

RESOLUTION NO. 2022-148

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE ADOPTING THE FISCAL YEAR 2022-23 BUDGET AND THE FISCAL YEAR 2022-23 THROUGH FISCAL YEAR 2026-27 CAPITAL IMPROVEMENT PROGRAM, SETTING THE ANNUAL APPROPRIATIONS LIMIT, AND ADOPTING THE FISCAL YEAR 2022-23 INVESTMENT POLICY

WHEREAS, the City Manager has submitted the Fiscal Year 2022-23 Budget to the City Council for consideration and comment; and

WHEREAS, the Fiscal Year 2022-23 Budget was prepared in accordance with the City Council's goals, Departmental Work Plans, budget assumptions, and policies; and

WHEREAS, the Fiscal Year 2022-23 Budget is balanced and does not require additional taxes; and

WHEREAS, Article XIII B of the California State Constitution and Government Code Section 7910 requires a City to establish its appropriations limit for each fiscal year; and

WHEREAS, as required by state law, on April 21, 2022, the Planning Commission adopted a resolution finding the Fiscal Year 2022-23 through 2026-27 Capital Improvement Program to be consistent with the General Plan; and

WHEREAS, a duly noticed public hearing was held on June 8, 2022, to consider information presented by staff and to receive public comment regarding adoption of the proposed Fiscal Year 2022-23 Budget and Fiscal Year 2022-23 through 2026-27 Capital Improvement Program.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Elk Grove hereby:

- A. Adopts the FY 2022-23 Budget and the FY 2022-23 through 2026-27 Capital Improvement Program as defined in Section 2.1 of this resolution, and sets the Appropriations Limit as described in Section 6.1 of this resolution and presented on June 8, 2022.
- B. Authorizes the City Manager to exercise the authority and undertake the responsibilities set forth in Sections 1 through 9 of this resolution to implement the Approved Budget.
- C. Adopts the FY 2022-23 Investment Policy attached hereto as Exhibit A.

SECTION 1. SCOPE

- 1.1 This resolution defines the authority and responsibilities of the City Manager in implementing the Approved Budget of the City of Elk Grove.

SECTION 2. DEFINITIONS

- 2.1 "Approved Budget" includes the following documents: the FY 2022-23 Proposed Budget and FY 2022-23 through 2026-27 Proposed Capital Improvement Program as published and presented to/amended by the City Council.
- 2.2 "City Manager" means the City Manager or, if so designated, the Director of Finance or the Budget Manager.

SECTION 3. AUTHORIZED APPROPRIATIONS

- 3.1 The City Manager is authorized to make any expenditure and resource adjustments to the Approved Budget based on final City Council action to adopt the Budget.
- 3.2 The City Manager is authorized to establish the appropriations limits and staffing as indicated in the Budget.
- 3.3 No expenditures shall exceed the Approved or Amended Budget, by fund.
- 3.4 Adjustments to appropriated expenditures that result in an increase or decrease in the total Budget are considered to be an amendment and must be approved by City Council unless such authority is granted to the City Manager within this resolution.
- 3.5 Operating appropriation transfers within the same fund must be approved by the City Manager; transfers between funds (except "like funds," see Section 3.5 below) must be approved by City Council.
- 3.6 Operating appropriation transfers between like funds must be approved by the City Manager. "Like Funds" are essentially extensions of other funds within the same Department or Program and are defined specifically below.
 - a. Like funds within the General Fund are 101, 105, 106, 107, and 108.
 - b. Like funds within the Recycling and Waste Department are 501, 502 and 506.
 - c. Like funds within the Capital Improvement Federal Grants program are 301 and 351.
 - d. Like funds within the Capital Improvement Federal Grants program are 302 and 352.
- 3.7 Appropriations within the City's Asset Seizure funds can be amended based on available funds during the Fiscal Year if authorized by the City Manager.
- 3.8 Capital Outlay appropriation transfers within the same Capital Improvement Program Project, Minor Public Works Project, or Study (capital improvement projects with a value of less than \$250,000 and capital project-related studies) within the same fund must be authorized by the City Manager.
- 3.9 Capital Outlay appropriation transfers from a Capital Improvement Program Project to another Capital Improvement Program Project must be approved by City Council unless such authority is granted to the City Manager within this resolution, or in other prior Council resolutions.
- 3.10 Capital Outlay appropriation transfers from a Minor Public Works Project or Study (capital improvement projects with a value of less than \$250,000 and capital project-related studies) to a Capital Improvement Program Project where both projects are within the same fund, must be approved by the City Manager.
- 3.11 The City Manager is authorized during the fiscal year to amend the budget of a Capital Improvement Program Project that has been completed to reduce the remaining budget in that completed project to zero.
- 3.12 The City Manager is authorized during the fiscal year to amend the budget of a Minor Public Works Project or Study that has been completed to reduce the remaining budget in that completed project or study to zero.

- 3.13 If inconsistencies exist in the Approved Budget that result in incorrect budget amounts being implemented, the City Manager is authorized to make amendments to the Adopted Budget to correct such inconsistencies based on staff's conclusion and determination of the correct budgeted amount(s).
- 3.14 A Sales Tax Sharing agreement (C-17-161) exists between the City and THE RIDGE EG EAST, LP, a California Limited Partnership, that results in 50% of the non-fuel (warehouse only) sales tax revenue generated by Costco to be paid to Pappas Investments on a quarterly basis. The funding mechanism for the payment to THE RIDGE EG EAST, LP is a transfer-out from the General Fund into the Economic Development Fund (Fund 105). The City Manager is authorized to amend the General Fund and Economic Development Fund budgets during the fiscal year as needed to reflect the actual activity (payments made) based on the actual sales tax activity of Costco.
- 3.15 The City Manager is authorized during the fiscal year to amend interfund loan principal and interest transfer-out expenditure budgets and corresponding transfer-in revenue budgets in Funds 261, 265, 315, 324, 330, 331, 332, 344 associated with the interfund loans authorized on February 13, 2019, Agenda Item No. 10.1 based on actual revenue activity in those funds. The ability to repay and potentially accelerate interfund loan payments are contingent upon available funds to make debt service payments.
- 3.16 The City Manager is authorized during the fiscal year to amend interfund loan repayment principal and interest expenditure budgets and corresponding revenue budgets in Funds 332 and 339, respectively, associated with the interfund loan authorized on May 25, 2022 based on actual revenue and expense activity in Fund 332. The ability to repay and potentially accelerate interfund loan payments are contingent upon available funds to make debt service payments.
- 3.17 The City Manager is authorized during the fiscal year to amend the transfer-out expenditure budget in the Laguna Ridge Parks Fee Fund (Fund 360) and corresponding transfer-in revenue budgets in the General Fund, Poppy Ridge Community Facilities District Fund (Fund 343), and Laguna Ridge Community Facilities District Fund (Fund 344) in order to reimburse funds 343 and 344 for any year that these funds contributed toward debt service payments in the Debt Service Elk Grove Finance Authority – District 56 Nature Area and Old Town Plaza Fund (Fund 407). Amending the budget for such reimbursements is contingent upon available funds in Fund 360 to pay those reimbursements.
- 3.18 The City Manager is authorized to amend budgeted revenues and expenditures in the Police Off-Duty Fund (Fund 213) during the fiscal year based on actual revenue activity and available funding.
- 3.19 In accordance with section 2.0.5 of the Fund Balance Reserve Policy, the City Manager is authorized to amend the current fiscal year's General Fund transfer-out expenditures budget and the transfer-in revenue budgets in the Capital Reserve Fund (Fund 106) and Economic Development Fund (Fund 105) by an increase in the amount of reserves needed to be transferred as directed by the policy.
- 3.20 The City Manager is authorized to amend the budget in the Animal Services Donations Fund (Fund 735) during the fiscal year to gratify specific spending expectations associated with designated donations deposited into the fund.

- 3.21 The City Manager is authorized to amend the revenue and expenditure budgets within the Planning Division and Development Engineering Division of the Development Services Fund during the fiscal year to align with actual planning and development activity. Revenues and expenditures in these divisions are based on billable hours of work performed on private infrastructure development projects that can vary significantly on an annual basis. The timing of, and progress toward, completion of planning and development engineering activities for private infrastructure development projects are highly unpredictable and difficult to project.
- 3.22 The City Manager is authorized to amend the revenue and expenditure budget in the Wilton Rancheria Fund (Fund 246) during the fiscal year to align with actual revenue and spending activity.
- 3.23 The City Manager is authorized to amend the interest investment earning revenue budget in the Disaster Relief Fund (Fund 240) during the fiscal year to reflect actual revenue activity and is also authorized to increase the expenditure budget, in alignment with interest investment earning revenue activity, with the intent of spending the revenue.
- 3.24 Authorizes the City Manager to amend the expenditure budget during the fiscal year in both the General Fund and the Strategic Planning Grants Fund (Fund 247) as necessary to migrate activity from the General Fund to Fund 247.
- 3.25 Authorizes the City Manager to amend the expenditure budget within the Community Service Grants division of the General Fund, specifically associated with the Arts Commission, once during the fiscal year by an increase equal to the total revenues recorded in the prior fiscal year as a result of, and associated with, Arts Commission activities.
- 3.26 Authorizes the City Manager to amend the expenditure budget in the Risk Management Fund (Fund 601) during the fiscal year as needed to accommodate unexpected settlement payments.

SECTION 4. STAFFING AND COMPENSATION INCREASES

- 4.1 Any augmentation to Position Control or the City-Wide Salary Schedule beyond what is authorized in the Approved or Amended Budget must be approved by the City Council.

SECTION 5. UNSPENT APPROPRIATIONS AND ENCUMBRANCES

- 5.1 All appropriations in the FY 2021-22 Budget which remain unencumbered or unexpended on June 30, 2022, shall revert to the fund balance of the respective funds, except for those outlined in section 5.3 of this resolution.
- 5.2 All purchase order commitments that are outstanding on June 30, 2022, and associated appropriations are hereby continued for FY 2021-22 expenditures.
- 5.3 Unencumbered or unexpended appropriations:
 - a) Unencumbered or unexpended Capital Outlay appropriations within the Capital Improvement Program, Minor Public Works Projects and Studies in FY 2021-22 are eligible to be re-authorized in FY 2022-23 by project and by fund in addition to the adopted Capital Outlay appropriations in the FY 2022-23 Budget.

- b) Unencumbered or unexpended appropriations for Facilities project expenditures in Funds 106 and 602 (Building and non-Building improvements) are eligible to be re-authorized in FY 2022-23 by project and by fund.
- c) Unencumbered or unexpended appropriations in the City's Asset Seizure funds are eligible to be re-appropriated in FY 2022-23.
- d) Any FY 2021-22 encumbered purchase orders included in the calculation of FY 2021-22 year-end projected expenditures in which the City Manager determines that the authorized equipment, goods and services are needed for continued and efficient City operations is authorized to be re-appropriated and 'rolled over' to FY 2022-23.
- e) Unencumbered or unexpended appropriations in Fund 242 State Homeless Appropriation are eligible to be re-appropriated in future Fiscal Years.
- f) Unencumbered or unexpended appropriations in Fund 285 Neighborhood Stabilization are eligible to be re-appropriated in future Fiscal Years.
- g) Unencumbered or unexpended appropriations from the Summer at City Hall or Civic Summer grant, awarded by the Institute for Local Government, are eligible to be re-appropriated in FY 2022-23.
- h) Reaffirms the authorization received in Grant authorization resolutions that unencumbered or unexpended appropriations from non-capital project Grants are approved for re-appropriation in subsequent fiscal years if any Grant funds were not expended in a prior fiscal year.
- i) Unencumbered or unexpended appropriations within the Community Service Grants division of the General Fund specifically associated with the Arts Commission are eligible to be re-appropriated in FY 2022-23.
- j) To comply with Ordinances issued and executed by the County of Sacramento as a response to the COVID-19 pandemic, several City-led or sponsored Community Events that were included in the FY 2021-22 Budget have been cancelled or postponed to the following fiscal year. The City Manager is authorized to re-appropriate in FY 2022-23 any unencumbered or unspent appropriations within the Community Events (Events Sponsorship) Division in the General Fund contingent upon the re-appropriated amounts being spent on postponed or rescheduled events.
- k) To comply with Ordinances issued and executed by the County of Sacramento as a response to the COVID-19 pandemic, several non-profit-led community initiatives that were included in the FY 2021-22 Community Service Grant (CSG) and Community Development Block Grant (CDBG) budgets have been cancelled or postponed to the following fiscal year. The City Manager is authorized to re-appropriate in FY 2022-23 any unencumbered or unspent appropriations in the CSG and/or CDBG budgets contingent upon the re-appropriated amounts being spent on postponed or rescheduled initiatives and projects due to COVID.
- l) Unencumbered or unexpended appropriations in the Aquatics Center capital maintenance budget (2566120-5262606) line are eligible to be re-appropriated in future Fiscal Years.

m) Unencumbered or unexpended appropriations within the Strategic Planning and Innovation Division of the General Fund, Strategic Planning Grants Fund and the Development Services Fund that are associated with the following list of Special Projects are eligible to be re-appropriated in FY 2022-23.

Project Number	Project Title	Fund Lines
SPG001	Bloomberg	1011241-5XXXXXX
SP0002	Climate Action Plan (CAP) Implementation	1011240-5202101
SPG003	Resiliency Plan	2471241-5202101
SP0003	Old Town SPA Update	2953150-5202101
SP0004	Civic Center North Master Plan (Elevate)	1011240-5202101
SP0005	Kammerer Urban Design Study	1011240-5202101, 2953150-5202101
SP0007	Smart City	1011240-5202101
SPG007	General Plan Update 2020	2471241-5202101, 2953150-5202101
SP0009	Zoo Relocation	1011240-5202101, 1051220-5202101
SP0010	South Area Infrastructure Planning	2953150-5202101
SP0011	9260 Elk Grove Boulevard Library Improvements	1011240-5202101
SP0012	Southeast Industrial Area Infrastructure Master Planning	2953150-5202101

SECTION 6. APPROPRIATION LIMITS

- 6.1 The appropriations limitation established for the General Fund for FY 2022-23 shall be \$133,613,093 and the adopted FY 2022-23 General Fund Budget has not exceeded the appropriations limit.
- 6.2 The City of Elk Grove selected the growth in per capita income calculation method to determine the cost-of-living factor for the 2022-23 fiscal year. Per the California Department of Finance, the growth in Per Capita Personal Income for FY 2022-23 is 7.55%; hence the cost-of-living factor is 1.0755. The Annual Percent Change in Population for Elk Grove per the California Department of Finance is -.65%, which is less than for the County of Sacramento at .97%; hence the population factor chosen is 1.0097. Thus, the combined adjustment factor for the appropriations limit is calculated by multiplying the cost-of-living factor (1.0755) by the population factor (1.0097), equaling 1.0860.
- 6.3 The actual General Fund appropriation for FY 2021-22 has not exceeded the appropriations limitation that was adopted for FY 2021-22.

SECTION 7. MID-YEAR PERFORMANCE AND FINANCIAL REPORT

- 7.1 The City Council shall be provided a Mid-Year Financial Report including a revised estimate of the financial condition of operating funds, prior year actual fund

balances, revised estimated revenues and expenditures, projected ending fund balances or deficits, and recommendations for eliminating any projected fund deficits if applicable.

SECTION 8. MISCELLANEOUS CONTROLS / CONSIDERATIONS

- 8.1 The City Manager is authorized to amend budgets and journal activity between the Roadway Fee Fund (Fund 328) and the Community Facilities District 2002-1 East Franklin Fund (Fund 341) associated with Capital Improvement Program projects related to improvements on and around Kammerer Road to take advantage of prioritized funding from more restricted funding sources over less restricted funding sources.
- 8.2 The City Manager is authorized to amend budgets for the repayment of funds from the Southeast Policy Area (SEPA) Drainage Impact Fees (Fund 334 and Funds 371 through 379), New Growth Area infrastructure, SEPA Planning/formation fee, and the Roadway Fee to the various funds that have funded monies including the General Fund and Laguna Ridge Community Facilities District. The repayment will likely happen over an extended period.
- 8.3 The City Manager is authorized to amend the transfer-out expenditure budget in the Animal Shelter Capital Improvement Fund (Fund 346) by an increase equal to the amount of the available fund balance in the fund, and to jointly amend the transfer-in revenue budget in the Debt Service Elk Grove Finance Authority – Animal Shelter and Parkland Fund (Fund 406) by an increase in the same amount. Granting the authorization for the above budget amendment is contingent upon Council approval of the Notice of Completion of, and upon the completion and recording of all activity associated with, the Elk Grove Animal Shelter capital improvement project (WFC012).
- 8.4 The City Manager is authorized to prepay the City's annual CalPERS payments in a lump sum consistent with the FY 2022-23 budget.
- 8.5 The indirect cost rates, as detailed in the City of Elk Grove General Cost Allocation Plan, Internal Service Allocation Plan and Capital Improvement Program Cost Allocation Plan shall be charged to departments and capital projects as project funding and regulations permit.

SECTION 9. REQUESTED CHANGES TO FY 2021-22 BUDGET AUTHORITY

- 9.1 Authorizes the City Manager to jointly amend the FY 2021-22 transfer-out expenditure budget in the General Fund and corresponding transfer-in revenue budget in the Strategic Planning Grants Fund (Fund 247) by an increase equal to the amount of grant revenue associated with the Resiliency Plan project (SPG003) that was recorded in error in the General Fund.
- 9.2 Authorizes the City Manager to amend the FY 2021-22 revenue and expenditure budget in the General Fund associated with the Great Plates Delivered program to align with the actual revenue and spending activity of the program.
- 9.3 Authorizes the City Manager to amend the FY 2021-22 revenue and expenditure budgets for account associations (line items) containing "contra" object codes by decreasing the budgeted amounts to zero. Contra account associations are used as an internal accounting tool to balance loan principal payment payables and

receivables in journal vouchers that process interfund loan payments and re-payments. The activity in these account associations does not reflect any actual revenues being received by the City nor do they reflect any actual goods or services being provided to residents.

- 9.4 Authorizes the City Manager to amend the FY 2021-22 expenditure budget within the Community Service Grants division of the General Fund, specifically associated with the Arts Commission, by an increase equal to the total revenue recorded in prior fiscal years as a result of, and associated with, Arts Commission activities.
- 9.5 Authorizes the City Manager to jointly amend the FY 2021-22 transfer-out expenditure budget in the Debt Service Elk Grove Finance Authority – City Hall Campus Improvements Fund (Fund 408) and the FY 2021-22 transfer-in revenue budget in the City Campus Facilities Improvements Fund (Fund 361) by an increase in the amount of \$13,020,638 to send debt proceeds from the Debt Service Fund to the Capital Fund where project expenditures are recorded.
- 9.6 Authorizes the City Manager to jointly amend the FY 2021-22 transfer-out expenditure budget in the In-Lieu Roadway Fund (Fund 339) and the FY 2021-22 transfer-in revenue budget in the Laguna Ridge Supplemental Park Facilities Fee Fund (Fund 332) by an increase in the amount of \$490,000 to send interfund loan proceeds to support the completion of the Oasis Park Community Building (project WCE009) and other expenses.

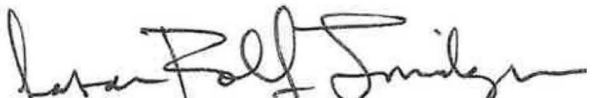
This resolution will take effect immediately.

PASSED AND ADOPTED by the City Council of the City of Elk Grove this 8th day of June 2022




BOBBIE SINGH-ALLEN, MAYOR of the
CITY OF ELK GROVE

ATTEST:


JASON LINDGREN, CITY CLERK

APPROVED AS TO FORM:


JONATHAN P. HOBBS,
CITY ATTORNEY

CITY OF ELK GROVE



INVESTMENT POLICY

Fiscal Year 2022-2023

CITY OF ELK GROVE

INVESTMENT POLICY

I. PURPOSE

This statement is intended to provide guidelines for the prudent investment of the City's surplus money in its treasury (hereinafter "Investment Cash") and to outline policies for maximizing the efficiency of the City's Investment Cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled Investment Cash.

II. POLICY

It is the policy of the City of Elk Grove to invest public funds in a manner which will provide a sound investment return with maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds. The City of Elk Grove's investment policy has three objectives: (1) protect principal, (2) provide for liquidity needs, and (3) obtain the most reasonable rate of return possible within the first two objectives. The City operates its investment activities under the "prudent investor" standard (see discussion below). This affords a broad spectrum of investment opportunities so long as the investment is deemed prudent and is permissible under current state and local law.

III. SCOPE

This investment policy applies to all liquid financial assets of the City of Elk Grove, and investment activities under the direct authority of the City, as set forth in the State Government Code, Sections 53600 et seq., with the following exceptions:

- Proceeds of debt issuance shall be invested in accordance with the City's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.
- The City's OPEB funds shall be invested in accordance with its separate investment policy.

IV. PRUDENT INVESTOR STANDARD

The City Council and all persons authorized to make investment decisions on behalf of the City 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, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the City, 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 City. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

The City recognizes that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized, that in a well-diversified investment portfolio, occasional sales and measured gains or losses may be inevitable and must be considered within the context of the overall investment program objectives and the resultant long term rate-of-return.

The City Treasurer and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

V. OBJECTIVES

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest Investment Cash to the fullest extent possible. The City strives to obtain the most reasonable return possible as long as investments meet the criteria for safety and liquidity.

Safety

Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner which seeks to ensure the preservation of principal in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity

The City's investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. This goal shall be achieved by maintaining a prudent portion of the City's portfolio in liquid, short-term instruments which can readily be converted to cash if necessary.

Return on Investment

The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio. The City will attempt to obtain the most reasonable return possible when selecting an investment, provided the criteria for safety and liquidity are met.

VI. DELEGATION OF AUTHORITY

Authority to manage the City's investment program is derived from California Government Code, Sections 41006 and 53600 et seq.

The City Council is responsible for the management of the City's funds, including the administration of this investment policy. In accordance with California Government Code Section 53607, the Elk Grove City Council has authorized the City Treasurer to invest on behalf of the City, to manage the City's investment program consistent with this investment policy, and to maintain a system of internal controls to regulate the activities of subordinate officials. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer.

The City may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

VII. PUBLIC TRUST

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

VIII. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program or impairs their ability to make impartial investment decisions. Officers and employees shall disclose to the City Treasurer any material interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Officers and employees shall also refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the City. Additionally, the City Treasurer (Finance Director) and other key finance personnel are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC).

IX. QUALIFIED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

To the extent practicable, the City Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. The City Treasurer will determine which financial institutions are authorized to provide investment services to the City. The City shall transact business only with qualified banks, savings and loans, and broker/dealers. The City Treasurer shall maintain procedures for establishing a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by the City Treasurer. Due inquiry shall determine whether such authorized broker/dealers, and the individuals covering the City are reputable and trustworthy, knowledgeable and experienced in Public Agency investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

In accordance with Section 53601.5, institutions eligible to transact investment business with the City include:

- Institutions licensed by the state as a broker-dealer.
- Institutions that are members of a federally regulated securities exchange.
- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the City, except where the City utilizes an external investment adviser in which case the City may rely on the adviser for selection. The City shall send a copy of the current investment policy to all broker/dealers approved to do business with the City. Confirmation of receipt of this policy 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.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

Selection of broker/dealers used by an external investment adviser retained by the City will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

X. AUTHORIZED INVESTMENTS

Investment of City funds is governed by the California Government Code Sections 53600 et. seq. Within the context of code limitations, the following investments and their respective additional limitations are authorized as listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits and minimum credit criteria listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

1. United States Treasury Bills, Bonds, and Notes are those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no dollar amount or percentage limitation of the portfolio which can be invested in this category, provided that the maximum maturity is five (5) years.

2. Federal Agency or United States government-sponsored enterprise obligations, participations or other instruments, such as but not exclusively, issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Association (FHLMC) whose principal and interest is fully guaranteed by federal agencies or United States government-sponsored enterprises. There is no dollar amount or percentage limitation of the portfolio which can be invested in this category, provided that no more than 30% of the portfolio may be invested in any single Agency/GSE issuer. The maximum maturity does not exceed five (5) years. The maximum percent of agency callable securities in the portfolio will be 20%.

3. Local Agency Investment Fund (LAIF) which is a State of California managed investment pool may be used as permitted by California State Government Code, Title 2, Division 4, Part 2, Chapter 2, Article 11, commencing with section 16429.1. The City may invest up to the maximum amount permitted by LAIF. LAIF's investments in instruments prohibited by or not specified in the City's policy do not exclude the investment in LAIF itself from the City's list of authorized investments, provided LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

4. Shares of Beneficial Interest issued by a Joint Powers Authority, including the Investment Trust of California, CalTRUST which is a Joint Powers Authority managed investment pool permitted as an investment type by California State Government Code, Section 6500 and 6509.7. The city can invest in this category, provided the City is a member of the Joint Powers Authority and therefore a voting member. Each of the Short Term, Medium Term or Long Term Account managed by CalTRUST is an eligible investment. Investments in any one fund or in the aggregate of this investment type, shall not exceed 30% of the City's investment portfolio at the time of purchase.

5. Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as Bankers' Acceptances, provided that They are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one nationally recognized statistical rating organization (NRSRO); or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO. Bankers' acceptances purchased may not exceed 180 days to maturity or 40% of the City's Investment Cash at the time of purchase. Additionally, no more than 5% of the portfolio may be invested in any single issuer.

6. Commercial paper provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (a) or (b) and other requirements specified below:

a) Securities issued by corporations:

- i. A corporation organized and operating in the United States with assets more than \$500 million.
- ii. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
- iii. If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

b) Securities issued by other entities:

- i. The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
- ii. The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
- iii. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.

Purchases of commercial paper may not exceed 25% of the City's Investment Cash, Under a provision sunseting on January 1, 2026, no more than 40% of the portfolio may be invested in Commercial Paper if the Agency's investment assets under management are greater than \$100,000,000, nor may those purchases exceed 270 days to maturity, nor represent more than 10% of the outstanding paper of the issuing corporation. Investment in any one institution may not exceed more than 5% of the City's Investment Cash at the time of purchase.

7. Negotiable certificates of deposit issued by nationally or state chartered banks, a savings association or federal association, a state or federal credit union, or by a federally-licensed or state-licensed branch of of foreign bank. The amount of the NCD insured up to the FDIC limit does not require any credit ratings. Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated “A-1” or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of “A” or its equivalent or better by at least one NRSRO. Purchases of negotiable certificates of deposit may not exceed 30% of the City’s Investment Cash at the time of purchase. Investment in any one institution may not exceed more than 5% of the City’s Investment Cash at the time of purchase. The maximum maturity may not exceed five (5) years.

8. Repurchase agreements which specify terms and conditions may be transacted with banks and broker/dealers. Repurchase agreements must be collateralized with securities authorized under California Government Code. Investment in repurchase agreements may not exceed 20% of the City’s Investment Cash at the date entered into. The maturity of the repurchase agreements shall not exceed 90 days. The market value of the securities used as collateral for the repurchase agreements shall be monitored by the investment staff and shall not be allowed to fall below 102% of the value of the repurchase agreement. A Master Repurchase Agreement must be executed with the bank or dealer prior to investing in a Repurchase Agreement.

9. Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 25% of the investment portfolio may be invested in this investment type. Investment in any one institution may not exceed more than 5% of the City’s Investment Cash at the time of purchase. The maximum maturity may not exceed five (5) years.

10. Medium Term Corporation Notes, provided that the issuer is a corporation 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 maximum maturity may not exceed five (5) years. Securities eligible for investment shall be rated in a rating category of “A” or its equivalent or better by at least one NRSRO. Purchase of medium term notes may not exceed 30% of the City’s Investment Cash at the time of purchase and no more than 5% of the City’s Investment Cash, at the time of purchase, may be invested in notes issued by any single issuer.

11. Shares of beneficial interest issued by diversified management companies that are mutual funds and money market mutual funds that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

A. Mutual Funds that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:

- i. Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
- ii. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.

- No more than 10% of the total portfolio may be invested in shares of any one mutual fund.

B. Money Market Mutual Funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:

- i. Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
- ii. Have 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 \$500 million.

- No more than 20% of the total portfolio may be invested in the shares of any one money market mutual fund. Only funds holding U.S. Treasury or government agency obligations can be utilized.

- Investments in money market and mutual funds combined may not exceed 20% of the City's Investment Cash at the time of purchase.

12. Municipal Securities of any California Local Agency including bonds, notes, warrants, or other indebtedness, provided the securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO. The City may also purchase its own issued debt but may not resell its own debt before maturity without first obtaining a tax exempt redetermination opinion from legal counsel. Purchases of Municipal Securities shall not exceed 20% of the City's investment portfolio at the time of purchase. Investment in any one issuer shall not exceed 5% at the time of purchase. Maturity shall be limited to a maximum of 60 months from the date of purchase. Purchases of Municipal Securities of any local agency outside of California are not permitted.

13. Registered treasury notes or bonds of the State of California, or any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of the State of California, or any of the other 49 states, in addition to California, provided the securities are rated in a rating category of “A” or its equivalent or better by at least one NRSRO. Investment in any one issuer shall not exceed 5% at the time of purchase. Maturity shall be limited to a maximum of 60 months from the date of purchase. Purchases of Municipal Securities of any local agency outside of California are not permitted..

14. Supranationals, United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, Inter-American Development Bank, or the International Finance Corporation, 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 in a rating category of “AA” or its equivalent or better by Moody’s, Standard & Poor’s, or Fitch Ratings. Investments shall not exceed ten percent of the City’s portfolio. No more than 30% of the City’s Investment Cash may be invested in these securities. No more than 10% of the City’s Investment Cash may be invested in any single issuer.

15. Asset-Backed, Mortgage-Backed, Mortgage Passthrough Securities, and Collateralized Mortgage Obligations from issuers not defined in Sections 1 and 2 of the Authorized Investments Section of this policy, provided that:

- The securities are rated in a rating category of “AA” or its equivalent or better by a NRSRO.
- No more than 20% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum legal final maturity does not exceed five (5) years.

XI. Prohibited Investment Vehicles and Practices

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero interest accrual if held to maturity is prohibited. Under a provision sunseting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.

XII. INVESTMENT POOLS/MUTUAL FUNDS

Government sponsored pools and money market mutual funds are excellent short-term cash management facilities. These pools/funds can provide safety, liquidity and yield in a single investment instrument. In addition, these funds provided additional diversity in that each share of the fund is a composite of the funds of the entire portfolio of various maturity lengths, asset classes and specific investments. The City Treasurer shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. The City Treasurer shall develop a questionnaire which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced, and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

XIII. COLLATERALIZATION

Collateralization shall be required on two types of investments:

1. Certificates of Deposit in excess of the amount federally insured, and
2. Repurchase agreements.

For Certificates of Deposit in excess of the amount federally insured, the general collateralization level shall be 110% of the amount invested. If the security used for collateral is a mortgage backed security, the collateralization level shall be 150% of the amount invested (government code sec. 53652).

For repurchase agreements, the collateralization level shall be at least 102% of the market value of the agreement.

The collateral shall be held by an independent third party with whom the entity has a current custodial agreement and the right of collateral substitution is granted. In order to conform with the provisions of the Federal bankruptcy code which provides for liquidation of securities held as collateral, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible bankers' acceptances, medium term notes or securities that are the direct obligations of, or are fully guaranteed as to principal and interest by the United States or any agency of the United States.

XIV. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery versus payment (DVP) basis, and shall be delivered to the City or the City's designated custodian upon receipt of payment by the City.

All securities that may be purchased, including collateral for repurchase agreements, shall be held by a third party custodian designated by the Treasurer. These securities shall be held in the City's name and control and third party custody shall be evidenced by safekeeping receipts. The third party custodian shall send the City, on a monthly basis, a statement of what is safe-kept and this statement shall be reconciled to the City's record on a monthly basis.

XV. DIVERSIFICATION INVESTMENT

The City's investment portfolio shall be diversified to avoid incurring unreasonable and avoidable risks with regard to specific investment types. Within investment types, the City shall also maintain a mix of securities to avoid concentrations within individual financial institutions, geographic areas, industry types and maturity dates.

XVI. MAXIMUM MATURITIES

To the extent possible, the City of Elk Grove shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City shall not directly invest in securities maturing more than 5 years from the date of purchase.

XVII. RISK MANAGEMENT AND DIVERSIFICATION

1. Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The City will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the “Authorized Investments” section of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or City’s risk preferences.
- If a security owned by the City is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:
 1. Any actions taken related to the downgrade by the investment manager will be communicated to the City Treasurer in a timely manner.
 2. If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.

2. Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The City recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The City will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The City further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The City, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The City will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the City based on the City’s investment objectives, constraints and risk tolerances.

XVIII. INTERNAL CONTROL

The City Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The City Treasurer shall also conduct an annual review of the investment program. This process may include testing of the investment program by the City's external auditor to determine the extent of compliance with the Investment Policy.

All wire transfers initiated by the Finance Department will be confirmed to the appropriate financial institution. Proper documentation obtained from confirmations and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliations are conducted to ensure proper handling of all transactions.

XIX. PERFORMANCE STANDARDS

The City's investment portfolio shall be designed with the objective of attaining a sound rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

XX. PORTFOLIO MANAGEMENT ACTIVITY

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

Active Portfolio Management

Through active fund and cash-flow management taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced with limited and measurable increases in risk by extending the duration of the City's Investment Cash.

Portfolio Maturity Management

When structuring the maturity composition of the portfolio, 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.

Security Swaps

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

XXI. PERIODIC TREASURY REPORTS

The City Treasurer shall review and render monthly reports to the City Manager and City Council which shall include the par value and cost of the investment, the type of investment, the name of the issuer, the coupon rate of interest, the maturity date, and the current market value.

XXII. INTEREST EARNINGS

All interest earned and collected from investments authorized in this policy shall be allocated monthly to all pooled cash funds based on the cash balance in each fund as a percentage of the entire pooled portfolio.

XXIII. LIMITING MARKET VALUE EROSION

It is the general policy of the City to limit the potential effects from erosion in market values by adhering to the following guidelines:

- All immediate and anticipated liquidity requirements shall be addressed prior to purchasing investments.
- Maturity dates for investments shall coincide with significant cash flow requirements, where possible, to assist with cash requirements at maturity.
- All securities shall be purchased with the intent to hold all investments to maturity. However, economic or market conditions may change, making it in the City's best interest to sell or trade a security prior to maturity.

XXIV. STATEMENT OF INVESTMENT POLICY

The City of Elk Grove's Investment Policy shall be adopted by Resolution of the City Council. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to the City Council for approval.

XXV. GLOSSARY OF TERMS

Bankers' Acceptance (BA) - A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Broker - A broker brings buyers and sellers together for a commission.

Certificate of Deposit – A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable. CD's may be eligible for FDIC insurance.

Collateral - Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Custody - A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Delivery vs. Payment (DVP) - Delivery of securities with a simultaneous exchange of money for the securities.

Diversification - Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Federal Home Loan Banks (FHLB) - Government sponsored wholesale banks which lend funds and provide correspondent banking services to member commercial banks, thrifty institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

Federal Home Loan Mortgage Corporation (FHLMC) – The FHLMC was created under the Federal Home Loan Mortgage Act, Title III of the Emergency Home Finance Act of 1970 as a stockholder owned government-sponsored enterprise. Freddie Mac, as the corporation is called, is charged with providing stability and assistance to the secondary home mortgage market by buying first mortgages and participation interests and reselling these securities in the form of guaranteed mortgage securities. Although agency obligations are not explicitly guaranteed by the federal government, the rating agencies believe that in the unlikely event of financial difficulties, the federal government will support the agency to the extent necessary to provide for full and timely payment on their securities.

Federal National Mortgage Association (FNMA) - FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Government National Mortgage Association (GNMA) – Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations and other institutions. Security holder is protected by the full faith and credit of the U.S. Government. Ginnie Mae securities, are backed by the FHA, VA, or FmHA mortgages. The term “pass-throughs” is often used to describe Ginnie Maes.

Interest Rate - The annual yield earned on an investment, expressed as a percentage.

Liquidity - Refers to the ability to rapidly convert an investment into cash with minimal risk of losing some portion of principal and/or interest.

Master Repurchase Agreement - A written contract covering all future transactions between the parties to repurchase and/or reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will offer specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

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

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

Municipal Securities of Local Agencies – Debt securities issued by states, cities, counties and other governmental entities to fund day-to-day obligations and to finance capital projects. The purchase of municipal securities is a loan to the bond issuer in exchange for regular interest payments and the return of the original investment.

Prudent Investor - An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only a list of securities selected by the custody state - the so-called legal list. In other states the trustee may invest in a security if it is one which would be brought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

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

Repurchase Agreement (RP or REPO) - A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

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

Risk - Degree of uncertainty of return on an asset.

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

Treasury Bonds - Long-term coupon-bearing U. S. Treasury securities issued as direct obligations of the U. S. Government and having initial maturities of more than ten years.

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

Yield - The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity - The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

(Place on letterhead, sign, and return to City)

Investment Firm Certification Form

As an authorized representative of the undersigned firm, I hereby certify that our firm has received a copy of the City of Elk Grove's Investment Policy, has read it, and will work within the guidelines of the policy when conducting business with, and providing services to the City.

All employees of the firm dealing with the City of Elk Grove have been and will be routinely informed of the City's investment objectives, policies, risk constraints and other pertinent factors.

Name of Authorized Representative

Title

Signature

Date

CERTIFICATION
ELK GROVE CITY COUNCIL RESOLUTION NO. 2022-148

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO) ss
CITY OF ELK GROVE)

I, Jason Lindgren, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on June 8, 2022 by the following vote:

AYES: **COUNCILMEMBERS:** *Singh-Allen, Suen, Hume, Spease, Nguyen*

NOES: **COUNCILMEMBERS:** *None*

ABSTAIN: **COUNCILMEMBERS:** *None*

ABSENT: **COUNCILMEMBERS:** *None*



Jason Lindgren, City Clerk
City of Elk Grove, California