A G E N D A

CITY OF SEASIDE CITY COUNCIL/SUCCESSOR AGENCY TO REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE	JOINT SPECIAL MEETING Council Chamber 440 Harcourt Avenue Thursday, July 19, 2018 5:30 PM

PLEASE TURN OFF YOUR CELL PHONES UPON ENTERING THE MEETING

1. CALL TO ORDER

Ralph Rubio	Mayor/Chair
Dennis Alexander	Mayor Pro Tem/Vice Chair
Jason Campbell	Council/Agency Member
David R. Pacheco	Council/Agency Member
Kayla Jones	Council/Agency Member

2. PLEDGE OF ALLEGIANCE

3. PUBLIC COMMENT

Members of the public wishing to address the City Council on matters within the jurisdiction of the City of Seaside, but not on this agenda, may do so during the Public Comment period for up to three minutes. Public Comments on specific agenda items are heard under that item. For the public record, please state your name.

4. CONSENT AGENDA

A. APPROVE MINUTES FROM JULY 5, 2018 MEETING

PURPOSE & RECOMMENDATION: To review and approve the minutes as presented.

B. APPROVE AND FILE SUCCESSOR AGENCY CHECKS

PURPOSE & RECOMMENDATION: It is requested that the Agency Board approve and file the accounts payable and wired payments made during the period of June 23, 2018 through July 6, 2018. In addition, approval of the payroll and benefits checks, direct deposits and wired payments related to the period of July 5, 2018 is requested. Total Accounts Payable and Payroll for the above referenced period is $6,381.61.

C. RESOLUTION APPROVING A CONTRACT WITH MICHAEL BAKER INTERNATIONAL FOR HOUSING LOAN MONITORING SERVICES FOR 2018-2019 AND A RELATED BUDGET ADJUSTMENT

PURPOSE & RECOMMENDATION: The purpose of this item is for the City Council to review and consider a resolution approving a contract with Michael Baker International for Housing loan monitoring services for 2018-2019 and a related budget adjustment.

D. REVIEW AND ADOPT A RESOLUTION APPROVING THE 2018-2019 INVESTMENT POLICY FOR THE CITY OF SEASIDE AND THE CITY OF SEASIDE SUCCESSOR AGENCY

PURPOSE & RECOMMENDATION: The purpose of this item is to give the City Council and the Agency Board an opportunity to review and adopt a resolution approving the City of Seaside and the Successor Agency 2018-2019 Investment Policy.

5. CLOSED SESSION

A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (d)(2)

Conference with legal counsel regarding significant exposure to litigation (two potential cases).

B. CLOSED SESSION CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (d)(1)

Keep Fort Ord Wild VS. City of Seaside (Real Party:
Alfred P. Govler, AP Glover Enterprises LLC) Case Number 18CV002418

6. ADJOURNMENT

Next Regularly Scheduled Meeting:
August 5, 2018
Seaside City Hall
5:30 PM

The City of Seaside is committed to providing accessible facilities and accommodating people with disabilities in all of its services programs and activities. If special considerations are needed by any person to fully participate in this meeting, they are asked to contact the City Clerk at 899-6707 no fewer than two business days prior to the meeting to allow reasonable arrangements. The City Council chamber is equipped with a portable microphone and assisted listening devices are available at all meetings.

City Council Meetings that are held in the City Council Chambers are broadcast live to all Seaside residents on Comcast Channel 25 and U-verse Channel 99. Meetings are also available through live streaming at:
http://cvp.telvue.com/player?id=T01629&video=52314&noplaylistskin=1&width=400&height=300
Videos of past meetings are available on demand through the City's website: http://www.ci.seaside.ca.us

Agenda-related writings or documents provided during public meetings are available for public inspection during the meeting or from the office of the City Clerk. This agenda is posted in compliance with California Government Code Section 54954.2(a) or Section 54956.

DRAFT MINUTES

CITY OF SEASIDE	JOINT SPECIAL MEETING
CITY COUNCIL/ SUCCESSOR	COUNCIL CHAMBER
AGENCY TO THE	Thursday, July 5, 2018
REDEVELOPMENT AGENCY	5:30 PM

1. **CALL TO ORDER**
   Mayor Rubio called the meeting to order at 5:30 PM.

CITY COUNCIL/SUCCESSOR AGENCY TO REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE
PRESENT: Alexander, Campbell, Jones, Pacheco, Rubio
ABSENT: None

2. **PLEDGE OF ALLEGIANCE**

3. **PUBLIC COMMENT**
   Mayor Rubio invited comments from the public and had no requests to speak.

4. **CONSENT AGENDA**
   Mayor Rubio invited comments on the Consent Agenda and had no request to speak.

On motion by Mayor Pro Tem Dennis Alexander and seconded by Council Member Jason Campbell and passed by the following vote the City Council approved the Consent Agenda as presented.

RESULT: **Approved**
AYES: Ralph Rubio, Dennis Alexander, Jason Campbell, Dave Pacheco, Kayla Jones
NOES: None

A. **APPROVAL OF MINUTES FROM JUNE 21, 2018**
Action: Approved

B. **APPROVE AND FILE SUCCESSOR AGENCY CHECKS**
Action: Approved

5. **STUDY SESSION**
   The City Council unanimously agreed to re-order the agenda to conduct the study session last.

A. RECEIVE PRESENTATION ON CITY HALL SOLAR PROJECT DRAFT FEASIBILITY ANALYSIS

City Engineer Rick Riedl and Dana Coe, representative from Sage Renewable presented the results of a full solar photovoltaic (PV) feasibility study for Seaside City Hall to identify the cost and benefits of installing a system. The goal was to identify the best and most viable option to decrease the City's dependence on fossil fuels and non-renewable sources. Ms. Coe spoke to the project goals and key conclusions, provided examples of the Solar PV systems that could be utilized. Key findings were based on the level of desired investment, desired level of energy generation, current and future electricity rates, and desired structures for PV systems.

Ms. Coe detailed the location and structure options for the system explaining that the roof of City Hall is not ideal as previously thought. Other structures that were cost effective and would optimize energy generation would be the library roof, shade structures over the public parking lot and a potential shade structure over the portables.

The financial analysis considered a 25 year cumulative horizon, and looked at different financing options including, cash, financing or a power purchase agreement (PPA). Costs presented included at upfront installation, project development costs as well as ongoing maintenance and end of life decommissioning. She outlined and compared the financing approaches with No PV, PPA with prepayment, Cash financed and cash finance vs the system size. Ms. Coe and Mr. Riedl invited questions from the Council.

City Manager Malin explained that the cash financed option which would provide 60% of the City's energy production is within our existing budget and the City would own the infrastructure. He believed that rather than try to build to a maximum of our current usage, we would be better off expending the difference by implementing additional energy saving projects such as LED lighting, energy controls, window replacement and the 60% system may end up yielding a higher efficiency.

Council Member Campbell questioned and the Council discussed if the 60% cash option was chosen, there is ability to add capacity at a later date as budget is available.

Mayor Rubio invited comments from the public.

- Mitt Sawhney questioned while calculating MPV what was the opportunity cost of capital considered as he didn't think the numbers added up. He also suggested for protection of public safety personnel, if the solar structures were selected, to require individual inverters so that if there is an issue, they can be separated easier without risk of electrocution.
- Ian Oglesby requested the Council to discuss the saving gap from the 60% rate to the 100% rate and discuss what other upgrade projects are available to the building. He spoke in support of adding solar as well as improving the building.

City Manager Malin responded to public comment stating that the opportunity cost of capital in a public sector operation that is oriented toward reducing our annual operating expenses is not the typical calculation you make. The proposed would have a 25 year project life. On question about the differences from previous proposals, Mr. Malin explained previous suggestions made to the Council were made by those that had stake in the game, and Sage Renewables does not benefit with either system the City choses and the fact that this cost proposal takes into account all true as well as potential costs including the full life cycle. Council Member Pacheco spoke to his desire to choose the 60% max cash finance option and Council Member Jones agreed. Council Member Campbell also agreed citing requirement to ensure that the system is modular to be able to expand the system as desired. Mayor Pro Tem Alexander spoke in support of working toward California's Z and E goals. Mayor Rubio spoke to his desires to have a 100% system and questioned requested staff to bring back the impact to the budget and its affect to other services.

6. BUSINESS ITEMS

A. CONSIDER ADOPTION OF A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEASIDE APPROVING AMENDMENT NO. 2 TO THE JOINT EXERCISE OF POWERS AGREEMENT WITH RESPECT TO THE CITY OF SEASIDE JOINT POWERS FINANCING AUTHORITY;

AND A RESOLUTION OF THE PARKING AUTHORITY OF THE CITY OF SEASIDE APPROVING AMENDMENT NO. 2 TO THE JOINT EXERCISE OF POWERS AGREEMENT WITH RESPECT TO THE CITY OF SEASIDE JOINT POWERS FINANCING AUTHORITY;

AND A RESOLUTION OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE APPROVING AMENDMENT NO. 2 TO THE JOINT EXERCISE OF POWERS AGREEMENT WITH RESPECT TO THE CITY OF SEASIDE JOINT POWERS FINANCING AUTHORITY

Deputy City Manager Hodgson presented the item for items A, B, C and D. Ms. Hodgson explained the requested actions to help assist with facilitation of dissolution of the Successor agency and financing of future bonds. Diana Chung, City contracted legal counsel with Richards Watson and Gershon was present. She provided a brief overview of the actions explaining that currently there is a City of Seaside Financing Authority with some debt under its purview. As the Successor agency dissolves per dissolution law, this action will substitute the parking authority now, therefore there will be no action to keep the financing authority alive. There will be financing coming before the Council in the near future. In those financing actions, we will use the proposed revised Financing Authority as the legislative body. Therefore the debt will go along without issues when the Successor Agency goes away. The final two actions are clean ups that were identified to make the authorities run smoother.

Mayor Rubio invited questions from the public.

- Mitt Sawhney questioned how much debt is being transferred, how much was raised and how much was paid off. He thinks it was supposed to dissolve within a year of dissolving. Why the urgency now and would like to understand what is payable, what is the interest rate and has it ever been refinanced, and will it impact our credit rating.

Ms. Hodgson explained that we currently have one bond outstanding with the financing authority, the golf course improvement bonds, originally 4 million but paid down. She thinks that they have another approximately 10 years. There is currently an arrangement with the golf course properties to pay that debt. W are not transferring the debt, it still stays with the financing authority. There were no other questions by the Council.

On motion by Mayor Pro Tem Dennis Alexander and seconded by Council Member Dave Pacheco and passed by the following vote the City Council adopted a resolution approving amendment no. 2 to the joint exercise of powers agreement with respect to the City of Seaside Joint Powers Financing Authority; and a resolution of the Parking Authority of the city of Seaside approving amendment no. 2 to the Joint Exercise of Powers agreement with respect to the City of Seaside Joint Powers Financing Authority; and a resolution of the Successor Agency to the Redevelopment Agency of the City of Seaside approving amendment no. 2 to the Joint Exercise of Powers Agreement with respect to the City of Seaside Joint Powers Financing Authority

RESULT: **Approved**

AYES: Ralph Rubio, Dennis Alexander, Jason Campbell, Dave Pacheco, Kayla Jones

NOES: None

B. RESOLUTION OF THE PARKING AUTHORITY OF THE CITY OF SEASIDE APPROVING RESTATED BYLAWS OF THE PARKING AUTHORITY

Staff confirmed that this action does not change the Parking Authority it only changes the bylaws. Ms. Chung spoke to the changes to be made if adopted, primarily to set the regular meetings to coincide with the regular meetings of the City Council. Also it would establish the officers with the Parking Authority to correspond with that of the City for ease of administration.

Mayor Rubio invited comments from the public.

- Ian Oglesby expressed appreciation for updating the bylaws.

On motion by Mayor Pro Tem Dennis Alexander and seconded by Council Member Dave Pacheco and passed by the following vote the Successor Agency to the Redevelopment Agency of the City of Seaside Adopted a resolution approving restated bylaws of the Parking Authority

RESULT: **Approved**
AYES: Ralph Rubio, Dennis Alexander, Jason Campbell, Dave Pacheco, Kayla Jones
NOES: None

C. RESOLUTION OF THE CITY OF SEASIDE JOINT POWERS FINANCING AUTHORITY AMENDING ITS REGULAR MEETING SCHEDULE AND BY-LAWS

Deputy Administrative Services Hodgson also indicated that this action updates the operations of the Authority, including setting a regular meeting date and time. Additionally, this is substituting the same people into the roles of the authority to coincide with the City operations. Mayor Rubio invited comments from the public and had no requests to speak.

On motion by Mayor Pro Tem Dennis Alexander and seconded by Council Member Dave Pacheco and passed by the following vote the Successor Agency to the Redevelopment Agency of the City of Seaside adopted a resolution amending its regular meeting schedule and by-laws

RESULT: **Approved**
AYES: Ralph Rubio, Dennis Alexander, Jason Campbell, Dave Pacheco, Kayla Jones
NOES: None

7. CLOSED SESSION

The City Council adjourned to Closed Session at 6:46 PM.

A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (1)(d)

B. CLOSED SESSION CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9

8. ADJOURNMENT

The City Council reconvened at 7:09. City Attorney Freeman indicated that one case from item 7A was not discussed. The other case was discussed, the City Council received an update and provided staff direction. He further reported that the Council discussed Item 7B, received an update and provided staff direction.

On motion the meeting was adjourned at 7:10 PM.

Respectfully submitted,

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Lesley Milton-Rerig, City Clerk	**Ralph Rubio, Mayor/Chair**

CITY OF SEASIDE
STAFF REPORT

Item No.: 4.B.

TO: Successor Agency to the Redevelopment Agency of the City of Seaside

FROM: Craig Malin, City Manager

BY: Daphne Hodgson, Deputy City Manager Administrative Services
Lori Merwin, Finance Assistant

DATE: July 19, 2018

SUBJECT: **APPROVE AND FILE SUCCESSOR AGENCY CHECKS**

PURPOSE & RECOMMENDATION

It is requested that the Agency Board approve and file the accounts payable and wired payments made during the period of June 23, 2018 through July 6, 2018. In addition, approval of the payroll and benefits checks, direct deposits and wired payments related to the period of July 5, 2018 is requested. Total Accounts Payable and Payroll for the above referenced period is $6,381.61.

BACKGROUND

In accordance with Government Code Section 37208, at each Agency Board meeting the Board is provided a listing of the payroll and general checks issued since the last report so that it can inspect and confirm these checks. Each purchase has been reviewed and approved by the department making the purchase at the time of procurement. The invoice has been reviewed by the Finance Department prior to payment to ensure that it conforms to the approved budget.

Therefore, in accordance with Government Code Section 37208, the above referenced, and linked list of checks conforms to the approved budget and has been paid. These checks are submitted to the Agency Board for inspection and confirmation.

A description of the checks and wires exceeding $10,000.00 is as follows:

* There were no checks over $10,000.00 for the period of June 23 through July 6, 2018.

The Checks report is available on the City's website here:
http://www.ci.seaside.ca.us/194/Check-Draft-Register

FISCAL IMPACT

ATTACHMENTS

None

Reviewed for Submission to the
City Council by:

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Craig Malin, City Manager

CITY OF SEASIDE
STAFF REPORT

Item No.: 4.C.

TO: City Council

FROM: Craig Malin, City Manager

BY: Daphne Hodgson, Deputy City Manager Administrative Services
Travis Foster, Assistant Finance director

DATE: July 19, 2018

SUBJECT: **RESOLUTION APPROVING A CONTRACT WITH MICHAEL BAKER INTERNATIONAL FOR HOUSING LOAN MONITORING SERVICES FOR 2018-2019 AND A RELATED BUDGET ADJUSTMENT**

PURPOSE & RECOMMENDATION

The purpose of this item is for the City Council to review and consider a resolution approving a contract with Michael Baker International for Housing loan monitoring services for 2018-2019 and a related budget adjustment.

BACKGROUND

For many years the City's Redevelopment Agency and the Community Development Block Grant provided down payment assistance and rehabilitation home loan programs. There are many loans still outstanding some of which have resale restrictions and other restrictions.

Due to the loan restrictions, each loan must be monitored annually for compliance. In addition, the sale of a property requires review of the loan documents, possible calculation of the allowable resale price, and qualification of a new buyer. These requirements are complex and time consuming.

For the last several years, the City has contracted with Michael Baker International to provide this service. They have provided excellent service to the City. Due to the pending retirement of the Deputy City Manager, staff is recommending an additional one year contract with Michael Baker International. This will assist with the transition to a new Finance Director and facilitate an assessment of how the City wants to provide loan monitoring services going forward.

FISCAL IMPACT

A portion of the cost of the loan monitoring services contract is included in the 2018-2019 Budget. A budget increase of $15,000 is needed for the one year cost of the proposed contract. The cost of this contract will be paid from the Housing Fund.

ATTACHMENTS

1. Draft Resolution
2. Michael Baker International Loan Monitoring Services Proposal

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Reviewed for Submission to the
City Council by:

Craig Malin, City Manager

RESOLUTION NO. 18- and 18- SA

A RESOLUTION OF THE CITY COUNCIL AND THE SUCCESSOR AGENCY BOARD OF THE CITY OF SEASIDE

APPROVING A CONTRACT WITH MICHAEL BAKER INTERNATIONAL FOR LOAN MONITORING SERVICES AND A RELATED BUDGET ADJUSTMENT

WHEREAS, the City has contracted with Michael Baker International for loan monitoring services for several years; and

WHEREAS, the City loans need annual monitoring to determine that the loan requirements are being met; and

WHEREAS, the loan monitoring is complex and time consuming; and

WHEREAS, the Deputy City Manager is retiring in September 2018; and

WHEREAS, contracting with Michael Baker International for one year will assist with the transition to a new Finance Director and provide the City an opportunity to determine the best loan monitoring procedures; and

WHEREAS, a portion of the cost of this contract is included in the 2018-2019 Budget.

NOW, THEREFORE BE IT RESOLVED, that the City Council and the Successor Agency Board of the City of Seaside approve a contract between the City of Seaside, and Michael Baker International for loan monitoring services for the 2018-2019 fiscal year and increase the budget for these services by $15,000 to be paid from the Housing Fund.

PASSED AND ADOPTED at City Council and the Successor Agency Board meeting duly held on the 19h day of July 2018 by the following vote:

AYES: COUNCIL/BOARD MEMBERS:
NOES: COUNCIL/BOARD MEMBERS:
ABSENT: COUNCIL/BOARD MEMBERS:
ABSTAIN: COUNCIL/BOARD MEMBERS:

____

Ralph Rubio, Mayor and Chair

ATTEST:

____

Lesley Milton-Rerig, City Clerk

June 22, 2018

Daphne Hodgson, Deputy City Manager
CITY OF SEASIDE
440 Harcourt Avenue
Seaside, CA 93955

RE: SCOPE OF WORK AND BUDGET FOR 2018–19 LOAN MONITORING SERVICES

Dear Daphne:

Please find below a summary of the work to be performed in support of the City's loan servicing and maintenance for the 2018–19 fiscal year.

Michael Baker International will provide on-call assistance with the City's administration of its housing programs. In particular, Michael Baker understands that the City needs assistance with the annual occupancy monitoring of its affordable housing units. We will send out monitoring letters to the borrower, then review and file the received certification form, evidence of insurance, and utility bills as part of the monitoring. Michael Baker will assist City staff remotely and with one on-site visit. Michael Baker will notify the City immediately of any red-flag items or notices.

Michael Baker understands that the City would like additional assistance during the summer months to organize its loan portfolio, including tasks to research and create an up-to-date loan tracking sheet that has information on loan type, loan status, monitoring status, and resale restriction; organize paper files; create a summary of each type of resale restriction; and research missing loan and borrower information. Michael Baker anticipates one-site visit and conducting the remaining tasks remotely, as possible. The City has stated that it plans to transition loan monitoring oversight to the Assistant Financial Director, and Michael Baker will work with both the Deputy City Manager and Assistant Financial Director during that transition.

Michael Baker will assist with tasks such as the processing of subordination requests, loan payoffs, substitution of trustee and full reconveyances, and insurance compliance notifications on an on-call basis.

In order to expedite and facilitate our efforts, we ask that the City make available to us the following items:

- Printout of the City's loan portfolio broken down by year and funding source (e.g., CDBG, RDA)
- Program guidelines for each year and funding source
- Sample occupancy certification forms that may have been part of the loan documents (if available)

Michael Baker will carry out the tasks under the direction of City staff.

To provide the scope of services described above, Michael Baker International is anticipating 239 hours at a cost not to exceed $23,180.

We look forward to continuing to assist the City of Seaside in successfully administering its housing programs. If you have any additional questions on the proposed scope of work and budget, please do not hesitate to contact me at (916) 231-2268.

Sincerely,

David Schaarsmith
Vice President

Jennifer Gastelum
Housing and Community Development Service Lead

Attachments: Budget
Cc:

City of Seaside, City Manager, Craig Malin

BUDGET

Task	Task Cost	Task Hours	J. Gastelum @ $160/hr	J. Hayes @ $120/hr	N. West @110/hr	P. Clemons @ $90/hr	Production and Support @ $70/hr
General Loan Monitoring Services	$8,400	91	2	5	0	80	4
File Organization	$4,910	52	2	3	0	47	0
Subtotal	***$13,310***	***143***	***$640***	***$960***	***$0***	***$11,430***	***$280***
On-Call Subordinations, Reconveyance, Loan Payoff, etc. (**Estimated 3 loans per year: 32 hours each at $3,290 per loan)**	$9,870	96	0	1 (x3)	20 (x3)	10 (x3)	1 (x3)
Total with On-Call	**$23,180**	**239**	**$640**	**$1,320**	**$6,600**	**$14,130**	**$490**

CITY OF SEASIDE
STAFF REPORT

Item No.: 4.D.

TO: City Council

FROM: Craig Malin, City Manager

BY: Daphne Hodgson, Deputy City Manager Administrative Services

DATE: July 19, 2018

SUBJECT: **REVIEW AND ADOPT A RESOLUTION APPROVING THE 2018-2019 INVESTMENT POLICY FOR THE CITY OF SEASIDE AND THE CITY OF SEASIDE SUCCESSOR AGENCY**

PURPOSE & RECOMMENDATION

The purpose of this item is to give the City Council and the Agency Board an opportunity to review and adopt a resolution approving the City of Seaside and the Successor Agency 2018-2019 Investment Policy.

BACKGROUND

California State Government Code Section 53646 requires the City Council and the Agency Board to review and adopt the City's and the Agency's Investment Policy. There are no changes to the Policy. The policy meets the criteria established by State law.

FISCAL IMPACT

There are no costs involved in the adoption of the Investment Policy. The policy may affect the investment earnings of the City and the Agency.

ATTACHMENTS

1. Draft Resolution
2. Proposed City of Seaside and Successor Agency 2018-2019 Investment Policy

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Reviewed for Submission to the
City Council by:

Meeting Date: July 19, 2018

Craig Malin, City Manager

RESOLUTION NO. 18- & 18- SA

A RESOLUTION OF THE CITY OF SEASIDE AND THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE

ADOPTING THE 2018-2019 INVESTMENT POLICY

WHEREAS, pursuant to the provisions of Section 53646 of the California Government Code the City Council and the Agency Board are required to annually review and approve the Investment Policy; and

WHEREAS, the City of Seaside and the Successor Agency to the Seaside Redevelopment Agency 2018-2019 Investment Policy remains the same as the prior year policy; and

WHEREAS, the City Council and the Agency Board have reviewed the policy.

NOW, THEREFORE BE IT RESOLVED, that the City Council of the City of Seaside and the Board of the Successor Agency of the Redevelopment Agency of the City of Seaside adopt the City of Seaside and the Seaside Successor Agency of the Redevelopment Agency 2018-2019 Investment Policy.

PASSED AND ADOPTED at a regular meeting of the City of Seaside and the Successor Agency of the Redevelopment Agency of the City of Seaside duly held on the 19th day of July, 2018 by the following vote:

AYES: COUNCIL MEMBERS/BOARD MEMBERS:
NOES: COUNCIL MEMBERS/BOARD MEMBERS:
ABSENT: COUNCIL MEMBERS/BOARD MEMBERS:
ABSTAIN: COUNCIL MEMBERS/BOARD MEMBERS:

____
Ralph Rubio, Mayor and Chairperson

ATTEST:

____
Lesley Milton-Rerig, City Clerk

CITY OF SEASIDE AND THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE

INVESTMENT POLICY

Proposed July 19, 2018

I. Introduction

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment process and to organize and formalize investment-related activities. Related activities which comprise sound cash management include accurate cash flow projections, control of disbursements, expedient collection of revenues, cost effective banking relations and a short term borrowing program which coordinates investment opportunity with working capital requirements. The ultimate goal is to enhance the economic status of the City of Seaside while protecting its pooled cash resources.

The investment policies and practices of the City of Seaside are based on state law and prudent money management. All funds will be invested in accordance with the City's Investment Policy and the authority governing investments for municipal governments as set forth in the California Government Code, Sections 53601 through 53659. The investment of bond proceeds are to be restricted by the provisions of relevant bond documents.

II. Scope

It is intended that this policy cover all short-term operating funds and investment activities of the City. These funds are accounted for in the annual audit report, and include:

- ◊ General Fund
- ◊ Special Revenue Funds
- ◊ Debt Service Funds
- ◊ Capital Projects Funds
- ◊ Enterprise Funds
- ◊ Internal Service Funds
- ◊ Fiduciary Funds

This investment policy applies to all City transactions involving the financial assets and related activity of the above mentioned funds. Any additional funds that may be created from time to time shall also be administered with the provisions of this policy and comply with current State Government Code.

III. **Prudence** (Standard of Care)

CITY OF SEASIDE AND THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE

INVESTMENT POLICY

The City of Seaside operates its pooled idle cash investments under the prudent man rule (Civil Code Section 2261, et. seq.). In addition, Government Code Section 53600.3 provides that those persons to whom investment decisions have been delegated are trustees with a fiduciary responsibility to act as a prudent investor.

Investments shall be made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. This affords a broad spectrum of investment opportunities as long as the investment is deeded prudent under current law.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing 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.

It is the City's intent at the time of purchase to hold all investments until maturity to ensure the return of all invested principal dollars but sales prior to maturity are permitted.

IV. Objectives

A. Investment Criteria:

Government Code Section 53600.5 states: "When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objective of the trustee shall be to safeguard the principal of funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve <u>a return</u> on the funds under its control".

Simply stated, safety of principal is the foremost objective, followed by liquidity and return on investment (known as yield). Each investment transaction shall seek to first ensure the capital losses are avoided, whether they are from market erosion or security defaults.

The primary objectives, in priority order, of the City's investment activities shall be:

CITY OF SEASIDE AND THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE

INVESTMENT POLICY

1. ***Safety*** - Safety of principal is the foremost objective of the investment program. The City's investments shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio. The City shall seek to preserve principal by mitigating the two types of risk, credit risk and market risk. Investment decisions should not incur unreasonable credit or market risks in order to obtain current investment income.

   a. Credit Risk: Defined as the risk of loss due to failure by the issuer of a security.

   b. Market Risk: Defined as the risk of market value fluctuations due to overall changes in the general level of interest rates.

2. ***Liquidity*** - The City's investment portfolio will remain sufficiently liquid to enable the City to meet its cash flow requirements. An adequate portion of the portfolio should be maintained in liquid short term securities which can be converted to cash and guarantee the City's ability to meet operating expenditures.

3. ***Return on Investment (Yield)*** - The City's investment portfolio shall be designed with the objective of attaining a market rate of return on its' investments consistent with the constraints imposed by its safety objective and cash flow considerations. Yield is to be a consideration only after the basic requirements of adequate safety and liquidity have been met.

B. Market Rate of Return

The investment portfolio shall be managed to attain a market average rate of return throughout budgetary and economic cycles. This takes into account the City's cash flow requirements and investment risk constraints, state and local laws and ordinances or resolutions that restrict the placement of short term funds.

C. Performance Standards

The investment portfolio shall be managed with the objective of producing a yield meeting or exceeding the average return on the one year U.S. Treasury. This index is considered a benchmark for low to moderate risk investment transactions. Therefore, they comprise a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles. This benchmark will be reviewed thoroughly and may be adjusted as required by market conditions to prevent incurring unreasonable risks to attain yield.

D. Diversification

The investment portfolio shall be diversified to prevent incurring unreasonable and

avoidable risks regarding specific security types, individual financial institutions or maturity segments.

E. Public Trust

Public Trust - All participants in the investment process shall act responsibly 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.

V. Delegation of Authority

The management and oversight responsibility for the investment program in hereby delegated to the Treasurer who shall monitor and review all investments for consistency with this investment policy. The City Manager and Treasurer shall jointly establish procedures to implement and monitor this investment policy. Such procedures shall include explicit delegation of persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the limits of this policy.

VI. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or that could impair their ability to make impartial decisions.

VII. Selection of Financial Institutions and Broker/Dealers

To provide for the optimum yield in the City's portfolio, the City's procedures shall be designed to encourage multiple bids and offers on investment transactions from an approved list of broker/dealers. The Treasurer shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment purposes, in the State of California, and it shall be the policy of the City to purchase securities only from authorized institutions or firms. The investment guidelines and procedures shall identify the criteria under which brokers and dealers may qualify to conduct business with the City.

In order to assist in identifying qualified financial institutions, the Treasurer shall forward copies of the City's investment policy to those financial institutions with which the City is interested in doing business and will require written acknowledgment of the policy. In addition, all dealers approved to do business with the City shall receive a copy of the Investment Policy annually. Confirmation of receipt of this policy shall signify that the dealer understands the Investment Policy and intends to present only appropriate investments.

VIII. Permitted Investment Instruments

Allowable investment instruments are defined in the California Government Code Section 53600 et. seq., as amended. If the Code is further revised to allow additional investments or is changed regarding the limits on certain categories of investments, the City is authorized to conform to these changes, excluding those changes that may be prohibited by this policy. Where Government Code Section specifies a percentage limitation for a particular category of investments, that percentage is only applicable only at the date of purchase.

Investments may be made in the following instruments:

1. Government obligations pledged by the full faith and credit of the United States for the payment of principal and interest.

2. Obligations issued by Agencies or Instrumentalities of the U.S. Government.

3. Repurchase Agreements used solely as short term investments not to exceed one year.

   The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the City's custodian bank versus payment. The market value of securities that underlay a Repurchase Agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be reviewed on a regular basis and adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investment in repurchase agreements shall be in compliance if the value of the underlying securities is brought back to 102 percent no later than the next business day.

4. Banker's Acceptances issued by domestic or foreign banks, which are eligible for purchase

by the Federal Reserve System, the short term paper of which is rated in the highest category by Moody's Investors Services or by Standard & Poor's Corporation.

Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of the City's surplus money. However, no more than $2,000,000 of the City's surplus funds may be invested in the Banker's Acceptance of any one commercial bank.

5. Commercial paper rated in the highest short term rating category, as provided by Moody's Investors Service, Inc. (P-1) or Standard & Poor's Corporation (A-1) provided that the issuing corporation is organized and operating within the United States, has total assets in excess of $500 million, and has an "A" or higher rating for its long term debt, (if any, as provided by Moody's or Standard & Poor's).

   Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than $1,000,000 from an issuing corporation.

   Purchases of commercial paper may not exceed 15 percent of the City's surplus money that may be invested.

6. Medium term corporate notes of a maximum of five years maturity 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. Medium term corporate notes shall be rated in a rating category of “A” or its equivalent or better by a nationally recognized rating agency.

   Investments will be limited to a maximum of 30% of the City's portfolio. The maximum principal amount in any one company will not exceed $1,000,000.

7. FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California, including United States branches of foreign banks licensed to do business in California. The maximum maturity of a time deposit shall not exceed 180 days. All time deposits must be collateralized in accordance with California Government Code section 53651 and 53652, either using:
   a) 150% of promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under Section 53601 (m), or
   b) 110% of eligible marketable securities listed in subsections (a) through (l) and (n).

8. Negotiable certificates of deposit or deposit notes issued by a nationally or state chartered

bank or a state or federal savings and loan association or by a state licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated "AA" or better by Moody's or Standard & Poor's.

Purchase of negotiable certificates of deposit may not exceed 30 percent of the City's surplus money.

9. State of California's Local Agency Investment Fund. (LAIF)

Investment in LAIF may not exceed limits as set forth by the LAIF Board and adjusted from time to time. The current per account limit is $50 million per account.

10. Shares of beneficial interest issued by diversified management companies (Money Market Mutual Funds) investing in the securities and obligations authorized by sections a through l of Government Code section 53601. To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services or (2) have an investment advisor registered with the Securities and Exchange Commission with not less than five years experience investing in securities and obligations authorized by Government Code Section 53601 and with assets under management in excess of $500,000,000.

The purchase price of shares shall not exceed 10 percent of the City's surplus money.

Table A summarizes the maximum percentage and maturity limits, plus other constraints, by instrument, established for the City's total pooled funds portfolio.

IX. Safekeeping of Securities

To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the City shall be held in safekeeping by a third party bank trust department. Designated third parties shall act 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. Original copies on non-negotiable certificates of deposit and confirming copies (safekeeping receipts) of all other investment transactions must be delivered to the City. Investment officials shall be bonded to protect the public against possible embezzlement or malice.

Securities held in custody for the City shall be independently audited on an annual basis to verify investment holdings.

X. Maximum Maturity

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the City to meet all projected obligations.

Investments that mature more than five years from the date of purchase can not occur without prior approval of the City Council. As defined in Government Code Section 53601, “no investment shall be made in any security… that at the time of investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment approved by the legislative body no less than three months prior to the investment.”

XI. Ineligible Investments

Certain investments are prohibited under Government Code Sections 53601.6 and 53631.5. Security types which are prohibited include, but are not limited to:

(a) "Complex" derivative structures such as range notes, dual index notes, inverse floaters, leveraged or deleveraged floating rate notes, or any other complex variable rate or structured note.

(b) Interest only strips that are derived from a pool of mortgages or any security that could result in zero interest accrual if held to maturity.

(c) Reverse Repurchase Agreements.

Purchasing these types of instruments does not coincide with this Policy’s objectives and would require a thorough review and monitoring of the underlying security. Although some of these transactions are legal under Government Code, they do not meet the objectives contained herein.

By virtue of the allowable investment in the State Pool, the City is investing idle cash with a large number of government agencies. The Pool is managed by outside administrators and are subject of the Government Codes as well as polices put in place by their governing boards. The Pool’s investment policy may allow for investment in some of the prohibitions noted above for Seaside. Investment in the State and County Pools is permitted, assuming a diminutive portion of their portfolio’s (10% or less) are tied to the high-risk products noted above. The Treasurer is responsible to monitor and review the Pool’s portfolio on an ongoing basis. The City shall take any necessary action should the Pool exceed the allowable 10% limit.

XII. Reporting Requirements

Pursuant to Government Code Section 53646, the Treasurer shall render to the City Council a separate quarterly investment report, which shall include, at a minimum, the following information for each individual investment:

- Type of investment instruments (i.e. Treasury Bill, medium term note)
- Issuer names (i.e., General Electric)
- Purchase date (trade and settlement date)
- Maturity date
- Par value
- Current rate of interest
- Purchase price
- Current market value and the source of the valuation
- Overall portfolio yield based on cost
- Weighted average days to maturity

The quarterly report also shall (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the City's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement denoting the ability of the City to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

Market value adjustments, as required under Government Accounting Standards Board (GASB) Statement No. 31, are treated as year-end accounting adjustments to the financial records of the City. quarterly investment reports will demonstrate market fluctuations and continue to compare purchase price versus market value status. Accounting adjustments under GASB Statement No. 31, which compare changes to beginning and ending par market value in each fiscal year, are not included as part of the quarterly investment reports.

This quarterly report shall be submitted to the City Council within 45 days following the end of the quarter. Reporting to the California Debt and Investment Advisory Commission (CDIAC) commenced January 2001. Seaside will comply with CDIAC or any other oversight agency reporting requirements.

XIII. Policy Adopting Changes and Updates

The Treasurer shall annually render to the Council a statement of investment policy, which the Council shall consider at a public meeting.

The policy shall be reviewed annually by the City Manager and Treasurer to ensure its consistency with the global objective of preservation of investment principal, sufficient liquidity, rate of return and relevance to current laws and financial trends. Any modifications to the policy must be approved by the City Council.

XIV. Internal Controls

The Treasurer shall establish and implement a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the City.

XV. Depositories

The Treasurer shall establish selection criteria for pre-approval of institutions that do business with the City of Seaside. To qualify for consideration, an institution must have an office in California and that office must perform the transactions with the City. The Treasurer will maintain a listing of approved institutions.

XVI. Risk Tolerance

The City recognizes that investment risk can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to minimize and control these risks.

CITY OF SEASIDE AND THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE

INVESTMENT POLICY

GLOSSARY OF TERMS

Bankers' Acceptances - negotiable time drafts or bills of exchange drawn on and accepted by a commercial bank. Acceptance of the draft obligates the bank to pay the bearer the face amount of the draft at maturity. In addition to the guarantee by the accepting bank, the transaction is identified with a specific commodity. The sale of the underlying goods will generate the funds necessary to liquidate the indebtedness. Banker's Acceptances are usually created to finance the import and export of goods, the shipment of goods within the United States and the storage of readily marketable staple commodities. Banker's Acceptances are sold at a discount from par and the amount and maturity dates are fixed. Bankers' Acceptances have the backing of both the bank and the pledged commodities with no known principal loss in over 70 years. State law permits cities to invest up to 40% in bankers' acceptances.

Certificate of Deposit - A deposit insured up to $100,000 by the FDIC at a set rate for a specified period of time.

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

Corporate Medium Term Notes - Unsecured promissory notes issued by corporations operating within the United States. The notes mature in one to five year periods. Purchase of these notes may not exceed 30% of the City's portfolio and the notes must have at least an "A" rating by a nationally recognized rating service.

Commercial Paper - An unsecured promissory note of industrial corporations, utilities and bank holding companies having assets in excess of $500 million and an "A" or higher rating for the issuer's debentures. Interest is discounted from par and calculated using the actual number of days on a 360-day year. The notes are in bearer form, mature from one to 270 days and generally start at $100,000. There is a secondary market for commercial paper and an investor may sell them prior to maturity. Unused lines of credit back commercial paper from major banks. State law permits cities to invest up to 30% in commercial paper.

Credit Risk - Defined as the risk of loss due to failure of the issuer of a security. This loss shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the City's capital base and cash flow.

Current Yield - The interest paid on an investment expressed as a percentage of the current price of the security.

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.

Fannie Mae - Trade name for the Federal National Mortgage Association (FNMA), a United States sponsored corporation.

Federal Reserve System - The central bank of the United States which consists of a seven member Board of Governors, 12 regional banks and 5,700 commercial banks that are members.

Federal Deposit Insurance Corporation (FDIC) - Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently $100,000) per account.

Freddie Mac - Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a United States sponsored corporation.

Ginnie Mae - Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the United States Government.

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.

Local Agency Investment Fund (LAIF) Demand Deposit - Was established by the state to enable treasurers to place idle funds in a pool for investment. Each agency is currently limited by LAIF to an investment of $40 million plus any bond proceeds.

Market Risk - Defined as market value fluctuations due to overall changes in the general level of interest rates. Adverse fluctuation possibilities shall be mitigated by limiting the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis, and eliminating the need to sell securities prior to maturity. Also, avoiding the purchase of long term securities for the sole purpose of short-term speculation mitigates marker risk.

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

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

Portfolio - Collection of securities held by an investor.

Purchase Date - The date in which a security is purchased for settlement on that or a later date.

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 (REPO) - Are contractual arrangements between a financial institution or dealer and an investor. The investor puts up their funds for a certain number of days at a stated yield. In return, they take title to a given block of securities as collateral. At maturity, the securities are repurchased and the funds are repaid with interest.

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.

Sallie Mae - Trade name for the Student Loan Marketing Association (SLMA), a United States sponsored corporation.

Treasury Bills - United States Treasury Bills which are short term, direct obligations of the United States Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of $10,000 in multiples of $5,000 above the minimum. Issued in book entry form only. T-bills are sold on a discount basis.

United States Government Agencies - Instruments issued by various United States Government Agencies most of which are secured only by the credit worthiness of the particular agency.

CITY OF SEASIDE AND THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SEASIDE

INVESTMENT POLICY

Permitted Investments
Table A

Permitted Investments	Legal Limit (% or $)	City Policy Legal Limit (% or $)	Maximum Maturity Constraints	City Policy Other Constraints
U.S.Government Obligations	Unlimited	Unlimited	5 years *	None
U.S. Government Agencies & Instruments	Unlimited	Unlimited	5 years *	None
Repurchase Agreements	Unlimited	Unlimited	1 year	102% Market value on underlying securities
Bankers Acceptances	40%	40%	*180 days*	No more than $2,000,000 invested in any one commercial bank
Commercial Paper	30%	30%	*270 days*	U.S. Corporations with assets in excess of $500,000,000; "A" debt rating; maximum of $1,000,000 from an issuing corporation
Medium Term Corporate Notes	30%	30%	5 years	U.S. Corporations; "A" debt rating maximum of $1,000,000 per issuing company
Certificates of Deposit	Unlimited	Unlimited	5 years *	Must be collateralized to 110% of the CD value by other eligible securities or 150% by promissory notes secured by California Deeds & Mortgages
Negotiable Certificates of Deposit	30%	30%	5 years *	State and Federally chartered banks and savings institutions, "AA" rating by one agency

LAIF State Pool	$50,000,000 **	$50,000,000 **	N/A	Limited to 15 transactions per month, per account, per State Policy - last changed 11/16/09.
Mutual Funds	15%	10%	N/A	Funds invested as defined in Section 53601 (a) to (l); highest debt rating from 2 of top 3 national rating services OR investment advisor registered with SEC for at least 5 years and assets under management in excess of $500,000,000.

* Maximum terms unless the City Council expressly authorizes longer maturities and within the prescribed time frame for said approval.

** Not set by Government Code, but instead by LAIF Governing Board.