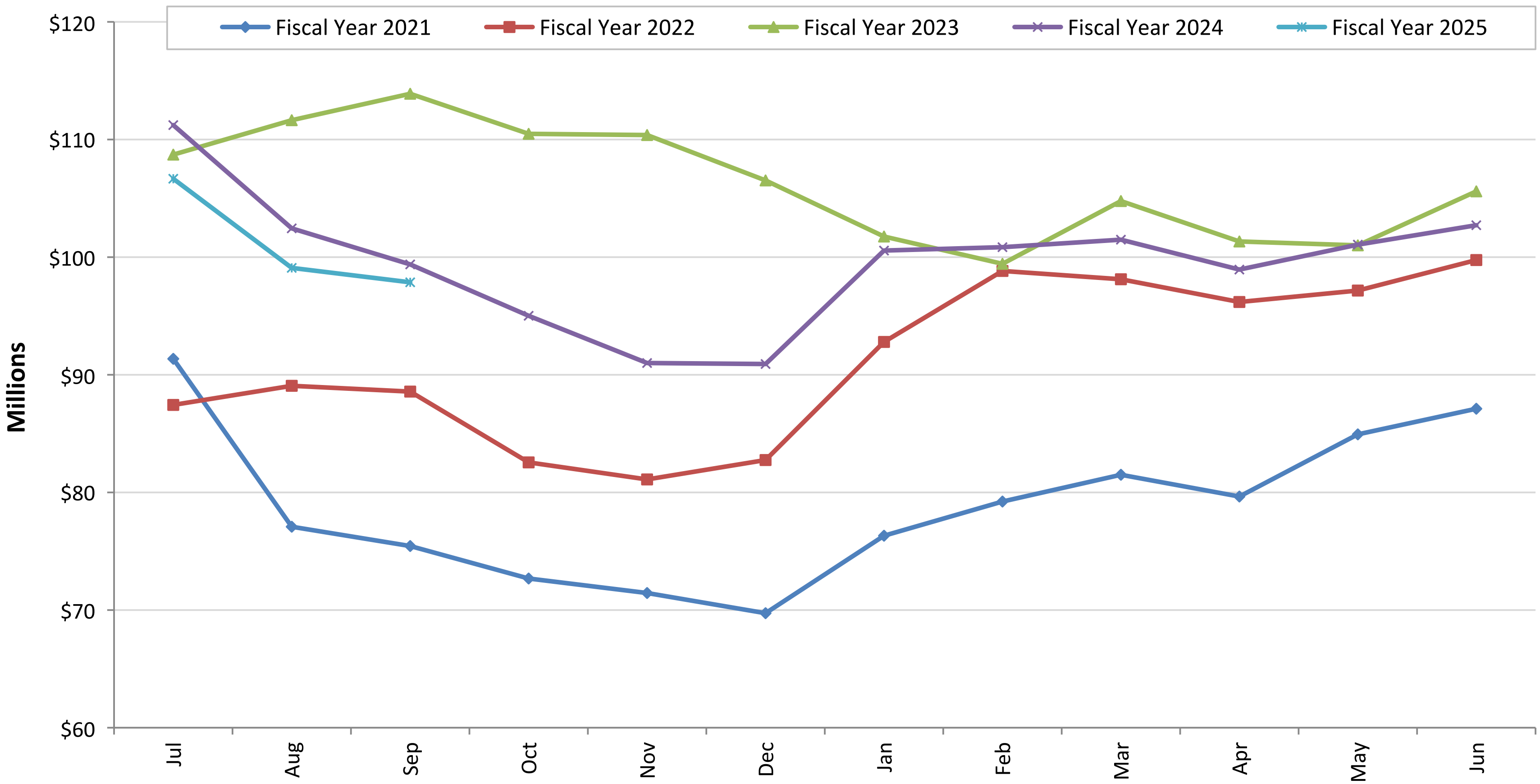
Other Metrics	Portfolio	Metric	In Compliance
Weighted Average Maturity	1.45	Less than 2.5 Years	Yes
Liquidity	42.14%	25% Under 365 Days	Yes
Ratings			Yes



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Fiscal Year 2021	$91.4	$77.1	$75.4	$72.7	$71.4	$69.7	$76.3	$79.2	$81.5	$79.7	$84.9	$87.1
Fiscal Year 2022	$87.4	$89.1	$88.6	$82.6	$81.1	$82.8	$92.8	$98.8	$98.1	$96.2	$97.2	$99.8
Fiscal Year 2023	$108.7	$111.6	$113.9	$110.5	$110.4	$106.5	$101.8	$99.4	$104.8	$101.3	$101.0	$105.6
Fiscal Year 2024	$111.2	$102.4	$99.4	$95.0	$91.0	$90.9	$100.6	$100.8	$101.5	$98.9	$101.1	$102.7
Fiscal Year 2025	$106.7	$99.1	$97.9									

Average Daily Balance

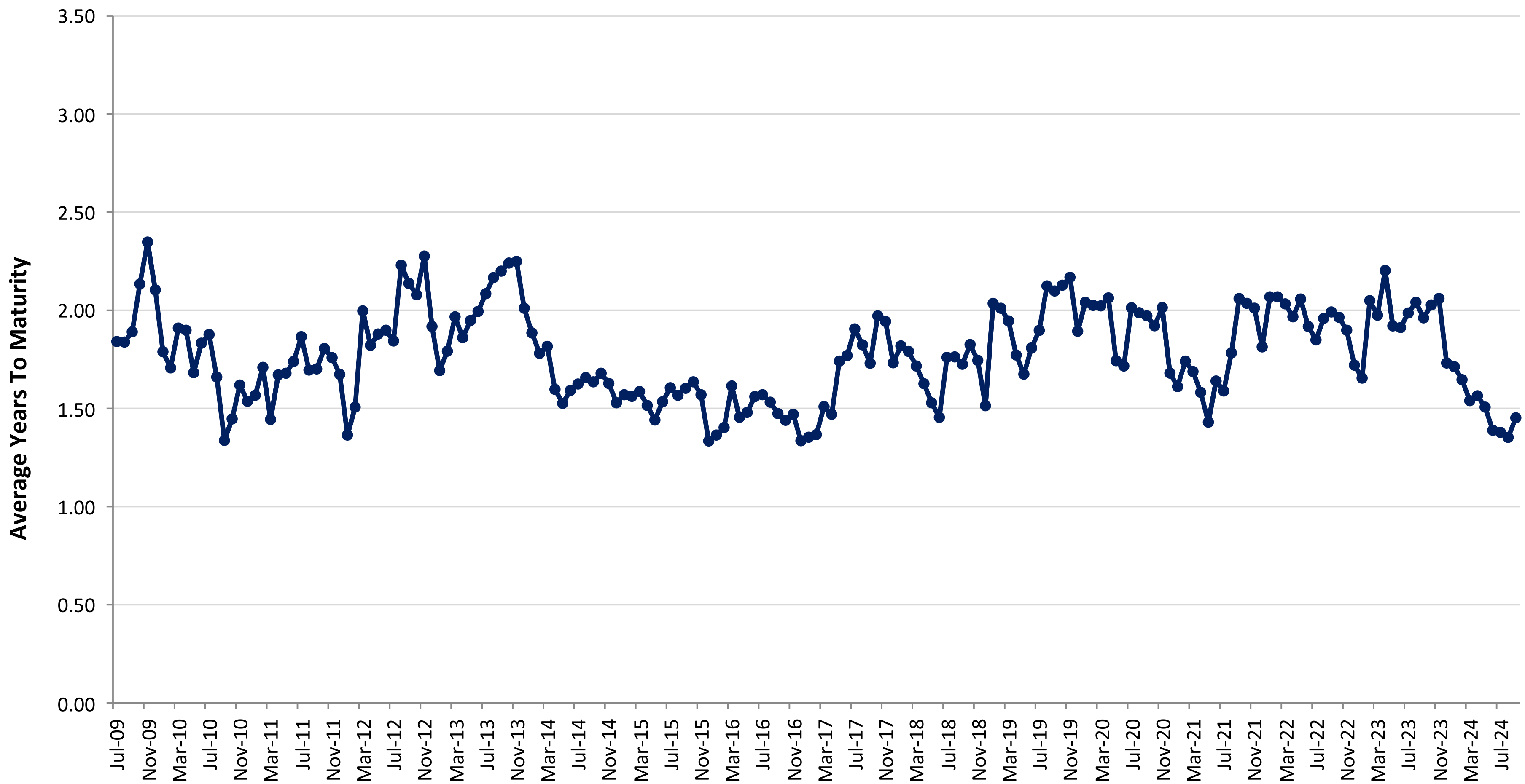
Historical Book Values Per Fiscal Year



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Fiscal Year 2021	$91.4	$77.1	$75.4	$72.7	$71.4	$69.7	$76.3	$79.2	$81.5	$79.7	$84.9	$87.1
Fiscal Year 2022	$87.4	$89.1	$88.6	$82.6	$81.1	$82.8	$92.8	$98.8	$98.1	$96.2	$97.2	$99.8
Fiscal Year 2023	$108.7	$111.6	$113.9	$110.5	$110.4	$106.5	$101.8	$99.4	$104.8	$101.3	$101.0	$105.6
Fiscal Year 2024	$111.2	$102.4	$99.4	$95.0	$91.0	$90.9	$100.6	$100.8	$101.5	$98.9	$101.1	$102.7
Fiscal Year 2025	$106.7	$99.1	$97.9									

Figures in Millions, Average Daily Balance

Historical Weighted Average Maturity



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Fiscal Year 2021	2.01	1.99	1.97	1.92	2.01	1.68	1.61	1.74	1.69	1.58	1.43	1.64
Fiscal Year 2022	1.59	1.78	2.06	2.04	2.01	1.81	2.07	2.07	2.03	1.97	2.06	1.92
Fiscal Year 2023	1.85	1.96	1.99	1.96	1.90	1.72	1.65	2.05	1.98	2.20	1.92	1.91
Fiscal Year 2024	1.99	2.04	1.96	2.03	2.06	1.73	1.71	1.65	1.54	1.56	1.51	1.39
Fiscal Year 2025	1.38	1.35	1.45									

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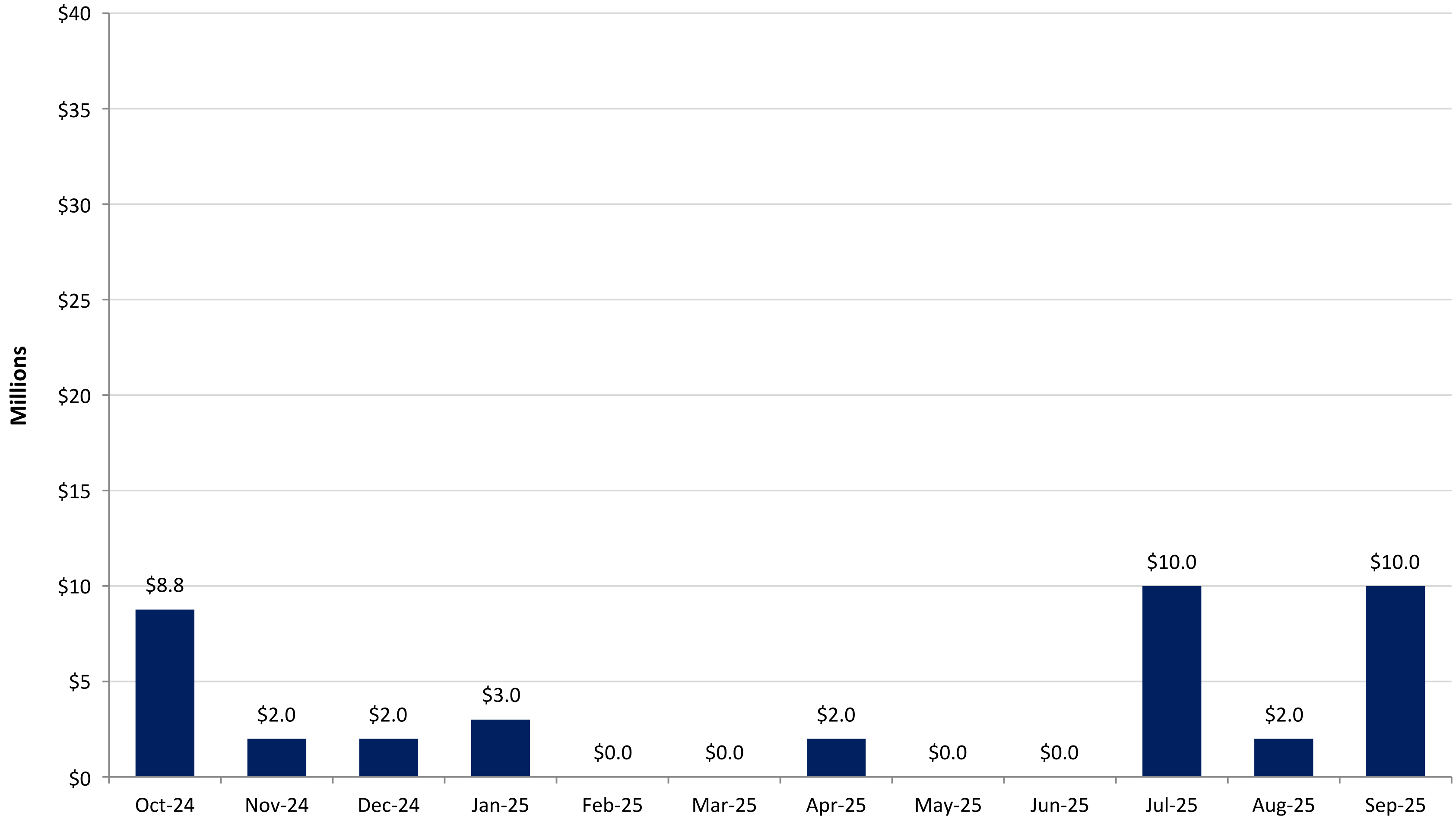
Amortizing

Next Twelve Months Cash Flow

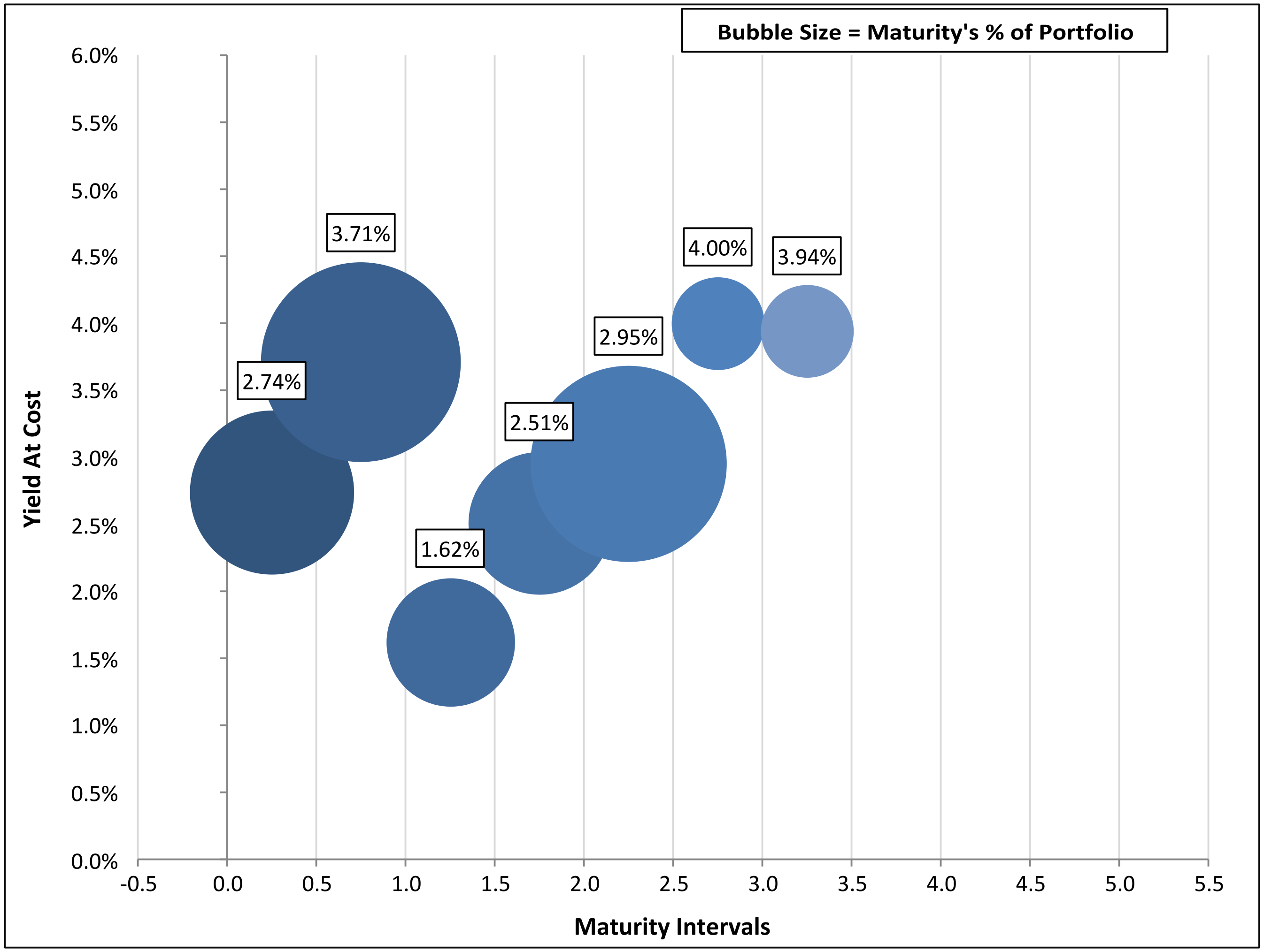


	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Maturities	$8.8	$2.0	$2.0	$3.0	$0.0	$0.0	$2.0	$0.0	$0.0	$10.0	$2.0	$10.0

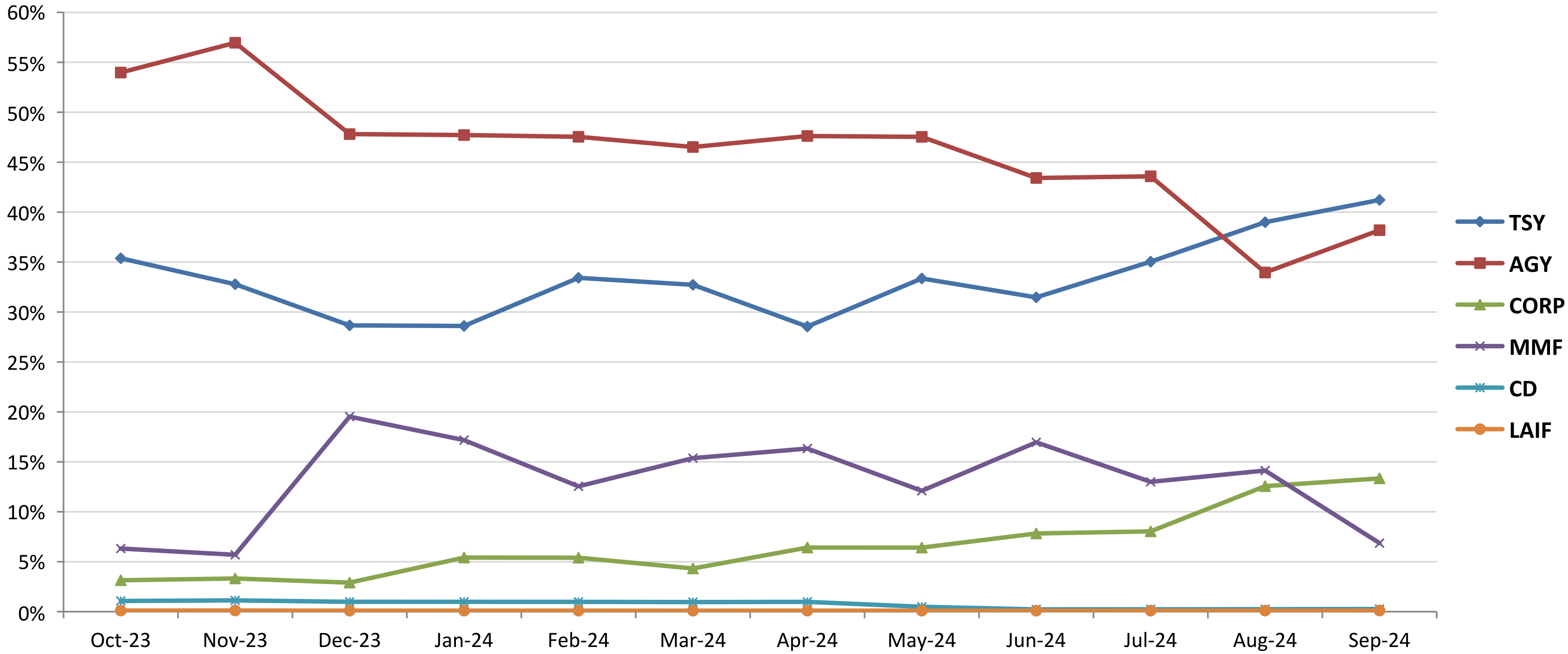
Par Value in Millions; Assumes Securities Are Held To Maturity

Yield At Cost Per 6-Month Maturity Intervals

Years	Yield At Cost	% of Portfolio
0 to .5	2.74%	16.89%
.5 to 1.0	3.71%	25.25%
1.0 to 1.5	1.62%	10.20%
1.5 to 2.0	2.51%	12.67%
2.0 to 2.5	2.95%	24.30%
2.5 to 3.0	4.00%	5.35%
3.0 to 3.5	3.94%	5.34%
3.5 to 4.0	0.00%	0.00%
4.0 to 4.5	0.00%	0.00%
4.5 to 5.0	0.00%	0.00%
5.0+	0.00%	0.00%
Total	**3.03%**	**100.0%**

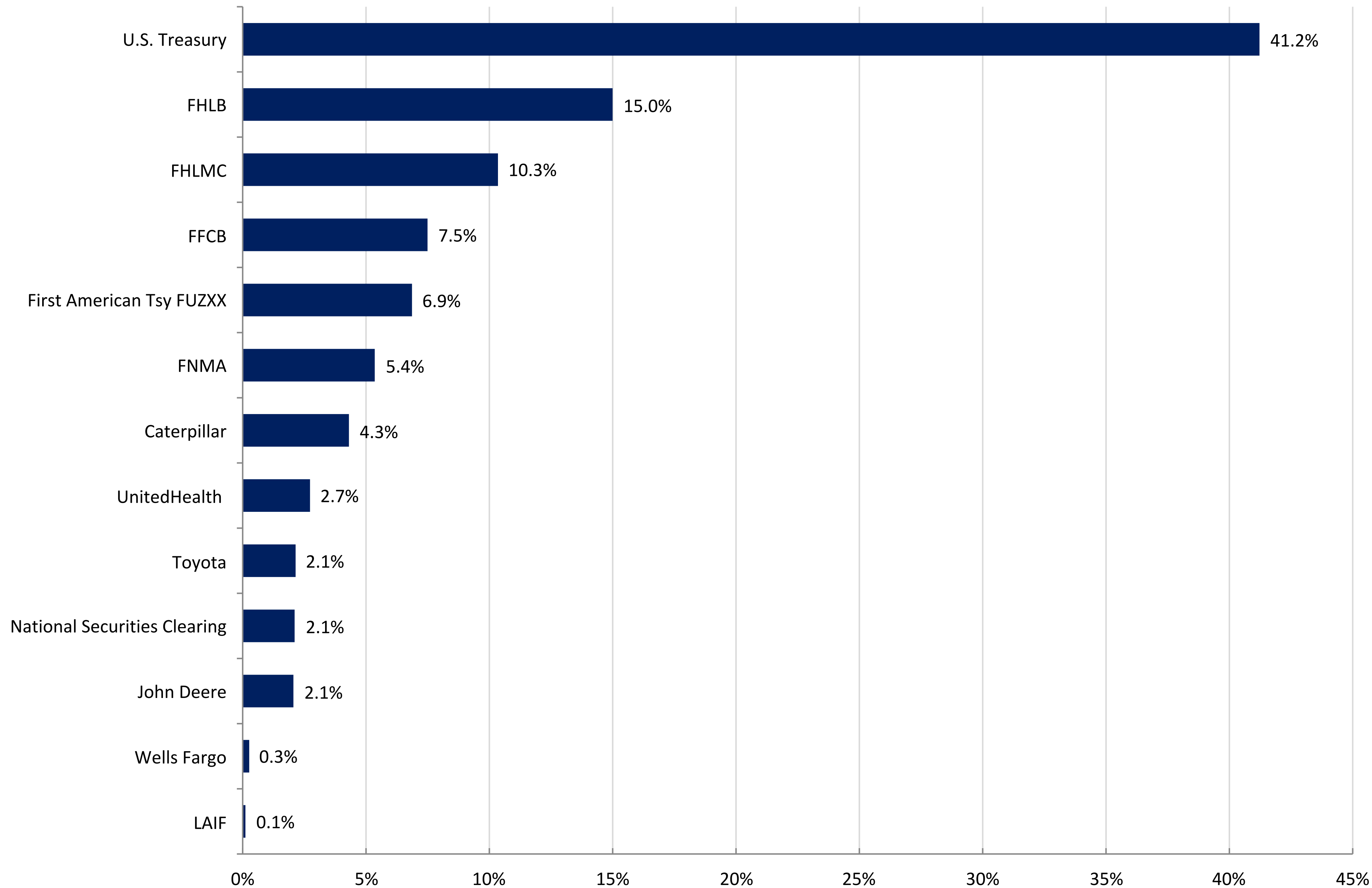


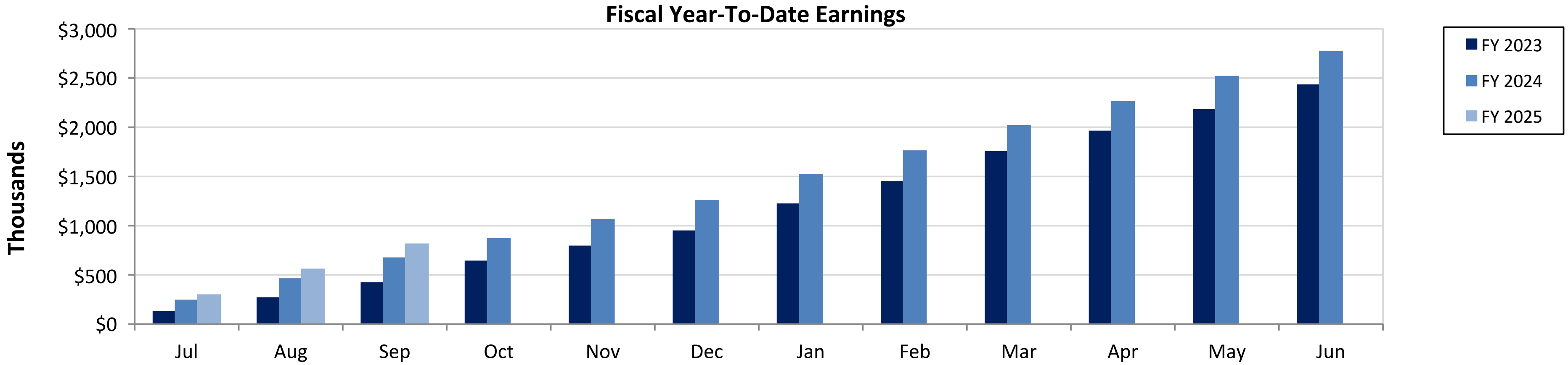
Historical Sector Allocation



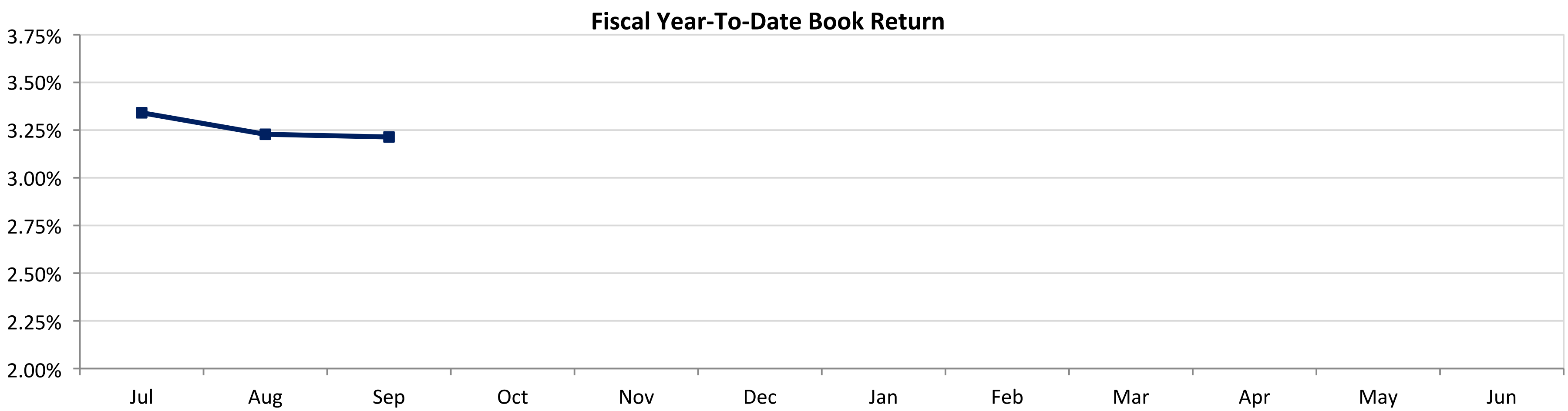
Sector	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
TSY	35.4%	32.8%	28.7%	28.6%	33.4%	32.7%	28.5%	33.4%	31.5%	35.0%	39.0%	41.2%
AGY	54.0%	57.0%	47.8%	47.7%	47.5%	46.5%	47.6%	47.5%	43.4%	43.6%	34.0%	38.2%
CORP	3.1%	3.3%	2.9%	5.4%	5.4%	4.3%	6.4%	6.4%	7.8%	8.0%	12.6%	13.3%
MMF	6.3%	5.7%	19.5%	17.2%	12.5%	15.4%	16.3%	12.1%	17.0%	13.0%	14.1%	6.9%
CD	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	0.5%	0.2%	0.2%	0.3%	0.3%
LAIF	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Issuer Allocation



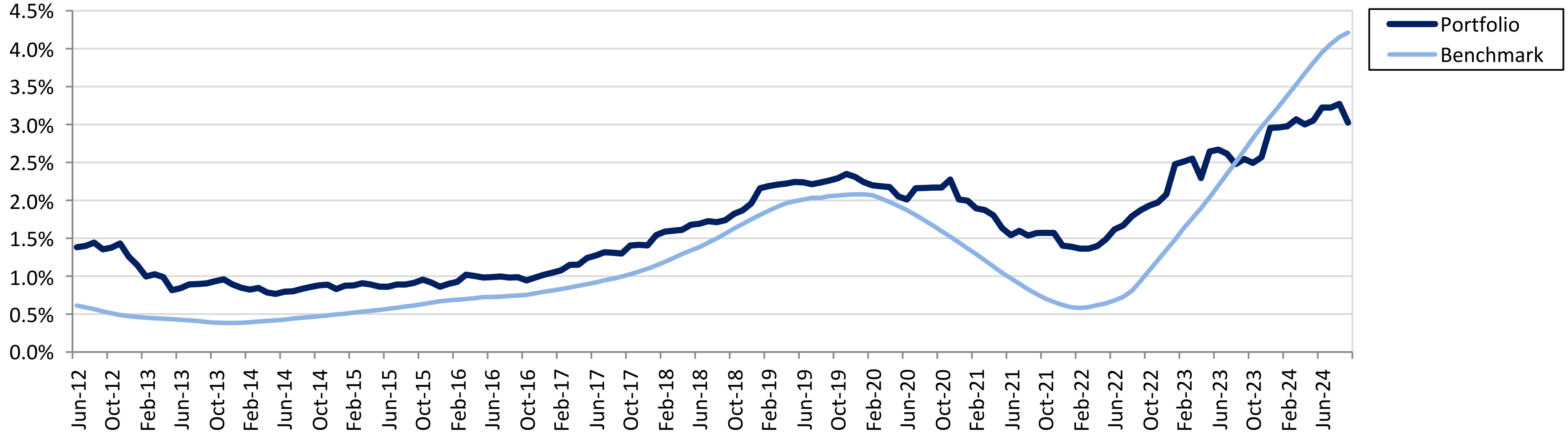


Fiscal YTD ($K)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 2023	$132.884	$272.892	$425.012	$645.396	$798.263	$952.194	$1,226.478	$1,453.296	$1,757.809	$1,966.545	$2,184.041	$2,435.724
FY 2024	$248.302	$467.129	$677.915	$875.773	$1,068.390	$1,261.363	$1,524.931	$1,766.046	$2,023.050	$2,266.041	$2,522.154	$2,773.041
FY 2025	$302.646	$564.084	$819.846									

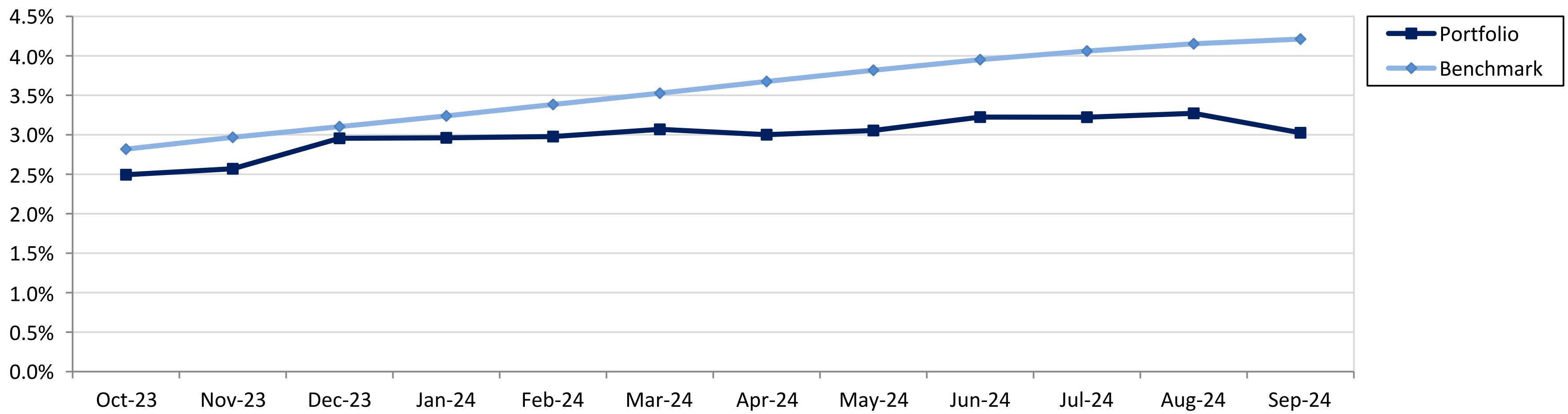


Fiscal YTD	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Book Return	3.34%	3.23%	3.21%									

Month-End Yield At Cost vs Benchmark

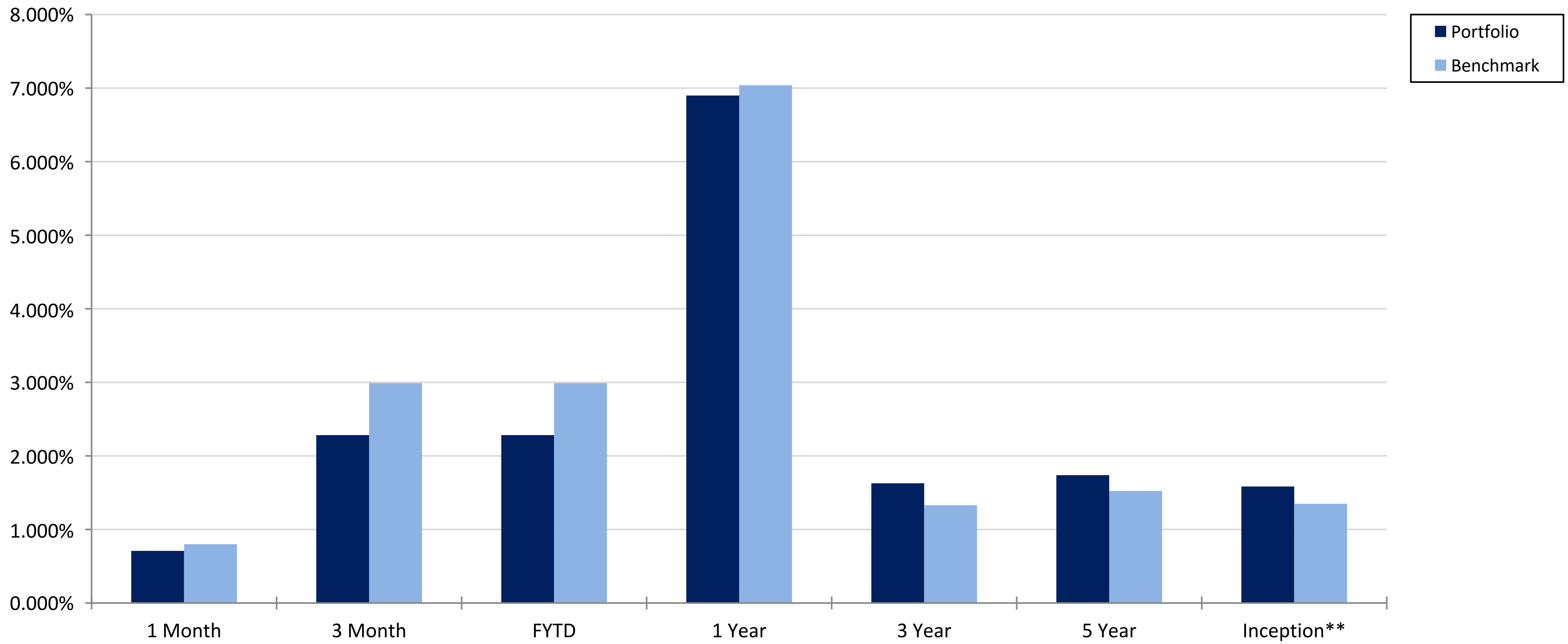


Trailing 12 Months: Month End Yield At Cost vs Benchmark



Benchmark: Custom Benchmark (see disclosure)

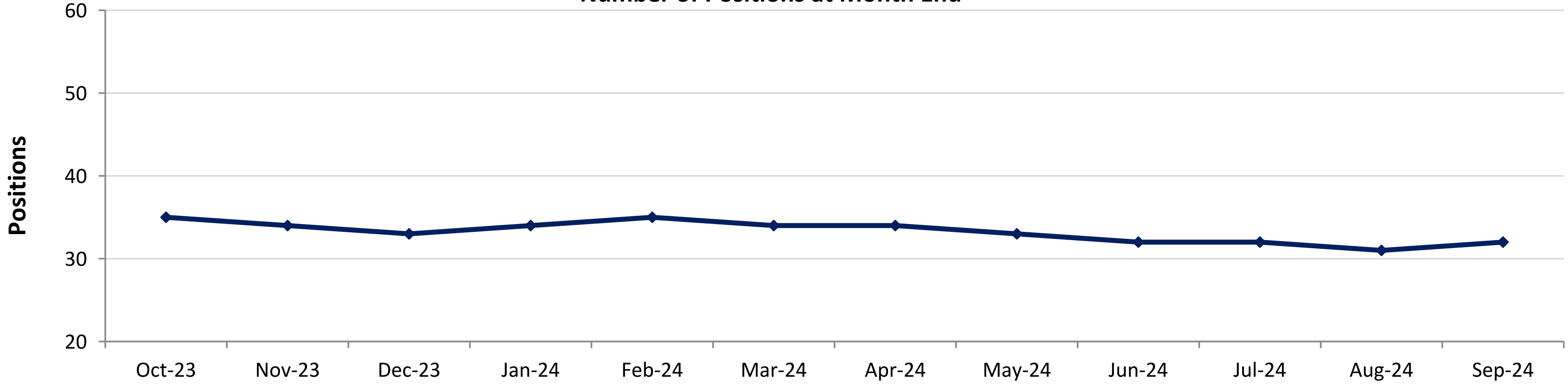
Total Return Performance



*Index: ICE BofA 0-5Yr Treasury Index
**Inception: July 2012

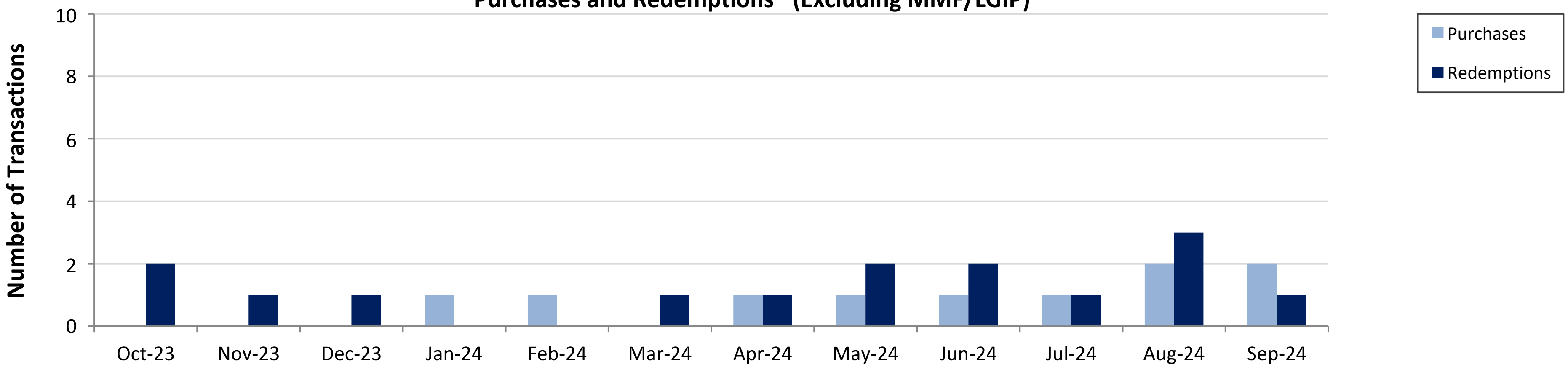
	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	Inception
Portfolio	0.709%	2.283%	2.283%	6.899%	1.628%	1.738%	1.584%
Benchmark	0.800%	2.989%	2.989%	7.039%	1.329%	1.524%	1.349%
Variance	**-0.091%**	**-0.706%**	**-0.706%**	**-0.139%**	**0.299%**	**0.215%**	**0.235%**

Number of Positions at Month End



	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Positions	35	34	33	34	35	34	34	33	32	32	31	32

Purchases and Redemptions* (Excluding MMF/LGIP)



*Redemptions include maturities, calls, and sells

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Purchases	0	0	0	1	1	0	1	1	1	1	2	2
Redemptions	2	1	1	0	0	1	1	2	2	1	3	1
Total	2	1	1	1	1	1	2	3	3	2	5	3

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	Book YTM
Certificates of Deposit	248,000.00	247,692.48	247,994.50	0.27	17	2.10
Corporate Bonds	12,600,000.00	12,585,878.00	12,463,061.15	13.35	622	4.59
LAIF	104,102.92	104,102.92	104,102.92	0.11	1	4.58
Money Market Funds	6,410,528.77	6,410,528.77	6,410,528.77	6.86	1	4.76
U.S. Agencies	36,000,000.00	35,354,150.00	35,668,724.46	38.19	744	2.75
U.S. Treasuries	39,000,000.00	37,856,890.00	38,496,825.30	41.22	395	2.48
	94,362,631.69	**92,559,242.17**	**93,391,237.11**	**100.00**	**530**	**3.03**

Investments

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	255,762.76	819,846.38
Average Daily Balance	97,861,811.93	101,204,491.01
Book Rate of Return	3.18%	3.21%

Holdings Report

City of Redondo Beach — **September 30, 2024**

CUSIP	Issuer Coupon Rate	Maturity Date Call Date	Remaining Par Value	Settle Date Book Yield	Original Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port Gain/Loss	Moody/S&P Fitch	WAM Eff. Dur.
Certificates of Deposit										
949763L95	Wells Fargo Bank NA	10/17/2024	248,000.00	10/18/2019	247,409.76	99.88	247,692.48	0.27%	NR/NR	0.05
	2.050%			2.10%	247,994.50	4.72%	195.00	-302.02	NR	0.05
					247,409.76		**247,692.48**	**0.27%**		**0.05**
Total Certificates of Deposit			**248,000.00**	**2.10%**	**247,994.50**	**4.72%**	**195.00**	**-302.02**		**0.05**
Corporate Bonds										
637639AB1	National Securities Clearing	04/23/2025	2,000,000.00	10/06/2022	1,847,300.00	98.29	1,965,740.00	2.11%	Aaa/AA+	0.56
	1.500%			4.72%	1,966,196.18	4.61%	13,166.67	-456.18	NR	0.54
91324PCV2	UnitedHealth Group Inc	03/15/2026	2,600,000.00	01/31/2024	2,526,498.00	98.74	2,567,318.00	2.73%	A2/A+	1.45
	3.100%			4.51%	2,549,557.45	4.00%	3,582.22	17,760.55	A	1.40
24422ETH2	John Deere	06/10/2026	2,000,000.00	06/12/2024	1,906,540.00	97.82	1,956,400.00	2.06%	A1/A	1.69
	2.650%			5.15%	1,920,598.05	3.99%	16,341.67	35,801.95	A+	1.62
14913UAN0	Caterpillar	10/16/2026	4,000,000.00	08/28/2024	4,023,755.60	101.17	4,046,800.00	4.31%	A2/A	2.04
	4.450%			4.16%	4,022,765.78	3.85%	22,250.00	24,034.22	A+	1.92
89236TLY9	Toyota Motor Credit	03/19/2027	2,000,000.00	04/05/2024	2,004,720.00	102.48	2,049,620.00	2.15%	A1/A+	2.47
	5.000%			4.91%	2,003,943.68	3.94%	3,333.33	45,676.32	A+	2.30
					12,308,813.60		**12,585,878.00**	**13.34%**		**1.70**
Total Corporate Bonds			**12,600,000.00**	**4.59%**	**12,463,061.15**	**4.03%**	**58,673.89**	**122,816.86**		**1.61**
LAIF										
9819716	LAIF	10/01/2024	104,102.92	07/15/2024	104,102.92	1.00	104,102.92	0.11%	NR/NR	0.00
	4.580%			4.58%	104,102.92	4.58%	0.00	0.00	NR	0.00
					104,102.92		**104,102.92**	**0.11%**		**0.00**
Total LAIF			**104,102.92**	**4.58%**	**104,102.92**	**4.58%**	**0.00**	**0.00**		**0.00**
Money Market Funds										
FUZXX	First American Tsy FUZXX	10/01/2024	6,410,528.77		6,410,528.77	100.00	6,410,528.77	6.86%	Aaa/AAA	0.00
	4.756%			4.76%	6,410,528.77	4.76%	47,917.35	0.00	NR	0.00
					6,410,528.77		**6,410,528.77**	**6.86%**		**0.00**
Total Money Market Funds			**6,410,528.77**	**4.76%**	**6,410,528.77**	**4.76%**	**47,917.35**	**0.00**		**0.00**
U.S. Agencies										

Holdings Report

City of Redondo Beach | **September 30, 2024**

CUSIP	Issuer / Coupon Rate	Maturity Date / Call Date	Remaining Par Value	Settle Date / Book Yield	Original Value / Book Value	Mkt Price / Mkt YTM	Market Value / Accrued Int.	% of Port / Gain/Loss	Moody/S&P / Fitch	WAM / Eff. Dur.
U.S. Agencies										
3135G0W66	FNMA	10/15/2024	2,000,000.00	02/06/2020	2,013,560.00	99.87	1,997,400.00	2.14%	Aaa/AA+	0.04
	1.625%			1.47%	2,000,120.43	4.72%	14,986.11	-2,720.43	AA+	0.04
3130A3GE8	FHLB	12/13/2024	2,000,000.00	01/30/2020	2,113,320.00	99.62	1,992,400.00	2.15%	Aaa/AA+	0.20
	2.750%			1.54%	2,004,718.97	4.60%	16,500.00	-12,318.97	AA+	0.19
3135G0X24	FNMA	01/07/2025	3,000,000.00	01/27/2020	3,003,150.00	99.19	2,975,790.00	3.21%	Aaa/AA+	0.27
	1.625%			1.60%	3,000,171.66	4.64%	11,375.00	-24,381.66	AA+	0.26
3133ERRW3	FFCB	09/03/2026	2,000,000.00	09/11/2024	2,009,080.00	100.24	2,004,720.00	2.15%	Aaa/AA+	1.93
	3.875%			3.63%	2,008,837.70	3.75%	6,027.78	-4,117.70	AA+	1.83
3134GW6C5	FHLMC	10/28/2026	5,000,000.00	02/10/2023	4,401,050.00	94.17	4,708,700.00	5.00%	Aaa/AA+	2.08
	0.800%	10/28/2024		4.32%	4,665,160.99	3.74%	17,000.00	43,539.01	AA+	2.01
3130AQEC3	FHLB	12/30/2026	2,000,000.00	12/30/2021	2,000,000.00	94.81	1,896,240.00	2.14%	Aaa/AA+	2.25
	1.370%	12/30/2024		1.37%	2,000,000.00	3.80%	6,926.11	-103,760.00	AA+	2.16
3130AQLX9	FHLB	01/27/2027	10,000,000.00	01/27/2022	10,000,000.00	97.47	9,746,500.00	10.71%	Aaa/AA+	2.33
	1.750%	01/27/2025		1.75%	10,000,000.00	2.88%	31,111.11	-253,500.00	AA+	1.85
3134GXTS3	FHLMC	05/25/2027	5,000,000.00	05/25/2022	5,000,000.00	99.88	4,993,950.00	5.35%	Aaa/AA+	2.65
	4.000%	11/25/2024		4.00%	5,000,000.00	4.05%	70,000.00	-6,050.00	AA+	0.68
3133EPAV7	FFCB	02/14/2028	5,000,000.00	02/14/2023	4,984,750.00	100.77	5,038,450.00	5.34%	Aaa/AA+	3.38
	3.875%			3.94%	4,989,714.72	3.63%	25,295.14	48,735.28	AA+	3.11
					35,524,910.00		**35,354,150.00**	**38.19%**		**2.04**
Total U.S. Agencies			**36,000,000.00**	**2.75%**	**35,668,724.46**	**3.71%**	**199,221.25**	**-314,574.47**		**1.57**
U.S. Treasuries										
912828YV6	U.S. Treasury	11/30/2024	2,000,000.00	08/09/2021	2,069,609.38	99.46	1,989,160.00	2.15%	Aaa/AA+	0.17
	1.500%			0.44%	2,003,512.14	4.75%	10,081.97	-14,352.14	AA+	0.16
912797LW5	U.S. Treasury	07/10/2025	3,000,000.00	07/18/2024	2,862,391.38	96.95	2,908,470.00	3.10%	P-1/A-1+	0.78
	0.000%			4.86%	2,890,538.59	4.06%	0.00	17,931.41	F1+	0.78
91282CEY3	U.S. Treasury	07/15/2025	5,000,000.00	05/30/2023	4,872,070.30	99.19	4,959,300.00	5.30%	Aaa/AA+	0.79
	3.000%			4.27%	4,952,582.04	4.05%	31,793.48	6,717.96	AA+	0.76
91282CAB7	U.S. Treasury	07/31/2025	2,000,000.00	08/09/2021	1,974,609.38	96.90	1,938,020.00	2.14%	Aaa/AA+	0.83
	0.250%			0.57%	1,994,684.06	4.07%	842.39	-56,664.06	AA+	0.81
91282CAJ0	U.S. Treasury	08/31/2025	2,000,000.00	06/28/2021	1,958,437.50	96.61	1,932,260.00	2.13%	Aaa/AA+	0.92
	0.250%			0.76%	1,990,869.88	4.05%	428.18	-58,609.88	AA+	0.90
912797MH7	U.S. Treasury	09/04/2025	5,000,000.00	09/18/2024	4,813,482.50	96.38	4,819,100.00	5.16%	P-1/A-1+	0.93
	0.000%			3.99%	4,819,951.32	4.04%	0.00	-851.32	F1+	0.93
91282CFK2	U.S. Treasury	09/15/2025	5,000,000.00	02/10/2023	4,908,007.80	99.55	4,977,250.00	5.32%	Aaa/AA+	0.96
	3.500%			4.26%	4,966,036.64	3.99%	7,734.81	11,213.36	AA+	0.93

CUSIP	Issuer Coupon Rate	Maturity Date Call Date	Remaining Par Value	Settle Date Book Yield	Original Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port Gain/Loss	Moody/S&P Fitch	WAM Eff. Dur.
U.S. Treasuries										
91282CAT8	U.S. Treasury	10/31/2025	2,000,000.00	02/03/2021	1,985,156.26	96.13	1,922,580.00	2.14%	Aaa/AA+	1.08
	0.250%			0.41%	1,996,604.21	3.93%	2,092.39	-74,024.21	AA+	1.06
91282CAT8	U.S. Treasury	10/31/2025	2,000,000.00	02/17/2021	1,976,953.14	96.13	1,922,580.00	2.14%	Aaa/AA+	1.08
	0.250%			0.50%	1,994,684.59	3.93%	2,092.39	-72,104.59	AA+	1.06
91282CAZ4	U.S. Treasury	11/30/2025	1,000,000.00	02/23/2021	991,250.00	96.05	960,510.00	1.07%	Aaa/AA+	1.17
	0.375%			0.56%	997,858.99	3.87%	1,260.25	-37,348.99	AA+	1.14
91282CAZ4	U.S. Treasury	11/30/2025	2,000,000.00	06/28/2021	1,962,734.38	96.05	1,921,020.00	2.13%	Aaa/AA+	1.17
	0.375%			0.80%	1,990,176.27	3.87%	2,520.49	-69,156.27	AA+	1.14
91282CCF6	U.S. Treasury	05/31/2026	1,000,000.00	06/28/2021	993,437.50	95.25	952,460.00	1.07%	Aaa/AA+	1.67
	0.750%			0.89%	997,780.87	3.72%	2,520.49	-45,320.87	AA+	1.62
91282CCP4	U.S. Treasury	07/31/2026	2,000,000.00	08/09/2021	1,990,625.00	94.63	1,892,580.00	2.14%	Aaa/AA+	1.83
	0.625%			0.72%	1,996,548.23	3.68%	2,105.98	-103,968.23	AA+	1.78
9128282A7	U.S. Treasury	08/15/2026	2,000,000.00	08/22/2024	1,908,593.76	96.10	1,922,040.00	2.05%	Aaa/AA+	1.87
	1.500%			3.92%	1,913,524.38	3.67%	3,831.52	8,515.62	AA+	1.81
91282CCW9	U.S. Treasury	08/31/2026	3,000,000.00	09/27/2021	2,978,085.93	94.65	2,839,560.00	3.20%	Aaa/AA+	1.92
	0.750%			0.90%	2,991,473.13	3.66%	1,926.80	-151,913.13	AA+	1.86
					38,245,444.21		**37,856,890.00**	**41.22%**		**1.08**
Total U.S. Treasuries			**39,000,000.00**	**2.48%**	**38,496,825.30**	**3.98%**	**69,231.14**	**-639,935.34**		**1.06**
					92,841,209.26		**92,559,242.17**	**100.00%**		**1.45**
TOTAL PORTFOLIO			**94,362,631.69**	**3.03%**	**93,391,237.11**	**3.94%**	**375,238.63**	**-831,994.97**		**1.25**
TOTAL MARKET VALUE PLUS ACCRUED INTEREST							**92,934,480.80**			

Maturity Report

City of Redondo Beach

September 30, 2024

CUSIP	Issuer	Purchase Date	Book Value	Coupon Rate	Maturity Date	Remaining Par	Term	Market Value	Book YTM	Days to Maturity
FUZXX	First American Tsy FUZXX		6,410,528.77	4.756%	10/01/2024	6,410,528.77	1	6,410,528.77	4.76%	1
9819716	LAIF	01/12/2023	104,102.92	4.580%	10/01/2024	104,102.92	1	104,102.92	4.58%	1
3135G0W66	FNMA	02/06/2020	2,000,120.43	1.625%	10/15/2024	2,000,000.00	1,698	1,997,400.00	1.47%	15
949763L95	Wells Fargo Bank NA	10/18/2019	247,994.50	2.050%	10/17/2024	248,000.00	1,809	247,692.48	2.10%	17
912828YV6	U.S. Treasury	08/09/2021	2,003,512.14	1.500%	11/30/2024	2,000,000.00	1,148	1,989,160.00	0.44%	61
3130A3GE8	FHLB	01/30/2020	2,004,718.97	2.750%	12/13/2024	2,000,000.00	1,705	1,992,400.00	1.54%	74
3135G0X24	FNMA	01/27/2020	3,000,171.66	1.625%	01/07/2025	3,000,000.00	1,708	2,975,790.00	1.60%	99
637639AB1	National Securities Clearing	10/06/2022	1,966,196.18	1.500%	04/23/2025	2,000,000.00	725	1,965,740.00	4.72%	205
912797LW5	U.S. Treasury	07/18/2024	2,890,538.59	0.000%	07/10/2025	3,000,000.00	74	2,908,470.00	4.86%	283
91282CEY3	U.S. Treasury	05/30/2023	4,952,582.04	3.000%	07/15/2025	5,000,000.00	489	4,959,300.00	4.27%	288
91282CAB7	U.S. Treasury	08/09/2021	1,994,684.06	0.250%	07/31/2025	2,000,000.00	1,148	1,938,020.00	0.57%	304
91282CAJ0	U.S. Treasury	06/28/2021	1,990,869.88	0.250%	08/31/2025	2,000,000.00	1,190	1,932,260.00	0.76%	335
912797MH7	U.S. Treasury	09/18/2024	4,819,951.32	0.000%	09/04/2025	5,000,000.00	12	4,819,100.00	3.99%	339
91282CFK2	U.S. Treasury	02/10/2023	4,966,036.64	3.500%	09/15/2025	5,000,000.00	598	4,977,250.00	4.26%	350
91282CAT8	U.S. Treasury	02/03/2021	1,994,684.59	0.250%	10/31/2025	2,000,000.00	1,335	1,922,580.00	0.50%	396
91282CAT8	U.S. Treasury	02/03/2021	1,996,604.21	0.250%	10/31/2025	2,000,000.00	1,335	1,922,580.00	0.41%	396
91282CAZ4	U.S. Treasury	02/23/2021	997,858.99	0.375%	11/30/2025	1,000,000.00	1,315	960,510.00	0.56%	426
91282CAZ4	U.S. Treasury	02/23/2021	1,990,176.27	0.375%	11/30/2025	2,000,000.00	1,315	1,921,020.00	0.80%	426
91324PCV2	UnitedHealth Group Inc	01/31/2024	2,549,557.45	3.100%	03/15/2026	2,600,000.00	243	2,567,318.00	4.51%	531
91282CCF6	U.S. Treasury	06/28/2021	997,780.87	0.750%	05/31/2026	1,000,000.00	1,190	952,460.00	0.89%	608
24422ETH2	John Deere	06/12/2024	1,920,598.05	2.650%	06/10/2026	2,000,000.00	110	1,956,400.00	5.15%	618
91282CCP4	U.S. Treasury	08/09/2021	1,996,548.23	0.625%	07/31/2026	2,000,000.00	1,148	1,892,580.00	0.72%	669
9128282A7	U.S. Treasury	08/22/2024	1,913,524.38	1.500%	08/15/2026	2,000,000.00	39	1,922,040.00	3.92%	684
91282CCW9	U.S. Treasury	09/27/2021	2,991,473.13	0.750%	08/31/2026	3,000,000.00	1,099	2,839,560.00	0.90%	700
3133ERRW3	FFCB	09/11/2024	2,008,837.70	3.875%	09/03/2026	2,000,000.00	19	2,004,720.00	3.63%	703
14913UAN0	Caterpillar	08/28/2024	4,022,765.78	4.450%	10/16/2026	4,000,000.00	33	4,046,800.00	4.16%	746
3134GW6C5	FHLMC	02/10/2023	4,665,160.99	0.800%	10/28/2026	5,000,000.00	598	4,708,700.00	4.32%	758
3130AQEC3	FHLB	12/30/2021	2,000,000.00	1.370%	12/30/2026	2,000,000.00	1,005	1,896,240.00	1.37%	821
3130AQLX9	FHLB	01/27/2022	10,000,000.00	1.750%	01/27/2027	10,000,000.00	977	9,746,500.00	1.75%	849
89236TLY9	Toyota Motor Credit	04/05/2024	2,003,943.68	5.000%	03/19/2027	2,000,000.00	178	2,049,620.00	4.91%	900
3134GXTS3	FHLMC	05/25/2022	5,000,000.00	4.000%	05/25/2027	5,000,000.00	859	4,993,950.00	4.00%	967
3133EPAV7	FFCB	02/14/2023	4,989,714.72	3.875%	02/14/2028	5,000,000.00	594	5,038,450.00	3.94%	1,232
Net Maturities and Averages			**93,391,237.11**			**94,362,631.69**		**92,559,242.17**	**3.03%**	**530**

Issuer	Number of Investments	Par Value	Book Value	% of Portfolio	Book YTM	Days to Maturity
U.S. Treasury	15	39,000,000.00	38,496,825.30	41.22	2.48	395
FHLB	3	14,000,000.00	14,004,718.97	15.00	1.67	734
FHLMC	2	10,000,000.00	9,665,160.99	10.35	4.16	866
FFCB	2	7,000,000.00	6,998,552.42	7.49	3.85	1,080
First American Tsy FUZXX	1	6,410,528.77	6,410,528.77	6.86	4.76	1
FNMA	2	5,000,000.00	5,000,292.08	5.35	1.55	65
Caterpillar	1	4,000,000.00	4,022,765.78	4.31	4.16	746
UnitedHealth	1	2,600,000.00	2,549,557.45	2.73	4.51	531
Toyota	1	2,000,000.00	2,003,943.68	2.15	4.91	900
National Securities Clearing	1	2,000,000.00	1,966,196.18	2.11	4.72	205
John Deere	1	2,000,000.00	1,920,598.05	2.06	5.15	618
Wells Fargo	1	248,000.00	247,994.50	0.27	2.10	17
LAIF	1	104,102.92	104,102.92	0.11	4.58	1
Total and Average	**32**	**94,362,631.69**	**93,391,237.11**	**100.00%**	**3.03**	**530**

	September 30 Month End	Fiscal Year To Date
Interest		
Interest Received/Purchased	231,043.38	826,066.37
Plus Accrued Interest at End of Period	375,238.63	375,238.63
Less Accrued Interest at Beginning of Period	-414,891.51	-585,991.54
Interest Earned During Period	**191,390.50**	**615,313.46**
Total Adjustments for Amortization/Accretion	**64,372.26**	**204,532.92**
Total Capital Gains or Losses	**0.00**	**0.00**
Total Earnings During Period	**255,762.76**	**819,846.38**

CUSIP	Issuer	Maturity Date	Ending Par Value	Beginning Book Value	Ending Book Value	Beginning Accrued	Int.Received /Purchased	Ending Accrued	Interest Earned	Amortization/ Accretion	Net Income Earned
Certificates of Deposit											
949763L95	Wells Fargo Bank NA	10/17/2024	248,000.00	247,984.81	247,994.50	208.93	431.79	195.00	417.86	9.70	427.56
Certificates of Deposit - Sub Total			**248,000.00**	**247,984.81**	**247,994.50**	**208.93**	**431.79**	**195.00**	**417.86**	**9.70**	**427.56**
Corporate Bonds											
637639AB1	National Securities Clearing	04/23/2025	2,000,000.00	1,961,367.07	1,966,196.18	10,666.67	0.00	13,166.67	2,500.00	4,829.12	7,329.12
91324PCV2	UnitedHealth Group Inc	03/15/2026	2,600,000.00	2,546,675.02	2,549,557.45	37,165.56	40,300.00	3,582.22	6,716.66	2,882.43	9,599.09
24422ETH2	John Deere	06/10/2026	2,000,000.00	1,916,823.20	1,920,598.05	11,925.00	0.00	16,341.67	4,416.67	3,774.85	8,191.52
14913UAN0	Caterpillar	10/16/2026	4,000,000.00	4,023,662.80	4,022,765.78	7,416.67	0.00	22,250.00	14,833.33	-897.02	13,936.31
89236TLY9	Toyota Motor Credit	03/19/2027	2,000,000.00	2,004,072.33	2,003,943.68	44,444.44	49,444.44	3,333.33	8,333.33	-128.65	8,204.68
Corporate Bonds - Sub Total			**12,600,000.00**	**12,452,600.42**	**12,463,061.15**	**111,618.34**	**89,744.44**	**58,673.89**	**36,799.99**	**10,460.73**	**47,260.72**
LAIF											
9819716	LAIF	10/01/2024	104,102.92	104,102.92	104,102.92	0.00	0.00	0.00	0.00	0.00	0.00
LAIF - Sub Total			**104,102.92**	**104,102.92**	**104,102.92**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Money Market Funds											
FUZXX	First American Tsy FUZXX	10/01/2024	6,410,528.77	14,002,047.89	6,410,528.77	41,339.37	41,339.37	47,917.35	47,917.35	0.00	47,917.35
Money Market Funds - Sub Total			**6,410,528.77**	**14,002,047.89**	**6,410,528.77**	**41,339.37**	**41,339.37**	**47,917.35**	**47,917.35**	**0.00**	**47,917.35**
U.S. Agencies											
3135G0W66	FNMA	10/15/2024	2,000,000.00	2,000,353.25	2,000,120.43	12,277.78	0.00	14,986.11	2,708.33	-232.82	2,475.51
3130A3GE8	FHLB	12/13/2024	2,000,000.00	2,006,658.28	2,004,718.97	11,916.67	0.00	16,500.00	4,583.33	-1,939.30	2,644.03
3135G0X24	FNMA	01/07/2025	3,000,000.00	3,000,222.98	3,000,171.66	7,312.50	0.00	11,375.00	4,062.50	-51.32	4,011.18
3133ERRW3	FFCB	09/03/2026	2,000,000.00	0.00	2,008,837.70	0.00	-1,722.22	6,027.78	4,305.56	-242.30	4,063.26
3134GW6C5	FHLMC	10/28/2026	5,000,000.00	4,652,179.26	4,665,160.99	13,666.67	0.00	17,000.00	3,333.33	12,981.73	16,315.06
3130AQEC3	FHLB	12/30/2026	2,000,000.00	2,000,000.00	2,000,000.00	4,642.78	0.00	6,926.11	2,283.33	0.00	2,283.33
3130AQLX9	FHLB	01/27/2027	10,000,000.00	10,000,000.00	10,000,000.00	16,527.78	0.00	31,111.11	14,583.33	0.00	14,583.33
3134GXTS3	FHLMC	05/25/2027	5,000,000.00	5,000,000.00	5,000,000.00	53,333.33	0.00	70,000.00	16,666.67	0.00	16,666.67
3133EPAV7	FFCB	02/14/2028	5,000,000.00	4,989,469.03	4,989,714.72	9,149.31	0.00	25,295.14	16,145.83	245.69	16,391.52
U.S. Agencies - Sub Total			**36,000,000.00**	**33,648,882.79**	**35,668,724.46**	**128,826.82**	**-1,722.22**	**199,221.25**	**68,672.21**	**10,761.67**	**79,433.88**
U.S. Treasuries											
912797LH8	U.S. Treasury	09/17/2024	0.00	4,988,056.22	0.00	0.00	0.00	0.00	0.00	11,943.78	11,943.78

CUSIP	Issuer	Maturity Date	Ending Par Value	Beginning Book Value	Ending Book Value	Beginning Accrued	Int.Received /Purchased	Ending Accrued	Interest Earned	Amortization/ Accretion	Net Income Earned
U.S. Treasuries											
912828YV6	U.S. Treasury	11/30/2024	2,000,000.00	2,005,239.42	2,003,512.14	7,622.95	0.00	10,081.97	2,459.02	-1,727.28	731.74
912797LW5	U.S. Treasury	07/10/2025	3,000,000.00	2,879,201.52	2,890,538.59	0.00	0.00	0.00	0.00	11,337.07	11,337.07
91282CEY3	U.S. Treasury	07/15/2025	5,000,000.00	4,947,642.67	4,952,582.04	19,565.22	0.00	31,793.48	12,228.26	4,939.37	17,167.63
91282CAB7	U.S. Treasury	07/31/2025	2,000,000.00	1,994,159.46	1,994,684.06	434.78	0.00	842.39	407.61	524.60	932.21
91282CAJ0	U.S. Treasury	08/31/2025	2,000,000.00	1,990,052.25	1,990,869.88	2,513.81	2,500.00	428.18	414.37	817.62	1,231.99
912797MH7	U.S. Treasury	09/04/2025	5,000,000.00	0.00	4,819,951.32	0.00	0.00	0.00	0.00	6,468.82	6,468.82
91282CFK2	U.S. Treasury	09/15/2025	5,000,000.00	4,963,125.49	4,966,036.64	80,842.39	87,500.00	7,734.81	14,392.42	2,911.15	17,303.57
91282CAT8	U.S. Treasury	10/31/2025	4,000,000.00	3,990,628.85	3,991,288.79	3,369.57	0.00	4,184.78	815.21	659.94	1,475.15
91282CAZ4	U.S. Treasury	11/30/2025	3,000,000.00	2,987,192.67	2,988,035.26	2,858.61	0.00	3,780.74	922.13	842.59	1,764.72
91282CCF6	U.S. Treasury	05/31/2026	1,000,000.00	997,671.37	997,780.87	1,905.74	0.00	2,520.49	614.75	109.50	724.25
91282CCP4	U.S. Treasury	07/31/2026	2,000,000.00	1,996,393.44	1,996,548.23	1,086.96	0.00	2,105.98	1,019.02	154.79	1,173.81
9128282A7	U.S. Treasury	08/15/2026	2,000,000.00	1,909,731.59	1,913,524.38	1,385.87	0.00	3,831.52	2,445.65	3,792.79	6,238.44
91282CCW9	U.S. Treasury	08/31/2026	3,000,000.00	2,991,107.69	2,991,473.13	11,312.15	11,250.00	1,926.80	1,864.65	365.44	2,230.09
U.S. Treasuries - Sub Total			**39,000,000.00**	**38,640,202.64**	**38,496,825.30**	**132,898.05**	**101,250.00**	**69,231.14**	**37,583.09**	**43,140.17**	**80,723.26**
Grand Total			**94,362,631.69**	**99,095,821.47**	**93,391,237.11**	**414,891.51**	**231,043.38**	**375,238.63**	**191,390.50**	**64,372.26**	**255,762.76**

CUSIP Issuer	Purchase Date	Par Value Coupon Rate	Sale Date Maturity Date	Days Held Term	Book Value	Maturity/Sales Proceeds	Realized Gain/Loss
U.S. Treasuries							
912797LH8 U.S. Treasury	05/24/2024	5,000,000.00 0.000%	09/17/2024 09/17/2024	116 116	5,000,000.00	5,000,000.00	0.00
Total U.S. Treasuries					**5,000,000.00**	**5,000,000.00**	**0.00**
Grand Total					**5.000.000.00**	**5.000.000.00**	**0.00**

Transaction Date	Transaction Type	Security ID	Security Description	Maturity Date	Purchases	Redemptions	Interest	Deposits	Withdrawals
09/03/2024	Interest	91282CAJ0	T 0 1/4 08/31/25	08/31/2025	-	-	2,500.00	-	-
09/03/2024	Interest	91282CCW9	T 0 3/4 08/31/26	08/31/2026	-	-	11,250.00	-	-
09/04/2024	Interest	FUZXX	First American Tsy MMF		-	-	41,339.37	-	-
09/11/2024	Purchase	3133ERRW3	FFCB 3 7/8 09/03/26	09/03/2026	-2,009,080.00	-	-1,722.22	-	-
09/16/2024	Interest	91282CFK2	T 3 1/2 09/15/25	09/15/2025	-	-	87,500.00	-	-
09/16/2024	Interest	91324PCV2	UNH 3.1 03/15/26	03/15/2026	-	-	40,300.00	-	-
09/17/2024	Maturity	912797LH8	TREASURY BILL	09/17/2024	-	5,000,000.00	-	-	-
09/17/2024	Interest	949763L95	WFC 2.05 10/17/24	10/17/2024	-	-	431.79	-	-
09/18/2024	Purchase	912797MH7	TREASURY BILL	09/04/2025	-4,813,482.50	-	-	-	-
09/19/2024	Interest	89236TLY9	TOYOTA 5 03/19/27	03/19/2027	-	-	49,444.44	-	-
09/24/2024	Withdrawal	FUZXX	FUZXX		-	-	-	-	-6,000,000.00
Grand Total:					**-6,822,562.50**	**5,000,000.00**	**231,043.38**	**0.00**	**-6,000,000.00**

Bank of America Accounts & LAIF Accounts

Account	Checking	LAIF	Total
General Fund 001		104,102.92	104,102.92
General Fund 002	7,621,788.55	-	7,621,788.55
Parking Authority Fund 003	1,023.56	5,508.88	6,532.44
Housing Authority Fund 004	3,183,494.64	-	3,183,494.64
Redevelopment Agency Fund 005	1,755,190.15	1,988,777.26	3,743,967.41
Public Finance Authority Fund 006	4,452,346.62	189,767.38	4,642,114.00
Workmens-Comp Fund 007	1,362,907.60		1,362,907.60
Measure-R-Local-Return Fund 008	1,769,364.03		1,769,364.03
City of Redondo Beach-FSA Fund 009	132,961.13		132,961.13
Trust Account Fund 011	7,614.40		7,614.40
TOTAL			**22,574,847.12**

		In Compliance	
Sector	Parameters	Yes/No	Percent
Corporate Bonds	Sector limit 30%, issuer limit 5%, max maturity 5 years, rated A (S&P/Fitch)/A2 (Moody's) by one, issued by domestic corporation/depositories.	Yes	13.4%
Commercial Paper	25% limit, 5% per issuer, maximum maturity 270 days, A-1 (S&P)/P-1 (Moody's), issued by a domestic corporation w/ at least $500 million of assets and A- (S&P)/A3 (Moody's) long term debt.	Yes	0.0%
Bankers Acceptances	Sector limit 40%, issuer limit 5%, maximum maturity 180 days, A-1/P-1 by two.	Yes	0.0%

Custom Benchmark: 30 Month Moving Average of the ICE BofA 0-5Yr Treasury Index

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MEEDER PUBLIC FUNDS

Monthly Commentary

September 2024

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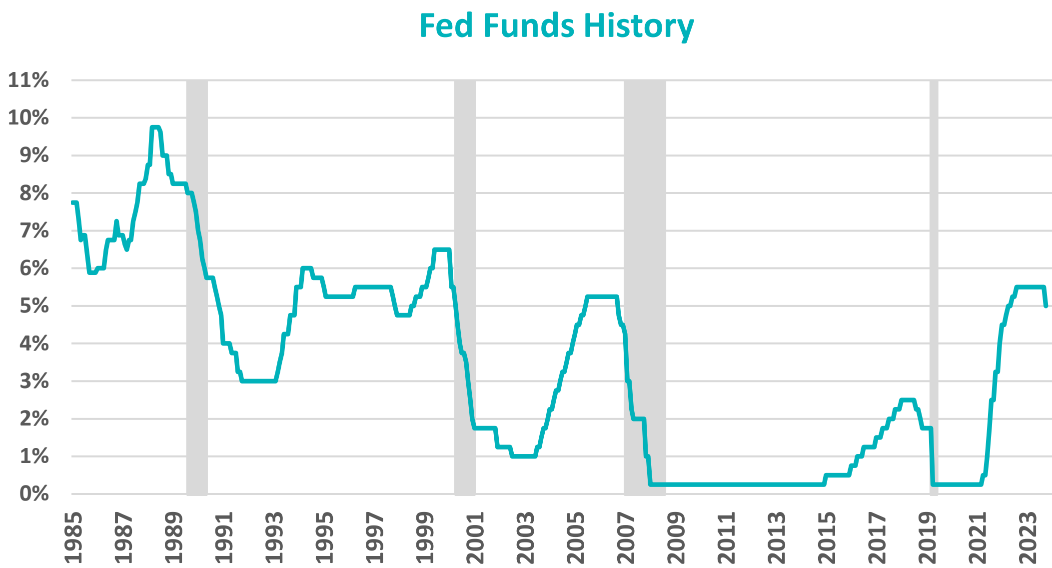
OBSERVATIONS AND EXPECTATIONS

- The Fed started the rate-cutting cycle with a 50-basis point cut September 18th
- Chair Powell said the Fed may slow the pace of upcoming cuts
- Fed's preferred inflation gauge rose slightly during the latest reporting period
- Job growth has been slowing in recent months
- Short-term rates declined more than longer rates during September

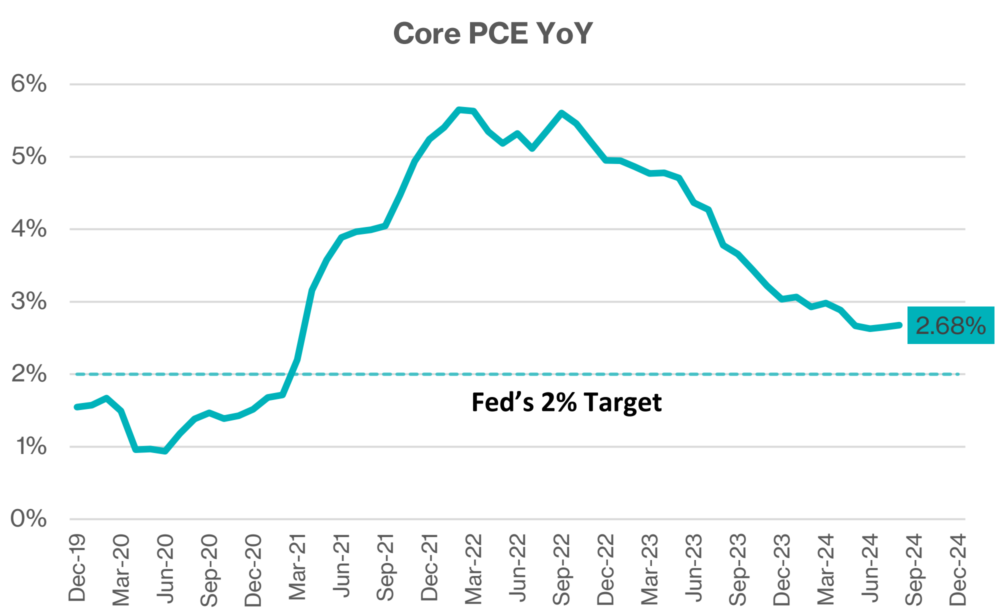
The September Rate Cut...What Will the Future Hold?

- Since the 1980s, the Fed's most used rate hike or cut has been .25% or 25 basis points.
- However, the Fed stated the Fed Funds rate was too restrictive and warranted a 50-basis point cut in September to start this cutting cycle.



SOURCES: FEDERAL RESERVE, BLOOMBERG

Inflation's Rate of Change is Nearing the Fed's Target

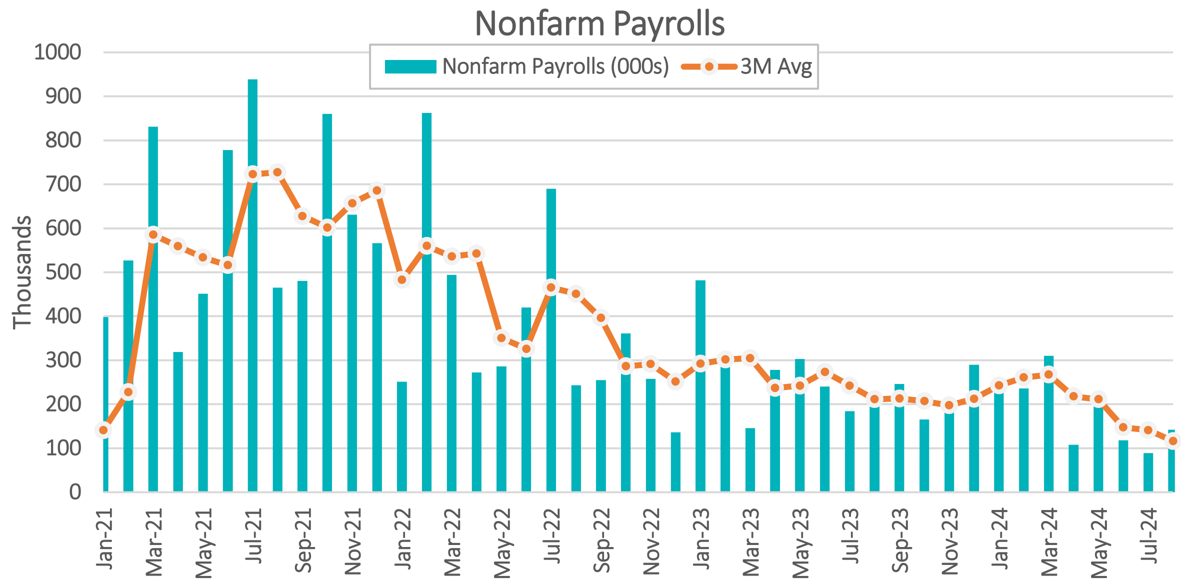


- Core Personal Consumption Expenditure YoY is the Fed's preferred inflation gauge. Core excludes food and energy components.
- Core PCE YoY is currently at 2.7%, not quite at the Fed's 2% target, but far below the 5.6% peak in 2022.
- The Fed expects Core PCE YoY will most likely get much closer to the Fed's 2% in the first half of 2025.

SOURCES: BLOOMBERG, BUREAU OF ECONOMIC ANALYSIS

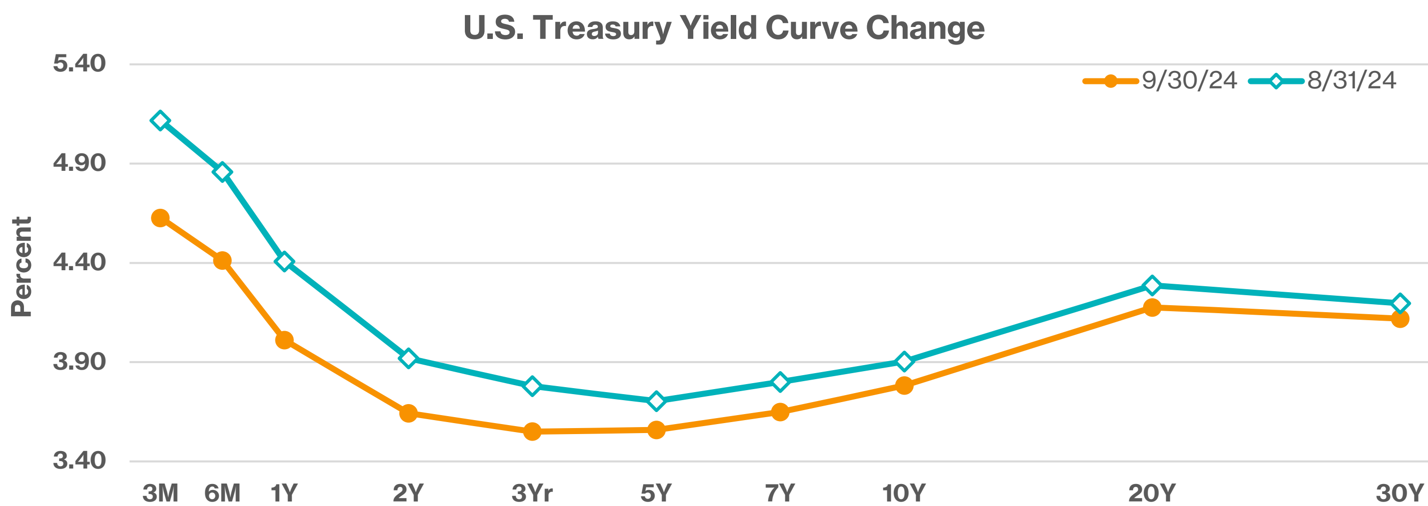
Job Growth Has Slowed in Recent Months

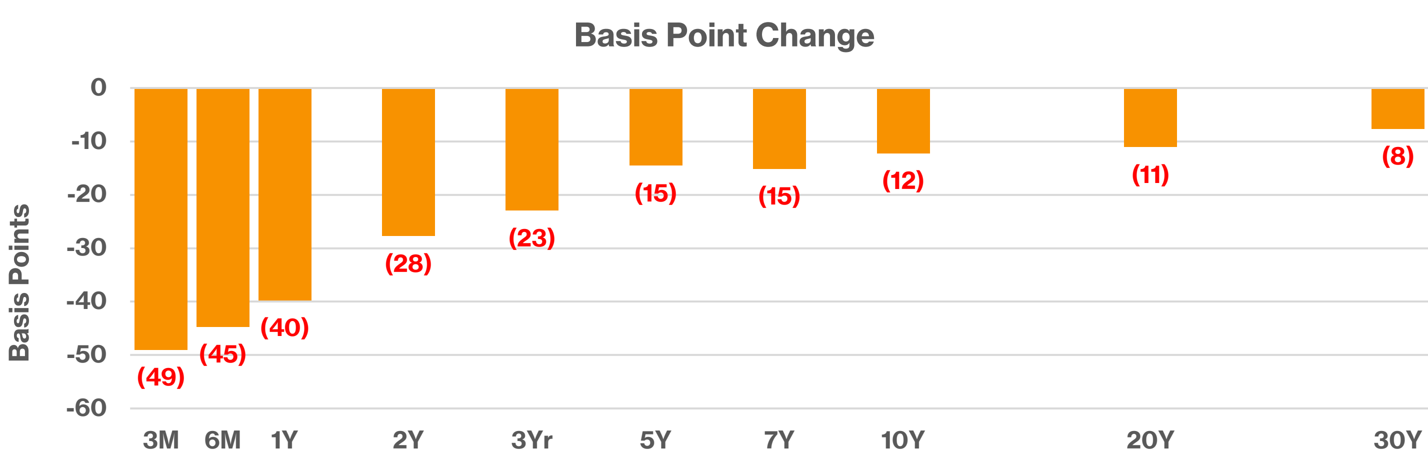
- Chair Powell highlighted at the recent Fed Press that the labor markets remain solid but has slowed.
- With inflation near the Fed's target rate, their primary goal is to now help job growth to stay positive.



SOURCES: BLOOMBERG, BUREAU OF LABOR STATISTICS

The Fed's September Cut Pushed Short-Term Rates Down More Than Longer Rates





SOURCE: BLOOMBERG

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TREASURER'S REPORT

Redondo Beach

FY24/25 Q1

Presented By: Eugene Solomon, City Treasurer

Nilesh Mehta, Chief Deputy City Treasurer

Treasurer's Quarterly Admin Report

- Treasurer's Portfolio Summary
- Investment Reporting Guidelines
- Investment Report by Meeder Investment
  - Portfolio Summary
  - Investment Policy Compliance
  - Investment Activity Report
  - Economic and Market Update

Treasurer’s Report PowerPoint Presentation:

- Investment Reporting Objectives/Guidelines
- Policy Compliance
- Quarterly Performance
- Historical Book Value
- Cash Flow Analysis
- Month-End Portfolio Book Yield
- Maturity Distribution
- Trading Activity
- Fiscal Impact

Key Investment Objectives for Municipal Investing - The City Treasurer maintains the City's cash flows while earning a competitive rate of return on the Investments within the constraints of the City's investment policy and state law.

- Safety- Protect Principal
- Liquidity – Provide necessary liquidity to cover both ongoing and unexpected cash needs
- Yield – Maximize earnings recognizing need for safety and liquidity, and subject to restrictions specified by state statutes and the local governing body

INVESTMENT REPORTING GUIDELINES - CMTA

- Always remember whose money it is (it's the community's, not yours) – and act according in a responsible stewardship capacity.
- An investment manager's objective is to earn a reasonable rate of return on the City's investments, while preserving capital in the overall portfolio. It should never be an investment manager's goal to earn maximum returns on the City's portfolio as this would expose the City to an unacceptable level of risk

Guidelines Cont'd

- Failures in public investing occur when either:
  - Policies were not clear.
  - Policies were inappropriate.
  - Policies were not followed.
  - Oversight was inadequate.

Guidelines Cont'd

- Questions to Ask:
  - Do you review the investment policy?
  - Do you understand the City's investment program?
  - Do you receive and review periodic investment reports?
  - Are they clear, concise? Are they readable?
  - Do you fully understand them?
    - If you can't, this is more likely to be because they've been presented poorly, and may in fact reflect problems, than any "technical" problems with your ability to understand them because it's too "complex."
    - It's the job of your staff to make them readable and understandable;
    - and if the City's portfolio is genuinely that complex, perhaps it shouldn't be.

POLICY COMPLIANCE

Investment Policy Compliance

City of Redondo Beach 6/30/2024

Category	Book Value	% of Portfolio	% Allowed by Policy	In Compliance
US Treasuries	33,785,898.60	31.47%	100%	Yes
US Federal Agencies	46,615,560.54	43.42%	100%	Yes
Supranational Obligations	0.00	0.00%	15%	Yes
LAIF	102,941.43	0.10%	65,000,000	Yes
Commercial Paper	0.00	0.00%	25%	Yes
Money Market Funds	18,202,927.12	16.95%	20%	Yes
Negotiable Certificates of Deposit	247,964.77	0.23%	30%	Yes
Corporate Obligations	8,405,345.37	7.83%	30%	Yes
Total	107,360,637.83	100.00%		

Other Metrics	Portfolio	Metric	In Compliance
Weighted Average Maturity	1.39	Less than 2.5 Years	Yes
Liquidity	39.55%	25% Under 365 Days	Yes
Ratings			Yes

FY 24-25 Performance

Comparison of Investment Portfolio Positions F.Y. 2024-2025								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%						
Cash in Banks	$7,621,789	*						
Money Market	$6,410,529	6.86%						
Local Agency Investment Fund	$104,103	0.11%						
Federal Agency Issues	$35,668,724	38.19%						
Commercial Paper	$0	0.00%						
Corporate Medium Term Notes	$12,463,061	13.35%						
Bank Certificates of Deposit	$247,995	0.27%						
Treasuries	$38,496,825	41.22%						
Total: Investment Portfolio	$93,391,237	100%						
Weighted Average Maturity (Yrs)	1.45							
Portfolio Effective Rate of Return (YTD)	3.21%							
L.A.I.F. Yield	4.58%							
Yield on Benchmark	4.21%							
Interest earned YTD	$615,313.46							
General Fund Contribution (60%)	$369,188							

FY 23-24 Performance

Comparison of Investment Portfolio Positions F.Y. 2023-2024								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%						
Cash in Banks	$6,469,818	*	13,256,219	*	$11,755,717	*	$ 10,560,379.31	*
Money Market	$8,733,993	8.78%	$19,612,340	19.53%	$15,881,678	15.37%	$ 18,202,927.12	16.95%
Local Agency Investment Fund	$98,106	10.00%	$100,842	0.10%	$101,853	0.10%	$ 102,941.43	0.10%
Federal Agency Issues	$49,969,031	50.24%	$48,017,978	47.81%	$48,066,986	46.52%	$ 46,615,560.54	43.42%
Commercial Paper	$0	0.00%	$0	0.00%	$0	0.00%	$ -	0.00%
Corporate Medium Term Notes	$6,905,358	6.94%	$2,921,402	2.91%	$4,468,652	4.32%	$ 8,405,345.37	7.83%
Bank Certificates of Deposit	$991,797	1.00%	$991,856	0.99%	$991,914	0.96%	$ 247,964.77	0.23%
Treasuries	$32,755,612	32.94%	$28,785,152	28.66%	$33,811,331	32.72%	$ 33,785,898.60	31.47%
Total: Investment Portfolio	$99,453,897	100%	$100,429,570	100.0%	$103,322,415	100.00%	$ 107,360,637.83	100.00%
Weighted Average Maturity (Yrs)	1.96		1.73		1.54		1.39	
Portfolio Effective Rate of Return (YTD)	2.82%		2.96%		2.71%		2.78%	
L.A.I.F. Yield	3.55%		3.93%		4.25%		4.33%	
Yield on Benchmark	2.66%		3.10%		3.53%		3.95%	
Interest earned YTD	$675,178.00		$1,260,353.00		$2,023,050		$2,773,041	
General Fund Contribution (60%)	$405,107		$756,212		$1,213,830		$1,663,824.86	

FY 22-23 Performance

Comparison of Investment Portfolio Positions F.Y. 2022-2023								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%						
Cash in Banks	$10,955,229	*	9,223,658	*	$6,359,470	*	$ 9,742,075	*
Money Market	$0	0.0%	$5,149,678	4.38%	$13,392,052	11.33%	$ 8,931,843	7.80%
Local Agency Investment Fund	$16,071,480	14.5%	$27,137,556	23.1%	$5,225,372	4.42%	$ 1,087,813	0.95%
Federal Agency Issues	$53,439,957	48.3%	$47,448,367	40.4%	$56,867,881	48.12%	$ 56,918,780	49.70%
Commercial Paper	$0	0.0%	$0	0.0%	$0	0.00%	$0	0.00%
Corporate Medium Term Notes	$6,981,521	6.3%	$8,847,387	7.5%	$8,866,737	7.50%	$ 8,885,872	7.76%
Bank Certificates of Deposit	$1,239,564	1.1%	$991,622	0.8%	$991,680	0.84%	$ 991,738	0.87%
Treasuries	$32,895,368	29.7%	$27,910,842	23.8%	$32,831,737	27.78%	$ 37,713,483	32.93%
Total: Investment Portfolio	$110,627,890	100%	$117,485,452	100.0%	$118,175,459	100.00%	$ 114,529,529	100.00%
Weighted Average Maturity (Yrs)	1.99		1.72		1.97		1.91	
Portfolio Effective Rate of Return (YTD)	1.51%		1.71%		2.10%		2.29%	
L.A.I.F. Yield	1.60%		2.17%		2.83%		3.17%	
Yield on Benchmark	0.97%		1.38%		1.76%		2.19%	
Interest earned YTD	$425,011.78		$952,194.05		$1,695,368		$2,435,724	
General Fund Contribution (60%)	$255,007		$571,316.00		$1,017,221		$1,461,434.40	

FY 21-22 Performance

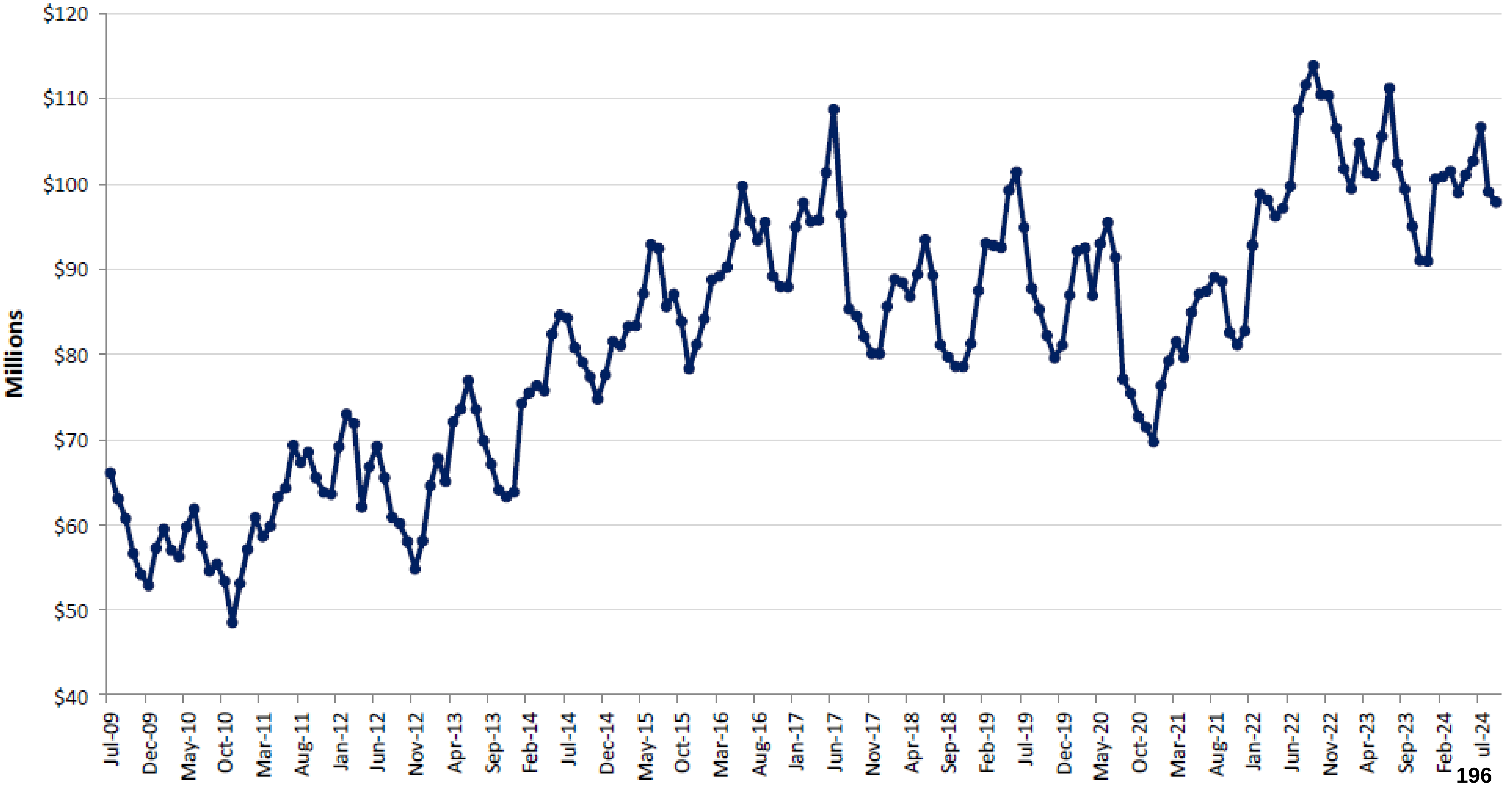
Comparison of Investment Portfolio Positions F.Y. 2021-2022								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%		%		%		
Cash in Banks & Money Markets	$11,834,546	*	$11,833,288	*	$14,063,300	*	$ 15,087,417	*
Local Agency Investment Fund	$9,000,500	10.7%	$20,012,320	21.9%	$20,018,196	20.81%	$ 20,033,972	18.43%
Federal Agency Issues	$30,579,369	36.3%	$30,574,250	33.5%	$40,569,151	42.18%	$ 45,564,006	41.92%
Commercial Paper	$0	0.0%	$0	0.0%	$0	0.00%	$0	0.00%
Corporate Medium Term Notes	$15,948,457	19.0%	$15,957,757	17.5%	$10,963,900	11.40%	$ 8,974,595	8.26%
Bank Certificates of Deposit	$1,735,250	2.1%	$1,735,339	1.9%	$1,735,425	1.80%	$ 1,239,505	1.14%
Treasuries	$26,896,065	32.0%	$22,894,191	25.1%	$22,899,581	23.81%	$ 32,878,387	30.25%
Total: Investment Portfolio	$84,159,641	100%	$91,173,857	100.0%	$96,186,253	100.00%	$ 108,690,464	100.00%
Weighted Average Maturity (Yrs)	2.06		1.81		2.03		1.92	
Portfolio Effective Rate of Return (YTD)	2.24%		1.90%		1.53%		1.47%	
L.A.I.F. Yield	0.21%		0.21%		0.22%		0.86%	
Yield on Benchmark	0.76%		0.62%		0.59%		0.68%	
Interest earned YTD	$497,915.05		$817,147		$1,021,840		$1,342,113	
General Fund Contribution (60%)	$298,749		$490,288		$613,104		$805,267.80	

Historical Book Value by Fiscal Year

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Fiscal Year 2021	$91.4	$77.1	$75.4	$72.7	$71.4	$69.7	$76.3	$79.2	$81.5	$79.7	$84.9	$87.1
Fiscal Year 2022	$87.4	$89.1	$88.6	$82.6	$81.1	$82.8	$92.8	$98.8	$98.1	$96.2	$97.2	$99.8
Fiscal Year 2023	$108.7	$111.6	$113.9	$110.5	$110.4	$106.5	$101.8	$99.4	$104.8	$101.3	$101.0	$105.6
Fiscal Year 2024	$111.2	$102.4	$99.4	$95.0	$91.0	$90.9	$100.6	$100.8	$101.5	$98.9	$101.1	$102.7
Fiscal Year 2025	$106.7	$99.1	$97.9									

Average Daily Balance

Historical Book Value

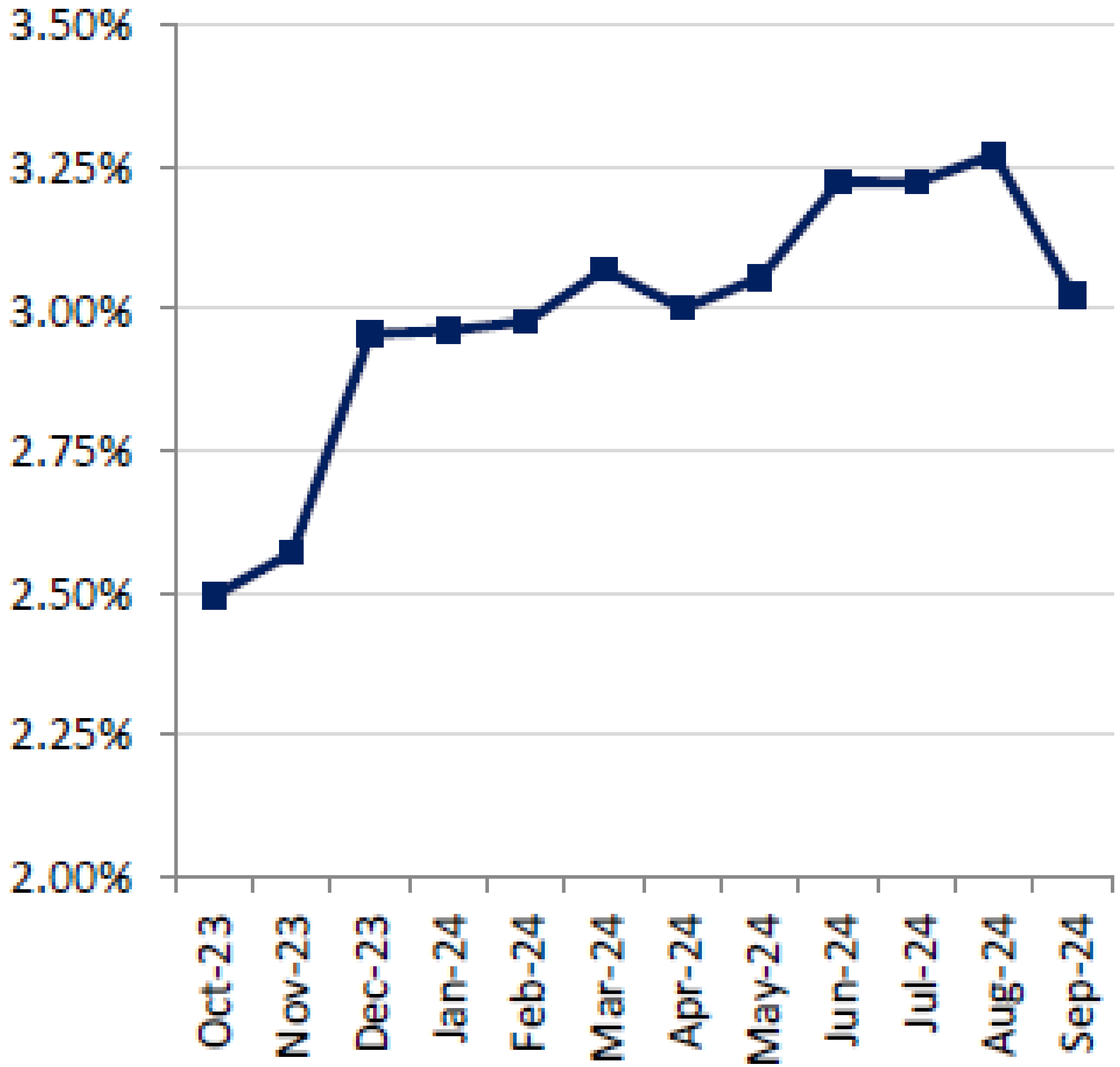


Cash Flows Analysis

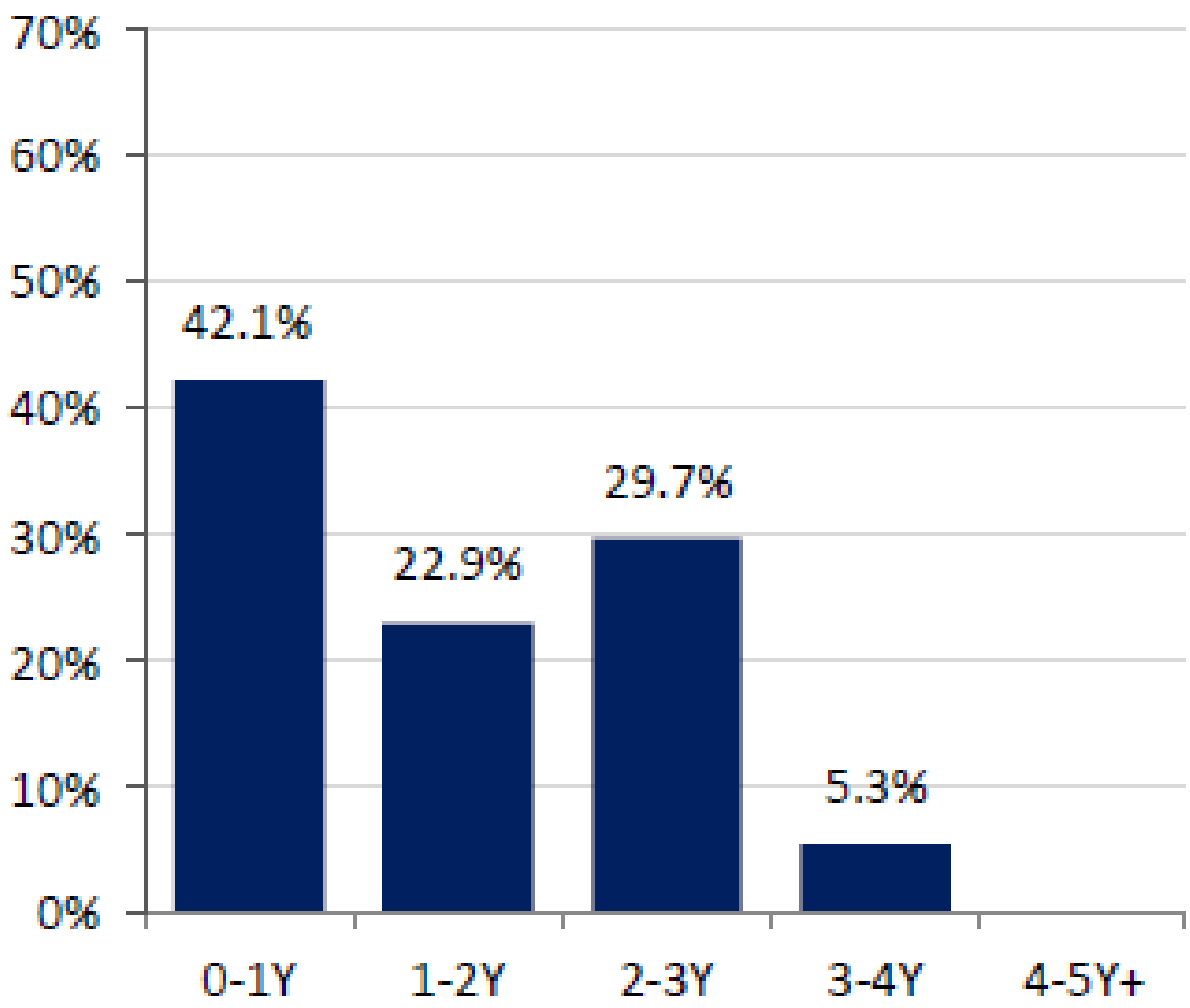
FY 24/25	Beginning Balance	Total Deposits/Credits	Total Debits	Ending Balance
July	10,560,379.31	13,929,800.59	13,834,109.53	10,656,070.37
August	10,656,070.37	18,840,180.81	18,574,957.12	10,921,294.06
September	10,921,294.06	13,379,066.21	16,678,571.72	7,621,788.55

* We have met the cash flow needs of the City for the Quarter and expect to meet the expenditure requirements for the upcoming period.

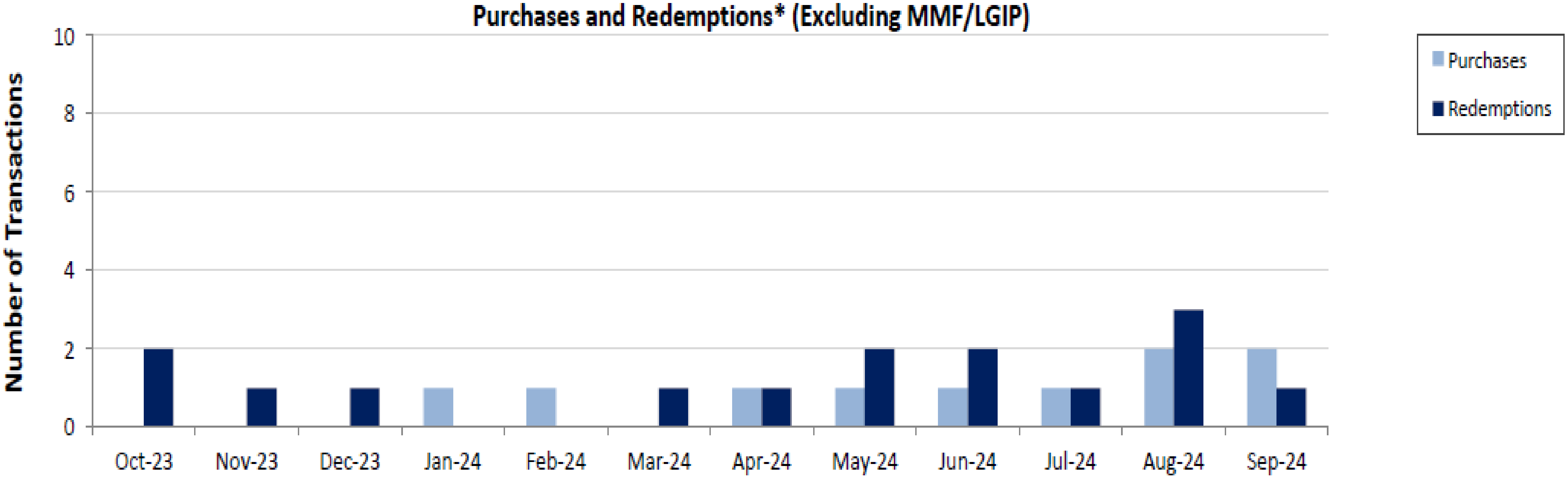
MONTH-END PORTFOLIO BOOK YIELD



MATURITY DISTRIBUTION



TRADING ACTIVITY



*Redemptions include maturities, calls, and sells

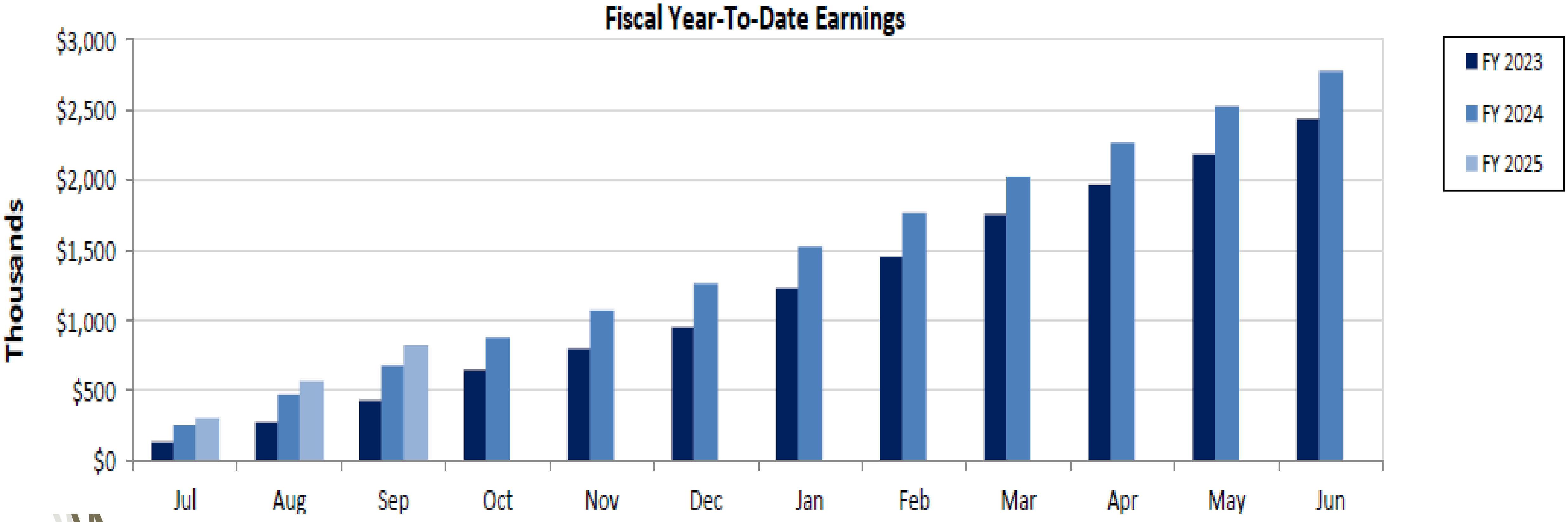
Transaction Report

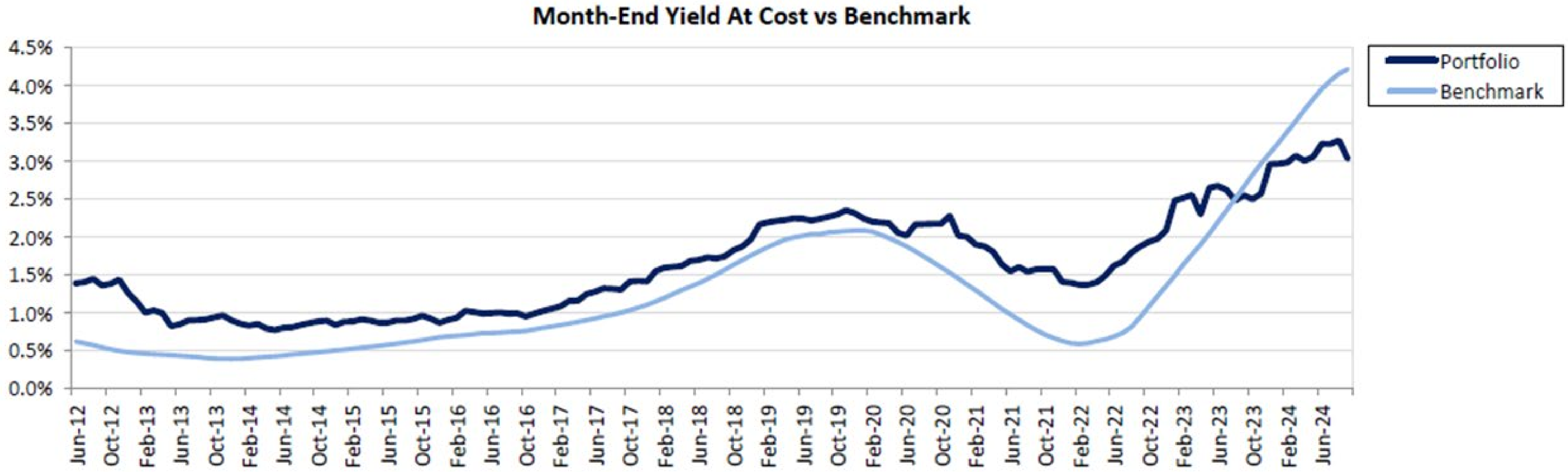
Transaction Report

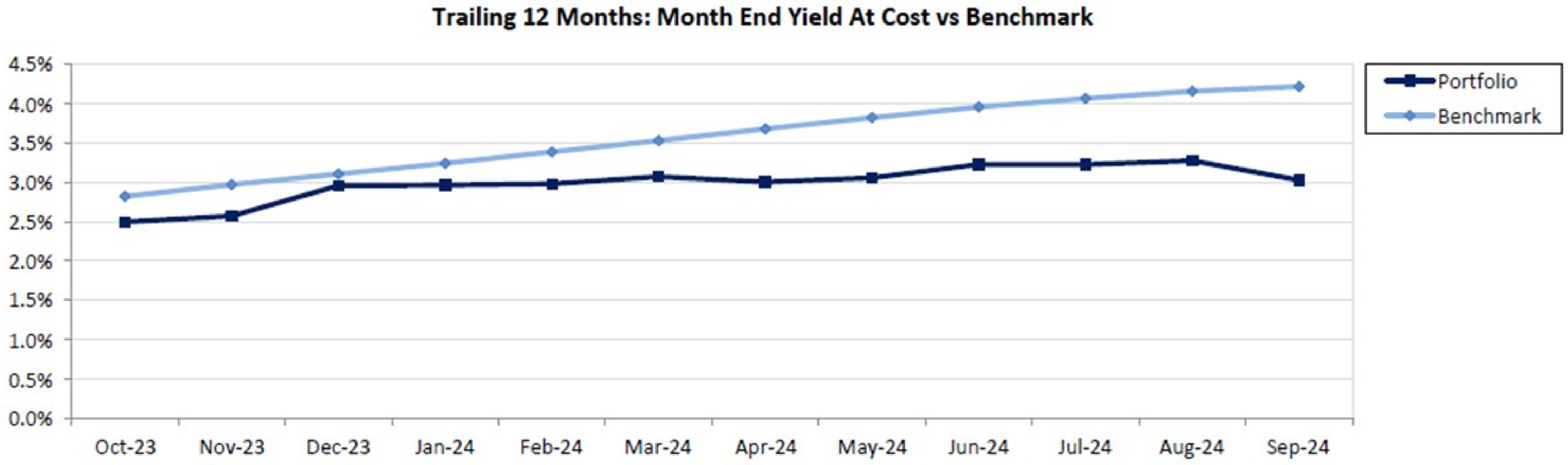
City of Redondo Beach

September 01, 2024 - September 30, 2024

Transaction Date	Transaction Type	Security ID	Security Description	Maturity Date	Purchases	Redemptions	Interest	Deposits	Withdrawals
09/03/2024	Interest	91282CAJ0	T 0 1/4 08/31/25	08/31/2025	-	-	2,500.00	-	-
09/03/2024	Interest	91282CCW9	T 0 3/4 08/31/26	08/31/2026	-	-	11,250.00	-	-
09/04/2024	Interest	FUZXX	First American Tsy MMF		-	-	41,339.37	-	-
09/11/2024	Purchase	3133ERRW3	FFCB 3 7/8 09/03/26	09/03/2026	-2,009,080.00	-	-1,722.22	-	-
09/16/2024	Interest	91282CFK2	T 3 1/2 09/15/25	09/15/2025	-	-	87,500.00	-	-
09/16/2024	Interest	91324PCV2	UNH 3.1 03/15/26	03/15/2026	-	-	40,300.00	-	-
09/17/2024	Maturity	912797LH8	TREASURY BILL	09/17/2024	-	5,000,000.00	-	-	-
09/17/2024	Interest	949763L95	WFC 2.05 10/17/24	10/17/2024	-	-	431.79	-	-
09/18/2024	Purchase	912797MH7	TREASURY BILL	09/04/2025	-4,813,482.50	-	-	-	-
09/19/2024	Interest	89236TLY9	TOYOTA 5 03/19/27	03/19/2027	-	-	49,444.44	-	-
09/24/2024	Withdrawal	FUZXX	FUZXX		-	-	-	-	-6,000,000.00
Grand Total:					-6,822,562.50	5,000,000.00	231,043.38	0.00	-6,000,000.00


Fiscal Year-To-Date Earnings
Thousands
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
FY 2023
FY 2024
FY 2025





Benchmark: Custom Benchmark (see disclosure)

Fiscal Impact

- Interest earned year to date is $615,313.

- The General Fund contribution rate is 60%. Approximately $369,188 contributed to the general fund through investment activity.

- Budgeted contribution of interest to the general fund for the entire fiscal year is $1,500,000.

Administrative Report

J.3., **File #** BF24-1814 **Meeting Date:** 11/14/2024

To: **BUDGET AND FINANCE COMMISSION**

From: STEPHANIE MEYER, INTERIM FINANCE DIRECTOR

TITLE
NOMINATIONS AND ELECTION OF CHAIRPERSON AND VICE-CHAIR

Administrative Report

J.4., **File #** BF24-1815 **Meeting Date:** 11/14/2024

To: **BUDGET & FINANCE COMMISSION**

From: STEPHANIE MEYER, INTERIM FINANCE DIRECTOR

TITLE

FISCAL YEAR 2024-25 Q1 FINANCIAL REPORTING: JULY 2024-SEPTEMBER 2024

BUDGET & FINANCE COMMISSION

November 14, 2024

REDONDO BEACH

FINANCIAL REPORTING Q1 FY 2024-25

- This presentation shows FY 2024-25 actual revenue and spending compared to budget for Q1 FY 2024-25 (July 1 – September 30).

- Data tables include prior year first quarter (July 1 – September 30, 2023) comparison to capture regular spending/ revenue trends.

REDONDO BEACH

REDONDO BEACH

General Fund Taxes
Q1 FY 2024-25

- **Tax revenue receipts are consistent with prior year and on track with budget**

Revenue Source	Actuals vs. Prior Year	Notes
➡ Property Tax	+$0.1M	On track with prior year
➡ Sales Tax	-$0.1M	On track with prior year
➡ Transient Occupancy Tax (TOT)	+$0.01M	On track with prior year
⬆ Utility Users Tax (UUT)	+$0.7M	Trending slightly > prior year
➡ Franchise Fees	$0.0M	City receives Q1 revenues in October
⬆ Business License Tax	+$0.1M	Trending slightly > prior year

REDONDO BEACH

General Fund Non-tax
Q1 FY 2024-25

- **Non-tax revenue is in line with prior year**
  Overhead journal is completed in October

Revenue Source	Actuals vs. Prior Year	Notes
➡ Charges for Service *(City fees only)*	-$0.02M	21% received excluding overhead
⬆ Licenses & Permits	+$0.2M	Trending slightly > prior year
➡ Other Revenues	-$0.1M	On track with prior year

Other Fund Revenue
Q1 FY 2024-25

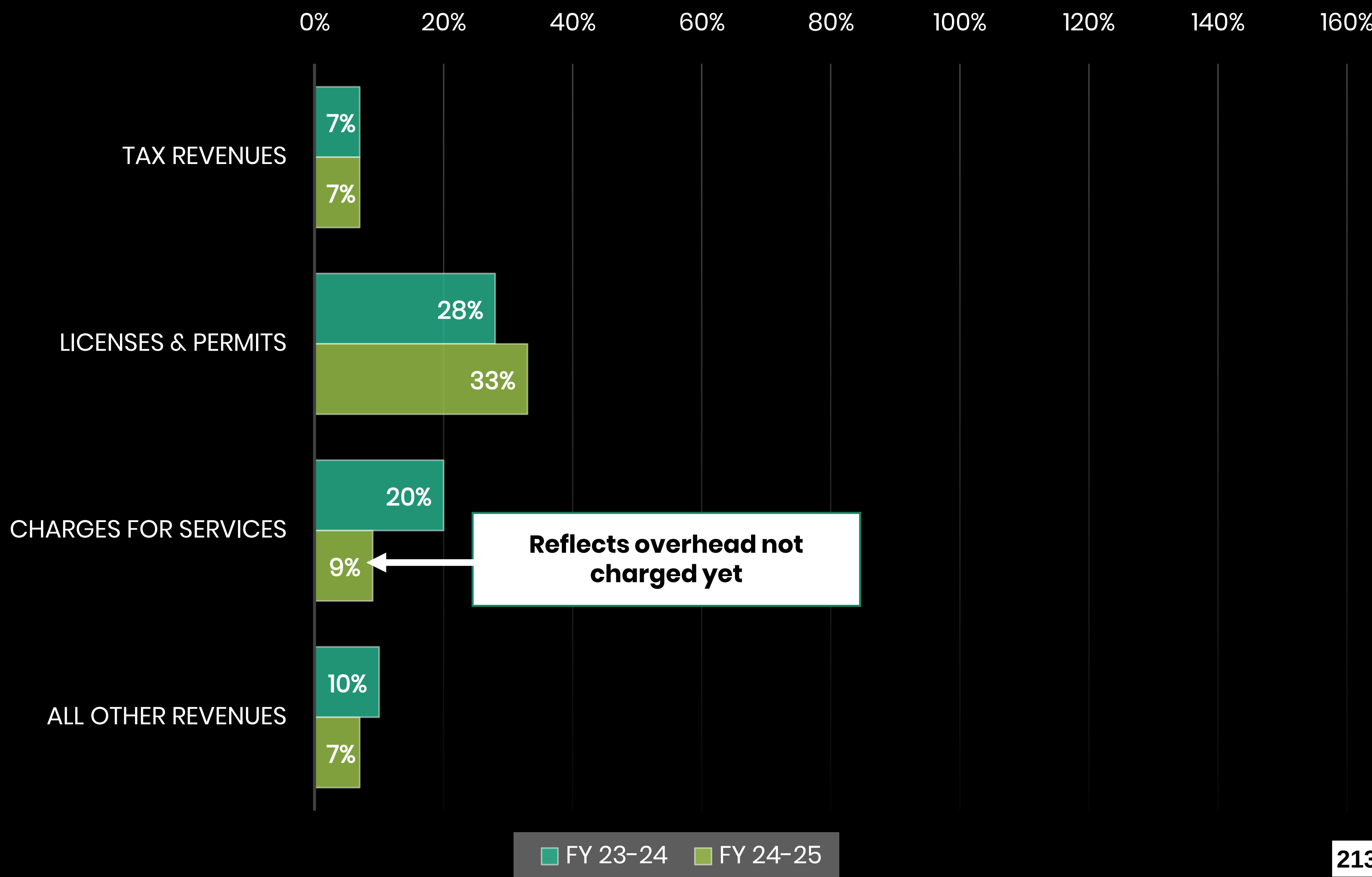
- **Other Fund revenue is in line with prior year**
  Decrease from prior year reflects internal services timing

REVENUE Q1 FY 2024-25

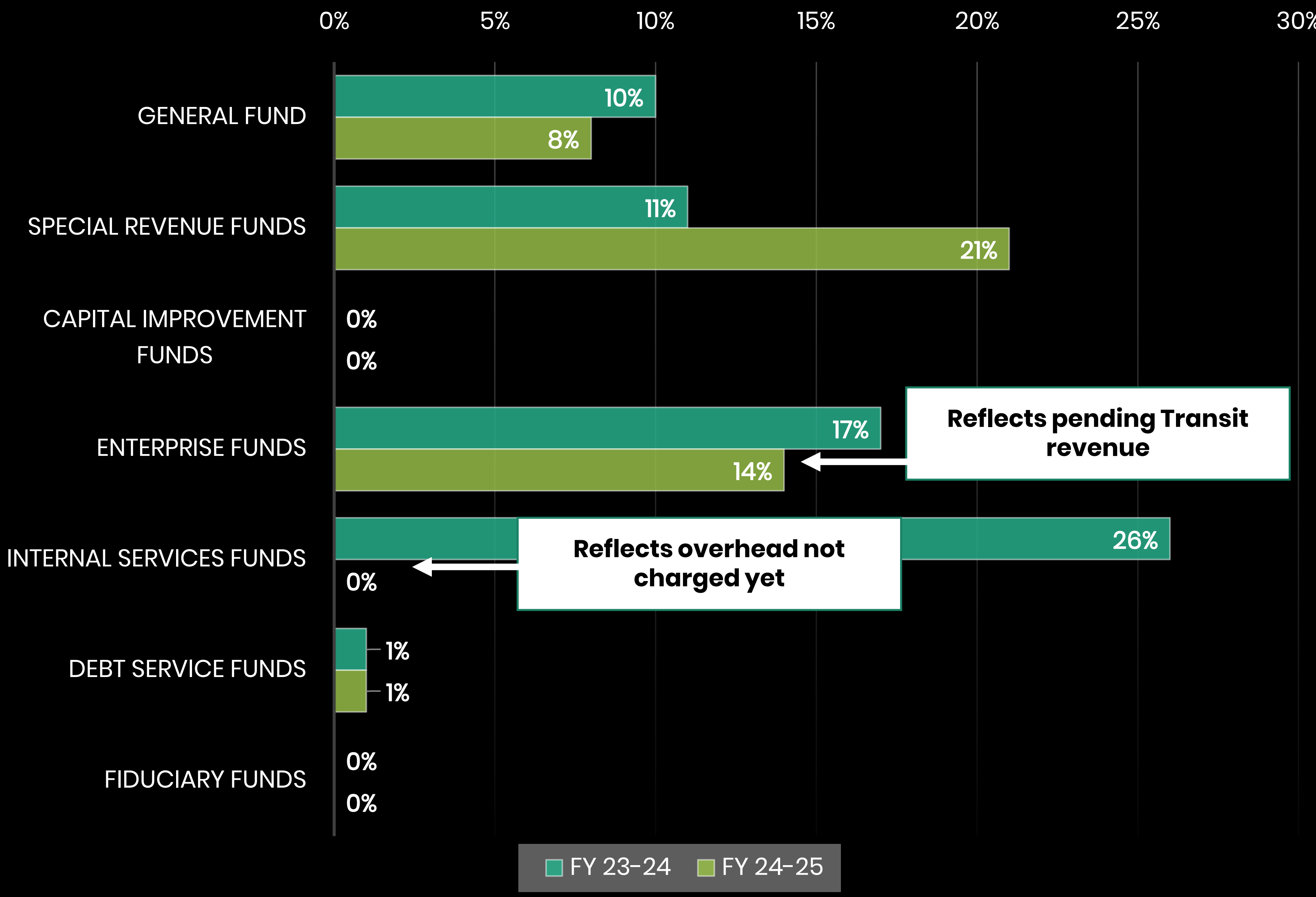
	FY 23-24 Budget	FY 23-24 Q1 Actuals	FY 23-24 % Received	FY 24-25 Budget	FY 24-25 Q1 Actuals	FY 24-25 % Received
General Fund Tax Revenues						
Property Tax*	46.4	1.3	3%	47.5	1.4	3%
Sales Tax	10.9	0.9	8%	11.0	0.8	7%
Public Safety Augmentation	1.0	0.1	8%	1.0	0.1	8%
Utility Users Tax (UUT)	8.5	1.4	16%	8.5	1.5	18%
Transient Occupancy Tax (TOT)	6.8	1.5	23%	8.3	1.6	19%
Franchise Fees	2.2	-	0%	2.2	-	0%
Business License Tax	1.3	0.2	17%	1.3	0.3	21%
Total Taxes	**77.1**	**5.5**	**7%**	**80.0**	**5.5**	**7%**
GF Licenses & Permits	**2.4**	**0.7**	**28%**	**2.6**	**0.9**	**33%**
GF Charges for Services	**22.5**	**4.4**	**20%**	**24.3**	**2.2**	**9%**
City fees	8.7	2.2	25%	10.5	2.2	21%
Overhead	13.8	2.2	16%	13.8	-	0%
GF All Other Revenues**	**8.8**	**1.0**	**12%**	**12.0**	**0.9**	**7%**
General Fund Total	**110.8**	**11.6**	**10%**	**118.6**	**9.5**	**8%**
Special Revenue Funds	39.0	4.3	11%	28.8	6.0	21%
Capital Improvement Funds	2.4	-	0%	1.2	-	0%
Enterprise Funds	31.5	5.2	17%	34.0	4.7	14%
Internal Service Funds	22.2	5.8	26%	24.5	-	0%
Debt Service Funds	17.8	0.3	1%	30.4	0.2	1%
Fiduciary Funds	0.7	-	0%	0.8	-	0%
Other Funds Total	**113.6**	**15.6**	**14%**	**119.6**	**10.9**	**9%**
Total Citywide Revenues	**224.4**	**27.2**	**12%**	**238.2**	**20.4**	**9%**

***Property Tax** category includes Property Transfer Tax and Property Tax in lieu of Vehicle License Fees (VLF).
****Other Revenues** include Intergovernmental Revenue, Fines and Forfeiture, Investment Earnings, Rents, Reimbursements, Donations

General Fund % Received
Q1 FY 2024-25 vs. Q1 FY 2023-24



All Funds % Received
Q1 FY 2024-25 vs. Q1 FY 2023-24



REDONDO BEACH

General Fund Spending
Q1 FY 2024-25

- **General Fund spending through September is in line with budget and consistent with prior year.**
  - Personnel spending is higher than in the prior year (although in line with budget), reflecting the MOU increases
  - Contracts & services spending ahead of prior year; remains within budget

REDONDO BEACH

Other Fund Spending
Q1 FY 2024-25

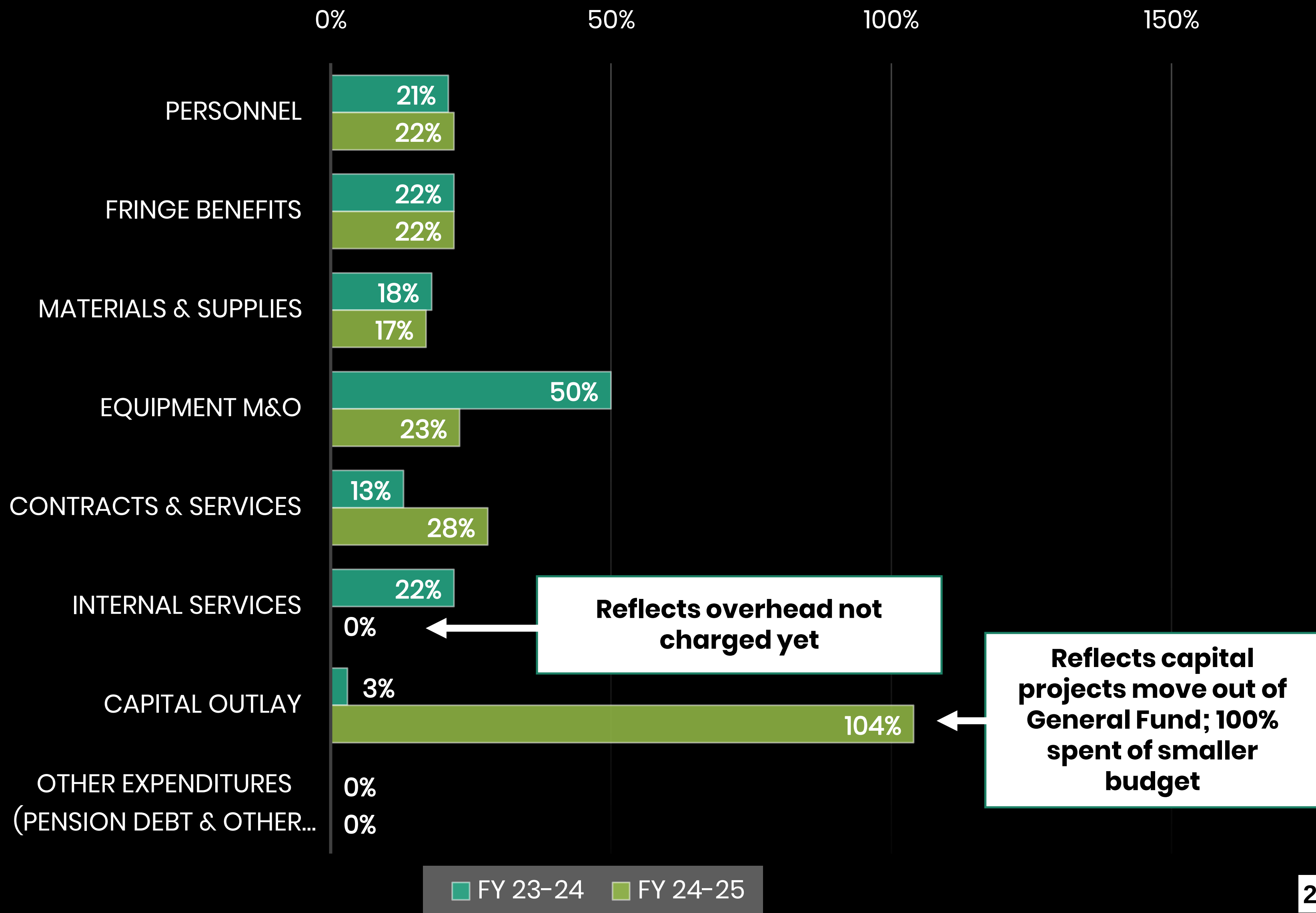
- **Total City spending is in line with regular operations**
  - Spending total and rate consistent with prior year apart from Special Revenue Funds, where the delta reflects FY 2023-24 start of year grant spending

EXPENDITURE Q1 FY 2024-25

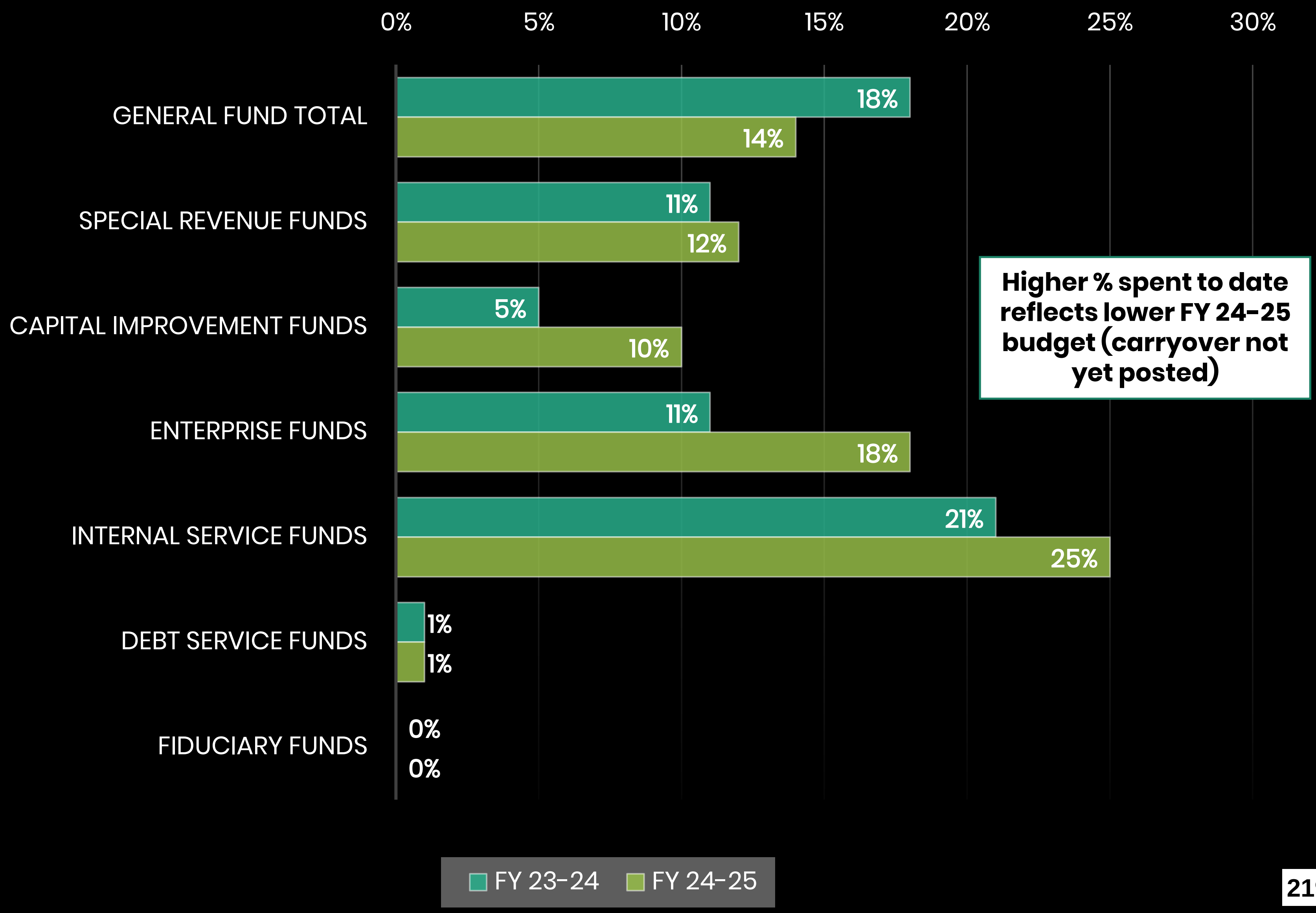
	FY 23-24 Budget	FY 23-24 Q1 Actuals	FY 23-24 % Spent	FY 24-25 Budget	FY 24-25 Q1 Actuals	FY 24-25 % Spent
General Fund Expenditures						
Personnel	43.5	9.2	21%	45.7	10.3	22%
Fringe Benefits	16.3	3.5	22%	16.7	3.7	22%
Materials & Supplies	3.0	0.5	18%	3.2	0.6	17%
Equipment M & O	0.8	0.4	50%	0.9	0.2	23%
Contracts & Services	9.1	1.2	13%	8.4	2.4	28%
Internal Services*	28.3	6.2	22%	28.3	-	0%
Capital Outlay	3.7	0.1	3%	0.1	0.1	104%
Other Expenditures**	14.9	-	0%	15.8	-	0%
General Fund Total	**119.6**	**21.1**	**18%**	**119.1**	**17.2**	**14%**
Special Revenue Funds	77.6	8.4	11%	37.5	4.6	12%
Capital Improvement Funds	13.3	0.7	5%	4.2	0.4	10%
Enterprise Funds	58.7	6.6	11%	34.5	6.3	18%
Internal Service Funds	36.8	7.6	21%	32.1	8.1	25%
Debt Service Funds	18.3	0.2	1%	18.9	0.2	1%
Fiduciary Funds	0.8	-	0%	-	-	0%
Other Funds Total	**205.4**	**23.5**	**11%**	**127.2**	**19.6**	**15%**
Total Citywide Expenditures	**$325.0**	**$44.6**	**14%**	**$246.3**	**$36.8**	**15%**

***Internal Services** journals are posted in October
****Other Expenditures** include Pension Debt and Other Financing Uses

General Fund Expenditure Rate by Category
Q1 FY 2024-15 vs. Q1 FY 2023-24



All Funds Expenditure Rate by Fund
Q1 FY 2024-25 vs. Q1 FY 2023-24



NEXT STEPS

- Q2 Review February 13, 2025
- FY 2024-25 Midyear Budget – Jan/ Feb 2025

REDONDO
BEACH

Administrative Report

J.5., **File #** BF24-1787 **Meeting Date:** 11/14/2024

To: **BUDGET & FINANCE COMMISSION**

From: STEPHANIE MEYER, INTERIM FINANCE DIRECTOR

TITLE

RESERVE POLICIES-COMPARATIVE RESEARCH

BEST PRACTICES

Fund Balance Guidelines for the General Fund

Governments should establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund for GAAP and budgetary purposes.

In the context of financial reporting, the term *fund balance* is used to describe the net position of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net position of governmental funds calculated on a government's budgetary basis.[1] While in both cases *fund balance* is intended to serve as a measure of the financial resources available in a governmental fund; it is essential that differences between GAAP *fund balance* and budgetary *fund balance* be fully appreciated.

1. GAAP financial statements report up to five separate categories of fund balance based on the type and source of constraints placed on how resources can be spent (presented in descending order from most constraining to least constraining): *nonspendable fund balance*, *restricted fund balance*, *committed fund balance*, *assigned fund balance*, and *unassigned fund balance*.[2] The total of the amounts in these last three categories (where the only constraint on spending, if any, is imposed by the government itself) is termed *unrestricted fund balance*. In contrast, budgetary fund balance, while it is subject to the same constraints on spending as GAAP fund balance, typically represents simply the total amount accumulated from prior years at a point in time.

2. The calculation of GAAP fund balance and budgetary fund balance sometimes is complicated by the use of sub-funds within the general fund. In such cases, GAAP fund balance includes amounts from all of the subfunds, whereas budgetary fund balance typically does not.
3. Often the timing of the recognition of revenues and expenditures is different for purposes of GAAP financial reporting and budgeting. For example, encumbrances arising from purchase orders often are recognized as expenditures for budgetary purposes, but never for the preparation of GAAP financial statements.

The effect of these and other differences on the amounts reported as *GAAP fund balance* and *budgetary fund balance* in the general fund should be clarified, understood, and documented.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance in the general fund.

GFOA recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund for GAAP and budgetary purposes.3 Such a guideline should be set by the appropriate policy body and articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific time period.4In particular, governments should provide broad guidance in the policy for how resources will be directed to replenish fund balance should the balance fall below the level prescribed.

Appropriate Level. The adequacy of unrestricted fund balance in the general fund should take into account each government's own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance. Articulating these risks in a fund balance policy makes it easier to explain to stakeholders the rationale for a seemingly higher than normal level of fund balance that protects taxpayers and employees from unexpected changes in financial condition. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.[5] The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.[6] Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time. In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

1. The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);

2. Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);

3. The potential drain upon general fund resources from other funds, as well as, the availability of resources in other funds;

4. The potential impact on the entity's bond ratings and the corresponding increased cost of borrowed funds;

5. Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose). Governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance, rather than on unrestricted fund balance.

Use and Replenishment.

The fund balance policy should define conditions warranting its use, and if a fund balance falls below the government's policy level, a solid plan to replenish it. In that context, the fund balance policy should:

1. Define the time period within which and contingencies for which fund balances will be used;
2. Describe how the government's expenditure and/or revenue levels will be adjusted to match any new economic realities that are behind the use of fund balance as a financing bridge;
3. Describe the time period over which the components of fund balance will be replenished and the means by which they will be replenished.

Generally, governments should seek to replenish their fund balances within one to three years of use. Specifically, factors influencing the replenishment time horizon include:

1. The budgetary reasons behind the fund balance targets;
2. Recovering from an extreme event;
3. Political continuity;
4. Financial planning time horizons;
5. Long-term forecasts and economic conditions;
6. External financing expectations.

Revenue sources that would typically be looked to for replenishment of a fund balance include nonrecurring revenues, budget surpluses, and excess resources in other funds (if legally permissible and there is a defensible rationale). Year-end surpluses are an appropriate source for replenishing fund balance.

Unrestricted Fund Balance Above Formal Policy Requirement. In some cases, governments can find themselves in a position with an amount of unrestricted fund balance in the general fund over their formal policy reserve requirement even after taking into account potential financial risks in the foreseeable future. Amounts over the formal policy may reflect a structural trend, in which case governments should consider a policy as to how this would be addressed. Additionally, an education or communication strategy, or at a minimum, explanation of large changes in fund balance is encouraged. In all cases, use of those funds should be prohibited as a funding source for ongoing recurring expenditures.

Notes:

1. For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.
2. These categories are set forth in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
3. Sometimes restricted fund balance includes resources available to finance items that typically would require the use of unrestricted fund balance (e.g., a contingency reserve). In that case, such amounts should be included as part of unrestricted fund balance for purposes of analysis.
4. See Recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting governments on the need to "maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (Recommended Practice 4.1).
5. In practice, a level of unrestricted fund balance significantly lower than the recommended minimum may be appropriate for states and America's largest governments (e.g., cities, counties, and school districts) because they often are in a better position to predict contingencies (for the same reason that an insurance company can more readily predict the number of accidents for a pool of 500,000 drivers than for a pool of fifty), and because their revenues and expenditures often are more diversified and thus potentially less subject to volatility.

6. In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unrestricted fund balance to either revenues and/or expenditures, that decision should be followed consistently from period to period.

This best practice was previously titled Appropriate Level of Unrestricted Fund Balance in the General Fund.

Board approval date: Wednesday, September 30, 2015

Capital project contract awards will include a fiscal impact statement disclosing the expected operating impact of the project and when such cost is expected to occur.

Pay-as-you-go Capital Improvement Plan financing should account for a minimum of 50 percent of all capital improvement projects for each five-year planning period. Pay-as-you-go financing is defined as all sources of revenue other than City debt issuance, i.e., fund balance contributions, developer contributions, grants, endowments, etc. Pay-as-you-go financing should generally be considered as the preferred option. However, the potential for debt issuance that provides additional economic and/or strategic values could be considered as recommended by the Director of Finance.

The City, through the Director of Finance and the Finance Department, shall endeavor to apply restricted funds (i.e., in-lieu parking, gas tax funds or existing bond proceeds) to capital projects before using "unrestricted" funds.

Section 4. Reserve Policies

Governmental Funds (General, Infrastructure, Special Revenue)

All fund designations and reserves will be evaluated annually by the Director of Finance for long-term adequacy and use requirements in conjunction with development of the City's balanced five-year financial plan. In adhering to GAAP, the City follows appropriate Governmental Accounting Standards Board (GASB) Statements, one of which, No. 54 (GASB 54), addresses Fund Balance Reporting. Compliance with GASB 54 requires use of the terms below to define various components of fund balance. Reserves are presented in the Annual Comprehensive Financial Report (ACFR) in the Financial Statement section designated using the definitions below. The City's ACFR is available on the City's website at https://www.beverlyhills.org/328/Annual-Comprehensive-Financial-Report-AC.

For future reporting of City reserves, these terms shall be used to define what comprises the reserve.

a) **Nonspendable fund balance** (inherently nonspendable) includes the:
- Portion of net resources that cannot be spent because of their form, and
- Portion of net resources that cannot be spent because they must be maintained intact.

b) **Restricted fund balance** (externally enforceable limitations on use) includes amounts subject to:
- Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments;
- Limitations imposed by law through constitutional provision or enabling legislation.
    i. The City's Section 115 Trust for OPEB and pension liabilities falls into this category.

c) **Committed fund balance** (self-imposed limitation set in place prior to the end of the period):

- Limitation imposed at the highest level of decision making that requires formal action at the same level to remove. For the City, the City Council is the highest level of decision making.
- Resources accumulated pursuant to stabilization arrangements would fit in this category only if the arrangement is specific regarding the circumstances when spending would be permitted, and those circumstances would need to be of a non-routine nature.
    i. The City's economic/contingency reserves and budget stabilization reserves fall into this category.

d) **Assigned fund balance** (limitation resulting from intended use) consists of amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be established by:

- The governing body itself (City Council), or
- A body (a budget or finance committee, for example) or designated official to which the governing body has delegated authority to assign amounts to be used for specific purposes. For the City, the Director of Finance is the designated official.
    i. This section includes encumbrances assigned for the procurement of goods and services.

e) **Unassigned fund balance** (residual net resources) is the:

- Total fund balance in excess of nonspendable, restricted, committed, and assigned fund balance.

General Fund Economic/Contingency Reserve (Committed)

It is a goal of the City to obtain and maintain a general operating reserve in the form of cash and investments, of at least 40% of operating expenditures. The first 25% of operating expenditures shall be considered a contingency reserve to cover normal seasonal cash flow variations, as well as unforeseen emergency or catastrophic impacts upon the City. The remaining 15% of operating expenditures may be used for short term economic investment in the community when justified by projected financial return to the City and specifically authorized by the City Council, upon recommendation of the Director of Finance. The Director of Finance will calculate the annual reserves based on year-end actual expenditures in conjunction with the Annual Comprehensive Financial Report (ACFR). Should economic or other conditions result in decreased total annual expenditures as compared to the immediately preceding year, reserves shall remain at the prior year's reserve level and shall not be decreased without approval of the City Council.

Budget Stabilization Reserve (Committed)

Beginning in 2013, the City Council also began setting aside additional funds from its operating surplus as an additional budget stabilization fund for meeting future unexpected revenue shortfalls. The Director of Finance shall endeavor to evaluate and propose changes to the budget stabilization reserve based on additional one-time revenue received and annual surplus revenues for City Council approval.

Internal Service Funds

In addition to cash specifically maintained in the General Fund, the City recognizes the following cash reserve resources as being available to meet sudden negative fiscal impacts in the short term:

- Equipment Replacement Fund (Fund 400)
- Capital Assets Fund (Fund 405)
- Information Technology Fund (Fund 410)
- Cable Television Fund (Fund 420)
- Reprographics/Graphics Fund (Fund 430)
- Compensated Absences Fund (Fund 441)
- Liability Insurance Fund (Fund 450) (only in excess of required reserves)
- Workers' Compensation Insurance Fund (Fund 460) (only in excess of required reserves)
- Policy, Administration, and Legal Fund (Fund 480)
- Vehicle Replacement Fund (Fund 490)

Sufficient reserves shall be maintained in internal service funds to prevent extended disruption of service in the event of natural disasters or other interruptions of revenue collections. Where more than sufficient reserves are being maintained, the excess can be used to offset current expenditure needs. Determination of adequate or excess reserves will be reviewed annually by the Director of Finance and guided by the following:

Self-Insurance Reserves (liability, workers' compensation, other): The Director of Finance shall endeavor to maintain these reserves at a level, which, together with purchased insurance policies, will adequately cover the City's property, liability, and health benefit risk from one-time fluctuations. A qualified actuarial firm shall be retained on, at minimum, a biennial basis in order to recommend appropriate funding levels. The City shall endeavor to maintain cash reserves equal to 75% of the probable and reasonably estimable claim liabilities and 50% of the incurred-but-not-reported (IBNR) amount determined by the actuary. To lessen the impact of short-term annual rate change fluctuation, City management may implement one-time fund transfers (rather than department rate increases) when funding shortfalls appear to be due to unusually short and non-recurring factors.

The City shall endeavor to maintain reserves for systematic replacement of fleet vehicles, building components and systems, computers and related equipment, and operational contingencies based upon lifecycle replacement plans to ensure adequate fund balance required. Operating departments will be charged over the useful life of the asset used. The City shall endeavor to stabilize funding by building reserves equal to the anticipated replacement cost of each asset class at the end of useful life.

Enterprise Fund Reserves

Enterprise Funds include the Water, Parking Operations, Solid Waste, Wastewater, and Stormwater funds. Generally, user fees and charges will be examined periodically to ensure that they recover all direct and indirect costs of service, provide for capital improvements and maintenance, and maintain adequate reserves. Secondarily, maintenance of cash reserves will provide a de facto rate stabilization plan. Rate increases shall be approved by the City Council following formal noticing and public hearing. Rate adjustments for enterprise operations will be based on five-year financial plans unless a conscious decision is made to the contrary. The target level of operating cash reserves shall be 50% of annual operating expenses. For the Stormwater fund, as a result of compliance requirements, General Fund subsidies are used in lieu of a reserve.

One-time Additional Revenue

The City should endeavor to use one-time additional revenue to further increase reserves or for one-time expenditures, or to reduce debt or other liabilities. The funds should not to be used for ongoing operations.

For purposes of this policy, examples of one-time additional revenue include (but are not limited to):

- Lump sum (net present value) savings from debt restructuring
- Sale of City-owned real estate
- Unexpected revenue (e.g. litigation settlement)
- Receipts from approved development agreements
- Contributions and gifts

Section 5. Audit Policies

An annual audit will be performed by an independent public accounting firm with an audit opinion to be included with the City's published Annual Comprehensive Financial Report (ACFR).

The City Council will maintain a standing committee of its members to serve as the Audit and Finance Committee to provide oversight and review of the annual and special audits of the City. The Committee will meet at least twice annually with the City's independent auditor, once for a pre-audit meeting, and once for a review of the final audit results.

City of Burbank Financial Policies

1. We will maintain a designated General Fund working capital reserve equivalent to 15 percent of the General Fund's operating budget, a designated emergency reserve equivalent to 5 percent of the General Fund's operating budget, and a budget stabilization reserve equivalent to up to 5 percent of the General Fund's operating budget.

2. We will maintain a balanced operating budget for all governmental funds with recurring revenues equal to or greater than recurring expenditures. Appropriations of available fund balance will only be permitted for "one-time" non-recurring expenditures.

3. We will assume that normal revenue inflation and/or growth will go to pay normal inflation expenditures. In no event will normal expenditure increases be approved which exceed normal revenue inflation and/or growth. Any new or expanded programs will be required to identify new funding sources and/or offsetting reductions in expenditures in other programs.

4. We will require that all Enterprise Funds have revenues (customer charges, interest income, and all other income) sufficient to meet all cash operating expenses, depreciation expense, and prescribed cash reserve policies per financial policies as recommended for each enterprise activity. Additionally, each Enterprise Fund will maintain debt service coverage requirements set forth in any related bond covenants.

5. We will require that each Internal Service Fund which includes vehicles, equipment, and building maintenance have revenues, (City user charges, interest income, and all other income) sufficient to meet all cash operating expenses and depreciation expenses. The related revenues should also be sufficient to maintain cash reserves, which provide sufficient cash to replace vehicles and equipment in accordance with replacement policies.

6. We will maintain appropriate reserves in the Risk Management Self-Insurance Fund and the Workers' Compensation Self–Insurance Fund to meet statutory requirements and actuarially projected needs.

7. We will maintain a general operating reserve, which will support operations for each Enterprise Fund during times of financial emergencies. The amount of the general operating reserves will be determined based on a risk assessment of each Enterprise Fund.

8. We will maintain other Enterprise Fund reserves such as debt reduction and capital funding reserves, fleet replacement reserves, and general plant reserves (in addition to the general operating reserve and other reserves) as necessary and prudent for the operation of the specific Enterprise Fund. Such reserves will be reviewed as necessary during the annual budget process, or at least every two years.

9. We will maintain a long-range fiscal perspective using an annual operating budget, a five-year capital improvement plan, and a five-year financial forecast.

10. We will use long-term financing methods or cash accumulated in excess of policy requirements for major capital improvements and acquisitions. These improvements will be planned via the annual capital improvement plan process.

11. We will issue bonds or incur other terms of indebtedness only for appropriate purposes and only if the debt service does not affect the City's ability to meet future operating, capital, and reserve requirements.

12. We will require each budget appropriation request to include a fiscal impact analysis.

13. We will comply with all the requirements of "Generally Accepted Accounting Principles."

APPENDIX C

CITY OF CULVER CITY
COUNCIL POLICY STATEMENT Policy Number **5003**

General Subject:	Finance	Date Issued	6/24/14
Specific Subject:	Recreational Facilities Reserve	Dates Revised	
		Effective Date	6/24/14
		Resolution No.	2014-R057

PURPOSE:

To set aside a portion of fees to mitigate addional facility or equipment wear and tear created by fee based programs that are not self-supporting.

STATEMENT OF POLICY:

The instructional recreational programs for children and adults provided by the Parks, Recreation & Community Services Department will be conducted for a fee to offset associated cost with managing such programs. Registration fees will be based on an amount sufficient to acquire independent contractors, class materials and the administrative overhead and a facility use fee. Occasionally, it may be necessary to conduct programs in which revenues are not sufficient to be self-supporting. The Parks, Recreation & Community Services Director or designee is authorized to enter into agreements for securing independent contractors for approved instructional recreation activities.

Certain fee based activities create additional wear and tear on equipment and facilities. In these cases, it is appropriate to set aside a portion of the annual fees to replace or mitigate the accelerated aging of the equipment or facility being used. A sum of money equivalent to 10% of the gross annual revenues derived from park and facility rental fees, program fees, class fees, etc. shall be set aside into a Recreational Facilities Reserve for equipment replacement or facility refurbishment. Following is a comprehensive list of revenue codes from the PRCS Department that will be the basis of this calculation:

Object	Title
365160	After School Program
365710	Senior Center Rental
365720	Teen Center Rental
365730	Meeting Room Rental
365740	Auditorium Rental
365210	Day Camp Fees

365220	Youth Camp Fees
365240	Recreation Park & Picnic Permits
365250	Park Programs Revenue
365310	Youth Sports Program Revenue
365350	Adult Sports Program Revenue
365410	Classes – Contracted Fees
365510	City Plunge (Pool) Admissions
365520	Pool Rentals & Passes
365530	Aquatics Programs
365540	Aquatics Contract Classes

useful life, and projecting replacement costs.

4. The City shall actively pursue outside funding sources for all Capital Improvement Projects. Outside funding sources, such as grants, shall be used to finance only those Capital Improvement Projects that are consistent with the five-year Capital Improvement Project and local governmental priorities, and whose operating and maintenance costs have been included in future operating budget forecasts.

5. Capital improvement lifecycle costs will be coordinated with the development of the Operating Budget. Future operating, maintenance and replacement costs associated with new capital improvements will be forecasted, matched to available revenue sources, and included in the Operating Budget. Capital project contract awards will include a fiscal impact statement disclosing the expected operating impact of the project and when such cost is expected to occur.

6. Financing of capital improvement projects shall be considered pursuant to the Debt Management Policy section.

VIII. FINANCIAL RESERVES POLICY:

Prudent financial management dictates that some portion of the funds available to the City be reserved for future use.

As a general budget principle concerning the use of reserves, the City Council decides whether to appropriate funds from Reserve accounts. Even though a project or other expenditure qualifies as a proper use of Reserves, the Council may decide that it is more beneficial to use current year operating revenues or bond proceeds instead, thereby retaining the Reserve funds for future use. Reserve funds will not be spent for any function other than the specific purpose of the Reserve account from which they are drawn without specific direction in the annual budget; or by a separate City Council action. Information regarding Annual Budget Adoption and Administration is contained in City Council Policy 5001.

<u>Governmental Funds and Fund Balance Defined</u>

Governmental Funds including the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds and Permanent Funds have a short-term or current flow of financial resources, measurement focus and basis of accounting and therefore, exclude long-term assets and long-term liabilities. The term Fund Balance, used to describe the resources that accumulate in these funds, is the difference between the fund assets and fund liabilities of these funds. Fund Balance is similar to the measure of net working capital that is used in private sector accounting. By definition, both Fund Balance and Net Working Capital exclude long-term assets and long-term liabilities.

<u>Proprietary Funds and Net Working Capital Defined</u>

Proprietary Funds including Enterprise Funds and Internal Service Funds have a long-term or economic resources measurement focus and basis of accounting and therefore, include long-term assets and liabilities. This basis of accounting is very similar to that used in private sector. However, instead of Retained Earnings, the term Net Position is

Position includes both long-term assets and liabilities, the most comparable measure of proprietary fund financial resources to governmental Fund Balance is Net Working Capital, which is the difference between current assets and current liabilities. Net Working Capital, like Fund Balance, excludes long-term assets and long-term liabilities.

<u>Governmental Fund Reserves (Fund Balance)</u>

For Governmental Funds, the Governmental Accounting Standards Board ("GASB") Statement No. 54 defines five specific classifications of fund balance. The five classifications are intended to identify whether the specific components of fund balance are available for appropriation and are therefore "Spendable." The classifications also are intended to identify the extent to which fund balance is constrained by special restrictions, if any. Applicable only to governmental funds, the five classifications of fund balance are as follows:

CLASSIFICATIONS	NATURE OF RESTRICTION
Non-spendable	Cannot be readily converted to cash
Restricted	Externally imposed restrictions
Committed	City Council imposed commitment
Assigned	City Manager/CFO assigned purpose/intent
Unassigned	Residual balance not otherwise restricted

A. <u>Non-spendable fund balance:</u> That portion of fund balance that includes amounts that are either (a) not in a spendable form, or (b) legally or contractually required to be maintained intact. Examples of Non-spendable fund balance include:

   1. <u>Reserve for Inventories:</u> The value of inventories purchased by the City but not yet issued to the operating Departments is reflected in this account.

   2. <u>Reserve for Long Term Receivables and Advances:</u> This Reserve is used to identify and segregate that portion of the City's financial assets which are not due to be received for an extended period, so are not available for appropriation during the budget year.

   3. <u>Reserve for Prepaid Assets:</u> This reserve represents resources that have been paid to another entity in advance of the accounting period in which the resource is deducted from fund balance. A common example is an insurance premium, which is typically payable in advance of the coverage period. Although prepaid assets have yet to be deducted from fund balance, they are no longer available for appropriation.

B. <u>Restricted fund balance</u>: The portion of fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The City operates approximately twenty special revenue funds that account for items such as gas tax revenues distributed by the State, local return portions of County-wide sales tax overrides dedicated to transportation, grants from federal or State agencies with specific spending restrictions, Section 8 and CDBG number of others. Since these funds are established because of the specific spending limitations on them, any year-end balances are still restricted for these purposes. Some specific examples of restricted fund balance are:

1. Reserve for Debt Service: Funds are placed in this Reserve at the time debt is issued. The provisions governing the Reserve, if established, are in the Bond Indenture and the Reserve itself is typically controlled by the Trustee.

2. Park In Lieu: Per CCMC 15.06.305 and California Government Code Section 664777 (The 1975 “Quimby Act”), a dedication of land or payment of fees for park or recreational purposes in conjunction with residential development is required. The fees collected can only be used for specific park or recreation purposes as outlined in CCMC 15.06.305 through 15.06.330.

C. Committed fund balance: That portion of a fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the government’s highest level of decision making authority, and remain binding unless removed in the same manner. The City considers a resolution to constitute a formal action for the purposes of establishing committed fund balance. The action to constrain resources must occur within the fiscal reporting period; however, the amount can be determined subsequently. City Council imposed Commitments are as follows:

1. Contingency Reserve: The Contingency Reserve shall have a target balance of thirty percent (30%) of General Fund “Operating Budget” as originally adopted. Operating Budget for this purpose shall include current expenditure appropriations and shall exclude Capital Improvement Projects and Transfers Out. Appropriation and/or access to these funds are reserved for emergency situations only. The parameters by which the Contingency Reserve could be accessed would include the following circumstances:

   a. A catastrophic loss of critical infrastructure requiring an expenditure of greater than or equal to five percent (5%) of the General Fund, Operating Budget, as defined above.

   b. A State or Federally declared state of emergency where the City response or related City loss is greater than or equal to five percent (5%) of the General Fund, Operating Budget.

   c. Any settlement arising from a claim or judgment where the loss exceeds the City’s insured policy coverage by an amount greater than or equal to five percent (5%) of the General Fund, Operating Budget.

   d. Deviation from budgeted revenue projections in the top three General Fund revenue categories, namely, Sales Taxes, Utility Users’ Taxes and Business Taxes in a cumulative amount greater than or equal to five percent (5%) of the General Fund, Operating Budget.

   e. Any action by another government that eliminates or shifts revenues from the City amounting to greater than or equal to five percent (5%) of the General Fund, Operating Budget.

   f. Inability of the City to meet its debt service obligations in any given year

g. Any combination of factors 1) a.-f. amounting to greater than or equal to five percent (5%) of the General Fund, Operating Budget in any one fiscal year.

Use of the Contingency Reserve must be approved by the City Council. Should the Contingency Reserve commitment be used, the City Manager shall present a plan to City Council to replenish the reserve within five years.

2. Facilities Planning Reserve: The Facilities Planning Reserve has been established to offset the cost of replacement or major refurbishment to critical City facilities such as, but not limited to, the City Hall building and Police Department buildings, Fire Stations, and other Facility Improvement Projects. Use of this Reserve must be approved by City Council. This Reserve shall be funded by allocations of General Fund surplus revenues, as defined later in this policy, or by specific City Council allocations. The eligible uses of this reserve include the cash funding of public facility improvements or the servicing of related debt.

3. Recreational Facilities: City Council Policy 5003 requires ten percent (10%) of gross annual revenues derived from specified recreational classes and rentals to be set aside for the refurbishment of certain recreational facilities, fee-based activity programs and equipment used in connection with fee-based recreation classes.

4. Public Safety Equipment Replacement Reserve: The Public Safety Equipment Replacement Reserve has been established to secure funding for critical safety related equipment such as: personal protective equipment for police and fire, emergency medical equipment, fire suppression equipment, hazardous materials equipment, extrication equipment, body-worn cameras, in-car cameras/arbitrator system, unmanned aerial vehicle, equipment to secure perimeters, other non-lethal equipment, and litter baskets. Use of this Reserve must be approved by City Council. This Reserve shall be funded by allocations of General Fund surplus revenues, as defined later in this Policy, or by specific City Council allocations.

D. Assigned fund balance: That portion of a fund balance that includes amounts that are constrained by the City's intent to be used for specific purposes but that are not restricted or committed. This policy hereby delegates the authority to the City Manager or Chief Financial Officer to modify or create new assignments of fund balance. Constraints imposed on the use of assigned amounts may be changed by the City Manager or Chief Financial Officer. Appropriations of balances are subject to Council Policy 5001 concerning budget adoption and administration. Examples of assigned fund balance may include but are not limited to:

1. Reserves for Encumbrances: Purchase Orders and contracts executed by the City express an intent to purchase goods or services. Generally, such documents include a cancellation clause, where the City would then only be responsible to pay for goods received or services provided. The City recognizes the obligation to pay for these goods and services as a reservation of fund balance, but because the City can ultimately free itself of this obligation if necessary, it does not meet the requirements of the more restrictive fund balance categorizations.

2. Change in Fair Market Value of Investments: As dictated by GASB 31, the City

practice is necessary to ensure that the City's investment assets are shown at their true value as of the balance sheet. However, in a fluctuating interest rate environment, this practice records market value gains or losses which may never be actually realized. The City Manager or Chief Financial Officer may elect to reserve a portion of fund balance associated with an unrealized market value gain. However, it is impractical to assign a portion of fund balance associated with an unrealized market value loss.

When the City Manager or Chief Financial Officer authorizes a change in General Fund, Assigned Fund Balance, City Council shall be notified quarterly.

E. Unassigned fund balance: The residual portion of available fund balance that is not otherwise restricted, committed or assigned.

IX. GENERAL FUND SURPLUS:

At the end of each fiscal year, the difference between General Fund revenues and expenditures results in either a surplus (adding to fund balance) or deficit (subtracting from fund balance). In the case of a surplus, the policy for allocation shall follow these priorities:

1. Full funding of the Contingency Reserve.

2. If the Contingency Reserve is fully funded, 10% of the remaining surplus amount, but no more than $1,000,000, shall be placed in the Public Safety Equipment Replacement Reserve, 40% of the remaining surplus amount shall be placed in the Facilities Planning Reserve, and the remainder shall revert to Unassigned fund balance.

The City Manager may recommend a different allocation for approval by the City Council.

X. PROPRIETARY FUND RESERVES (NET WORKING CAPITAL):

In the case of Proprietary Funds (Enterprise and Internal Service Funds), Generally Accepted Accounting Principles ("GAAP") does not permit the reporting of reserves on the face of City financial statements. However, this does not preclude the City from setting policies to accumulate financial resources for prudent financial management of its proprietary fund operations. Since proprietary funds may include both long-term capital assets and long-term liabilities, the most comparable measure of liquid financial resources that is similar to fund balance in proprietary funds is net working capital which is the difference between current assets and current liabilities. For all further references to reserves in Proprietary Funds, Net Working Capital is the intended meaning.

A. Refuse Disposal Fund

1. Stabilization and Contingency Reserve: This Reserve is used to provide sufficient funds to support seasonal variations in cash flows and in more extreme conditions, to maintain operations for a reasonable period of time so the City may reorganize in an orderly manner or effectuate a rate increase to offset sustained cost increases. The intent of the Reserve is to provide funds to offset

cost increases that are projected to be short-lived, thereby partially eliminating the volatility in annual rate adjustments. It is not intended to offset ongoing, long-term pricing structure changes. The target level of this reserve is twenty-five percent (25%) of the annual operating budget. This reserve level is intended to provide a reorganization period of 3 months with zero income or 12 months at a twenty-five percent (25%) loss rate. The City Council must approve the use of these funds, based on City Manager recommendation. Funds collected in excess of the Stabilization reserve target would be available to offset future rate adjustments, while extended reserve shortfalls would be recovered from future rate increases. Should catastrophic losses to the fleet or transfer station occur, the Stabilization and Contingency Reserve may be called upon to avoid disruption to refuse disposal.

B. Municipal Bus Lines Fund

1. Stabilization and Contingency Reserve: This Reserve is used to provide sufficient funds to support seasonal variations in cash flows and in more extreme conditions, to maintain operations for a reasonable period of time so the City may reorganize in an orderly manner or effectuate a fare increase to offset sustained cost increases. The intent of the Reserve is to provide funds to offset cost increases that are projected to be short-lived, thereby partially eliminating the volatility in fare adjustments. It is not intended to offset ongoing, long-term cost of operations changes. The target level of this reserve is twenty-five percent (25%) of the annual operating budget. This reserve level is intended to provide a reorganization period of 3 months with zero income or 12 months at a twenty-five percent (25%) loss rate. The City Council must approve the use of these funds, based on City Manager recommendation. Funds collected in excess of the Stabilization reserve target would be available to offset future fare adjustments, while extended reserve shortfalls would be recovered from future fare increases. Should catastrophic losses to the fleet or transportation building occur, the Stabilization and Contingency Reserve may be called upon to avoid disruption to public transportation.

C. Sewer Enterprise Fund

1. Stabilization and Contingency Reserve: This Reserve is used to provide sufficient funds to support seasonal variations in cash flows and in more extreme conditions, to maintain operations for a reasonable period of time so the City may reorganize in an orderly manner or effectuate a rate increase to offset sustained cost increases. The intent of the Reserve is to provide funds to offset cost increases that are projected to be short-lived, thereby partially eliminating the volatility in annual rate adjustments. It is not intended to offset ongoing, long-term pricing structure changes. The target level of this reserve is fifty percent (50%) of the annual operating budget. This reserve level is intended to provide a reorganization period of 6 months with zero income or 24 months at a twenty-five percent (25%) loss rate. The City Council must approve use of these funds, based on City Manager recommendation. Funds collected in excess of the Stabilization reserve target would be available to offset future rate adjustments, while extended reserve shortfalls would be recovered from future rate increases. Should catastrophic losses to the infrastructure system occur, the Stabilization and Contingency Reserve may be called upon to avoid disruption to sewer service.

2. Infrastructure Replacement Funding Policy: This funding policy is intended to be a temporary repository for cash flows associated with the funding of infrastructure replacement projects provided by the Sewer Master Plan. The contribution rate is intended to level-amortize the cost of infrastructure replacement projects over a long period of time. The annual funding rate of the Sewer Master Plan is targeted at an amount that, when combined with prior or future year contributions, is sufficient to provide for the eventual replacement of assets as scheduled in the plan. This contribution policy should be updated periodically based on the most current Wastewater Master Plan. There are no minimum or maximum balances contemplated by this funding policy. However, the contributions level should be reviewed periodically or as major updates to the Wastewater Master Plan occur. Annual funding is contingent on many factors and may ultimately involve a combined strategy of cash funding and debt issuance with the intent to normalize the burden on Sewer customer rates.

D. Internal Service Funds

Background.

Internal Service Funds are used to centrally manage and account for specific program activity in a centralized cost center. Their revenue generally comes from internal charges to departmental operating budgets rather than direct appropriations. They have several functions.

They work well in normalizing departmental budgeting for programs that have life-cycles greater than one year; thereby facilitating level budgeting for expenditures that will, by their nature, be erratic from year to year. This also facilitates easier identification of long term trends.

They act as a strategic savings plan for long-term assets and liabilities.

From an analytical standpoint, they enable appropriate distribution of city- wide costs to individual departments, thereby more readily establishing true costs of various operations.

Since departmental charges to the internal service fund duplicate the ultimate expenditure from the internal service fund, they are eliminated when consolidating entity-wide totals.

The measurement criteria, cash flow patterns, funding horizon and acceptable funding levels are unique to each program being funded. Policy regarding target balance and/or contribution policy, gain/loss amortization assumption, source data, and governance for each of the City's Internal Service Funds is set forth as follows:

1. For all Internal Service Funds: The Chief Financial Officer may transfer part or all of any unencumbered fund balance between the Internal Service Funds provided that the withdrawal of funds from the transferred fund would not cause insufficient reserve levels or insufficient resources to carry out its intended purpose. This action is appropriate when the decline in cash balance in any fund is precipitated by an off-trend non-recurring event. The Chief Financial Officer will make such recommendations as part of the annual budget adoption or

through separate Council action.

2. Equipment Maintenance Fund and Equipment Replacement Fund: The Equipment Maintenance and Replacement Funds receive operating money from the Departments to provide equipment maintenance and to fund the regular replacement of major pieces of equipment (mostly vehicles) at their economic obsolescence.

   a. Equipment Maintenance Fund: The Equipment Maintenance Fund acts solely as a cost allocation center (vs. a pre-funding center) and is funded on a pay-as-you-go basis by departmental maintenance charges by vehicle type and usage requirement. Because of this limited function, the target year-end balance is zero.

      Contribution rates (departmental charges) are set to include the direct costs associated with maintaining the City vehicle fleet, including fleet maintenance employee salary and benefits, operating expenses, administrative overhead and maintenance related capital outlay. Maintenance facility improvements and replacement costs are to be provided outside of this cost unit.

      Because of the limited purpose of this fund, a gain/loss assumption is not needed.

      Source data is ongoing city fleet inventory and maintenance cost information. Governance is achieved through annual management adjustment of contribution rates on the basis of maintenance cost by vehicle and distribution of costs based on fleet use by department/division.

   b. Equipment Replacement Fund: Operating Departments are charged annual amounts sufficient to accumulate funds for the replacement of vehicles, communications equipment, technology equipment and other equipment replacement determined appropriate by the Chief Financial Officer. The City Manager recommends annual rate adjustments as part of the budget preparation process. These adjustments are based on pricing, future replacement schedules and other variables.

      The age and needs of the equipment inventory vary from year to year. Therefore, the year-end fund balance will fluctuate in direct correlation to accumulated depreciation. In general, it will increase in the years preceding the scheduled replacement of relatively large percentage of the equipment, on a dollar value basis. However, rising equipment costs, dissimilar future needs, replacing equipment faster than their expected life or maintaining equipment longer than their expected life all contribute to variation from the projected schedule.

      In light of the above, the target funding level is not established in terms of a flat dollar figure or even a percentage of the overall value of the equipment inventory. It is established at fifty percent (50%) of the current accumulated depreciation value of the equipment inventory, calculated on a replacement value basis. This will be reconciled annually as part of the year-end close out process by the Finance Department. If departmental replacement charges for equipment prove to be excessive or insufficient with regard to this target funding level, new rates established during the next budget cycle will be adjusted with a view toward bringing the balance back to the target level over a three-year period.

3. Self-Insurance Fund

   Background

   The Self-insurance fund pays for insurance premiums, benefit and settlement payments, and administrative and operating expenses. It is supported by charges to other City funds for the services it provides. These annual charges for service shall reflect the five-year historical experience and shall be set to equal the annual expenses of the fund.

   Policy & Practice

   Self-insurance reserves (Liability and Workers' compensation) will be maintained at a level which, together with purchased insurance policies, adequately indemnify the City's property, liability, and health benefit risk from one-time fluctuations. A qualified actuarial firm shall be retained on an annual basis in order to recommend appropriate funding levels, which will be approved by Council. The City shall maintain minimum reserves equal to 60% of the five-year average of total Self-Insurance Fund costs, with a maximum of 100%.

   To lessen the impact of short-term annual rate change fluctuation, City management may implement one-time fund transfers (rather than department rate increases) when funding shortfalls appear to be due to unusually sharp and non-recurring factors. Excess reserves in other areas may be transferred to the internal service fund in these instances but such transfers should not exceed the funding necessary to reach the one hundred percent (100%) reserve level defined above.

4. Compensated Absences

   Fund Background

   The primary purpose of flex leave, vacation leave and sick leave is to provide compensated time off as appropriate and approved. However, under certain circumstances, typically at separation from service, some employees have the option of receiving cash-out payments for some accumulated leave balances. The Compensated Absences Fund is utilized primarily as a budget smoothing technique for any such leave bank liquidations. The primary purpose of the Compensated Absences Fund is to maintain a balance sufficient to facilitate this smoothing.

   Policy and Practice

   The contribution rate will be set to cover estimated annual cash flows based on a three-year trailing average.

The minimum cash reserve should not fall below that three-year average. The maximum cash reserve should not exceed fifty percent (50%) of the long term liability. The target cash reserve shall be the median difference between the minimum and maximum figures.

Each department will make contributions to the Compensated Absences Fund through its operating budget as a specified percentage of salary. The Chief Financial Officer will review and recommend adjustments to the percentage of salary required during the annual budget development process. This percentage will be set so as to maintain the reserve within the parameters established above.

5. Post Retirement Funding Policies

   a. Pension Funding:

      i) California Public Employees Retirement System (CalPERS): The City's principal Defined Benefit Pension program is provided through contract with CalPERS. The City's contributions to the plan include a fixed employer paid member contribution and an actuarially determined employer contribution that fluctuates each year based on an annual actuarial plan valuation. This variable rate employer contribution includes the normal cost of providing the contracted benefits plus or minus an amortization of plan changes and net actuarial gains and losses since the last valuation period.

         It is the City's policy to make contributions to the plan equaling at least one hundred percent (100%) of the actuarially required contribution (annual pension cost). Because the City pays the entire actuarially required contribution each year, by definition, its net pension obligation at the end of each year is $0. Any unfunded actuarial liability (UAL) is amortized and paid in accordance with the actuary's funding recommendations. The City will strive to maintain its UAL within a range that is considered acceptable to actuarial standards. The City Council shall consider increasing the annual CalPERS contribution should the UAL status fall below acceptable actuarial standards.

   b. Other Post-Employment Benefits (OPEB Funding):

      Background.

      The City's OPEB funding obligations consists of two retiree medical plans.

      New Plan. Effective July 1, 2011, the City and its employee associations agreed to major changes to the Post Employment Healthcare Plan. New employees participate in a program that requires certain defined employee and employer contributions while the employee is in active service. However, once the contributions have been made to the employee's account, the City has transferred a substantial portion of the funding risk to the employee.

Old Plan. Eligible employees who retired prior to the "New Plan" and active employees were eligible to continue to receive post-retirement medical benefits (a defined benefit plan). The cost was divided among the City, current employees and certain retirees. In the past, this program was largely funded on a pay-as-you-go basis, so there was a significant unfunded liability. Recognizing this problem, the City began contributing to this obligation in
2010. In 2012, these assets were placed in a pre-funding trust. The City's intention is to amortize the remaining unfunded liability within 25 years.

Policy & Practice.

New Plan. Consistent with agreements between the City and employee associations, the new defined contribution plan will be one hundred percent (100%) funded, on an ongoing basis, as part of the annual budget process. Funds to cover this expenditure will be contained within the salary section of each department's annual operating budget.

Old Plan. The City's policy is to prefund the explicit (cash subsidy) portion of the Actuarial Accrued Liability (AAL) of the remnants of the old plan over a 25- year amortization period, or less. This amount will be based on the Annual Required Contribution (ARC) determined by a biennial actuarial review; subject to review and analysis by the City. The City will strive to maintain a funded status that will be within a range that is considered acceptable to actuarial standards. The City Council shall consider increasing the annual OPEB contribution should the funded status fall below acceptable actuarial standards. The City Council shall also consider increasing the annual OPEB contribution when possible to reduce the amortization period.

XI. GRANT ADMINISTRATION POLICY

A. Grant Application and Responsibility

Individual departments are encouraged to investigate sources of funding relevant to their respective departmental activities.

The individual department applying for a grant or receiving a restricted donation shall generally be considered the Program Administrator of the grant. The Budget and Accounting Divisions in the Finance Department may assist in the financial administration and reporting of the grant but the Program Administrator is ultimately responsible for meeting all terms and conditions of the grant, insuring that only allowable costs are charged to the grant program and is responsible for adhering to City budgeting and fiscal procedures. Individual Departments and Program Administrators are not authorized to execute grant contracts. Grant contracts should be reviewed by the City Attorney's office and executed by the City Manager and/or City Council.

B. Grant Acceptance & Appropriation by City Council

General Fund Reserve: Establish target General Fund Unassigned Fund Balance at a minimum of 25% of General Fund Expenditures each fiscal year. Establish a minimum General CIP reserve balance of 5% of General Fund Expenditures each fiscal year. The 5% is a transfer out from the General Fund to the CIP Fund (Fund 301).

Economic Uncertainty Fund Reserve: Maintain the Economic Uncertainty Fund at $2.0 million up to a maximum of $2 million to mitigate current and future risks due to fluctuations in the City's core tax revenues.

Capitalization of Fixed Assets: Capitalize fixed asset with a value of $5,000 or more and with an estimated life of **over one year.**

Balanced Budget: Is defined as a budget in which estimated revenues equal or exceed expenditures; in some instances, the City considers the budget is balanced when using available reserves to make up the gap between revenues and expenditures. Council policy is to adopt a balanced budget each year.

Revenue Estimates: Maintain a conservative approach in projecting revenues.

Budgetary Control: The budgetary level of control is held at the department level.

Budget Transfers: Budget transfer requests between accounts or object codes shall be limited; meaning, departments may overspend on one account without processing a budget request transfer form as long as that overage is covered by savings from another account within the department. Budget transfers within a division required the Director of Finance's approval. Budget transfers between divisions require City Manager's approval. Budget transfers between funds require Council approval. Additional appropriations requests after the budget is adopted require Council approval.

Basis of Budgeting: The City uses the modified accrual basis in budgeting government funds. This means that obligations of the City, including outstanding purchase orders, are budgeted as expenses and revenues are recognized when they are both measurable and available to fund current expenditures. Included in the budget for governmental funds are estimated payouts during the budget year for compensation absences in excess of maximum accrued leave allowable. For the enterprise funds, the City uses the full accrual method. This means expenses are recognized when incurred and revenues are recognized when due the City.

Basis of Accounting: The basis of accounting is the same as the basis of budgeting.

Budgetary Data: Annual budgets are legally adopted for all funds on a basis consistent with generally accepted accounting principles.

Debt Limit: The City does not have general bonded debt.

Purchasing: Purchase orders ranging from $25,000 - $50,000 require City Manager's approval; above $50,000 require formal bids to be approved by City Council.

Encumbrance Carryovers: Encumbered purchase orders with remaining balances at year-end may be carried over to the next fiscal year after review by the Purchasing Agent and approval by the Director of Finance. All carryover appropriations require Council approval.

Contracts Review: The Risk Manager should review contracts when procured through a negotiated/ award procedure at any given time during the fiscal year.

Financial Policies of the City of Inglewood

1. The City of Inglewood will manage its financial assets in a sound and prudent manner, and maintain and further develop programs to ensure its ability to pay for city services to enhance economic opportunities and the quality of life of residents.

Elected officials and city staff are representatives of the people of Inglewood and are expected to manage the City of Inglewood for the economic and social benefit of everyone. We have a fiduciary responsibility for the assets we manage on behalf of the people who are here today and those who come after us.

2. The City of Inglewood will maintain its financial records in accordance with generally accepted accounting principles (GAAP) and comply with all laws, regulations, contracts, grants and other legal requirements.

This policy is self-explanatory. We sometimes hear stories of how public or private entities use "creative accounting" to paint a more positive picture than might really exist. Staff will always conduct the City's financial affairs and maintain records in accordance with accounting principles generally accepted in the United States of America as established by the Government Accounting Standards Board. This process should help in maintaining accuracy and public confidence in the City's financial reporting systems.

3. It is the policy of the City of Inglewood to fund current expenditures for operating budgets with current revenues. The City Administrator's Budget Message shall explain any deviation from this policy.

This policy requires that in any given fiscal year we do not budget recurring appropriations in excess of the revenue we expect to receive in the same year. This "pay as you go" approach mandates that any increase in expenditures, decreases in revenues, or combination of the two that would result in a budget imbalance will require cost cutting and/or revenue enhancement, rather than spending unappropriated surpluses or designated reserves to support ongoing operations. Cost cutting measures may include reductions in staff (either through eliminating vacant positions, attrition, hiring freezes, or actual lay-offs), or reductions in expenditures for materials, services, and supplies. Expenditure reductions may very well result in reduced service levels.

Revenue enhancement would generally be in the form of new or increased taxes and fees. Any year-end operating surpluses will revert to unappropriated balances for use in maintaining policy-set reserve levels, and the remaining balances will be available for one-time carry-over expenditures, including capital improvement projects, or limited term expenditures.

Any apparent exception to this policy would be explained by the City Administrator with the proposed action that would bring this policy into apparent conflict. An example might be the State being late in some payment to the City, but the adopted State budget includes those late payments. In such circumstances, short term use of reserves would not be an actual violation of this policy.

4. It is the policy of the City of Inglewood to establish and maintain at least a reserve fund balance for the General Fund equal to 25% of the current year's expenditure appropriations and adequate operating reserves for all other funds to be reviewed at least annually.

Unforeseen developments and crises occur more often than not in any given budget year. Maintaining reserves is considered a prudent management practice and can be used for numerous unforeseen situations. Examples of potential uses and drawdowns include:

- Federal/State/County budget cuts;
- Local revenue shortfall due to major business closures or relocations;
- Increase in demand for a specific service;
- Legislative or judicial mandate to provide a new/or expanded service or programs;
- One-time City Council approved expenditure;
- Unexpected increase in inflation (CPI); and,
- Natural disaster (earthquake, flood, etc.)

In an effort to ensure the continuance of sound financial management of public resources, this policy of the City Council directs staff to maintain an unappropriated General Fund reserve amount equal to 25% of current year appropriations in a separate reserve fund account. If unforeseen circumstances occur which cause the reserves to drop below their prescribed levels, then staff will immediately present the City Council with various options for curing the deficiency (ies).

5. **The annual budget shall present a five year revenue and expenditure projection for the General Fund and other major funds of the City.**

   A long-range financial perspective is essential to provide a more comprehensive and thorough overview of the City's long-term financial needs. Components of this plan include the use of an annual operating budget and a five-year financial forecast with revenue and expenditure projections. The approach will be supported by staff's use of historical data, current economic trends and identification of future financial events.

6. **The City will estimate revenues using an objective, analytical process; in the case of economic uncertainty, conservative projections will be utilized.**

   Many General Fund revenues are based on volatile revenues that rise and fall with the strength of the economy. Examples include fee revenue from planning and building and safety permits; sales taxes; and Transient Occupancy Taxes (TOT) from hotel and motel rooms. In addition, even when economic growth is occurring, it can vary from just barely keeping up with inflation to a genuine economic boom. It is most fiscally prudent to budget these revenues conservatively, using the lower end of the expected range. All revenue projections will be carefully reviewed using historical data of actual city revenues and knowledge of local factors; regional economic forecasts; and state and national projections. Staff will balance these factors before making any projections.

7. **The City will endeavor to maintain a diversified and stable revenue base to minimize the effects of economic fluctuations on revenue generation.**

   Among the most stable revenues are property taxes and utility user taxes, and these two revenues are both stronger in their contribution to our tax base than sales taxes. We are fortunate to have a diversified revenue base today, without a major reliance on any one employer. Economic development policies that encourage this type of diversified revenue base are in the best interests of our fiscal health. With the NFL choosing the Hollywood Park site for the return of the Rams to Los Angeles, Inglewood will stand to gain approximately $1.234 billion in annual revenues over 25 years.

8. **Development process costs and related administrative expenses will be totally offset by development fees.**

   New development is part of the economic diversification that is desirable in the City. However, new development has major costs associated with it, not least of which is the processing of the permits to ensure compliance with State and local laws and ordinances. It is unfair for existing residents and businesses to pay these costs. State law provides for full cost recovery of fees for services by a simple vote of the City Council. The City has a policy of full cost recovery from fees for new development costs.

9. **Fee supported services shall be reviewed and fees adjusted to reduce public subsidies and move toward full cost recovery where deemed appropriate. This shall be done in conjunction with the annual budget process.**

   In addition to development fees, the City offers a wide variety of other services which could be totally offset by fees, including library costs, park and recreation costs, and special programs for seniors and others. However, very few jurisdictions charge full costs for these services. Nevertheless, some fees must be charged for most of these services, and those fees should be reviewed annually as part of the annual budget process and recommendations for any changes could be made to council at the same time services provided by the budget are considered.

   In addition to these fees, the City charges a wide variety of other fees, from police department licensing and permitting, to copies of documents. In general, these fees should have full cost recovery, and should be reviewed annually to ensure that all costs are being considered.

10. **The City supports a financial planning process that assesses the long-term financial implications of current and proposed operating and capital budgets, budget policies, cash management and investment policies, programs and assumptions. Major capital projects will be reviewed and included in the update to the City's General Plan. Annual budgets shall identify all new and on-going capital improvement projects.**

    The City is currently updating its General Plan and all the elements of it, including a long range fiscal plan for the city. Many of the major infrastructure projects of the City have important capital needs and deferred maintenance requirements. This includes the City's water and sewer systems, and the need for major improvements to the storm water system. We also have major street repair requirements and related street improvements of sidewalks, signals and trees.

costs and start-up costs. Site costs for land already owned by the City do not need to be reported. Projected operating costs through any stabilization period, as well as projected future operating and maintenance costs, are to be identified. If the project has a limited economic life, the fiscal impact information should discuss proposed end of life actions and costs. The method for funding the projected operating costs is to be included in any funding description.

7. Adequate General Fund Emergency And Operating Reserves Will Be Maintained

Background - Maintaining adequate emergency and operating reserves is a basic component of a financially strong City. Adequate reserves help sustain City operations when adverse or unexpected circumstances impact the City. There are two basic types of reserves for emergencies and operations. The first type, an emergency reserve, is to be used only for rare catastrophic events and is not to be used to address economic problems such as revenue shortfalls. The second type, an operating reserve, is intended to handle general short-term issues or opportunities, inclusive of expected short-term operating revenue shortfalls or higher than anticipated expenses.

Policy

a. The City will maintain a General Fund Emergency Reserve at a minimum of 8 percent of General Fund operating expenditures (including transfers) and a target level of 10 percent.

b. The City will maintain a General Fund Operating Reserve at a minimum of 2 percent of General Fund operating expenditures with a normal maximum of 7 percent.

c. The City will seek to achieve and maintain overall General Fund reserves (including all committed, assigned and unassigned reserves and excludes restricted and unspendable reserves) at no less than two months (or 16.7 percent) of General Fund expenditures, including transfers.

d. If emergency or operating reserves are drawn down below the minimums, a plan will be developed and implemented to replenish them, generally from future surpluses. Replenishing reserves will be a priority use of one-time resources.

e. The City may establish and maintain special purpose operating reserves (in addition to the operating reserve described above). Special purpose operating reserves are intended to be used for specific revenue and expense variations and will generally be formulaic and automatic in nature in terms of when the reserves will be added and when they will be used.

f. A CalPERS stabilization fund is established and maintained to reduce or eliminate year-to-year variances in costs due solely to short-term deviations in CalPERS investment returns. Increases or decreases to this reserve will be included in the proposed budget, based on a formula developed and implemented by the Financial Management Department.

g. The City may establish and maintain other reserves.

8. Adequate Reserves Will Be Established For All City Funds

Background - Financial reserves strengthen the City's financial status and provide valuable flexibility for unexpected events for City funds. Every fund of the City represents a stand-alone financial operation and has its own operating characteristics, financial capabilities, and constraints. The level of reserves needed, if any, should be based on the financial and operating characteristics of each fund.

Policy - The Financial Management Department, in concert with any relevant operating departments, shall develop and present to City Council recommended reserve policies for each City fund, which will be adopted, as modified, by the City Council

9. Revenues Will Be Projected Using A Methodology That Is Reasonably Conservative

Background - Revenue projections are critical to budget decisions, particularly a budget that is intended to be structurally balanced. Unfortunately many of the City's key revenues are subject to material variation depending on the economy. No revenue projection is likely to be "accurate" when the economy is changing direction or moving quickly. As a result, it is important to have a consistent approach to projecting revenues and for decision-makers to understand the basis used to project the resources available for the budget. Revenue should be projected in a way not likely to lead to a revenue shortfall and not be so conservative that the projection is always substantially under revenues.

Policy - Revenue projections are to be objectively prepared using a conservative approach. That approach should result in overall budgeted revenues for a fund being set at a level such that it is reasonably unlikely that actual revenues will be lower than budgeted.

10. Stable Revenue Sources Will Be Used To Fund Operations, To The Extent Practical

Background - Operations require stable revenue sources from year-to-year to minimize the necessity to cut services when key revenues vary in the wrong direction. Revenue sources that have significant variability from year to year, or an unpredictable basis, are not completely suitable to fund operations and often cannot be projected with reasonable accuracy. Two approaches to addressing such a situation are to 1) designate the entire revenue sources as one-time or 2) divide it into stable (operations) and unstable (one-time) components.

Policy - The City will take steps to utilize only the stable portion of revenue sources for ongoing operations.

a. Any revenue that has a highly variable component and is used to fund ongoing operations may have only a portion of it, or none of it, budgeted for operations. The remainder (unstable portion) may be budgeted in the year of expected receipt or in the following year for capital or other one-time purposes, including increasing reserves. If budgeted in the year of receipt, it should not normally be budgeted for expenditures that require commitments in advance of receipt. This policy helps stabilize operating revenues and can provide a fairly regular source of funds for one-time purposes. Consideration of such a practice for individual revenue sources will be based on a recommendation from the City Manager and subsequent approval by City Council.

creation and execution of the City's spending plan. The Policies also reference other adopted City policies such as the Budget Policies, Debt Management and Disclosure Policy, and Unfunded Pension Liability Policy.

Civic engagement is a key element of our budget process. In February 2024, the City held a Community Priorities Budget meeting. Staff provided attendees with an overview of the current fiscal year budget as well as with an explanation of the budget process for next fiscal year. Following this presentation, each Department Head provided a brief introduction outlining their respective department's functions within the City. Community members actively participated by submitting questions and comments and Department Heads responded during the interactive discussion session. In addition to taking input during the meeting, the City's Budget Team email address (budget@manhattanbeach.gov) is also available throughout the year for budget feedback and questions.

The City also conducted outreach via an online Budget Survey resulting in 18 responses. The survey questions focused on funding priorities for the General Fund as well as areas requiring most attention from elected officials and City administration. The top priorities for the respondents were Public Safety (Police and Fire) Services (56%) and Maintenance of Streets and Parking Lots (56%). When asked about infrastructure priorities, most respondents rated Sewer Infrastructure as having the highest importance over the other options of Water Infrastructure, Outdoor Recreation Facilities and Parks, City Facilities, Storm Drain Infrastructure and Parking facilities.

After gathering community input, staff began preparing the Proposed Budget by making projections for City revenues and having internal reviews of all expenditure line items. Staff also prepares budget proposals for program changes, one-time projects, equipment, new technologies, and staffing changes. These budget proposals are reviewed in conjunction with community priorities and funding availability, which forms a basis for decisions on which investments are included in next year's budget.

After the initial presentation of the Proposed Budget at a regular City Council meeting, the City usually has at least one special Budget Study Session meeting for detailed discussion and analysis, as well as to receive additional community feedback. The entire process culminates with the Budget and Capital Improvements Plan adoption in June.

FISCAL OUTLOOK

The City's main General Fund revenue source, Property Tax, continues to grow with residential and commercial property values. Although housing prices surged during the pandemic due to low inventory, sales activity has slowed due to continued high mortgage interest rates.

As a beach community and regional destination for fine dining and retail shopping, other key General Fund revenues of Sales Tax, Transient Occupancy Tax, and Business License Tax are dependent upon the local economy and travel/tourism industry. The City's biggest Sales Tax sector, general consumer goods, has experienced growth in specialty stores, electronics, shoes and apparel. Sales Tax from restaurants continues to be strong for both casual and fine dining. High occupancy rates at local hotels, motels and short-term rentals is driving higher Transient Occupancy Tax (TOT) indicating strong demand in leisure and business travel, while regional special events continue to attract visitors. All of these economic sectors contributed to increases in Business License Tax, which is calculated on gross receipts.

With our conservative approach to budgeting, history of prudent planning, and effective cost controls, the City emerged from the pandemic in a strong financial position. The City's General Fund continues to maintain healthy reserves, currently at 20% of operating expenditures, or about $19.5 million, which is greater than the GFOA recommendation of no less than two months (17%) of regular General Fund operating revenues or expenditures. The City Council has also set aside $4.0 million as an “Economic Uncertainty” reserve. In addition to these designated reserves, the General Fund's Unreserved Fund Balance is estimated at nearly $5.6 million at the end of fiscal year 2024-2025, which may be drawn upon for one-time projects and initiatives or, if necessary, transfers to other funds.

In early 2024, property owners approved a Proposition 218 ballot initiative for storm drain assessments, thereby eliminating the need for continued General Fund subsidies to the Storm Drain Fund. Having a sufficient, dedicated funding source for this enterprise operation relieves significant pressure on the General Fund and supports fiscal sustainability in the long-term.

SERVICE DELIVERY INVESTMENTS

As a City, we rely upon our employees to provide exemplary municipal services. Just as any other business adjusts staffing to meet demands, we too must constantly evaluate and adapt to changing operational needs and service requests from the community, as well as provide adequate support staffing to fulfill our mission of satisfying community priorities.

With the adoption of the FY 2023-2024 Budget, and during the Mid-Year update, the City focused on right-sizing staffing levels with operational needs that resulted in the addition of new full-time positions. Significant investments were made in public safety as well as in

ANNUAL AUDIT
An independent public accounting firm will perform an annual audit and its opinions will be included in the Annual Comprehensive Financial Report.

The independent audit firm will be reviewed and selected at least once every five years. The contract will be for a period of no more than five years. The Finance Subcommittee, City Manager and Finance Director will review the qualifications of prospective firms and make a recommendation to the City Council. The audit contract will be awarded by the City Council.

An Annual Comprehensive Financial Report (ACFR) shall be prepared within six months of the close of the previous fiscal year. It will be reviewed with the Finance Subcommittee, and presented to the City Council and community at a public meeting no later than February 1 of the following year. At the end of each fiscal year, and with the presentation of the Annual Comprehensive Financial Report to City Council, the Finance Director may recommend the transfer of additional General Fund surplus funds to the Section 115 Trust for future pension liability payments.

It is the City's goal to maintain accounting records, processes and procedures in such a manner as to receive an unmodified audit opinion and to maintain a Certificate of Achievement for Excellence in Financial Reporting from the GFOA.

3 - FUND BALANCE POLICIES

The City utilizes a variety of accounting funds for recording revenues and expenditures. Fund balance is defined as the difference between the assets and liabilities within a fund. At each fiscal year-end, budgeted/appropriated expenditure authority lapses with the exception of capital project spending, and operating expenses that have been incurred but not paid (encumbered). The remaining dollars left in each fund that are Unassigned constitute available funds of the City. The Unassigned fund balance shall include the City's Financial Policy components. The City Council authorizes the City Manager or Director of Finance to make assignment of funds. Where City Council has not established a formal policy, the Governmental Accounting Standards Board Statement 54 will be operative.

GENERAL FUND
The General Fund shall maintain a Policy Reserve in an amount equal to at least 20 percent of the annual General Fund core expenditure budget, excluding one-time capital purchases. These funds are designed to be used in the event of significant financial emergency.

City Council may, at its discretion, set aside additional policy reserve funds above the 20% minimum. The City currently has funds set aside in an Economic Uncertainty reserve to be used at City Council's discretion.

Additional amounts may be allocated for specific purposes, with any residual balance from these commitments shall be returned to the General Fund.

ENTERPRISE FUNDS
The City's Enterprise Funds (Water, Storm Drain, Sewer, Parking, County Parking Lots, and Pier) will maintain reserves equal to four months or 33% of operating expenses. If reserves in any Enterprise Fund are anticipated to be less than this policy, then it shall be noted in the City's Budget document and a plan will be developed by Finance staff to address the reserve level.

FLEET MANAGEMENT FUND
Using the Fleet Management Fund, the City will annually budget sufficient funds to provide for the orderly maintenance, repair and replacement of the City's vehicles. This Fund is supported by charges to user departments, which are adjusted annually, based on the department's proportionate share of estimated fleet management expenses. Sufficient working capital will be maintained in the fund to provide for the scheduled replacement of fleet vehicles at the end of their useful lives.

INFORMATION TECHNOLOGY FUND
Using the Information Technology Fund, the City will annually budget sufficient funds to provide for the orderly maintenance, repair and replacement of the City's technology infrastructure. This Fund is supported by charges to user departments, which are adjusted annually, based on departments' proportionate share of estimated expenses. Such share may be determined based upon the departments' number of devices supported by the Information Technology Department. Sufficient reserves will be maintained in the Fund for department operations and equipment replacements as appropriate.

INSURANCE RESERVE FUND
The City maintains a self-insurance fund for property, liability, and workers' compensation expenses. This fund pays insurance premiums, benefit and settlement payments up to the Self-Insured Retention (SIR), and administrative and operating expenses. The Insurance Reserve Fund is supported by charges to other City funds for the services it provides. These annual charges for service shall be established to approximately equal the annual expenses of the fund, plus any additional charges to maintain reserves.

RESERVE POLICY

Purpose

To establish City Council policy for the administration of Reserves defined as fund balances in governmental funds and net working capital in proprietary funds.

This Policy is organized in the following sections:

Background

Prudent financial management dictates that some portion of the funds available to the City be reserved for future use.

As a general budget principle concerning the use of reserves, the City Council decides whether to appropriate funds from Reserve accounts. Even though a project or other expenditure qualifies as a proper use of Reserves, the Council may decide that it is more beneficial to use current year operating revenues or bond proceeds instead, thereby retaining the Reserve funds for future use. Reserve funds will not be spent for any function other than the specific purpose of the Reserve account from which they are drawn without specific direction in the annual budget or by a separate City Council action. Information regarding Annual Budget Adoption and Administration is contained in City Council Policy F-3.

GOVERNMENTAL FUNDS AND FUND BALANCE DEFINED

Governmental Funds including the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds have a short-term or current flow of financial resources, measurement focus, and basis of accounting, and therefore exclude long-term assets and long-term liabilities. The term Fund Balance, used to describe the resources that accumulate in these funds, is the difference between the fund assets and fund liabilities of these funds. Fund Balance is similar to the measure of net working capital that is used in private sector accounting. By definition, both Fund Balance and Net Working Capital exclude long-term assets and long-term liabilities.

PROPRIETARY FUNDS AND NET WORKING CAPITAL DEFINED

Proprietary Funds including Enterprise Funds and Internal Service Funds have a long-term or economic resources measurement focus and basis of accounting, and therefore include long-term assets and liabilities. This basis of accounting is very similar to that used in private sector. However, instead of Retained Earnings, the term Net Assets is used to describe the difference between fund assets and fund liabilities. Since Net Assets include both long-term assets and liabilities, the most comparable measure of proprietary fund financial resources to governmental Fund Balance is Net Working Capital, which is the difference between current assets and current liabilities. Net Working Capital, like Fund Balance, excludes long-term assets and long-term liabilities.

GOVERNMENTAL FUND RESERVES (FUND BALANCE)

For Governmental Funds, the Governmental Accounting Standards Board ("GASB") Statement No. 54 defines five specific classifications of fund balance. The five classifications are intended to identify whether the specific components of fund balance are available for appropriation and are therefore "Spendable." The classifications also are intended to identify the extent to which fund balance is constrained by special restrictions, if any. Applicable only to governmental funds, the five classifications of fund balance are as follows:

CLASSIFICATIONS	NATURE OF RESTRICTION
Non-spendable	Cannot be readily converted to cash
Restricted	Externally imposed restrictions
Committed	City Council imposed commitment
Assigned	City Manager assigned purpose/intent
Unassigned	Residual balance not otherwise restricted

A. Non-Spendable Fund Balance: That portion of fund balance that includes amounts that are either (a) not in a spendable form, or (b) legally or contractually required to be maintained intact. Examples of Non-spendable fund balance include:

1. Reserve for Inventories: The value of inventories purchased by the City but not yet issued to the operating Departments is reflected in this account.

2. Reserve for Long Term Receivables and Advances: This Reserve is used to identify and segregate that portion of the City's financial assets which are not due to be received for an extended period, so are not available for appropriation during the budget year.

3. Reserve for Prepaid Assets: This Reserve represents resources that have been paid to another entity in advance of the accounting period in which the resource is deducted from fund balance. A common example is an insurance premium, which is typically payable in advance of the coverage period.

   Although prepaid assets have yet to be deducted from fund balance, they are no longer available for appropriation.

4. Reserve for Permanent Endowment – Bay Dredging: The endowment specifies that the principal amount will not be depleted and represents the asset amounts to be held in the Bay Dredging Fund.

5. <u>Reserve for Permanent Endowment – Ackerman Fund</u>: The endowment specifies that the principal amount will not be depleted and represents the asset amount to be held in the Ackerman Fund.

B. <u>Restricted Fund Balance</u>: The portion of fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Examples of restricted fund balance are:

1. <u>Reserve for Debt Service</u>: Funds are placed in this Reserve at the time debt is issued. The provisions governing the Reserve, if established, are in the Bond Indenture and the Reserve itself is typically controlled by the Trustee.

2. <u>Affordable Housing</u>: A principal provision of the Newport Beach Housing Element requires developers to provide housing units for lower income households, the number of which is to be negotiated for each development project. In lieu of constructing affordable housing, developers have paid into this reserve which is used at the City Council's discretion to provide alternate methods for the delivery of affordable housing for lower income households.

3. <u>Park In Lieu</u>: Per Newport Beach Municipal Code (NBMC) Chapter 19.52 and California Government Code Section 664777 (The 1975 "Quimby Act"), a dedication of land or payment of fees for park or recreational purposes in conjunction with residential development is required. The fees collected can only be used for specific park or recreation purposes as outlined in NBMC Sections 19.52.030 and 19.52.070.

4. <u>Upper Newport Bay Restoration Reserve</u>: This Reserve is the repository for funds mandated by SB573, as well as special fees charged to permit holders as an alternative to meeting certain specified mitigation criteria. In addition to the mitigation fees, ten percent (10%) of Beacon Bay lease revenue is placed in this Reserve. Funds in the Reserve are restricted for Upper Newport Bay restoration projects.

5. <u>Permanent Endowment for Bay Dredging</u>: The endowment also specifies that the interest earnings on the principal amount can only be used for dredging projects in the Newport Bay.

6. <u>Permanent Endowment for Ackerman Fund</u>: The endowment also specifies that the interest earnings on the principal amount can only be used for scholarships provided by the City and high-tech library equipment.

7. <u>Oceanfront Encroachment Reserve</u>: In the early 1990's, it was discovered by survey that improvements to several ocean front parcels were encroaching onto the public beach. The encroachment was relatively minor. The negotiated solution was for the property owners to pay a permit fee each year to the City. Revenue thus generated may only be used for ocean front restoration projects and incidental costs of improvements and maintenance to enhance public access and use of ocean beaches as approved by the City Council. This Reserve is the repository for those funds. Appendix C of NBMC Title 21 (Local Coastal Program Implementation Plan) contains additional background and details about the encroachment issue. The external restriction on this balance is imposed by the Local Coastal Program (LCP).

C. <u>Committed Fund Balance</u>: That portion of a fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, and remain binding unless removed in the same manner. The City considers a resolution to constitute a formal action for the purposes of establishing committed fund balance. The action to constrain resources must occur within the fiscal reporting period; however, the amount can be determined subsequently. City Council imposed Commitments are as follows:

1. <u>Facilities Financial Planning (FFP) Program</u>: In conjunction with the City's Facilities Financial Plan, a sinking fund has been established to amortize the cost of critical City facilities such as, but not limited to, the Civic Center, Police Department buildings, Fire Stations, Library Branches, and other Facility Improvement Projects.

   The Facilities Financial Planning Program establishes a level charge to the General Fund that will perpetually replenish the cash flows necessary to finance the construction of critical City facilities. This plan will be updated annually as part of the budget process, or as conditions change. Specific requirements for annual funding and minimum reserve balance for the FFP Program can be found in City Council Policy F-28.

   The eligible uses of this reserve include the cash funding of public facility improvements or the servicing of related debt.

2. <u>Off Street Parking</u>: Per NBMC Section 12.44.025 the City Council may direct revenues into the Off-Street Parking Facilities Fund for purposes of the acquisition, development, and improvement of off street parking facilities, and for any expenditures necessary or convenient to accomplish such purposes.

3. <u>In Lieu Parking</u>: Per NBMC Section 12.44.125 the City requires commercial businesses to provide adequate off-street parking or where this is not possible, businesses are afforded the opportunity to pay an annual fee and use parking spaces in a municipal lot, providing such a lot is located within specified proximity to the business. These funds can only be used to provide additional parking.

4. Neighborhood Enhancement – A: Funds previously accumulated to Neighborhood Enhancement Area "A" pursuant to a prior version of NBMC Section 12.44.027 shall continue to be used only for the purpose of enhancing and supplementing services to the West Newport area. Both the nature of the supplemental services and the definition of the area served are set forth in NBMC Section 12.44.027.

5. Neighborhood Enhancement – B: Funds previously accumulated to Neighborhood Enhancement Area "B" pursuant to a prior version of NBMC Section 12.44.027 shall continue to be used only for the purpose of enhancing and supplementing services in the Balboa Peninsula. Both the nature of the supplemental services and the definition of the area served are set forth in NBMC Section 12.44.027.

6. Cable Franchise: Pursuant to the provisions of the Newport Beach Municipal Code, Title 5, Business Licenses & Regulations, Chapter 5.44, in return for the use of the City's streets and public ways for the purpose of installing, operating, maintaining, or reconstructing a cable system to provide cable service, fees are collected by the City from cable providers. Those fees are to be used by the City for support of Public, Education, and Government access programming only.

7. Oil and Gas Reserve: These funds generated by an annual amount being set aside from oil and gas field production revenues are to be used to fund abandonment of wells and facilities as they go out of service.

8. Capital Reappropriation: This Reserve recognizes a portion of fund balance that is not readily available to fund new appropriations because it has been reappropriated through the budget adoption process or amendment process for programs or projects authorized in a prior fiscal year that are not yet complete.

D. Assigned Fund Balance: That portion of a fund balance that includes amounts that are constrained by the City's intent to be used for specific purposes but that are not restricted or committed. This policy hereby delegates the authority to the City Manager or designee to modify or create new assignments of fund balance. Constraints imposed on the use of assigned amounts may be changed by the City Manager or his designee. Appropriations of balances are subject to Council Policy F-3 concerning budget adoption and administration.

E. Unassigned Fund Balance:

1. Contingency Reserve: The Contingency Reserve shall have a target balance of twenty five percent (25%) of General Fund "Operating Budget" as originally adopted. Operating Budget for this purpose shall include current expenditure appropriations and shall exclude Capital Improvement Projects, Transfers Out, and additional discretionary payments to the City's unfunded pension liability. Appropriation and/ or access to these funds are generally reserved for emergency or unforeseen situations but may be accessed by Council by simple budget appropriation. Examples may include but are not limited to the following:

a. A catastrophic loss of critical infrastructure.

b. A State or Federally declared state of emergency.

c. Any settlement arising from a claim or judgment.

d. Deviation from budgeted revenue projections.

e. Any action by another government that eliminates or shifts revenues from the City.

f. Inability of the City to meet its debt service obligations in any given year.

g. Other circumstances deemed necessary by City Council to meet the claims and obligations of the City.

Should the Contingency Reserve be used, the City Manager shall present a plan to City Council to replenish the reserve within five years.

2. Residual Fund Balance: The residual portion of available fund balance that is not otherwise restricted, committed, or assigned and is above and beyond the Contingency Reserve target reserve balance.

PROPRIETARY FUND RESERVES (NET WORKING CAPITAL)

In the case of Proprietary Funds (Enterprise and Internal Service Funds), Generally Accepted Accounting Principles ("GAAP") do not permit the reporting of reserves on the face of City financial statements. However, this does not preclude the City from setting policies to accumulate financial resources for prudent financial management of its proprietary fund operations. Since proprietary funds may include both long-term capital assets and long-term liabilities, the most comparable measure of liquid financial resources that is similar to fund balance in proprietary funds is net working capital, which is the difference between current assets and current liabilities. For all further references to reserves in Proprietary Funds, Net Working Capital is the intended meaning.

A. <u>Water Enterprise Fund</u>

The Water Enterprise Fund Reserves are established to cover shortfalls in operating revenues, maintain strong bond ratings, cover day-to-day operating costs, and ease the burden on ratepayers associated with large rate increases. Appropriate reserve levels help the Water Enterprise Fund with liquidity, provide operational flexibility, and demonstrate fiscal responsibility to the rating agencies. The Water Enterprise Fund will maintain the following three reserves:

1. <u>Operating Reserve</u>: The Water Enterprise Fund Operating Reserve represents working capital maintained by the Water Enterprise Fund to cover day-to-day expenses and maintain sufficient funds to cover accounts receivables, periods of lower than expected water sales, or unforeseen cost increases such as the cost of importing additional water if groundwater becomes unavailable. The Water Enterprise Fund Operating Reserve will maintain a minimum balance of 120 days of operating expenses once fully funded. The City Council must approve the use of these funds, based on the City Manager’s recommendation. Water Enterprise Funds collected in excess of the Water Enterprise Fund Operating Reserve targets would be available to offset future rate adjustments, while extended reserve shortfalls would be recovered from future rate increases. Should catastrophic losses to the infrastructure system occur, the Water Enterprise Fund Operating Reserve may be called upon to avoid disruption to water distribution.

2. <u>Rate Stabilization Reserve</u>: The Water Enterprise Fund Rate Stabilization Reserve represents funds used to absorb lower than expected revenue due to short-term decreases in water sales. The Rate Stabilization Reserve mitigates wide swings in rates charged to customers over time. The Water Enterprise Fund Rate Stabilization Reserve will maintain a minimum balance of thirty percent (30%) of water use reduction once fully funded. The City Council must approve the use of these funds, based on the City Manager’s recommendation. Water Enterprise Funds collected in excess of the Rate Stabilization Reserve target would be available to offset future rate adjustments, while extended reserve shortfalls would be recovered from future rate increases. Should catastrophic losses to the infrastructure system occur, the Water Enterprise Fund Rate Stabilization Reserve may be called upon to avoid disruption in water distribution.

3. <u>Capital Reserve</u>: The Water Enterprise Fund Capital Reserve represents funds to cover a portion of upcoming annual capital expenditures, smooth out the amount of capital infusion needed each year, and mitigate unexpected capital costs. The Water Enterprise Capital Reserve will maintain a minimum balance of seventy five percent (75%) of the annual planned CIP once fully funded.

B. Wastewater Enterprise Fund

The Wastewater Enterprise Fund Reserves are established to cover shortfalls in operating revenues, maintain strong bond ratings, cover day-to-day operating costs, and ease the burden on ratepayers associated with large rate increases. Per the reserve level recommendations, the Wastewater Enterprise Fund will maintain the following two reserves:

1. Operating Reserve: The Wastewater Enterprise Fund Operating Reserve represents the working capital the Wastewater Enterprise Fund maintains to cover day-to-day expenses and maintain sufficient funds to cover accounts receivables in the event of supplier issues, lower than expected sewer sales, or unforeseen cost increases. The Wastewater Enterprise Fund Operating Reserve will maintain a minimum balance of 90 days of operating expenses once fully funded. The City Council must approve the use of these funds based on City Manager's recommendation. Wastewater Enterprise Funds collected in excess of the Wastewater Enterprise Fund Operating Reserve targets would be available to offset future rate adjustments, while extended reserve shortfalls would be recovered from future rate increases. Should catastrophic losses to the infrastructure system occur, the Wastewater Enterprise Fund Operating Reserve may be called upon to avoid disruption in water distribution.

2. Capital Reserve: The Capital Reserve represents funds to cover a portion of upcoming annual capital expenditures, smooth out the amount of capital infusion needed each year, and help mitigate unexpected capital costs. The Wastewater Enterprise Fund Capital Reserve will maintain a minimum balance of one hundred percent (100%) of the annual planned CIP once fully funded.

C. Internal Service Funds Background

Internal Service Funds are used to centrally manage and account for specific program activity in a centralized cost center. Their revenue generally comes from internal charges to departmental operating budgets rather than external revenue sources. They have several functions.

- They work well in normalizing departmental budgeting for programs that have life-cycles greater than one year, thereby facilitating level budgeting for expenditures that will, by their nature, be erratic from year to year. This also facilitates easier identification of long term trends.

- They act as a strategic savings plan for long-term assets and liabilities.

- From an analytical standpoint, they enable appropriate distribution of city-wide costs to individual departments, thereby more readily establishing true costs of various operations.

Since departmental charges to the internal service fund duplicate the ultimate expenditure from the internal service fund, they are eliminated when consolidating entity-wide totals.

The measurement criteria, cash flow patterns, funding horizon and acceptable funding levels are unique to each program being funded. Policy regarding target balance and/ or contribution policy, gain/loss amortization assumptions, source data, and governance for each of the City's Internal Service Funds is set forth as follows:

1. For all Internal Service Funds: The Finance Director may transfer part or all of any unencumbered fund balance between the Internal Service Funds provided that the withdrawal of funds from the transferred fund would not cause insufficient reserve levels or insufficient resources to carry out its intended purpose. This action is appropriate when the decline in cash balance in any fund is precipitated by an off-trend non-recurring event. The Finance Director will make such recommendations as part of the annual budget adoption or through separate Council action.

2. Equipment Maintenance Fund and Equipment Replacement Fund: The Equipment Maintenance and Replacement Funds receive operating money from the Departments to provide equipment maintenance and to fund the regular replacement of major pieces of equipment (mostly vehicles) at their economic obsolescence.

   a. Equipment Maintenance Fund: The Equipment Maintenance Fund acts solely as a cost allocation center (vs. a pre-funding center) and is funded on a pay-as-you-go basis by departmental maintenance charges by vehicle type and usage requirement. Because of this limited function, the target year-end balance is zero.

      Contribution rates (departmental charges) are set to include the direct costs associated with maintaining the City vehicle fleet, including fleet maintenance employee salaries and benefits, operating expenses, and maintenance related capital outlay. Administrative overhead and maintenance facility improvements and replacement costs are to be provided outside of this cost unit. Governance is achieved through annual management adjustment of contribution rates on the basis of maintenance cost by vehicle and distribution of costs based on fleet use by department.

   b. Equipment Replacement Fund: Operating Departments are charged annual amounts sufficient to accumulate funds for the replacement of vehicles, communications equipment, parking equipment, and other equipment replacement determined to be appropriate by the Finance Director. The City Manager recommends annual rate adjustments as part of the budget preparation process. These adjustments are based on pricing, future replacement schedules, and other variables.

The age and needs of the equipment inventory vary from year to year. Therefore, the year-end fund balance will fluctuate in direct correlation to accumulated depreciation. In general, it will increase in the years preceding the scheduled replacement of relatively large percentage of the equipment, on a dollar value basis. However, rising equipment costs, dissimilar future needs, replacing equipment faster than their expected life, or maintaining equipment longer than its expected life all contribute to variation from the projected schedule.

Target funding levels shall be determined by the Finance Director after considering the age, expected life, and cash flow anticipated by the replacement equipment being funded. If departmental replacement charges for equipment prove to be excessive or insufficient with regard to this target funding level, new rates established during the next budget cycle will be adjusted with a view toward bringing the balance back to the target level.

3. Insurance Reserve Funds: The Insurance Reserve funds account for the activities of general liability, workers' compensation, property, and other insurance claims. General liability and workers' compensation claims are self-insured up to an established amount, with excess insurance policies procured to address larger claims. Property and other insurance policies are procured with appropriate deductibles, and related claims payments are not funded from the City's self-insurance program.

Background.

The City employs an actuary to estimate the liabilities associated with the general liability and workers compensation activities. The costs typically associated with these programs include claims administration, legal defense, insurance premiums, self-insured retention, and the establishment of appropriate loss reserves including "incurred-but-not reported" (IBNR) claims. In a prescribed measurement methodology, the Actuary estimates the liabilities in conformity with Generally Accepted Accounting Principles (GAAP).

The Actuary refers to this measurement level in their report as the "Expected Level." However, because actuarial estimates are subject to significant uncertainties, actuaries typically recommend that a target funding level be set at an amount in excess of expected liability as a margin to cover contingencies. A typical target funding level would be set to obtain a specified confidence level (the percent chance that resources set-aside will be sufficient to cover existing claims).

Full funding of the Actuary's "Target Funding Level" establishes a seventy-five percent (75%) confidence there will be sufficient resources (including projected interest) to pay the full amount of existing claims without future contributions. Funding at the "Expected Level" produces a confidence level of only fifty percent to sixty-five percent (50%-65%). Therefore, the target funding of insurance reserves should exceed the "Expected Level" to account for adverse estimate deviation.

Policy & Practice.

The City should target funding of its risk management obligations at not less than the Expected Level, described above; and not more than an amount sufficient to establish an eighty percent (80%) Confidence Level. Actuarial gains and losses should be amortized through rates over an appropriate period of time. As part of the operating budget, each department will be charged a rate equal to its proportionate share of the total "revenue" required to fund the Insurance Reserve Fund at this level.

To lessen the impact of short-term annual rate change fluctuation, City management may implement one-time fund transfers (rather than department rate increases) when funding shortfalls appear to be due to unusually sharp and non-recurring factors. Excess reserves in other areas may be transferred to the internal service fund in these instances but such transfers should not exceed the funding necessary to reach an eighty percent (80%) confidence level interval.

4. Compensated Absences Fund:

Background.

The primary purpose of flex leave, vacation leave, and sick leave is to provide compensated time off as appropriate and approved. However, under certain circumstances, typically at separation from service, some employees have the option of receiving cash-out payments for some accumulated leave balances. The Compensated Absences Fund is utilized primarily as a budget smoothing technique for any such leave bank liquidations. The primary purpose of the Compensated Absences Fund is to maintain a balance sufficient to facilitate this smoothing.

Policy and Practice.
The contribution rate will be set to cover estimated annual cash flows based on a three-year trailing average.

The minimum cash reserve should not fall below that three-year average. The maximum cash reserve should not exceed fifty percent (50%) of the long term liability. The target cash reserve shall be the median difference between the minimum and maximum figures.

Each department will make contributions to the Compensated Absences Fund through its operating budget as a specified percentage of salary. The Finance Director will review and recommend adjustments to the percentage of salary required during the annual budget development process. This percentage will be set so as to maintain the reserve within the parameters established above.

5. Post Retirement Funding Policies:

a. Pension Funding:

(i) California Public Employees Retirement System (CalPERS): The City's principal Defined Benefit Pension program is provided through contract with CalPERS. The City's contributions to the plan include an actuarially determined employer contribution that fluctuates each year based on an annual actuarial plan valuation. This variable rate employer contribution includes the normal cost of providing the contracted benefits plus or minus an amortization of plan changes and net actuarial gains and losses since the last valuation period.

It is the City's policy to make contributions to the plan equaling at least one hundred percent (100%) of the actuarially determined contribution. Any unfunded actuarial liability (UAL) is amortized and paid in accordance with the actuary's funding recommendations. The City will strive to maintain its UAL within a range that is considered acceptable to actuarial standards. The City Council shall consider increasing the annual CalPERS contribution should the UAL status fall below acceptable actuarial standards.

(ii) Laborer's International Union of North America (LIUNA): The City provides a supplemental pension plan for some employee associations through contract with LIUNA. This is funded via employee contributions of a fixed percentage of total compensation on a pay-as-you-go basis. The City is not contractually required to guarantee the level of the ultimate LIUNA benefit to retirees, nor does it do so. Therefore, the City's liability for this program is fully funded each year.

b. Other Post Employment Benefits (OPEB Funding):

Background.

The City's OPEB funding obligations consists of two retiree medical plans.

New Plan. Effective January 2006, the City and its employee associations agreed to major changes to the Post Employment Healthcare Plan. New employees and all current employees participate in a program that requires certain defined employee and employer contributions while the employee is in active service. However, once the contributions have been made to the employee's account, the City has transferred a substantial portion of the funding risk to the employee.

Old Plan. Eligible employees who retired prior to the "New Plan" and certain active employees were eligible to continue to receive post-retirement medical benefits (a defined benefit plan). The cost was divided among the City, current employees, and retirees. In the past, this program was largely funded on a pay-as-you-go basis, so there was a significant unfunded liability. Recognizing this problem, the City began contributing to this obligation in 2001. In 2008, these assets were placed in a pre-funding trust. The City's intention is to amortize the remaining unfunded liability within 20 years.

Policy & Practice.

New Plan. Consistent with agreements between the City and Employee Associations, the new defined contribution plan will be one hundred percent (100%) funded, on an ongoing basis, as part of the annual budget process. Funds to cover this expenditure will be contained within the salary section of each department's annual operating budget.

Old Plan. The City's policy is to pre fund the explicit (cash subsidy) portion of the Actuarial Accrued Liability (AAL) of the remnants of the old plan over a 20-year amortization period, or less. This amount will be based on the Annual Required Contribution (ARC) determined by a biennial actuarial review, subject to review and analysis by the City. The City will strive to maintain a funded status that will be within a range that is considered acceptable to actuarial standards. The City Council shall consider increasing the annual OPEB contribution should the funded status fall below acceptable actuarial standards.

History

Adopted F-3 and F-8 – 10-1-1963 (“Sewer System Funding” and “Capital Improvement Fund and Property Sale Revenues)
Amended F-8 – 8-15-1966
Amended F-8 – 5-21-1968
Amended F-8 – 11-12-1968
Amended F-8 – 3-9-1970
Amended F-3 – 5-25-1970
Amended F-8 – 2-14-1972
Amended F-8 – 12-10-1973
Amended F-8 – 11-11-1974
Amended F-3 – 7-11-1978
Adopted F-5 – 6-25-1979 (“Stabilization Fund”)
Amended F-8 – 10-22-1984
Amended F-3 – 10-22-1990
Adopted F-2 – 1-24-1994 (“Reserves/Designations of Fund Balance”; incorporating F-3, F-5 and F-8, and part of F-4)
Amended F-2 – 4-10-1995
Amended F-2 – 2-26-1996
Amended F-2 – 4-27-1998
Amended F-2 – 3-14-2000
Amended F-2 – 5-8-2001
Amended F-2 – 4-23-2002
Amended F-2 – 6-10-2003
Amended F-2 – 4-13-2004
Amended F-2 – 9-13-2005
Amended F-2 – 9-15-2008
Amended F-2 – 11-12-2008
Amended F-2 – 5-24-2011
Amended F-2 – 9-27-2011
Amended F-2 – 5-14-2013
Amended F-2 – 6-10-2014
Amended F-2 – 5-12-2015
Amended F-2 – 9-25-2018
Amended F-2 – 6-14-2022
Amended F-2 – 6-11-2024

Additionally, the City reports the following fund types:

Non-Major Special Revenue Funds – Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Funds include: Building Services, Sewer Construction and Maintenance, Underground Utilities, Library Services and Library Special Tax, Gas Tax, various Parking Meter funds, Public Safety funds, Community Development, Proposition A, Proposition C, and Public Health funds.

Non-Major Proprietary Funds – Used to account for the acquisition, operation and maintenance of government facilities and services which are entirely self-supported by user charges. Funds include: Water, Old Pasadena Parking, Off Street Parking, Refuse Collection and Telecommunications.

Internal Service Funds – Used to account for computing and communication services, building maintenance, fleet maintenance and replacement, employee benefits, worker's compensation, general liability, equipment leasing, and printing.

BUDGETARY DATA

The City Council is required to adopt an annual budget by June 30 of each fiscal year. The budget is adopted on a basis that does not differ materially from GAAP.

An appropriated annual budget is legally adopted for the General and Special Revenue governmental funds. Annual appropriated budgets are not adopted for Debt Service funds because bond indentures are used as the method for adequate budgetary control. Capital Projects funds do not have annual appropriated budgets. Control over capital projects is maintained by a project-length capital improvement budget. This project-length budget authorizes total expenditures over the duration of a construction project, rather than year by year.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the department level and within a single fund. Transfers of appropriations within a department are permitted so long as it is within a single fund. Supplemental appropriations during the year must be approved by the City Council. These appropriations, representing amendments to the budget during the year may, or may not, be significant in relationship to the original budget as adopted. All non-CIP appropriations lapse at fiscal year-end.

CITY COUNCIL FINANCIAL POLICIES

The City has an important responsibility to its citizens to carefully account for public funds, manage municipal finances wisely and plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. The following are the primary policies that guide the preparation of the City's annual budget:

- Balance annual planned expenditures with estimated revenues, other financing sources, and fund balances.
- Maintain a diversified and stable revenue base to protect the City from short-term fluctuations in any one revenue source.

- Maintain a long-range fiscal perspective through the use of at least a five-year financial projection of revenues and expenditures for the City's major funds.

- Maintain a designated General Fund committed fund balance reserve equivalent to 20 percent of the General Fund's annual appropriations budget, split 15 percent to emergency commitment and 5 percent operating commitment.

- Maintain a 100 percent cash reserve to cover short-term accounts payable and accrued liability obligations and a 50 percent cash reserve to cover long-term payable obligations in the internal service Benefits Fund and a 70 percent cash reserve to cover projected claims payable obligations in the General Liability Fund and Worker's Compensation Fund.

- Require that the internal service Computing and Communications Fund and Building Maintenance Fund maintain working capital reserves equal to 10 percent of current year operating appropriations.

- Require that the internal service Fleet Maintenance Fund maintain a $250,000 cash reserve balance.

- Require that the Sewer Construction and Maintenance Fund and Library Services Special Revenue Fund maintain working capital reserves equal to one month current year operating appropriations.

- Require that the Light and Power Fund, Water Fund, and Refuse Fund maintain working capital reserves equal to two months (one month for Refuse Fund) current year operating appropriations.

CITY OF PASADENA APPROPRIATIONS LIMIT

The voters of California, during a special election in 1979, approved Article XIII-B of the California State Constitution. Informally known as the "Gann Initiative," Article XIII-B provides limits regarding the total amount of appropriations in any fiscal year from "the proceeds of taxes." Every year the City Council adopts a resolution establishing an appropriations limit for the upcoming fiscal year.

The State Legislature, in 1980 added Section 9710 to the Government Code, providing that the governing body of each local jurisdiction must establish, by resolution, an appropriations limit for the following year. The appropriation limit for any fiscal year is equal to the previous year's limit, adjusted for population changes and the changes in the Consumer Price Index (or California per capita personal income, if smaller). The necessary statistical information is provided annually by the California Department of Finance.

In June 1980 the original Article XIII-B (Proposition 4) was modified by the voters by Proposition 111 and SB 88 and the changes were incorporated into the FY 1991 and FY 1992 Appropriations Limits. Beginning with the FY 1991 Appropriations Limit, a city may choose annual adjustment factors. The adjustment factors include the growth in the California Per Capita income or the growth in the non-residential assessed valuation due to construction within the city and the population growth within the county or the city. The revised annual adjustment factors were applied to the FY 1987 Limit and each year in between in order to calculate the current year's Limit. However, the Limits for FY 1987 through FY 1990 were not affected.

CITY COUNCIL POLICY

NUMBER: 41

DATE ADOPTED/AMENDED: 12/02/08 (Amended 03/02/2021)

SUBJECT: Reserve Policies

POLICY:

The City utilizes a variety of accounting funds for accounting and budgeting for revenues and expenditures of the City. Appropriations lapse at each fiscal year-end. The City Council may authorize continued appropriations and purchase orders carryover for certain incomplete capital projects, other one-time projects and services which have not been billed or completed. Remaining dollars left in each fund that are undesignated and unencumbered constitute available reserves of the City. It is appropriate that reserve policies for the City be established for each of the various funds, that the purpose of these reserves be designated, and that dollars available in excess of the reserve amounts be appropriately and effectively utilized. This policy governs the City's reserves as follows:

A. General Fund

The City will maintain a minimum fund balance of at least 50 percent of annual operating expenditures in the General Fund. This is considered the minimum level necessary to maintain the City's credit worthiness and to adequately provide for:

1. Economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy.
2. Contingencies for unseen operating or capital needs.
3. Cash flow requirements.

B. Capital Improvement Fund

The City will maintain a minimum of $5 million in the Capital Improvement Projects (CIP) fund as a reserve for major improvement projects related to roadways, storm drains, parks, buildings, rights-of-way, and the sewer system. Subject to the annual budgeting process, the CIP reserve will be funded, to the extent possible, by allocating the following to the CIP fund:

1. Transient Occupancy Tax (TOT).

    a. Pursuant to the City's Municipal Code Chapter 3.16, Transient Occupancy Tax is collected from hotels that are located within the City. "Hotel" means any structure, or any portion of any structure, which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, inn, tourist home or house, motel, studio hotel, bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location, or other similar structure or portion thereof.

b. The tax imposed in any hotel is based on temporary occupancy. "Temporary" means a period of thirty consecutive calendar days or less, counting portions of calendar days as full days.

c. General Fund transfer amounts to the CIP are equal to the TOT collected from the Terranea Resort, the main source of TOT revenues. During the annual budget process if it is determined that the General Fund will not have a balanced budget, the City Council may reduce the transfer amount to the CIP by a portion or all of the increases in the public safety contract.

2. If deemed necessary, the City Council may allocate all or a percentage of the prior year's General Fund unrestricted excess reserve during budget adoption process.

All interest earnings in this fund will be used for capital improvement projects.

C. **Equipment Replacement Fund**
The City will maintain a minimum reserve of 75% but no more than 100% of the estimated replacement cost for equipment assets that are due to be replaced in the City's next fiscal year.

D. **Water Quality Flood Protection Fund**
Project spending in the Water Quality Flood Protection (WQFP) fund fluctuates year to year. The Storm Drain User Fee is a source of funding for these projects. To avoid a fluctuating Fee, the City will maintain retained earnings over the life of the WQFP fee to establish rate stabilization, thereby enabling fund availability for scheduled projects and maintenance.

E. **Building Replacement Fund**
The City will maintain retained earnings in this fund to accumulate monies and interest earnings to finance major improvements (e.g. roofing), and partially provide for future replacement of City owned buildings.

F. **Utility Undergrounding Fund**
The City will maintain retained earnings in this fund to accumulate monies for relocating utility poles and lines on City arterial roadways underground, as well as provide residents assistance with the process leading to utility undergrounding in residential areas of the City.

G. **Street Maintenance Fund**
The City will maintain a minimum of one year's appropriations for road maintenance on Palos Verdes Drive South in the landslide area.

H. **Habitat Restoration Fund**
The City will maintain a minimum of $50,000 in this fund as required by the National Communities Conservation Plan (NCCP) for emergency use for habitat restoration purposes in addition to maintaining any interest earnings.

I. **Subregion One Maintenance Fund**
As part of the development agreement for Subregion One, the developer provided $750,000 as an endowment to generate interest earnings for future maintenance of the open space area in Subregion One.

J. **Improvement Authority Abalone Cove Fund**
In connection with the Horan lawsuit, the Redevelopment Agency's Reimbursement and Settlement Agreement with property owners and the County stipulated that $1,000,000 of County loan proceeds was to be deposited in the Abalone Cove Maintenance Nonexpendable Trust Fund of the Joint Powers Improvement Authority. Interest earnings from this deposit are used to maintain landslide abatement facilities in the Abalone Cove area of the active landslide, except sewers in accordance with the reimbursement and settlement agreement

Reserve levels will be reviewed annually during the budget process. Any recommended adjustments to reserve levels will be presented to City Council for its consideration during the annual budget process.

COMMITMENTS AND ASSIGNMENTS OF FUND BALANCE:

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides the City with a method to self-classify fund balance for financial statement reporting purposes.

A. **Committed Fund Balance**
Fund balance may be committed to specific purposes using its highest level of decision-making authority, the City Council. It is the City Council's policy that commitments of fund balance for a fiscal year must be adopted by resolution prior to fiscal year end. Amounts that have been committed by the City Council cannot be used for any other purpose unless the City Council adopts another resolution to remove or change the constraint.

B. **Assigned Fund Balance**
The General Fund balance may be assigned for amounts the City Council intends to use for a specific purpose. It is the City Council's policy that assignments of fund balance for a fiscal year must be approved by minute-order of the City Council prior to the fiscal year end. Any changes to assignments must also be made by minute-order of the City Council.

It is the City Council's policy to spend classified fund balance in the following order when amounts in more than one classification are available for a particular purpose:

1. Restricted Fund Balance – amounts constrained to specific purpose by their providers through constitutional provisions or enabling legislation. Examples include grants, bond proceeds and pass-through revenue from other levels of government.
2. Committed Fund Balance – amounts constrained to specific purpose by resolution of the City Council.
3. Assigned Fund Balance – amounts in the General Fund which are intended to be used for a specific purpose, expressed by minute-order of the City Council.
4. Unassigned Fund Balance – amounts available for any purpose in the General Fund.

<u>BACKGROUND</u>:

Reserves, rainy-day funds, or contingency funds are a prudent fiscal policy and an important credit factor in the analysis of financial analysis and management. Local governments have experienced much volatility in their financial stability due to the economy, natural disasters, terrorist attacks, and actions taken by state government which includes taking revenues from local governments to resolve state budget problems. California cities are at an even greater disadvantage than the rest of the country due to the unique regulations imposed by Proposition 13, and the inability to raise property taxes if the need would arise. Sound financial management includes the practice and discipline of maintaining adequate reserve funds for known and unknown contingencies. Such contingencies include, but are not limited to: cash flow requirements, economic uncertainties including downturns in the local, state or national economy, local emergencies and natural disasters, loss of major revenue sources, unanticipated operating or capital expenditures, uninsured losses, tax refunds, future capital projects, vehicle and equipment replacement, and capital asset and infrastructure repair and replacement. The establishment of prudent financial reserve policies is important to ensure the long-term financial health of the City.

Fiscal Policy

Fiscal Policy Statement	Status	Comments
Long-Term Debt Policies		
The City will confine long-term borrowing to capital improvements that cannot be funded from current revenues.	√	
The City may issue long-term interfund loans to fund capital improvements. Interfund loans will be permitted only if a specific source of repayment is identified within the “borrowing” fund. Excess funds must be available and the use of these funds will not impact the “lending” fund’s long-term operations. Long-term interfund loans will be fully amortized (principal and interest included in payment). The prevailing interest rate and duration of the loan will be established by the City Treasurer. Principal and interest will be paid to the lending fund. Long-term interfund loans require Council approval. Long-term interfund loans will be disclosed in the City’s annual Operating Budget.	√	
The City will establish and maintain a Debt Policy.	√	
The City will establish a restricted reserve in the Water Operating Fund equal to one year’s debt service on the State Revolving Loan. The purpose of this reserve will be to provide a debt reserve as required under the State Revolving Fund loan financing agreement.	√	State Revolving Loan Reserve = $900,600
Fund Balance and Reserve Policies		
The City will maintain emergency reserves equal to 18% of operating expenditures of the General Fund. The primary purpose of this reserve is to provide stability during a significant economic downturn, or to offset a significant one-time loss of revenue. The reserve exists in order to provide short-term funding to protect the City’s essential service programs and funding requirements or to provide for unanticipated or emergency expenditures that could not be reasonably foreseen during preparation of the budget.	√	FY 2025 Emergency Reserve = $15.0 million, or 18% of General Fund operating expenditures
The City will maintain an emergency reserve equal to 12% of operating expenses for Enterprise Funds. The primary purpose of these reserves is to protect the Funds during periods of economic downturn, other unanticipated expenses, or emergency expenses that could not be reasonably foreseen during preparation of the budget.	 √ -- -- √ √	FY 2024-25 Emergency Reserves: Water $1,528,000 Sewer - $195,000 Storm Drain - $116,000 Solid Waste - $35,000 Golf - $359,000
The City will establish an account to accumulate funds to be used for payment of accrued employee benefits for terminated employees. The level of this reserve will be maintained at a level at least equal to projected costs for employees who are eligible for retirement.	--	

Fiscal Policy

Fiscal Policy Statement	Status	Comments
The City will establish a Capital Equipment Replacement reserve and a Facilities Maintenance Capital Asset reserve for accumulation of funds for the replacement or worn and obsolete equipment other than vehicles and for costs associated with the maintenance of all City facilities. These reserves will be maintained at a level at least equal to the projected five-year capital asset replacement and maintenance costs.	√ √	FY 2024-25 Capital Equipment Reserve = $2,005,000; FY 2024-25 Facilities Maintenance Reserve = $1,720,000
The City will establish Water, Sewer, Storm Drain and Golf depreciation reserves for costs associated with the major maintenance and capital improvement costs included in the Enterprise Funds. The minimum reserve level shall be at a level equal to the projected three-year capital and major maintenance costs.	-- -- -- √	FY 2024-25 Depreciation Reserves: Water = $7.6 million Sewer = $3.6 million Storm Drain = $0.9 million Golf = $3.8 million
The City will establish a Golf Course Improvement reserve for costs associated with capital improvements budgeted in the Golf Course Fund. The reserve will be maintained at a level at least equal to the projected three year costs.	√	FY 2024-25 Golf Course Improvement reserve = $1.3 million
The City will establish a Park Asset Replacement Reserve with a target balance of $1.2 million for replacement of park assets in the future. The reserve balance will be reviewed annually and funded through one-time revenues or undesignated General Fund balance transfers, when available.	--	FY 2024-25 Park Asset Replacement Reserve = $0.3 million
The General Liability self-insurance reserve will be maintained at a level which, together with purchased insurance policies, adequately protects the City. The City will maintain a reserve of one times its annual insurance authority premium. In addition, the City will perform an annual analysis to document those claims which are not covered by the insurance pool to which the City belongs, and reserve an additional appropriate amount to pay for such uncovered claims.	√	FY 2024-25 General Liability Reserve = $3.2 million
The Workers' Compensation self-insurance reserve will be maintained at a level which, together with purchased insurance policies, adequately protects the City. The City will maintain a reserve of three times its self insurance retention for those claims covered by the insurance pool (of which the City is a member). In addition, the City will perform an annual analysis of past claims not covered by the insurance pool, and reserve an appropriate amount to pay for uncovered claims.	√	FY 2024-25 Workers Compensation Reserve = $2.0 million
The City will establish a Fleet Replacement Reserve for costs associated with the replacement of vehicles and other rolling stock (such as trailers, compressors or other equipment on wheels) as they become unserviceable, obsolete or reach a predetermined service life. The reserve will be maintained at a level at least equal to the projected five-year fleet replacement costs.	√	FY 2024-25 Fleet Replacement Reserve = $3.7 million

RESOLUTION NO. 11250 (2021 SERIES)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN LUIS OBISPO, CALIFORNIA, ADOPTING A COMPREHENSIVE FUND BALANCE AND RESERVE POLICY

WHEREAS, in 2009, the Governmental Accounting Standard Board (GASB) issued Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions; and

WHEREAS, the City of San Luis Obispo, within its Financial Plan, has adopted an extensive budget and financial policy framework; and

WHEREAS, the City's fund balance and reserve levels have never been adopted in accordance with GASB 54; and

WHEREAS, in order to facilitate public access and provide transparency, the City desires to adopt a standalone policy for its fund balances, reserve levels, and fund designations in accordance with GASB 54.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of San Luis Obispo that:

SECTION 1. Fund Balance and Reserve Policy. The City herewith adopts a fund balance and reserve policy outlining:

a) Fund balance in accordance with GASB 54 for its governmental funds.

b) Reserve levels in its governmental and enterprise funds as previously adopted.

c) Designated Funds as previously adopted.

SECTION 2. All necessary language shall be incorporated into the City's two-year Financial Plan and references shall be provided.

SECTION 3. The Fund Balance and Reserve Policy, Exhibit A, shall be posted on the City's website under the Finance Department's online document library for easy access by the public.

Upon motion of Council Member Christianson, seconded by Vice Mayor Stewart, and on the following roll call vote:

AYES: Council Member Christianson, Marx, Pease, Vice Mayor Stewart, and Mayor Harmon
NOES: None
ABSENT: None

The foregoing resolution was adopted this 1st day of June 2021.

DocuSigned by:
Heidi Harmon
75DA33F23E6147F...

Mayor Heidi Harmon

ATTEST:

DocuSigned by:
Teresa Purrington
B98BADBF9C78436...

Teresa Purrington
City Clerk

APPROVED AS TO FORM:

DocuSigned by:
J Christine Dietrick
784AEA5BC6BC44F...

J. Christine Dietrick
City Attorney

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Luis Obispo, California, on 6/8/2021 | 3:57 PM PDT.

DocuSigned by:
Teresa Purrington
B98BADBF9C78436...

Teresa Purrington
City Clerk

Exhibit A

CITY OF SAN LUIS OBISPO

FUND BALANCE & RESERVE POLICY

June 2021

Fund Balance & Reserve Policy

Derek Johnson, City Manager

Prepared by the Department of Finance

Brigitte Elke – Finance Director

Resolution 11250 (2021 Series)

CITY OF SAN LUIS OBISPO

FUND BALANCE & RESERVE POLICY

Table of Contents

PURPOSE

This policy establishes guidelines and procedures for allocating and reporting the City's fund balances in the financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54 and as committed by the City Council effective beginning fiscal year ending June 30, 2021.

Additionally, the policy establishes the City's reserve levels to address protection from risk and unexpected situation that require financial resources. The City of San Luis Obispo faces risks like revenue shortfalls during recessions and losses from extreme events, like earthquakes, wildland fires, flooding, and other natural disasters. Prudent reserve levels help make sure that the City of San Luis Obispo can respond quickly and decisively to those events. Reserves also support vital public services during revenue declines. A reserve policy describes how much the City will try to retain in the reserves. It also describes acceptable uses of reserves.

Since reserve levels need to be considered when establishing fund balances, both are addressed within this policy.

GASB STATEMENT NO. 54 – FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITION

The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clear fund balance classifications that can be consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

ACCOUNTING GUIDANCE

Fund balance is the difference between the assets and liabilities reported in a governmental fund. GASB Statement No. 54 defines five separate components of fund balance, each of which identifies the extent to which amounts can be spent.

The following components are defined by GASB Statement 54 and shall be reflected in the City's Fund Balance designations:

- **Non-spendable Fund Balance**. Assets that cannot be converted to cash (i.e., prepaid items and inventories of supplies) and assets that will not be converted to cash soon enough to affect the current accounting period.

- **Restricted Fund Balance**. Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments and limitations imposed by law through constitutional provisions or enabling legislation.

- **Committed Fund Balance.** Limitations imposed at the highest level of decision making that requires formal action at the same level to remove (City Council).

- **Assigned Fund Balance.** Intended use established by highest level of decision making by a body designated for that purpose or by an official designated for that purpose (delegated by the City Council to the City Manager).

- **Unassigned Fund Balance.** Excess of non-spendable, restricted, committed, and assigned total fund balance.

PRIMARY OBJECTIVE

This policy is focused on the allocation and financial reporting of the last three components – committed, assigned, and unassigned – as the first two components (non-spendable and restricted) are defined by the nature of their restrictions.

This policy also addresses the City's defined reserve levels for inclusion in the City's budget and fiscal policies and application throughout the various fund forecasts.

APPLICABILITY

This policy pertains to all funds that have adopted reserve levels. It further defines the Governmental Funds' ending fund balance and their components.

FUND BALANCE & WORKING CAPITAL DETERMINATION

COMMITTED FUND BALANCE

The following fund balances shall be committed fund balance for the purpose of the City's annual financial statements. Since this level of fund balance and its limitations are imposed at the highest level of decision making, they require formal action at the same level to be removed.

1. Minimum fund balances or working capital as outlined in the Reserves section of the policy.
2. Any revenue over expenditures at fiscal year end in the Local Revenue Measure sub-fund. The City's Local Revenue Oversight Committee, an advisory body to the City Council, shall make recommendations as to the use of the fund balance.
3. Remaining fund balance in the Insurance Fund

ASSIGNED FUND BALANCE

The following assignments are considered assigned fund balance for the purpose of the City's annual financial statements:

- Encumbrances
- Development Services Designation
- Others as applicable at fiscal year-end
- Public Safety Equipment-project funds
- Approved Year-End Carryover

UNASSIGNED FUND BALANCE

These are residual positive net resources in excess of what can properly be classified in one of the other four components of fund balance (surplus). Since a surplus does not represent a recurring source of revenue, it shall not be used to fund a recurring expenditure; however, it may be appropriated to fund one-time expenditures or uses not already funded through an annual budget appropriation.

The City Council may appropriate funds for the following non-recurring purposes:

- Elimination of unfunded liabilities related to the CalPERS retirement system or Other Post-Employment Benefit (OPEB) obligations.
- Capital improvements or purchases.
- Reduction or avoidance of debt. If there is a short-term debt within the General Fund, the surplus may be applied to reduce or eliminate the debt, if determined to be advantageous for the City. If a borrowing is scheduled, the surplus may be used to reduce the principal amount the City needs to obtain, if determined to be in the best long-term interest of the City.
- Any other purpose the City Council deems in the best interest of the community and the City organization.

ANNUAL REPORTING AND PERIODIC REVIEW

Before completion of the City's Annual Financial Report, the Finance Director shall prepare a fund balance status report as part of the City's financial reporting process. At least every two years, together with the City's Financial Plan adoption, the City Council shall affirm or revise the Policy including the percentage range established by the components described herein.

RESERVES

GOVERNMENTAL FUNDS

A. **Minimum Fund Balances**. The City will maintain a minimum fund balance of at least 20% of operating expenditures in the General Fund. This is considered the minimum level necessary to maintain the City's credit worthiness and to adequately provide for:

   a. Economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy.

   b. Contingencies for unseen operating or capital needs.

   c. Cash flow requirements.

B. **Fleet Replacement.** For the General Fund fleet, the City will establish and maintain a Fleet Replacement Fund to provide for the timely replacement of vehicles and related equipment with an individual replacement cost of $15,000 or more. The minimum committed fund balance in the Fleet Replacement Fund is set at $500,000 for the emergency replacement of vehicles that are damaged beyond repair and are either not covered under the City's property insurance program or the vehicle has a high replacement cost and insurance proceeds will be inadequate to provide for the vehicle's replacement (fire engine). Above this contingency level, the amount retained in this fund, coupled with the annual contributions received by it from any source, shall be adequate to fully fund the equipment replacements approved in the Financial Plan. If in any given year, the minimum fund balance is depleted for above mentioned uses and as approved by the City Council, it shall be replenished over the next two-year Financial Plan period.

   Interest earnings and the proceeds from the sale~~s~~ of surplus equipment as well as any related damage and insurance recoveries will be credited to the Fleet Replacement Fund.

C. **Information Technology (IT) Replacement Fund.** The City will establish an IT Replacement Fund for the General Fund to provide for the timely replacement of information technology, both hardware and software, with an individual replacement cost of $25,000 or more. The minimum committed fund balance in this fund is set at $400,000 for the emergency replacement of equipment that is damaged beyond repair and not covered under the City's property insurance program. If in any given year, the minimum fund balance is depleted for above mentioned uses and as approved by the City Council, it shall be replenished over the next two-year Financial Plan period.

   Interest earnings and the proceeds from the sale of surplus equipment as well as any related damage and insurance recoveries will be credited to the fund.

D. **Capital Projects Reserve Fund.** The City will maintain a committed reserve of 20% of capital improvement plan budget from the Local Revenue Measure for the purposes of offsetting unanticipated cost increases, unforeseen conditions, and urgent unanticipated projects to provide continued investment in infrastructure maintenance and enhancement. Use and allocations of funds from the Capital Projects Reserve Fund will be made to Capital Projects including Major Facility Replacement upon Council approval as necessary during any fiscal year.

ENTERPRISE FUNDS

A. **Minimum Fund and Working Capital Balances**. The City will maintain a minimum fund balance of at least 20% of operating expenditures in the water, sewer and parking enterprise funds. This is considered the minimum level necessary to maintain the City's credit worthiness and to adequately provide for:

1. Economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy.
2. Contingencies for unseen operating or capital needs.
3. Cash flow requirements.

B. **Water and Sewer Rate Stabilization Reserves.** The City will maintain a reserve for the purposes of offsetting unanticipated fluctuations in Water Fund or Sewer Fund revenues to provide financial stability, including the stability of revenues and the rates and charges related to each Enterprise. The funding target for the Rate Stabilization Reserve will be 10% of sales revenue in the Water Fund and 5% of sales revenue in the Sewer Fund.

Conditions for utilization and plan for replenishment of the reserve will be brought to Council for its consideration during the preparation and approval of the Financial Plan or as may become necessary during any fiscal year.

USES OF RESERVES

The City limits the use of reserves and working capital balances to address unanticipated, one-time needs or opportunities. Under no circumstances can they be applied to recurring annual operating expenditures. Reserves will be used to the extent annual expenditures exceed revenues as reported in the City's annual audited financial statements if circumstances do not allow for the activation of the City's Fiscal Health Contingency Plan implementing hiring, purchasing, and travel chills/freezes.

REPLENISHMENT OF RESERVES

Reserves shall be replenished to the extent annual revenues exceed expenditures as reported in the City's annual audited financial statements. Revenues in excess of expenditures at the end of the fiscal year shall be used to first satisfy committed reserve requirements before appropriating for other uses.

DESIGNATED FUNDS

A. **Major Facility Replacement Fund.** The City will maintain a designated fund for the purpose of providing for improvements having a cost of $25,000 or more to City-owned, general government building and structures. The amount retained in this fund, coupled with annual contributions received by it from any source, shall be adequate to fund maintenance and replacement of City facilities.

B. **Infrastructure Investment Fund.** The City will maintain a designated fund for the purpose of funding infrastructure projects that contribute to improved economic development and enhanced quality of life in the City of San Luis Obispo. The following evaluation criteria shall be applied to project eligibility:

   a. The use of City funds shall not offset any cost that would be expected to be paid to meet the fair share obligation of any developer.
   b. The use of City funds shall not offset a project specific cost identified through the environmental review process or under existing regulations or policies.
   c. The use of funds shall support a project that would not otherwise be feasible due to economic, timing or other issues outside control of the project proponents or the City.
   d. The project shall provide public benefit by contributing to economic development and quality of life within the City.

C. **Insurance Fund.** The City shall maintain an Insurance Fund to manage payments for liability, workers' compensation, crime, pollution, special events, property, and volunteer insurance. Within the Insurance Fund, a self-insured retention (SIR) will be set aside to cover expenses associated with claims from the Excess Liability Insurance Program. The SIR will be funded based on 150% (75% confidence level) of the previous five-year average claims experience (claims paid, reserves for known claims, and administrative expenses). The Insurance Fund will maintain a reserve sufficient to guard against substantial claims which will be determined based on annual actuarial report information.

   If required due to depletion of fund balance, sufficient annual appropriations will be transferred to the Insurance Fund from the General Fund in the amount needed to ensure the 150% funding status.

D. **Future Capital Project Designations.** The Council may designate specific fund balance levels for future development of capital projects that it has determined to be in the best long-term interests of the City.

E. **Other Designations and Reserves.** In addition to the designations noted above, fund balance levels will be sufficient to meet funding requirements for projects approved in prior years which are carried forward into the new year; debt service reserve requirements; reserves for encumbrances; and other reserves or designations required by contractual obligations, state law, or generally accepted accounting principles.

F. **Essential Safety Equipment Funding**. The City will carry forward year-end project balance designated for essential safety equipment indefinitely.

APPROPRIATIONS LIMIT

The Council will annually adopt a resolution establishing the City's appropriations limit (the Gann Limit) calculated in accordance with Article XIII-B of the Constitution of the State of California, Section 7900 et seq. of the State of California Government Code, and any other voter approved amendments or state legislation that affect the City's appropriations limit. Under the Gann Limit, a maximum amount is established for tax-funded government services. That amount is to be adjusted each year depending on city population, changes in non-residential assessed value, and the transfer of financial responsibility for various governmental activities from one level of government to another. Any significant amount of state tax revenue received above that Gann Limit is to lead to future tax rebates or tax cuts.

The supporting documentation used in calculating the City's appropriations limit and projected appropriations subject to the limit will be available for public and Council review at least 15 days before Council consideration of a resolution to adopt an appropriations limit. The Council will generally consider this resolution in connection with final approval of the budget.

FUND POLICIES

GENERAL FUND

The City will maintain at the end of FY 2023-24 a General Fund Operating Contingency reserve at a level that is equal to at least 13.5%, and at the end of FY 2024-25 a level that is equal to at least 14%, of the following year's General Fund annual operating and capital expenditure budget and subsidies to other funds covered by ongoing revenues as originally adopted by Council. Strong reserves allowed the use of contingency and economic uncertainty funds during the severe economic downturn that resulted from the pandemic, while the City retained a stable Rainy Day Fund reserve level of 12.5% of ongoing expenditures in the event of a new emergency. As revenues continue to recover, the City is committed to increase its Contingency reserve by 0.5 percentage point a year until it once again reaches 15% in FY 2026-27.

Council approval will be required before expending funds from the Operating Contingency.

In addition to the General Fund Contingency, the City's goal is to maintain an Economic Uncertainty reserve balance with the level to be established as needed.

The City will maintain a balance in the General Fund for earned vacation benefits of General Fund employees. Compensated absences for all employees are recorded in the respective funds.

The City will seek to maintain sufficient funds in its fund balance to act as potential capital contingency fund balance. This balance is intended to be used for major capital repair where facility failure, unexpected hazards, or destruction of City property has occurred and where repair or replacement is not planned within the established capital, operations, or other replacement funds.

EQUIPMENT REPLACEMENT FUNDS

The City will maintain a Fleet Replacement Fund to provide for the timely replacement of vehicles and related equipment. To the extent possible, the City will maintain a minimum fund balance in the Fleet Replacement Fund of at least 15% of the original purchase cost of the items accounted for in this fund. The annual contribution to this fund will generally be based on the annual use allowance, which is determined based on the estimated life of the vehicle or equipment and its original purchase cost. Interest earnings and sales of surplus equipment as well as any related damage and insurance recoveries will be credited to the Fleet Replacement Fund.

The City will maintain a Computer Equipment Replacement Fund to provide for the timely replacement of information hardware technology. The annual contribution to this fund will generally be based on the annual use allowance, which is determined based on the estimated life of the equipment and its original purchase cost. To the extent possible, the City will maintain a minimum fund balance in the Computer Equipment Replacement Program of at least 25% of the original purchase costs of the items accounted for in this fund.

WATER, WASTEWATER AND RESOURCE RECOVERY AND RECYCLING FUNDS

The City will maintain reserves for the purposes of offsetting unanticipated fluctuations in Water, Wastewater or Resource Recovery and Recycling Fund revenues and expenditures to provide financial stability, including the stability of revenues and the rates and charges related to each Enterprise. The reserves are based on the following:

Water Fund

- Operating and capital reserves based on industry and bond rating agency best practices.
- A rate stabilization reserve based on industry best practices.

Wastewater Fund

- Operating and capital reserves based on industry and bond rating agency best practices.
- A rate stabilization reserve based on industry best practices.

Resource Recovery and Recycling Fund

- Operating and capital reserves based on industry and bond rating agency best practices.

FUND BALANCE CLASSIFICATIONS

The City's fund balance is made of the following components, or classifications:

- Non-spendable fund balance typically includes inventories, prepaid items and other items, that by definition cannot be appropriated.

- The restricted fund balance category includes amounts that can be used only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislations.

- The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has authority to establish, modify, or rescind a fund balance commitment.

- Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Manager or designee has the authority to establish, modify or rescind a fund balance assignment.

- Unassigned fund balance is the residual classification for the City's funds and includes all spendable amounts not contained in the other classifications.

The City considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The City's committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used.

INTERFUND TRANSFERS AND LOANS

In order to achieve important public policy goals, the City has established various special revenue, capital project, debt service and enterprise funds to account for revenues whose use should be restricted to certain activities. Accordingly, each fund exists as a separate financing entity from other funds, with its own revenue sources, expenditures and fund equity.

Any transfers between funds for operating purposes are clearly set forth in the Biennial Budget. From time to time, interfund borrowing may be appropriate; however, this is subject to the following criteria in ensuring that the fiduciary purpose for that fund is met: The Council must approve temporary interfund loans, while the Director of Finance and the City Manager are authorized to negotiate and approve terms and conditions of those loans.

INDIRECT COST ALLOCATION FOR GENERAL FUND SERVICES

Proprietary and special revenue fund programs, which are financed by service user fees or grant funding, are assessed administrative costs to reflect the true costs of doing business through the City's indirect cost allocation plan. This plan provides a reimbursement to the General Fund for central services costs such as custodial services, personnel services, financial services, facilities maintenance, legal services, and administrative time, which is directly applicable to enterprise and special revenue fund operations. Data used in determining cost allocation is gathered from the last audited annual financials. Cost allocation plan updates will occur, at a minimum, every five years. During years between updates, a factor reflecting a blended expenditure increase will be added to the existing amount.

The legal level of expenditures is controlled at the fund level, and appropriations lapse at the end of each fiscal year. Re-appropriation by the City Council only occurs for multi-year infrastructure and capital projects.

Department Heads may, without Council approval, amend individual line items within any fund in the maintenance and operations portions of the budget without increasing total appropriations for that division. The City Manager may, without Council approval, amend individual line items within any fund, and between divisions and programs, in the personnel costs, maintenance and operations, capital outlay and capital projects portions of the budget without increasing total appropriations for that fund.

4. GENERAL FUND RESERVES

General Fund Reserves are described as:

- Unassigned Fund Balance - These reserves are in spendable form and may become either restricted, committed, or assigned. The City strives to attain a General Fund undesignated fund balance equal to a minimum 30% of General Fund revenues at year end.
- Assigned Fund Balance – These reserves are set aside or earmarked for particular purposes, and the authority to designate these reserves can be delegated, and may take less formal action to limit how the reserves are used.
- Restricted Fund Balance – These reserves are subject to restrictions that are legally enforceable by outside parties, such as bondholders.
- Committed Fund Balance – These reserves are designated by the City Council, and are designated for specific purposes, through formal action. Committed balances can be modified by the City Council taking formal action.

Committed (Designated) Reserves shall be reviewed and designated annually by the City Council prior to Budget adoption. Upon designation of a reserve for a specific purpose, the Council will ensure the following:

- The purpose of the reserve will be specified at the time of designation.
- The City Council will also identify whether the designation is a one-time designation or whether an amount specified by the City Council will be added to the designated reserve on an annual basis.
- Nothing limits the City Council's authority to un-designate, or re-designate any General Fund Designated Reserve for another governmental purpose, pursuant to formal City Council action.

5. ENTERPRISE FUND

The City requires the water, sewer, and golf course enterprise funds be self-supporting. The City recognizes that enterprise funds function with accounting practices that are different from those used by governmental funds. Therefore, for enterprise funds, the City will strive to maintain operating budgets that produce annual net revenues that meet or exceed the compliance requirements of debt coverage rations generally.

The sewer fund was recognized as an enterprise fund starting in FY 2009/10, with the requirement of self-supporting funding. Water and sewer rate increases will assure that revenues exceed operating expenditures, including debt service. Budgeted water capital projects will be paid from a $37.8 million 2016 Water Bond issuance. Bond debt service will be

City of Thousand Oaks
Administrative Policies and Procedures

SUBJECT:	APP NO.:	AUTHORITY:
Governmental Fund Balance Policy	14.020 **Submission Date:** 09/13/11 **Revision Dates:** 9/26/13; 12/17/14	City Manager **Adoption/Approval Date:** **Revision Dates:**
DEPARTMENT: FIN		

PURPOSE:
This Fund Balance Policy establishes guidelines and procedures for allocating and reporting fund balance in the financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and as committed by City Council, effective beginning fiscal year ending June 30, 2011.

ACCOUNTING GUIDANCE:
Fund balance is the difference between the assets and liabilities reported in a governmental fund. GASB Statement No. 54 defines five separate components of fund balance, each of which identifies the extent to which amounts can be spent.

The following components are defined by GASB Statement No. 54 and shall constitute the City's Fund Balance:

- *Nonspendable Fund Balance* (inherently nonspendable) – Assets that cannot be converted to cash (i.e., prepaid items and inventories of supplies) and assets that will not be converted to cash soon enough to affect the current period.

- *Restricted Fund Balance* (externally enforceable limitations on use) – Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments and limitations imposed by law through constitutional provisions or enabling legislation.

- *Committed Fund Balance* (self imposed limitations on use set in place prior to the end of the fiscal year) – Limitation imposed at the highest level of decision making that requires formal action at the same level to remove (City Council).

- *Assigned Fund Balance* (limitation resulting from intended use) – Intended use established by highest level of decision making, by a body designated for that purpose, or by an official designated for that purpose (delegated by the City Council to the City Manager).

- *Unassigned Fund Balance* (residual net resources) – Excess of nonspendable, restricted, committed, and assigned total fund balance.

DIRECTIVE:
The first two components, Nonspendable and Restricted Fund Balance, are not addressed in this policy due to the nature of their restrictions. This policy is focused on the allocation and financial reporting of the last three components, Committed, Assigned, and Unassigned. City Council policies for these three components are provided below.

Committed Fund Balance: City Council, as the City's highest level of decision-making authority, shall commit fund balance for specific purposes by formal action, such as by ordinance or resolution, or approval through adoption of this policy with the biennial budget. These committed amounts may not be used for any other purpose unless the City Council removes or changes the specified use through the same level of formal action. City Council action to commit fund balance shall occur within the fiscal reporting period; however the amount can be determined subsequently.

- General Fund Emergency Contingency: On February 8, 2000, the City Council approved the establishment of a 5% emergency contingency for economic uncertainties. The contingency shall be calculated by taking 5% of General Fund and Library Fund's budgeted expenditures and any capital project budget carryovers. Budgeted expenditures will be those budgeted in the upcoming fiscal year. General Fund emergency contingencies shall be used only with City Council approval for:

  1. Emergencies (e.g., natural disasters such as fires, floods, or earthquakes or other catastrophic events) that are nonrecurring expenditures.

  2. Required to maintain essential services in a severe, short-term fiscal crisis when revenues are insufficient.

- Working Capital Reserve: The City's General Fund shall maintain a working capital reserve. This shall be calculated by taking 15% of General Fund and Library Fund's budgeted expenditures and any capital project budget carryovers. Budgeted expenditures will be those budgeted in the upcoming fiscal year. General Fund working capital contingencies shall be used only with City Council approval for:

  1. Emergencies (e.g., natural disasters such as fires, floods, or earthquakes or other catastrophic events) that are non-recurring expenditures should the Emergency Contingency be insufficient.

  2. Required to maintain essential services in a severe, long-term fiscal crisis (more than three years) when revenues are insufficient.

  3. Unexpected major capital investment requirement that was not included in other committed or assigned fund balance components.

- Capital, Maintenance, and Grant Projects: Appropriations approved in the biennial Capital Improvement Program Budget.

- Endowments: $8.0 million committed to the Endowment Fund with interest earnings committed to fund the City's annual Social Services, Community Events, and Sports Endowment grants and any future endowments established by City Council action.

***Assigned Fund Balance*:** The City Council delegates the authority to assign fund balance to the City Manager, for intended specific purposes. The following assignments are established and may be modified by the City Manager as deemed appropriate.

- Encumbrances: Encumbrance balances that are not included in restricted or committed fund balance shall be considered assigned and will be reported by function.

- Continuing Appropriations: Fund balance levels sufficient to meet funding requirements for projects approved in prior fiscal years and which are carried forward into the new fiscal year. Continuing appropriations will be reported by function.

- Public Building/Infrastructure Replacement/Maintenance Reserve: Assigned for future building and infrastructure replacement and maintenance projects as identified in Capital Improvement Plan but not included in the City Council approved Budget and/or as future project requirements are identified.

- Contingency for Legal Settlements: Assigned for legal settlements that may exceed the City's actuarially determined annual accrued liability in the General Liability Internal Service Fund determined based on ongoing litigation.

- Compensated Absences: Assigned for unused vacation and miscellaneous leave hours earned by City employees at the employees' hourly rate.

- Debt Service: Assigned to provide for future debt service obligations.

***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 components. The General Fund is the only fund that may report a positive (surplus) unassigned balance. Conversely, any governmental fund in a negative (deficit) position could report a negative amount of unassigned fund balance.

Surplus: Since a surplus does not represent a recurring source of revenue, it shall not be used to fund a recurring expense; however, the surplus may be appropriated for use to fund a one-time expenditure or use not already funded through an appropriation. If it is determined there is an operating surplus:

1) The City Council delegates the authority to the City Manager, at his/her discretion, to:

    a) Transfer 10% of unassigned fund balance, not to exceed $100,000, to the Community Recreation and Open Space Endowment Fund (CROSEF). Transfer will be processed in the new fiscal year following the surplus.

2) The City Council may appropriate funds for the following nonrecurring purposes:

    a) Capital improvements and purchases. Surplus funds may be used for capital improvements and equipment purchases that are not financed with borrowings or other contributions.

    b) Elimination of unfunded liabilities related to the City's Post-Employment Benefits. Any surplus may be transferred to reduce the unfunded liability in the Pension Fund, or California Employer's Retiree's Benefits Trust Fund (CERBT), and/or any other fund initiated by the City to provide post-employment benefits.

    c) Reduction or avoidance of debt. If there is short-term debt within the General Fund, the surplus may be applied to reduce, or eliminate, the debt if determined to be advantageous for the City. If a borrowing is scheduled, the surplus may be used to reduce the principal amount the City needs to obtain if determined to be advantageous for the City.

    d) Tax, fee, or rate stabilization. Surplus funds may be assigned for a stabilization fund in order to avoid raising taxes, fees, or rates related to the fund in subsequent years.

Deficit: If it is determined there is a deficit in the General Fund, the deficit shall be restored through the following mechanisms, in order of priority:

1) Reduction of assigned fund balance levels.

2) Committed fund balance levels.

3) Transfer of unassigned fund balances from other related funds where legally permissible.

Funds:

1. General Fund: City's primary operating fund accounts for all financial resources of the City except those required to be accounted for in another fund.

2. Special Revenue Funds: Account for specific revenues that are legally restricted to expenditures for particular purposes.

3. Debt Service Funds: Account for the accumulation of resources and payment of principal and interest of the Public Finance Authority or Successor Agency. City will maintain sufficient reserves in its debt service funds that will equal, or exceed, the reserve fund balances required by bond covenants.

4. Capital Projects Funds: Established on a project length basis and are used to account for revenues and expenditures during the construction/acquisition of major capital facilities and projects. These funds are financed mainly by borrowings and contributions, and are not used to accumulate resources for future capital improvements, and therefore will not be used to build up reserves.

5. Enterprise Funds: Business-type activities intended to recover all or significant portion of their costs through user fees and charges. Net assets are restricted to the fund's stated purpose.

6. Internal Service Funds: Established on a cost reimbursement basis and should only be used to account for the payments of the City's self-insurance programs. Revenues are received by charging the other funds and departments of the City. The City will maintain positive net assets in each of the internal service funds. When an internal service fund accumulates net assets greater than the actuarially required level, the City may transfer any or all of the excess to other operating funds, as deemed necessary.

7. Agency Funds: Account for the resources held by the City in a fiduciary capacity for individuals, governmental entities, and others.

Fund Balance Classification:

The accounting policies of the City consider restricted fund balance spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance are 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.

Annual Reporting and Periodic Review:

Before completion of the City's Comprehensive Annual Financial Report, the Finance Director shall prepare a Fund Balance Status Report as part of the City's financial reporting process. At least every two years, the City Council will affirm or revise the Policy including the percentage range established by the components described herein (usually during the biennial budget process).

Fund and Reserve Policies

General Fund

The City will maintain at the end of each fiscal year a General Fund Unassigned fund balance at a level that is equal to at least 20% of the fiscal year's General Fund-Operating Fund budget appropriation, as amended (controlling for one-time expenditures). In a year in which the City falls short a plan shall be identified to meet the 20% policy. Within this amount, City Council may set a portion aside under an Economic Anomaly Reserve. As of June 30, 2024, it is projected that $12,884,270 of the City's Unassigned fund balance is set aside in the City's Economic Anomaly Reserve. Council approval is required before expending funds from the Economic Anomaly Reserve.

Internal Service Funds

The City will maintain a Fleet Replacement Fund to provide for timely replacement of vehicles and related equipment. To the extent possible, the City will maintain a balance that is equivalent to the amortized replacement cost of each vehicle at a given point in its lifecycle, including anticipated growth in replacement costs. This will ensure the timely replacement of vehicles when they have met their useful life. Interest earnings and the sale of surplus equipment along with insurance recoveries will be credited to the Fleet Replacement Fund.

The City will maintain a Self-Insurance Fund to provide centralized funding for the City's workers compensation, litigated/non-litigated claims, and unemployment claims costs. To the extent possible, the City will set funds aside in a manner that will cover the annual costs of the fund as well as the actuarially determined liabilities of the City's workers' compensation and liability claims.

Enterprise Funds

The City will maintain operating and capital reserves in these funds such that they are sufficient to cover the operating working capital needs, vehicle replacement requirements, and capital infrastructure investment needs. The levels will ensure that a proper state of good repair is maintained on the overall infrastructure (where applicable) to ensure reliable and dependable service for customers.

Cost Allocation Plan/Indirect Cost Rate

The City of Torrance prepares a cost allocation plan annually to identify the General Fund costs associated with providing certain services to proprietary and special revenue fund programs (i.e. Section 8, Airport, Sanitation, Sewer, Water, Transit, Fleet, Self-Insurance), which are financed by user fees, grant funding, or other internal charges. These indirect charges reimburse the administration and overhead service provided by departments such as Council, City Manager, City Attorney, City

b. Subsidy Policy: The City may want to make certain services more affordable and thereby more accessible to certain parts of the community such as youth and seniors.

c. Economic Incentives: Using pricing signals to encourage or discourage certain market activities.

d. Competitive Constraints: Competition for similar service offerings in the same market area such as recreation programs.

5. The City will set fees and user charges in the following manner:

a. Enterprise Funds set fees at a level that fully supports the total direct and indirect costs of the activity as allowed under Proposition 218.

b. The Street Lighting Assessment Fund will endeavor to set fees at a level that fully supports the total direct and indirect costs of the activity as allowed under Proposition 218. Any costs not recovered through assessments will be paid by the General Fund.

c. Indirect costs will include the cost of annual depreciation and replacement of all capital assets.

D. Special Revenue Funds:

1. Special Revenue Funds are set up to account for the proceeds of specific revenue sources that are legally restricted to cover expenditures for specified purposes.

2. The City strives to maintain adequate reserves in these funds to provide sufficient cash flow for outstanding obligations.

3. The City's General Fund may provide working capital for all special revenue funds in the event they are unable to meet their financial obligations or are required to spend funds first in order to be reimbursed by other outside agencies.

19. EXPENDITURE POLICIES

Expenditure Program: The budget process shall weigh all competing requests for City resources within expected fiscal constraints. Requests for new operating expenditures made outside the budget process shall be discouraged. New initiatives shall be financed by reallocating existing City resources to programs and services with the highest priorities or through new revenue sources.

20. FINANCIAL RESERVE POLICIES

A. It is essential that the City maintain adequate levels of fund balance to mitigate current and future risk. Certain amounts of the fund balances may be specifically classified as fund balance reserves. This policy was established to identify and define city reserve levels and replenishing methods.

B. Schedule: The City will annually produce a schedule of all fund surpluses and deficits, with projections of reserve requirements and a plan for the use of any excess surplus for the current year in preparation of the CAFR. During each annual budget development, projections of reserve requirements will be reviewed.

C. Compliance: The City will comply with stated policies to analyze total reserves and surplus fund balances to ensure that the City's financial policies, as provided, do not inadvertently create adverse effects.

D. Reserve Levels:

1. General Fund Emergency Reserve

   a. In accordance with Governmental Finance Officers Association (GFOA) Best Practices on Budgeting the City shall strive to maintain a minimum emergency reserve of 17% of annual General Fund expenditures. This reserve will be classified as Committed Fund Balance. Committed Fund Balance is defined by GASB as amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority (City Council approval).

   b. The emergency reserve is intended to equate to approximately 60 days of operating and maintenance budget; however, the reserve may be increased upon Council action.

   c. The General Fund Emergency Reserve may only be used for the following purposes:

      i. Cash Flow: To temporarily provide a liquidity cushion against variability and timing of expenditures and receipts.

      ii. Emergencies: To provide funding in the event of emergencies, such as natural disasters (which may include but are not limited to, fires, earthquakes, or floods); other non-predictive emergencies; or the replacement of or a portion of City infrastructure should there be an unexpected failure.

   d. If this reserve is drawn down, a replenishment plan should be adopted by City Council at the time of draw down. The plan will include a fixed schedule of reserve replenishment.

2. Public Liability Reserve

   a. The City will maintain a reserve to fund annual paid, projected, incurred, but not reported, claims for liability and property insurance. This reserve shall be held in the Public Liability Fund in the amount of $3.0 million.

   b. If this reserve is drawn down, the development and implementation of a replenishment plan will be put in place no later than the next fiscal year budget. The plan will include a fixed schedule of reserve replenishment.

3. Workers' Compensation Reserves

   The City shall maintain prudent funding levels for the costs and liabilities of anticipated claims related to Workers' Compensation claims. This includes the funding of annual outstanding claims and estimated incurred, but not reported, claims. These funds shall be held in the Workers' Compensation Internal Service Fund.

4. Enterprise Funds

   a. In general, the City will maintain fund balance reserve levels for the enterprise funds to provide:

      i. Timely replacement of rolling stock and other equipment and infrastructure repairs and/or replacement.

      ii. Adequate cash flow.

      iii. Funds for emergency purchases.

      iv. Maintenance of a ratio of net operating income to debt service requirements of at least 120 percent (1.20:1).

   b. Specifically, the Water and Waste Water utilities shall strive to maintain an Operating Reserves target of 3 months (or 25%) of operating expenses and a Capital Reserves target equal to the ten year annual average of CIP project costs. The Operating Reserves will provide working capital, allow for unanticipated changes to budgeted expenses, and provide adequate cash flow during disasters or other emergencies. The Capital Reserves will assist in building financial stability to support a healthy replacement program going forward.

   c. Enterprise Funds may establish a rate stabilization reserve separate from existing reserves. The rate stabilization reserve(s) could be implemented to help meet required debt coverage ratios.

      ii. The City may, but is not required to, make deposits into the rate stabilization reserve from any source of funds, including Net Revenues. The City may, but is not required to, withdraw for the from the rate stabilization reserve.

      iii. When transferring from Water and Wastewater Funds into the rate stabilization reserve, the revenues incurred during that given fiscal year cannot be counted towards the debt coverage factor. The amount transferred back into Water and/or Wastewater Funds shall be higher than what was transferred into the rate stabilization reserve to receive any credit within the same fiscal year.

      iv. Adjustments shall be applied annually at each fiscal year end.

21. FUND BALANCE POLICIES

A. Available Fund Balance Use:

The City will establish prudent use of fund balance to first meet reserve policies as set forth in the Financial Reserve Policies (Section 20 of this Policy). Available fund balance should then be used for(1) unfunded pension liabilities, (2) capital replacement and improvement projects, (3) retirement or refinancing of existing debt, (4) or one-time operational working capital.

B. GENERAL FUND UNASSIGNED BALANCE POLICIES

To ensure liquidity and modest operational reserves within the General Fund, the City shall strive to maintain a minimum unassigned fund balance of 13% and a maximum of 18%, based on the General Fund Operating Expenditures from the most recent Annual Comprehensive Finance Report. The following guidelines shall be used to determine the appropriate General Fund Unassigned Balance and the distribution of any monies above the appropriate balance.

1. When any of the City's CalPERS pension plans are funded at less than 75%, after considering the most recent annual CalPERS valuation report plus any balances the City has in a 115 Trust, the City shall maintain the General Fund unassigned balance at the minimum target of 13%. Any funds available above the minimum level shall be distributed in the following fashion:

    a. 90% of available funds shall be used to support employee pension liabilities, either through contributions to a 115 Trust or through direct additional payments to CalPERS.

    b. 10% shall be transferred to the General Capital Improvement Fund or to an internal service fund to support a capital project that is tied to providing general governmental services.

2. When any of the City's CalPERS pension plans are funded at less than 82.5% but greater than 75%, after considering the most recent annual CalPERS valuation report plus any balances the City has in a 115 Trust, the City shall strive to maintain the General Fund unassigned balance at no greater than 15%. Any funds available above 15% shall be distributed in the following fashion:

    a. 70% of available funds shall be used to support employee pension liabilities, either through contributions to a 115 Trust or through direct additional payments to CalPERS.

    b. 30% shall be transferred to the General Capital Improvement Fund or to an internal service fund to support a capital project that is tied to providing general governmental services.

3. When any of the City's CalPERS pension plans are funded at less than 90% but greater than 82.5%, after considering the most recent annual CalPERS valuation report plus any balances the City has in a 115 Trust, the City shall maintain the General Fund unassigned balance at no greater than 16.5%. Any funds available above 16.5% shall be distributed in the following fashion:

    a. 50% of available funds shall be used to support employee pension liabilities, either through contributions to a 115 Trust or through direct additional payments to CalPERS.

    b. 40% shall be transferred to the General Capital Improvement Fund or to an internal service fund to support a capital project that is tied to providing general governmental services.

    c. The City Manager, or their designee, shall bring to City Council a plan to distribute the remaining 10% among the four funding priorities listed in Section 21.A.

4. When any of the City's CalPERS pension plans are funded at 90% or higher, after considering the most recent annual CalPERS valuation report plus any balances the City has in a 115 Trust, the City shall maintain the General Fund unassigned balance at no greater than 18%. Any funds available above 18% shall be distributed in the following fashion:

    a. 50% shall be transferred to the General Capital Improvement Fund or to an internal service fund to support a capital project that is tied to providing general governmental services.

The City Manager, or their designee, shall bring to City Council a plan to distribute the remaining funds among the four funding priorities listed in Section 21.A.**22. CAPITAL ASSET MANAGEMENT POLICIES**

A. <u>Capital Assets</u>: The City's assets are capitalized at historical cost or estimated historical cost. Gifts or contributions of capital assets are recorded at fair market value when received.

1. Assets include capital infrastructure (above and below ground), real property, buildings, equipment, information technology systems, and vehicles and trucks purchased by the City of Ventura or donated to the City. All vehicles and trucks purchased by the City are assigned to the Fleet Maintenance Fund.

2. The City defines infrastructure as the basic physical assets that allow the City to function.

    a. These assets include, but are not limited to, streets, water purification and distribution system, sewer collection and treatment system, park and recreation lands and improvement system, storm water

Debt Service Funds and Capital Project Funds

The resources of the Debt Service Funds are legally designated for, and restricted to, payment of long-term debt. Capital Project Funds will be utilized to account for projects funded through debt. Our current reserve policy should be maintained.

III

WE WILL REQUIRE THAT ALL PROPRIETARY FUNDS BE SELF-SUPPORTING.

Enterprise Funds

The Enterprise Funds or City districts should be supported by their rates and not subsidized by the General Fund other than special benefit zones designed to enhance public/private partnerships. We will assess charges against those funds at a reasonable rate for services provided by the General Government. The annual budget shall include a reserve for replacement costs.

Internal Service Funds

The City will continue its current policy of funding the Internal Service Fund.

IV

WE WILL MAINTAIN AN APPROPRIATED GENERAL FUND EMERGENCY RESERVE EQUIVALENT TO A MINIMUM OF 35% OF THE GENERAL FUND BUDGET.

General Fund

Unforeseen developments and crises may occur in any given budget year. Monies in this reserve can be used for myriad situations, including:

- Revenue shortfall;
- Increase in demand for a specific service;
- Legislative or judicial mandate to provide a new or expanded service or program;
- One-time Council approved expenditure;
- Unexpected increase in inflation (CPI);
- Favorable markets for capital expenditures;
- Major disasters such as fires, floods and earthquakes.

In an effort to ensure the continuance of sound financial management of public resources, we recommend a General Fund minimum Emergency Reserve balance of 35% of the General Fund expenditures budget. This reserve will cover a large number of situations. For example, such a reserve will allow the City to maintain a high level of quality service in times of a depressed economy. Additionally, the reserve allows the Council to have the fiscal latitude to finance a one-time expenditure or the ability to maintain our commitment to social programs while we develop a plan to reduce expenses.

The minimum 35% of the expenditures budget reserve figure is recommended specifically because we believe that this is the minimal level necessary to provide a measure of protection in the event that the General Fund experiences a major loss of revenue, or an unexpected major increase in expenditures. It is important to remember that such reserves would be available only as a temporary revenue source to be used while an orderly financial plan for cost reduction or revenue enhancement is developed. Generally speaking, a 35% expenditures budget reserve should ensure that there are enough funds to keep the City operating for at least four months.

General Fund Emergency Reserves

Our policy sets a minimum target level based on a percentage of the General Fund expenditure budget. For example, if the General Fund expenditures budget for a year were $100,000,000 (salaries and benefits, materials, services and supplies, transfers and capital outlay), we would have a target percentage of that amount (35%), or $35,000,000, to be set aside and maintained. Emergency Reserves, if drawn down, will be replenished first out of operating surpluses, if any, and second out of unappropriated balances as an interim measure until expenditure levels versus reserves are brought into balance.

Special Revenue Funds

Special Revenue Funds should have a balanced budget and are exempt from minimum reserves since these funds are programmed for specific purposes and can be subject to grantor requirements. Special Funds will be reviewed annually to ensure measures are taken to reduce any negative fund balance that maybe caused by timing differences in which expenditures are more than the revenue received.

Debt Service Reserve Funds

We recommend that reserve levels be established as prescribed by the bond covenants adopted at the time of issuance of debt.

Enterprise Funds

We recommend the continuation of reserve levels at 5% of the operating budget for these funds. This working capital reserve would provide sufficient time to allow the City to react and adopt a plan to deal with adverse economic circumstances. Additionally, a Capital Improvement and Replacement Reserve will be evaluated for each Operation and Enterprise.

Internal Service Funds

We recommend the continuation of reserve levels which would allow the City to maintain this fund.

V

WE WILL ASSUME THAT NORMAL REVENUE INFLATION WILL GO TO PAY NORMAL INFLATION EXPENSES. ANY NEW OR EXPANDED PROGRAMS WILL BE REQUIRED TO IDENTIFY FUNDING SOURCES OR WILL BE OFFSET BY COST REDUCTIONS THROUGH CUTTING BACK OR ELIMINATING OTHER PROGRAMS.

Normal revenue growth, i.e., increased amounts from existing sources, may not always increase at a rate equal to or faster than the expenses they support. As a result, we avoid using such revenue as start-up money for new projects or programs that have ongoing costs. Increases in service levels should be supported by new revenue sources or reallocation of existing resources. If normal revenue inflation does not keep up with expense inflation, we will decrease expenses or seek new revenues. If long-term revenues grow at a rate faster than expense inflation, we can consider expanding service levels accordingly.

VI

WE WILL MAINTAIN A LONG-RANGE FISCAL PERSPECTIVE THROUGH THE USE OF A FIVE-YEAR CAPITAL IMPROVEMENT PLAN AND REVENUE FORECAST.

A long-range financial perspective is recommended to provide a more comprehensive and thorough overview of the Council's long- term financial goals. Components of this plan include the five-year Capital Improvement plan supported by reserve analysis. This approach will span a greater length of time than existing analytical practices and will be supported by historical data for comparative and projection information. This plan will allow Council to ensure that all assumptions with respect to revenues, expenditures, and fund balances are in line with its financial policies and goals.

The five-year Capital Improvement plan will incorporate all capital projects, improvements, and high-cost maintenance. High-cost maintenance will include the City's pavement maintenance master plan. This five-year Capital Improvement plan will be funded by a variety of means including cash basis and long-term debt. The City, by developing this plan, is making a commitment to reinvest in its infrastructure.

VII

MAJOR CAPITAL IMPROVEMENTS OR ACQUISITIONS WILL BE MADE USING LONG-TERM FINANCING METHODS, RATHER THAN OUT OF OPERATING REVENUE.

Reserve Policy Summary

(cities in alphabetical order)

City	Population	General Fund Expenditure Budget (in millions)	General Fund Reserve Policy	Other Reserve Policies
Beverly Hills	30,974	334.8	40%	Budget Stabilization Reserve (Committed) Internal Service Fund Reserves Self-Insurance Reserves Enterprise Fund Reserves
Burbank	102,755	258.7	15%	Designated Emergency Reserve (General Fund) Budget Stabilization Reserve (General Fund) Internal Service Fund Reserves Enterprise Fund Reserves Risk Management Self-Insurance Fund Reserves
Culver City	39,041	188.5	30%	Facilities Planning Reserve Recreational Facilities Public Safety Equipment Replacement Reserve Internal Service Fund Reserves Enterprise Fund Reserves
El Segundo	16,445	97.5	25%	Economic Uncertainty Fund Reserve General CIP Reserve
Inglewood	102,865	224.3	25%	Operating Reserves for all Other Funds
Long Beach	449,468	752.9	minimum 2%, maximum 7%	Emergency Reserve (General Fund) Operating Reserves for all Other Funds
Manhattan Beach	33,369	98.5	20%	Enterprise Fund Reserves Information Technology Fund Insurance Reserve Fund
Newport Beach	82,637	311.3	25%	Internal Service Fund Reserves Enterprise Fund Reserves

Reserve Policy Summary (cities in alphabetical order)				
City	Population	General Fund Expenditure Budget (in millions)	General Fund Reserve Policy	Other Reserve Policies
Pasadena	133,560	342	20%	Internal Service Benefit Fund General Liability Fund and Worker's Compensation Fund Internal Service Fund Reserves Special Revenue Fund Reserves
Rancho Palos Verdes	39,980	35.8	50%	Habitat Restoration CIP Equipment Replacement Fund Reserve
Redondo Beach	67,749	103.2	8.33%	Facilities Maintenance Reserve (Building Occupancy Fund) General Liablility & Workers' Compensation Self-Insurance Fund Fleet Replacement Reserve Fund Information Technology Fund Emergency Communications Fund CalPERS Reserve Fund
San Clemente	62,313	83.3	18%	Enterprise Fund Reserves Capital Equipment Replacement Reserve Facilities Maintenance Reserve General Liablility self-insurance reserve Worker's Compensation self-insurance reserve Fleet Replacement Reserve
San Luis Obispo	49,244	114.8	20%	Fleet Replacement Fund Information Technology Replacement Fund Capital Projects Reserve Fund Enterprise Fund Reserves Water and Sewer Rate Stabilization Reserves

Reserve Policy Summary

(cities in alphabetical order)

City	Population	General Fund Expenditure Budget (in millions)	General Fund Reserve Policy	Other Reserve Policies
Santa Monica	89,922	458.6	14%	Rainy Day Fund Reserve (General Fund) Equipment Replacement Funds Reserve Water, Wastewater and Resource Recovery and Recycling Funds
Thousand Oaks	123,463	101.8	5%	Working Capital Reserve Public Building/Infrastructure Replacement/Maintenance Reserve
Torrance	139,224	286.8	20%	Fleet Replacement Fund Self-Insurance Fund (Workers' Compensation, Liabilty, Unemployment) Fleet Repacement Fund
Ventura	109,058	144.4	17%	Public Liability Reserve Worker's Compensation Reserves Enterprise Funds
West Hollywood	34,349	160.5	35%	Special Revenue Fund Reserves Debt Service Reserve Funds Enterprise Funds Internal Service Funds Reserves