



**Members:**  
**Mayor Toms**  
**Mayor Pro Tem Sasai**  
**Treasurer Swearingen**

**Staff:**  
**Interim City Manager, Neil Gang**  
**Finance Director, Markisha Guillory**  
**Deputy City Clerk, Roxane Stone**

## **PINOLE FINANCE SUBCOMMITTEE MEETING AGENDA**

**March 27, 2024  
3:00 PM**

**Attend in person - PINOLE CITY COUNCIL CHAMBERS - 2131 PEAR STREET  
OR  
Attend VIA ZOOM TELECONFERENCE - Details provided below**

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### **How to Submit Public Comments:**

#### **In Person:**

Attend meeting at the Pinole City Council Chambers, fill out a yellow public comment card and submit it to the City Clerk.

#### **Via Zoom:**

Members of the public may submit a live remote public comment via Zoom video conferencing. Download the Zoom mobile app from the Apple Appstore or Google Play. If you are using a desktop computer, you can test your connection to Zoom by clicking [here](#). Zoom also allows you to join the meeting by phone.

#### **From a PC, Mac, iPad, iPhone or Android:**

<https://us02web.zoom.us/j/89335000272>

**Webinar ID: 893 3500 0272**

**By phone:** +1 (669) 900-6833 or +1 (253) 215-8782 or +1 (346) 248-7799

- Speakers will be asked to provide their name and city of residence, although providing this is not required for participation.
- Each speaker will be afforded up to 3 minutes to speak
- Speakers will be muted until their opportunity to provide public comment.

When the Mayor opens the comment period for the item you wish to speak on, please use the “raise hand” feature (or press \*9 if connecting via telephone) which will alert staff that you have a comment to provide and press \*6 to unmute. **To comment with your video enabled, please let the City Clerk know you would like to turn your camera on once you are called to speak.**

#### **Written Comments:**

All comments received **before 12:00 pm the day of the meeting** will be posted on the City’s website on the agenda page ([Agenda Page Link](#)) and provided to the Commissioners prior to the meeting. Written comments will not be read aloud during the meeting. **Email comments to [comment@ci.pinole.ca.us](mailto:comment@ci.pinole.ca.us)** Please indicate which item on the agenda you are commenting on in the subject line of your email.

## OTHER WAYS TO WATCH THE MEETING

**LIVE ON CHANNEL 26.** They are retelecast the following Thursday at 6:00 p.m. The Community TV Channel 26 schedule is published on the city's website at [www.ci.pinole.ca.us](http://www.ci.pinole.ca.us).

**VIDEO-STREAMED LIVE ON THE CITY'S WEBSITE,** [www.ci.pinole.ca.us](http://www.ci.pinole.ca.us) and remain archived on the site for five (5) years.

**If none of these options are available to you, or you need assistance with public comment, please contact the City Clerk, Heather Bell at (510) 724-8928 or [hbelle@ci.pinole.ca.us](mailto:hbelle@ci.pinole.ca.us).**

**Americans With Disabilities Act:** In compliance with the Americans With Disabilities Act of 1990, if you need special assistance to participate in a City Meeting or you need a copy of the agenda, or the agenda packet in an appropriate alternative format, please contact the City Clerk's Office at (510) 724-8928. Notification at least 48 hours prior to the meeting or time when services are needed will assist the City staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

**Ralph M. Brown Act. Gov. Code § 54950.** In enacting this chapter, the Legislature finds and declares that the public commissions, boards and councils and the other public agencies in this State exist to aid in the conduct of the people's business. It is the intent of the law that their actions be taken openly and that their deliberations be conducted openly. The people of this State do not yield their sovereignty to the agencies, which serve them. The people, in delegating authority, do not give their public servants the right to decide what is good for the people to know and what is not good for them to know. The people insist on remaining informed so that they may retain control over the instruments they have created.

**1. CALL TO ORDER**

**2. PUBLIC COMMENT**

**3. CONSENT ITEMS**

- A. Approve the meeting Minutes of August 10, 2021, March 29, 2023, and April 12, 2023.

**4. BUSINESS ITEMS**

- A. Fiscal Year (FY) 2024/25 Financial and Investment Policies

No action is requested. The Subcommittee is an advisory committee which makes recommendations to the City Council.

**5. ADJOURNMENT**

I hereby certify under the laws of the State of California that the foregoing Agenda was posted on the bulletin board at the main entrance of Pinole City Hall, 2131 Pear Street Pinole, CA, and on the City's website, not less than 72 hours prior to the meeting date set forth on this agenda.

**Posted: March 22, 2024 at 4:00pm**

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**Heather Bell, CMC**  
**City Clerk**

PINOLE FINANCE SUBCOMMITTEE  
MINUTES  
AUGUST 10, 2021

**A. CALL TO ORDER**

Mayor Martinez-Rubin called the meeting to order at 3:06 p.m. The meeting took place via Zoom teleconference and was broadcast from Pinole City Hall Chambers, 2131 Pear Street, Pinole, CA.

**Board Members Present:**

Mayor Norma Martinez-Rubin  
Mayor Pro Tem Vincent Salimi  
Treasurer Roy Swearingen

**Staff Members Present:**

City Manager, Andrew Murray  
Assistant City Manager, Hector De La Rosa  
Finance Director, Markisha Guillory  
Planning Manager, David Hanham  
City Clerk, Heather Iopu  
Management Analyst, Roxane Stone

**B. PUBLIC COMMENT**

City Clerk Heather Iopu reported no written correspondence had been received.

Management Analyst Roxane Stone reported there were no comments from the public.

**C. CONSENT ITEMS**

1. Approve Minutes of the May 12 and June 3, 2021 meetings.

**ACTION: Motion by Treasurer Swearingen/Mayor Pro Tem Salimi to Approve the Minutes of the May 12 and June 3, 2021 meetings, as shown.**

<b>Vote:</b>	<b>Passed</b>	<b>3-0</b>
	<b>Ayes:</b>	<b>Martinez-Rubin, Salimi, Swearingen</b>
	<b>Abstain:</b>	<b>None</b>
	<b>Absent:</b>	<b>None</b>

## D. BUSINESS ITEMS

1. American Rescue Plan Act and Additional Fiscal Year 2021/22 Appropriations Process **[Discuss and make recommendation (Guillory)]**

Finance Director Markisha Guillory explained that the Finance Subcommittee had been asked to discuss and provide recommendations on the American Rescue Plan Act (ARPA) funds allocated to the City of Pinole, and for additional Fiscal Year (FY) 2021/22 appropriations to be presented to the City Council at its August 17, 2021 meeting.

Finance Director Guillory provided a PowerPoint presentation which included an overview of ARPA with the City of Pinole's ARPA allocation determined to be \$4,605,010. Pinole had received its first installment of \$2,302,505 in July 2021. The second installment was expected to be received one year later in July 2022. Allowable uses of ARPA funds included public health, negative economic impacts, premium pay, infrastructure, and revenue replacement. ARPA funds could not be used to directly or indirectly offset tax reductions or delay a new tax or tax increase and deposit funds into a pension fund.

ARPA funds were a one-time source of funds and should be applied primarily to non-recurring expenditures. Factors to consider when using the ARPA funds were noted and included that the funds should be applied primarily to non-recurring expenditures, avoid creating new programs or expansion of existing programs that required an on-going financial commitment that could not be sustained after ARPA funds were exhausted, and seek opportunities to make investments in critical infrastructure that provided benefits to the community over the long term.

All ARPA funds must be used for costs incurred during the period of performance that began on March 3, 2021. The funds must be obligated by the City Council by December 31, 2024, and expended by December 31, 2026. Any unused portion of the funds must be returned to the U.S. Department of the Treasury.

Director Guillory highlighted the additional FY 2021/22 appropriations the City Council had added to the budget beyond what had been contained in the Revised Final Proposed FY 2021/22 Operating and Capital Budget through the use of General Fund and Measure S fund balances, as outlined on Page 33 of 37 of the August 10, 2021 agenda packet. She noted the estimated fund balance had not been audited, the numbers were not final but staff was confident the estimates were close to the final estimates. Final year-end numbers would be provided in September 2021.

In terms of the appropriations process, staff recommended establishing guiding principles, providing opportunities for community input, using analytics gathered from community responses, incorporating staff input and exploring opportunities to advance strategic plan strategies.

As to the development of an appropriations process, staff had recommended holding two 3-hour workshops to facilitate collaboration amongst the community, staff and the City

Council. Staff also recommended as part of the process incorporating interactive engagement tools to assist Council decisions on appropriations of ARPA funds and additional appropriations of General Fund and Measure S balances, with a proposed schedule for the budget workshops and format as outlined in the staff report.

In terms of the next steps following the Finance Subcommittee meeting, staff intended to present the Finance Subcommittee recommendations on the ARPA funds and additional General Fund and Measure S appropriations process to the City Council at its August 17 meeting for discussion and direction, with the budget workshops to be held thereafter pursuant to the schedule in the staff report.

City Manager Andrew Murray explained that the budget was to be adopted by June 30, 2021, but the City Council had been unable to discuss all of the different appropriations each Council member had proposed. As such, the City Council agreed to have additional discussions this fiscal year for additional appropriations to be made now to the FY 2021/22 budget. The City Council may make modifications to the budget at any time during the course of the year.

City Manager Murray reported when the item for additional appropriations had been scheduled for City Council consideration, the City Council had agreed to a two-public workshop framework to discuss the additional appropriations and when learning of the ARPA funds, staff had suggested the appropriations of those funds be discussed as part of this fiscal year. As such, a two-public workshop framework process had been recommended to brainstorm and discuss any additional appropriations for this fiscal year to decide what to do with the ARPA funds.

City Manager Murray again highlighted the options for consideration as outlined in the staff report and welcomed input from the Finance Subcommittee. He added that the Finance Director had researched how other communities had handled their ARPA appropriations and processes with a number of cities having engaged with consultants to support the cities in the appropriation decisions. Some cities engaged consultants to facilitate workshops and others to provide advice as subject matter experts on the allowable uses of ARPA funds, what investments could be made, and to identify a city's greatest needs. In between each workshop staff would analyze all of the ideas provided and the City Council would be asked to make a decision at the second workshop.

City Manager Murray added the ARPA funds were restricted as outlined in the staff report. In terms of public health and premium pay related to COVID-19, the City had limited expenses in that area and he did not see ARPA funds would be used for that purpose.

In terms of lost revenue, the City of Pinole may claim a significant portion of its ARPA allocation as reimbursement for lost revenue, but the funds would sit in the General Fund balance until appropriated providing a flexible way to claim the funds. ARPA funds may be used for economic support for households, businesses, economic development and infrastructure expenses. The federal government was currently working on an infrastructure bill that could provide for transportation-related projects.

The ARPA funds were really limited to broadband, Clean Water and sewer in terms of infrastructure and the current City budget already included funding for studies of Municipal Broadband, the Sewer Master Plan and Water Reuse Feasibility Plan for affluent. In discussions with Public Works Department staff, it was premature to appropriate funding for either broadband or sewer projects until those assessments had been completed.

Finance Director Guillory explained in response to the Mayor that the City's revenue losses included recreation, gas taxes, and wastewater revenue with the three years prior to COVID-19 used as a benchmark and with losses in excess of the first ARPA installation. One transaction not included was the sale of property in 2017/18, which had driven some of the numbers up and which could change if that transaction was eliminated.

City Manager Murray and Director Guillory explained that if the ARPA funds were used to pay the City for lost revenues the monies claimed for that purpose must be obligated within the time frame stipulated, by the end of 2024 and expended by 2026. There were many options available. As previously stated, the City was currently conducting assessments on broadband and sewer and once complete the City would have a better understanding where the most valuable investments in assets should be made. It made sense not to make investments in those areas at this time.

City Manager Murray acknowledged the most pressing need was mitigating the economic impacts from COVID-19. The City would be developing an Economic Development Strategic Plan but that Plan would be long term and would not necessarily address the impacts on households and local businesses due to COVID-19. Immediate assistance was needed for businesses and households to help overcome the impacts from COVID-19. This had been discussed in-house by staff and was a decision the City Council could make now to appropriate some ARPA funds and provide direction on the form of a program to provide relief. Some assessment would be needed, consultants could provide assistance, the City had a Small Business Assistance Program which had been developed intuitively absent a needs assessment or gap analysis, and there were many forms of programs for assistance for households and businesses related to COVID-19.

If the City were to invest any ARPA funds for that type of assistance, City Manager Murray suggested a needs assessment and gap analysis would be needed and may be something to consider.

Mayor Martinez-Rubin asked the status of premium pay and was informed by Finance Director Guillory she was uncertain the City had any expenses that fell under that category. The ARPA funds were for expenditures effective March 23, 2021, with the Coronavirus Aid, Relief, and Economic Security Act (CARES) covering public safety overtime and the like. She had discussed with the City Manager that no expenditures had been identified that would be allowable in this category.

City Manager Murray clarified that some expenditures may be able to be identified in that category such as some Fire Department staff backfilling if staff was out on quarantine protocols, but it would be minor as compared to the other categories.

Some cities including Contra Costa County had taken the position that the first expenditure and use of ARPA funds was to pay their cities back for things they had lost or expended related to COVID-19, and some cities were going through an expensive process to identify those expenses, recover any lost revenue, and then consider economic impacts or infrastructure with whatever ARPA funds remained.

Treasurer Swearingen understood the area of infrastructure was very narrow. He had recommended a process for generators for City Hall and the Senior Center but understood that was not within the scope of the use of ARPA funds. He would like to see whether there was some way to tie those expenses into COVID-19 impacts given it was an emergency situation and COVID-19 had been an emergency situation for well over a year. He also found that there were many economic impacts related to COVID-19 that could be discussed further.

Mayor Martinez-Rubin sought the identification of principles the City Council may consider. She thanked staff for the report and the distillation of all available information to make sense of the use of ARPA funds. She recognized that the ARPA funds were a one-time source of funding and this was a historic moment to determine how to make a difference in the community. She wanted to see the funds be considered for immediate relief, to build upon things already in place and to improve existing aging infrastructure.

Mayor Martinez-Rubin commented that once the needs assessments were complete, the infrastructure bill approved by the Senate to date would make its way down to local government and the timing may be such there could be a discussion on how best to use those funds if and once received.

Mayor Martinez-Rubin wanted the Finance Subcommittee to consider how the use of ARPA funds would benefit everyone across the City in one way or another, different from considering eligibility versus actual receipt of the funds. She suggested dividing the first installation of the ARPA funds into thirds, with one portion for immediate relief to be divided proportionately amongst the number of small businesses in the City based on business licensing data and the other portion for relief among residents facing the possibility of eviction since eviction moratoriums would be coming to an end soon. Those funds could be made available to any resident or business owner in Pinole with some built-in eligibility criteria. Another third of the ARPA funds could go to projects already in place that fell under the category of infrastructure.

Treasurer Swearingen again clarified with Finance Director Guillory that all ARPA funds must be used for costs incurred during the period of performance that began on March 3, 2021. The funds must be obligated by the City Council by December 31, 2024, and expended by December 31, 2026. He liked the Mayor's proposal in generalities which may provide guidelines for the City Council and the community but the funds did not have to be spent all at once. He agreed those suggestions should be forwarded to the City Council.

City Manager Murray clarified the recommendation for the Finance Subcommittee to consider at this time was for the process and the series of two workshops, as outlined in the staff report. They were not at the point of making specific appropriation recommendations to the City Council. He clarified that the budget did include funding for emergency power backup, a project funded in the capital plan, but was not an eligible expenditure for ARPA funds.

Mayor Martinez-Rubin referenced the process outlined in the staff report and recommended the use of an outside facilitator, which would free staff for the necessary research.

Mayor Pro Tem Salimi agreed with the process as proposed for the two workshops and bringing in an outside consultant to facilitate the process. He recommended a portion of the ARPA funds be left aside for immediate relief, with staff to identify the availability of and how to distribute the funds.

Mayor Martinez-Rubin suggested consideration of the use of Slido, an audience interactive tool and platform for polling, which could be done through Zoom as part of the two-part workshop. She was otherwise uncertain whether the workshops would be held virtually or in-person.

City Manager Murray explained that staff had researched various platforms such as The Balancing Act Tool, which was the predominate tool that offered a lot of functionality but which involved an annual subscription and could be used prior to the next year's budget. The Finance Director should be able to provide more information to the City Council on the costs for that tool. As to the workshops, he was not confident they would be ready for a hybrid meeting format given the time frame under consideration. A Saturday workshop would likely involve a Zoom platform.

Mayor Martinez-Rubin understood a Communications and Engagement Plan would not be ready prior to the workshop and she recognized that all of the engagement processes that had been outlined in the staff report would ultimately guide the direction that could be used by the City Council to help facilitate the Council's decision. She emphasized the value of community input, understood that only a select group of people may be available for the workshop dates, but suggested that effort would be supplemented by the recommendations of the consultant and the expertise of staff.

City Manager Murray agreed they would not have a Communications and Engagement Plan in time for the workshops, although he hoped the City Council would approve an agreement with the firm that would prepare that Plan at an upcoming City Council meeting. The Finance Director could discuss with the consultant in advance of a full blown Plan the ways to engage the public immediately on this topic beyond the use of The Balancing Act Tool or other tools.

Mayor Martinez-Rubin commented on the need for the facilitator to meet with the various communities in Pinole, with a list of questions, a process that had been used in the past

for the review of the General Plan. She did not want to see engagement rely entirely on surveys but consider a more inclusive approach to allow broader responses, which only happened when a facilitation team engaged directly with the community.

City Manager Murray confirmed there was consensus from the Finance Subcommittee for the two-workshop process and the use of an outside facilitator as outlined in the staff report.

Mayor Martinez-Rubin again sought an outside facilitator who had facilitation skills and an inkling about long-term results and economic recovery, and City Manager Murray commented that could involve two different facilitators but staff would see who was available.

Mayor Pro Tem Salimi suggested an expenditure of \$5,000 be considered to send a mailer to all residents of the upcoming workshop dates to ensure the public was notified.

Treasurer Swearingen understood that expenditure would be permitted under ARPA.

City Manager Murray agreed electronic means did not reach everyone and staff could work on a mailer. He also understood there was Finance Subcommittee consensus on the use of a digital engagement tool/platform such as a survey, potentially in real time during the workshop and staff would review the tools available to see if that would be possible. He added that staff would work on firming up the workshop meeting dates with the City Council to avoid conflict with other community events.

Treasurer Swearingen suggested the framework of the workshop should be clear, to relate only to the specific allocation of ARPA funds and potentially other appropriations and not to every other issue in the community.

City Manager Murray advised that the Finance Director would present the Finance Subcommittee recommendations to the City Council at its next meeting.

Finance Director Guillory commented in terms of the timeline of consideration of ARPA funds allocation, the City of Pinole was on the same timeline as its peer agencies that had decided to move this process after the budgeting process.

## **E. ADJOURNMENT**

At 4:14 p.m., Mayor Martinez-Rubin adjourned the meeting to the next Finance Committee meeting.

**Posted: August 5, 2021 at 3:00 p.m.**

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**Heather Iopu, CMC**  
**City Clerk**

PINOLE FINANCE SUBCOMMITTEE  
MEETING MINUTES  
March 29, 2023

**A. CALL TO ORDER**

Mayor Murphy called the meeting to order at 3:01 p.m. The meeting took place in the Pinole City Hall Chambers, 2131 Pear Street, Pinole, California.

**Board Members Present:**

Mayor Devin Murphy  
Mayor Pro Maureen Toms  
Treasurer Roy Swearingen

**Staff Members Present:**

Finance Director Markisha Guillory  
Deputy City Clerk Roxane Stone

**B. PUBLIC COMMENT**

Deputy City Clerk Roxane Stone reported there were no comments from the public.

**C. CONSENT ITEMS: None**

**D. BUSINESS ITEMS**

1. Review Fiscal Year 2023/24 Financial and Investment Policies **[Review and provide recommendations (Guillory)]**

Finance Director Markisha Guillory provided a PowerPoint presentation on the Fiscal Year 2023/24 Financial and Investment Policies, which included an overview of financial policies intended to set guidelines on how the City would manage its financial resources and provide direction for financial decision making, the City policies to align with standard financial policies recommended by professional associations and those implemented by other local government agencies, and best practices to establish financial policies and regularly review and update when necessary.

Finance Director Guillory advised there were no major changes to the policies but there were some minor language changes and she had added context to the Reserve Policy.

Finance Director Guillory provided an overview of each of the policies including the Structurally Balanced Budget Policy, Reserve Policy, Revenue Policy-One-Time (Non-Recurring) Resources, Revenue Policy-User Fees and Charges, Expenditure and Budget Policy, Debt Policy, Receivables Policy, Grants Management Policy and Procedures, Capital Assets Policy and Procedures, Unclaimed Funds/Outstanding Checks Policy and Procedures, Investment Policy and Pension Investment Policy.

Finance Director Guillory added that future financial policies would include a Section 115 Trust Policy to establish guidelines on the allowable use and withdrawal of funds from the Trust. A draft policy would be presented to the City Council for consideration at a meeting in May.

Director Guillory recommended the Finance Subcommittee review the proposed Fiscal Year (FY) 2023/24 Financial Policies and recommend them for City Council approval or provide other direction to city staff.

Treasurer Roy Swearingen referenced the Grants Management Policy and Procedures and suggested the City was not pursuing grants as much as it could. Grants were one-time programs and if related to adding personnel and other things when the grant was exhausted that personnel would have to be laid off, which must be kept in mind. While he wanted the City to pursue grants, he also did not want to see the City be challenged attempting to figure out how to pay for either the project or the activities the project provided since the grant was a one-time funding source. He understood that warning had been included in the report.

Mayor Pro Tem Toms referenced the Reserve Policy and the target of 50 percent or more and asked whether that should be included in the Policy. She was informed by Finance Director Guillory that had been included in the Policy under Item 1, Definitions and Details.

Mayor Pro Tem Toms referenced the Debt Policy and asked if the City were to go out for a bond and the repayment of the bond came from taxpayers whether the Debt Policy needed to be modified, or whether that scenario applied only if the coverage exceeded 10 percent.

Finance Director Guillory confirmed that if the coverage exceeded 10 percent the policy would have to be revisited.

Mayor Pro Tem Toms also referenced the Grants Management Policy and Procedures and asked whether City Departments would be able to include a sentence to identify the staffing cost to obtain and manage the grant if awarded. She suggested it would be good for the City Council to be aware of that and possibly include that information in the Fiscal Analysis.

## PUBLIC COMMENTS OPENED

Irma Ruport, Pinole, referenced the Grants Management Policy and Procedures and commented she had worked with the grant writing program for the Department of Justice and there was no such thing as a liability to receiving a grant although some grants included administrative costs. She had a recent email from the City Manager who had informed her the City was planning to issue a Request for Proposal (RFP) for a grant writer. She asked whether the policy of City Departments applying for grants had delayed the process, whether Department staff had been trained for grant applications and commented on how few grants the City had sought to obtain. She suggested the administrative costs could be recovered. Given there were deadlines with many grants and given that staff was at capacity, she urged the City to move forward and pursue all possible grant opportunities.

Ms. Ruport also commented on the time to write a grant application and if the Department Heads were knowledgeable of deadlines and procedures grants could be fast-tracked. She also asked when the City had last conducted a detailed forensic audit and if that answer could not be provided at this time requested that the information be provided to her in an email.

Anthony Vossbrink, Pinole, asked how much the City spent this year, last year and within the last ten years outsourcing and approving outside contractor/consultants to do staff work. Given new hires of City staff, he suggested the numbers should be reviewed since many salaries could be handled in-house rather than contracting with outside contractors/consultants, a concern raised by other residents. He suggested the savings could be used to combat crime in the community. He referenced the increase in crime around Fitzgerald Drive and asked of the cost to place one new Police Officer for a year and/or install a satellite police station on the Fitzgerald Drive property, particularly since there were vacant properties that could be considered and given the future development planned for the area where crime and traffic problems would only increase.

Mr. Vossbrink also asked in terms of quality of life why more funds could not be put forward in an immediate budget to address infrastructure needs such as street light outages up and down Pinole Valley Road, defaced bridges on the Appian Way freeway overcrossing and other maintenance concerns.

#### PUBLIC COMMENTS CLOSED

Treasurer Swearingen responded to the public comment and reported he had spoken with Department Heads and staff to ask how much more could be done with grant writing opportunities and the possibility of hiring a professional grant writer. He agreed more should be done given that grants could be a source of income for Pinole as had been the case with other communities, and emphasized that a professional grant writer would be a benefit for the City.

Treasurer Swearingen added the costs for outsourcing for contractors/consultants was something he also questioned and he would like to see more competitive bids.

Treasurer Swearingen also recognized the City did not have the professional capacity to do some of that work but he wanted to ensure competitive bidding. In terms of quality of life issues, residents were primarily concerned with the condition of the City's streets, striping and needed pothole repair and he had informed the relevant staff of the need for maintenance. Some of the needed street repair was quite expensive and the City of Pinole did not receive a lot of funds in gas taxes or funds from the Contra Costa Transportation Authority (CCTA) to address the City's street needs, which was a long-term ongoing maintenance process.

Treasurer Swearingen further commented on his understanding that a new Police Officer was in the midst of training and would be placed on staff soon and he hoped that would improve situations in the community in the near future.

Mayor Murphy asked whether there was cross-departmental training on the Investment and Financial Policies and Finance Director Guillory stated that had not been the practice but was something that could be considered, although Department Heads were pretty familiar with the Grants Management Policy and Procedures since most Departments had been pursuing grants.

Mayor Murphy asked when the last forensic audit had been conducted in the City of Pinole and the Finance Director reported she was unaware of a forensic audit having been done for the City of Pinole, which was usually triggered by claims of illegal activities around finances and was not a normal practice. This question had come up before and staff had been in contact via email with Ms. Ruport sometime in 2022. She could resend that email to Ms. Ruport and copy the Finance Subcommittee.

Mayor Murphy also spoke to the future financial policy for The Section 115 Trust and wanted to see the Balancing Act be used as a tool for the public. He also wanted more information as to how it would be used for this financial policy development and a plan mapped out for the public to understand the importance of such policies.

Mayor Murphy thanked staff for the presentation, advised that no action had been requested, and clarified that the Subcommittee was an advisory committee that made recommendations to the City Council.

## **E. ADJOURNMENT**

At 3:34 p.m., Mayor Martinez-Rubin adjourned the meeting to the next Finance Committee meeting.

**Posted: May 24, 2023 at 4:00 p.m.**

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**Heather Bell, CMC**  
**City Clerk**

Pinole City Council Finance Subcommittee  
March 29, 2023  
Page 4

PINOLE FINANCE SUBCOMMITTEE  
MEETING MINUTES  
April 12, 2023

**A. CALL TO ORDER**

Mayor Murphy called the meeting to order at 3:05 p.m. The meeting took place in the Pinole City Hall Chambers, 2131 Pear Street, Pinole, California.

**Board Members Present:**

Mayor Devin Murphy  
Mayor Pro Tem Maureen Toms  
Treasurer Roy Swearingen

**Staff Members Present:**

City Manager Andrew Murray  
Finance Director Markisha Guillory  
Public Works Director Sanjay Mishra  
Capital Improvement and Environmental Program Manager Misha Kaur  
Deputy City Clerk Roxane Stone

**B. PUBLIC COMMENT**

Irma Ruport, Pinole, asked the City Council to consider an evaluation process for all City contractors/consultants with a mid-year or quarterly evaluation since the City had hired some people who had not completed their contractual tasks in the past, and in one case the City had hired a consultant who had not completed the job and who had been let go and she wanted assurance contracted work would be completed as proposed.

**C. CONSENT ITEMS: None**

**D. BUSINESS ITEMS**

1. Review Fiscal Year (FY) 2023/24 General Fund Baseline Budget **[Receive Report and provide direction (Guillory)]**

Finance Director Markisha Guillory provided a PowerPoint presentation on the Fiscal Year 2023/24 General Baseline Budget, which included an overview of the budget, budget development process, General Fund Baseline Budget and the components that made up the Baseline Budget.

Finance Director Guillory highlighted the purpose of the budget as a policy document, a financial plan and operations guide and a communication device for readers communicating the City's overall priorities and funding sources. She described at length the budget development process; components of the General Baseline Budget including the Structurally Balanced Budget Policy; Recurring Budget Items; Non-Recurring Budget Items; FY 2023/24 General Fund Baseline Budget Highlights; a summary of the FY 2023/24 General Fund Baseline Budget; where General Fund dollars came from overall; Property Tax, Sales & Use Tax; Utility User's Tax (UUT); Franchise Tax; Intergovernmental Taxes; Transient Occupancy Tax (TOT); Business License Tax; Charges for Services (including public safety charges); Other Revenue; where the General Fund dollars were disbursed; Salaries and Wages; Benefits; Operations and Maintenance; Contra Costa County Fire Protection District (CCCFPD) Services Agreement; Capital Outlay; Debt Service; and Transfers Out.

Finance Director Guillory identified the next steps in the process which would include a Special City Council meeting scheduled for April 25, 2023 for a Budget Workshop, at which time staff would present the Baseline Budget and Capital Improvement Plan (CIP) and receive Council member requests for additions or deletions.

The Finance Subcommittee was asked to provide any recommendations for consideration to be brought forward to the full City Council. From there staff would prepare the Preliminary Proposed Budget.

Finance Director Guillory recommended the Finance Subcommittee receive the report and provide recommendations to be presented to the full City Council during the April 25 Special City Council meeting.

Treasurer Swearingen clarified with Finance Director Guillory that the City would receive funds from Contra Costa County for the reopening of Fire Station 74, with the \$5.6 million shown in the baseline budget, the net of the costs, and with \$7.3 million to be used to operate the fire station. The net surplus deficit from 2022 as compared to 2023 was also clarified with staff in the process of departmental review and identification of measures to reduce the deficit and with some budget balancing measures to be proposed.

Mayor Pro Tem Toms reported the Finance Director had answered some questions she had earlier in the day but she wanted to ensure the 19 percent increase in property tax was for this next fiscal year. She understood that anything on the Recognized Obligation Payment Schedule (ROPS) was completely separate from the budget document to ensure what was received to pay the ROPS expenses and the revenue was completely separate, and Finance Director Guillory clarified that was accurate with the exception of the residual and pass through that flowed into the General Fund.

Mayor Pro Tem Toms was uncertain how the City had reached the 19 percent increase and again referenced the amount for the ROPS payment from last fiscal year to this fiscal year, with a \$2 million difference. She understood the City would receive 19 percent of that with a growth factor of property tax that was not through redevelopment but she wanted a better understanding of that as part of ongoing discussions.

Finance Director Guillory stated she had taken note of the Mayor Pro Tem's concerns.

Mayor Pro Tem Toms spoke to the uses for the CCCFPD Agreement which stated it was zero percent with no change in the budget, but which should come up since the salaries would come down and it had changed line items that should be equalized by the contract where the line item would show a higher percentage.

Finance Director Guillory explained they had been separated out, last fiscal year had been compared to this fiscal year, which was why a zero value had been shown. She clarified some of the line items had come down, as shown, and some had netted out by increases in other areas. There were also areas of fire services the City had to retain, such as abatement, which was around \$120,000 and which had been budgeted with utilities and maintenance remaining in the budget.

#### PUBLIC COMMENTS OPENED

Rafael Menis, Pinole, commented the PowerPoint presentation had covered some items that had not been included in the staff report and he suggested the PowerPoint be uploaded to the City's website after the meeting. As to Table 1 of Page 6 of 78 of the agenda packet, he identified an error in the percentage change for transfers out which should be corrected. He also made some comparisons between the Long-Term Financial Plan (LTFP) and the FY 2022/23 budget, as shown on Page 64 of 237 of the budget and the CCCFPD Agreement, and noted the main change in Table 1 as compared to the LTFP projection was an expenditure increase of \$730,098 and a reduction in transfers in of \$581,716 due to fire being shifted to the CCCFPD contract. He asked for clarification on that point. He also suggested it would be helpful for future versions of the same table in the document to include the LTFP estimates for the baseline as a third column and a separate table as a comparison.

Mr. Menis also commented the CCCFPD fire services agreement appeared to be quite a bit less than the final adoption of the contract value as shown on Page 24 of 955 of the October 10, 2022 City Council meeting agenda packet, which should be clarified.

#### PUBLIC COMMENTS CLOSED

Finance Director Guillory explained that the error identified on Table 1 of Page 6 of 78 of the agenda packet had been discovered by staff after the fact but the error would not impact the bottom line numbers. For the transfers out, the dollar change should be zero and the percentage change should be zero as well. The total was still accurate.

As to the comparison to the LTFP baseline budget, Finance Director Guillory stated there were a number of factors involved. On the revenue side a higher amount had been budgeted for the transfer in from the pension trust, and with the change in fire that amount had been lower. Staff was still working out that number since the City was still responsible for the unfunded liability of the fire staff as well as the normal costs. Staff must look at the difference between the two since the City was still responsible to pay for those portions of the pension costs. She did not expect it to be the \$2.4 million projected in the Long-Term Forecast but it may not be as low as currently shown.

City Manager Andrew Murray added there was some updated information on some of the costs in the baseline budget relative to what had been shown in the LTFP forecast, including employee medical benefit costs and rates higher than forecast, a number of insurance costs were higher than expected, and assumptions had been updated relative to costs for supplies, materials and capital outlays where a 19 percent increase year over year was expected.

In response to Mr. Menis' questions about the CCCFPD Fire Services Agreement reflecting a higher number in the table than in the agreement itself, Finance Director Guillory stated she would have to look at the agreement to respond accurately to the questions raised.

Mayor Pro Tem Toms commented that when the City had reviewed the CCCFPD Fire Services Agreement, the Local Agency Formation Commission (LAFCO) had suggested the City of Pinole consider annexation into the CCCFPD. She was familiar with the distribution of taxes in other areas that were part of the CCCFPD where there may be a percentage of the property taxes that would go into the Special District. Many times it could be anywhere from 18 percent, which was what the Rodeo-Hercules Fire Protection District received from the taxpayers in those two communities.

Mayor Pro Tem Toms stated that based on Pinole's total property tax baseline at \$5.6 million, and the contract with CCCFPD also at \$5.6 million, if the City were to consider annexation at some point in the future it was likely the full 18 percent would be a pass through and the baseline would jump again in the next year when the City completely retired its debt from redevelopment and they would get the full percentage but it would still be a high number. She suggested long-term sustainable fire services beyond the agreement period with CCCFPD and beyond the time in which Measure X was in existence the City would need to ensure that was sustainable and if it rose too much above the property tax amount versus the CCCFPD contract amount that was something the City needed to monitor.

2. **Overview of Draft FY 2023/24 Through 2027/28 Capital Improvement Plan [Review and provide recommendations (Mishra)]**

Capital Improvement and Environmental Program Manager Misha Kaur provided a PowerPoint presentation that included an overview of the Draft FY 2023/24 through 2027/28 Capital Improvement Plan which included an overview of the Draft Five-Year CIP containing 32 capital projects and seven infrastructure assessments. For Fiscal Year 2023/24, there were 30 capital projects slated for work and seven infrastructure assessments in the categories of: facilities, parks, sewer, stormwater, streets and roads and infrastructure assessments.

Ms. Kaur also highlighted the summary of projects in the Draft CIP which included projects that would be completed by June 30, 2023, new projects for FY 2023/24, removed projects and combined projects and changes since the distribution of the agenda packet, which identified the following revisions:

- Project RO1708 – Pinole Valley Road Improvements added, budget increased by \$100,000 for FY 2023/24;
- Project RO1714 mistitled as RO1704;
- Budget changes for Project RO1902 – Pedestrian Improvements at Tennent Avenue near the railroad of approximately \$345,000;
- Draft CIP constituted the proposed FY 2023/24 budget in the amount of \$14,307,853 with the unfunded portion of the FY 2023/24 budget at \$1,320,300; and
- Draft CIP Five-Year included \$54,145,599 in identified projects of which \$30,120,300 were unfunded.

Ms. Kaur further detailed the tentative schedule for presentation of the CIP moving towards the Final CIP, which would include the Special City Council meeting on April 25, 2023 and presentation of the Draft CIP to the Planning Commission at a meeting in May ultimately leading to the Final Proposed CIP for City Council consideration on June 20, 2023. She also highlighted the FY 2023/24 budget summary.

Treasurer Swearingen referenced Project R01902 Pedestrian Improvements at Tennent Avenue near RXR and clarified with Ms. Kaur that the City had received \$100,000 to complete the preliminary engineering for the Tennent Avenue project, for the closure in the Bay Trail gap, and an improvement to the railroad crossing, and had spent half and had gotten far enough in the design to submit an application for the construction portion of funds through a One Bay Area Grant (OBAG). The City needed a match of roughly \$345,000 and the West Contra Costa Transportation Advisory Committee (WCCTAC) would have another call for projects. Already qualified for Subregional Transportation Mitigation Program (STMP) funding, staff hoped to apply to seek the additional match needed for the construction portion to get additional WCCTAC funds.

Mayor Pro Tem Toms clarified with Ms. Kaur that RO1902 Pedestrian Improvements at Tennent Avenue would not include removal or replacement but connection to the Railroad Avenue Bridge.

Mayor Pro Tem Toms reported she had spoken with someone at the Contra Costa County Flood Control District (CCCFCD) and that area was a choke point. The City should loop back with the CCCFCD to determine whether there was any opportunity to address that issue since work would be done.

Ms. Kaur commented on the difficulties staff had with the CCCFCD as to who was liable for the bridge and finding documents to clarify that issue but she could again reach out to the CCCFCD to determine what could be done.

#### PUBLIC COMMENTS OPENED

Rafael Menis, Pinole, asked how the Active Transportation Plan (ATP) identified projects linked to the CIP and whether it would be possible to consolidate two of the unfunded project categories such as Projects UF017 Sidewalk Gaps, and UF016 Shale Hill Retaining Wall and Sidewalk Gap into a San Pablo Avenue Complete Streets category and whether that consolidation would make it easier to apply and obtain grants and regional funding. He also asked whether there was anything one could do to help with the grant writing process for Project UF016, in particular, since the Shale Hill Retaining Wall and Sidewalk Gap was a safety hazard, quality of life, arterial, and traffic flow issue.

#### PUBLIC COMMENTS CLOSED

Treasurer Swearingen referenced Project FA1902 Energy Upgrades and asked if the project was just for the HVAC system on the roof of City Hall or whether the roof would be replaced.

Public Works Director Sanjay Mishra reported an inspection had been done for the roof at City Hall, it would require some replacement, but the HVAC system had been rehabbed in the last year.

Mayor Murphy pointed out that Project FA1902 Energy Upgrades had shown both systems (HVAC and roof) needed to be replaced, which should be corrected.

Ms. Kaur identified Project FA1702 Citywide Roof Repairs and Replacement, which referenced the inspection the Public Works Director had mentioned.

Treasurer Swearingen spoke to Project PA1901, Pinole Valley Park Soccer Field Rehabilitation and the funds budgeted for Soccer Field 2, which may have been removed from the budget at one time, but he understood it would cost more to do the soccer field correctly.

Soccer Field 2 was in poor shape and Treasurer Swearingen asked whether there was any proposed budget to refurbish the field or give it another use since the area was currently being used as a dog park.

Public Works Director Mishra confirmed there were funds in the budget for Soccer Field 2 but the project had been deferred until the completion of the Park Master Plan.

Treasurer Swearingen suggested it would be helpful if the nets for the soccer field were installed as quickly as possible, and Public Works Director Mishra stated he would work with the operations and maintenance staff to see whether the nets could be installed.

Treasurer Swearingen referenced Project RO1710 San Pablo Avenue Bridge over BNSF Railroad. He understood the bridge would have to be raised to meet the height standards for the railroad tracks, which would increase the cost of the project. He asked for clarification for the cost of the project since different figures had been shown on Pages 56 and 76, which needed to be corrected. He suggested the figure was an old number and possibly the City may have to amend its request to the state for funding since the project may increase significantly and it had been in the design stages for the past three to four years.

Public Works Director Mishra clarified that Project RO1710 was still in the preliminary design and environmental stage running concurrently with staff waiting for confirmation from Caltrans on the conceptual bridge type selection. Once confirmed, the project would move on to the final design stage and request for funds for construction. The construction estimates would be better defined by the time the project was presented to the City Council.

Treasurer Swearingen referenced Project IN2201 Energy Audit and asked if the project was conducted on an annual basis, to which Public Works Director Mishra clarified the project was a capital project included in the CIP to complete an energy audit for all City facilities with an opportunity to identify possible upgrades or changes to lighting, as an example. The audit would be one time but implementation would cover several years.

City Manager Murray added the scope for the Energy Audit was as described in the CIP. The scope had increased over the years for energy efficiency, conservation, generation and storage all within the scope of the assessment.

Treasurer Swearingen referenced Project IN1704 Park Master Plan and clarified the budget figures but nothing had been shown in the next four years. He asked for clarification on the frequency of parks maintenance.

Public Works Director Misha explained that most of the parks maintenance was being done by the Public Works Department operations and maintenance. The Park Master Plan was under preparation and while unfunded had been included in the CIP. The Park Master Plan would inventory all City parks and provide recommendations.

Open space was not part of the Park Master Plan evaluation, but given the recent winter storms the City had invested time and money in its unmaintained open spaces.

City Manager Murray clarified the \$150,000 shown for the Park Master Plan was not for capital improvements to parks but to fund the Park Master Plan itself with a consultant having been selected and with a kick-off meeting scheduled for April 13, 2023 for the Park Master Plan, which would identify the capital improvements needed. Most of the park maintenance was not in the CIP but contained in the operating budget since it was recurring ongoing work performed primarily by Public Works Department staff.

Mayor Pro Tem Toms asked that the CIP be uploaded to the City website, suggested some of the PowerPoint pages would have been helpful if also included in the staff report, asked for a balance of the different pots of money which would be useful to see and asked of the timing for the Park Master Plan.

City Manager Murray stated the Park Master Plan would take a year to develop.

Mayor Pro Tem Toms stated since it would take about a year for the Park Master Plan to be completed, the consultant must keep in mind this time next year that they would be considering implementation of the Park Master Plan and possibly adding some projects with the work to be done early enough to start implementation. With respect to some of the park open spaces where trees were being removed for safety reasons, she asked where the funds were coming from to fund that work.

Public Works Director Mishra advised the operations and maintenance budget had some funds allocated each year for tree trimming and staff was tapping into those funds for now but more funds would be requested as they moved forward given the number of trees that needed to be addressed.

Mayor Pro Tem Toms asked that staff work to determine whether the City could obtain reimbursement for some of the initial damage assessments as a result of the winter storms and removal of trees that had fallen, and Public Works Director Mishra reported that staff had initial meetings with the Federal Emergency Management Agency (FEMA) and the California Governor's Office of Emergency Services (Cal OES), had compiled the costs for tree maintenance, and staff would be seeking reimbursement.

City Manager Murray reiterated that City staff had met with FEMA and Cal OES officials. Mitigation work was being conducted on eucalyptus trees and the two unmaintained areas of the City. As a result of that meeting, staff had received a positive indication the costs would be fully reimbursable through the original emergency declaration from the December 2022 to January 2023 storms. Staff would be adding a Tree Mitigation Project to the CIP in the next version of the Draft CIP for City Council consideration based on advice from a consulting arborist who had recommended the removal of some trees over the next five years and the magnitude of that cost would qualify as a CIP project.

Mayor Murphy commended staff on the effort to obtain grants, which had been a priority of the City Council and which had been reflected as the CIP had evolved. He suggested the Finance and Public Works Departments integrate language on the financial policy for the Grants Management Policy, which would be helpful for those reading the CIP. He asked staff to respond to the public comments about merging some of the unfunded projects outside of the City Council direction and clarify the methodology of the CIP.

Ms. Kaur explained there were opportunities at times when certain projects were funded through either General Fund or Measure S funds to merge the projects. That was difficult when there were grant funded projects. As an example, staff was working on an arterial project funded with City dollars and to add on nearby projects when getting bids was not difficult, but with grants the City could not defy the grant requirements which was difficult when dealing with road projects. She and the Public Works Director had discussed some of the smaller projects such as slurry seal projects for roadways when using City funds, and they were looking to combine that into one large bid rather than separate bid solicitations.

Ms. Kaur added the ATP had recently been awarded and the City would get to a point where it could add new projects. The concept of Complete Streets had also come up in terms of combining projects and that was one component of the ATP, and hopefully more projects would be folded into next year's CIP.

Mayor Murphy referenced Project IN2201 Energy Audit and asked what the funds had been spent on for this year, to which the Public Works Director advised that none of the \$50,000 in funds had been spent.

Ms. Kaur explained that Project IN2201 Energy Audit would look at opportunities for efficiency, conservation and generation. Project FA1902 Energy Upgrades would address replacing the heating, ventilation and cooling HVAC systems at City Hall and the Senior Center with a portion of the roof at the Senior Center required to be replaced. She noted that around \$90,000 had been spent on rehabbing portions of the heating system at City Hall, with \$150,000 additional funds programmed for the next year to continue more rehabilitation work. For Project IN2101 Emergency Power for Critical Facilities, this project would also address energy upgrades in the sense that the critical facilities would be evaluated and then use funds to address any infrastructure upgrades.

Mayor Murphy referenced the dog park restroom which was unfunded and which had reached its "useful life" and clarified with Ms. Kaur the "end of life cycle" or "end of life" meant it was at a point of needing rehabilitation or replacement, either completely or a portion and she offered examples.

Mayor Murphy referenced Project RO1902 Pedestrian Improvements at Tennent Avenue near RXR, and clarified with Ms. Kaur the project was a specific City Council directive and initiative outside of the CIP process.

Two years ago the project had been funded since the City had received STMP grant funds through WCCTAC and once that work had been completed the City did not have the funds to move forward to construction. The City had been able to use the design work to secure additional funding. A similar situation had occurred with Project RO2105 Appian Way Complete Streets, where the City had preliminary engineering funds through STMP and once the project was complete the City would only have a design but it would help to have grant ready material to secure additional funding.

Mayor Murphy asked whether RO1902 Pedestrian Improvements at Tennent Avenue near RXR would impact the baseline budget and Finance Director Guillory stated it would not since capital had been determined to be one-time and had not been factored into the baseline budget.

Mayor Murphy again referenced Project IN1704 Park Master Plan, and asked for clarification on the decision points for delaying some park affiliated projects such as the soccer field replacement.

Public Works Director Mishra explained that the soccer field had been delayed awaiting the completion of the Park Master Plan.

City Manager Murray added the improvements to the primary soccer fields at Pinole Valley Park predated the Public Works Director and his employ with the City. Before the project was implemented, the City Council at that time had decided to move forward with a Park Master Plan and defer the project until the Plan had been completed. The City Council may change its decision at any time. As to the status of Soccer Field 2, the question was whether that was the best use of the space and it was appropriate to defer any improvements since the Park Master Plan may identify another appropriate use.

Mayor Murphy commented that the history and status points in the PowerPoint presentation would be valuable to have in the CIP.

Although public comment had been provided earlier, Deputy Clerk Stone reported there were more members of the public wishing to speak.

Anthony Vossbrink, Pinole, suggested there was limited public participation via Zoom since the telephone number and web identification numbers had not been identified on the screen and it likely impacted the ability of residents to participate in the discussion. He asked where the overtime costs for City staff had been identified in the budget and asked for clarification for the reason for the reduction in the budget of 18 percent; asked who had decided what was prioritized in the budget related to overtime and tree trimming and cleanup such as along the Adobe Road dog park. He also reported the Pinole Valley sign had been knocked down in front of the fire station for the past several weeks, several trees in the barbeque area in the grove across the dog park had been down for months if not years, restrooms were inoperable, and he questioned how the City could impose fees on the use of the area.

Irma Ruport, Pinole, expressed concern with the parks maintenance contract which should be brought up to date immediately as opposed to waiting another year. She suggested many plans should be brought up to date, particularly if City Hall was fully staffed. She otherwise commented that she was proactive with grants, had completed grant training with Contra Costa County Supervisor Glover, and reported on a new grant opportunity, a Keller Canyon Grant for East County which had been expanded to Central and West County. She emphasized the importance of grant opportunities, suggested all City staff should be looking out for grant opportunities and the City should consider hiring a grant writer.

Ms. Kaur reported that staff would be meeting internally to provide the fund balance for the next hearing and determine whether there were other projects that could be moved and rely on other funding sources, such as the use of impact funds. The next iteration of the CIP may show some fund balance changes from Measure S to impact fees. Again, the budget and CIP would be presented to the City Council at a Special Meeting on April 25.

Mayor Pro Tem Toms understood that a jurisdiction may defer the collection of the impact fees for affordable housing projects until right before occupation and it would be useful to know the impact fee balances, whether any of the fees had been deferred to the other end and whether staff would be able to project what would be coming up.

Mayor Murphy reported no action had been requested of the Finance Subcommittee, an advisory committee that made recommendations to the City Council.

## **E. ADJOURNMENT**

At 4:35 p.m., Mayor Martinez-Rubin adjourned the meeting to the next Finance Committee meeting.

**Posted: April 7, 2023 at 9:30 a.m.**

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**Heather Bell, CMC**  
**City Clerk**



## City of Pinole

# Financial and Investment Policies

Updated March 2024

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# **Structurally Balanced Budget**

## **Policy**

The City will aspire to create a proposed General Fund operating budget that is structurally balanced whereby current expenditures will be funded by current year revenue. If the proposed operating budget is structurally imbalanced, the City will develop a plan to create a proposed General Fund operating budget for the subsequent fiscal year that is structurally balanced.

## **Purpose**

To ensure the sustainability of service and expenditure levels by requiring that ongoing General Fund operating expenditures be funded by ongoing revenues.

## **Definitions and Details**

1. This policy applies to General Fund operating budgets.
2. Structural balance is defined as recurring (ongoing) revenues equaling or exceeding ongoing expenditures.
3. Under this policy, City staff will analyze whether the proposed General Fund operating budget is structurally balanced.
4. If City staff determines that the proposed budget is imbalanced, City staff will develop a plan to create a proposed General Fund operating budget for the following fiscal year that is structurally balanced, including possible revenue enhancements or expenditure decreases.
5. Internal service funds are intended to operate on a break-even basis.
6. To implement this policy, staff will identify General Fund operating revenue that is recurring and non-recurring. Recurring revenues are those that the City can reasonably expect to continue to receive on an annual basis over the next 5 to 10 years. Recurring revenues include, but may not be limited to, property taxes, sales and use taxes, utility user taxes, franchise taxes, business license taxes, transient occupancy taxes, other taxes, fines and forfeitures, interest on investments, use of money and property, motor vehicle in-lieu, city interfund transfers, licenses and permits, resources from other governmental agencies, charges to other City funds, and other reimbursements and charges for services. Non-recurring revenues are monies that the City cannot reasonably expect to continue to receive over the next 10 to 15 years. Non-recurring revenues include, but may not be limited to, fund balance, grant funds, financing proceeds, and sale of property and equipment. Revenue from recurring sources that is significantly above normal levels will be considered non-recurring revenues.
7. Staff will also identify General Fund operating expenditures that are recurring and non-recurring. A recurring expenditure is an ongoing cost that relates to an ongoing City service or activity. Examples of recurring expenditures are salaries, benefits, utilities, debt service, maintenance, normal capital outlays, and other mandated costs. Non-recurring expenditures are costs that are incurred for one-time activities,

or services that are scheduled to "sunset". Typical non-recurring expenditures include those for grant-funded activities, special initiatives, and one-time capital expenditures.

8. A structurally balanced General Fund operating budget is a best practice. It is, however, appropriate and consistent with best practice to adopt a structurally imbalanced budget for a given fiscal year under certain circumstances. For example, it is appropriate and consistent with best practice to use designated reserves as a non-recurring revenue to cover recurring expenditures during times of fiscal duress. If a budget is proposed with this characteristic, the Structurally Balanced Budget Policy provides appropriate direction, which is that staff should develop a plan to create a structurally balanced budget for the subsequent fiscal year.

# Reserve Policy

## Policy

The City will establish and maintain reserves to meet certain anticipated future obligations as well as to ensure that the City maintains adequate financial resources to continue to provide basic municipal services in the event of a significant unanticipated revenue decrease or expenditure increase.

## Purpose

To ensure that the City maintains adequate financial resources to continue to provide basic municipal services in the event of a significant unanticipated revenue decrease or expenditure increase.

## Definitions and Details

1. The City shall establish a separate account in the financial system to reserve funds intended to ensure that the City maintains adequate financial resources to continue to provide basic municipal services in the event of a significant unanticipated revenue decrease or expenditure increase. This account and the funds contained therein shall be referred to as the General Reserve. It shall be budgeted to contain an amount equivalent to 50% of the City's annual General Fund ongoing operating expenditures. Resources in the General Reserve account will be considered committed<sup>1</sup> for the purpose of financial reporting per the standards of Generally Accepted Accounting Principles (GAAP) set forth by the Governmental Accounting Standards Board (GASB) Statement No. 54.
2. The City shall establish other separate accounts in the financial system to reserve funds for other appropriate purposes, such as for replacement of vehicles and major equipment; maintenance and replacement of capital assets; and long-term liabilities.
3. Funds held in the General Reserve can only be appropriated by a majority vote of the Council to address exceptional circumstances specifically related to a significant revenue shortfall, unanticipated expenditure, or other budget stabilization issue.
4. If the General Reserve funds are appropriated and expended, the City Council will endeavor to replenish them to the full amount noted above as part of the adoption of the subsequent budget, if not sooner.
5. This Policy shall be reviewed by the City Council periodically to ensure its consistency with current law and the City's current needs.

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<sup>1</sup> Per the Governmental Accounting Standards Board (GASB) Statement No. 54, "committed" includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that originally imposed the constraint..

## **Revenue Policy – One-Time (Non-Recurring) Resources**

### **Policy**

The City will strive to maintain a diversified and stable revenue base that is not overly dependent on any individual revenue type, land use, or major taxpayer. One-time resources (also referred to as “non-recurring”) should be used for one-time (non-recurring) expenditures, including but not limited to establishing and rebuilding reserves, early retirement of debt, capital expenditures, and reducing unfunded pension liabilities (California Employee Retirement System (CalPERS) and Other Post Employment Benefits (OPEB)).

### **Purpose**

To ensure that the City appropriately uses one-time resources, including not using one-time resources on ongoing expenditures, which can contribute to a structurally imbalanced budget.

### **Definitions and Details**

1. Non-recurring revenues are monies that the City cannot reasonably expect to continue to receive over the next 10 to 15 years. Non-recurring revenues include, but may not be limited to, fund balance, grant funds, financing proceeds, and sale of property and equipment. Revenue from recurring sources that is significantly above normal levels will be considered non-recurring revenues.

## **Revenue Policy – User Fees and Charges**

### **Policy**

The City of Pinole is empowered to recapture, through fees, up to the full cost of providing specific services. Regular and consistent review of all fees is necessary to ensure that the costs associated with delivery of individual services have been appropriately identified, and that the City is fully recovering those costs. It is the City's policy to set user fees at full cost recovery levels, except where a greater community benefit is demonstrated to the satisfaction of the City Council, or when it is not cost effective to do so. The City will recover costs of new facilities and infrastructure necessitated through development impact fees consistent with state law.

### **Purpose**

To determine the full costs of providing specific services so that the City Council can make informed decisions as to the appropriate levels of fees for services that may be imposed to avoid providing unwanted subsidies. The City Council may decide against full cost recovery in cases where greater community benefit is demonstrated.

### **Definitions and Details**

1. Every service supported by user fees or charges will be analyzed bi-annually, or as required by statute or directed by City Council to determine the net cost of providing the service.
2. Net cost will be determined by identifying all revenues generated or attributed to the service and subtracting all cost elements (direct and indirect expenses, capital outlays and other one-time expenses). The resulting figure will be the level of subsidy, which the City Council will use as a basis for determining user fee increases or decreases.
3. If it is determined that there is a net cost to providing the service, the City Council will raise user fees to achieve full cost recovery, unless it is decided that the subsidy should be maintained.
4. Additional information may be necessary to aid in the decision as to whether or not a service should be subsidized (community benefit, cost-effectiveness, etc.)

# Expenditure and Budget Policy

## Policy

The City will deliver service in the most efficient and cost-effective manner. This includes utilizing the services of volunteers in areas where operationally and economically viable. The budget will state the objectives of the operating programs, and identify the resources being provided to accomplish the specified objectives.

## Purpose

To provide guidance to staff in developing spending plans that address the City's priorities and policy objectives while ensuring benefit to the City.

## Definitions and Details

1. Department expenditures are limited to:
  - a. Budgeted expenditures approved by the City Council as appropriated by major category:
    - i. Salary and Benefits;
    - ii. Services and Supplies: Travel and Training, Office Expenses, Repairs and Maintenance, Materials, Professional Services, etc.; and Capital Outlay.
2. The operating budget will be prepared to fund current year expenditures with current year revenue. However, surplus fund balances may be used to increase reserves, fund Capital Improvement Projects, reduce unfunded pension liability (California Employee Retirement System (CalPERS) and Other Post Employment Benefits (OPEB)), or carried forward to fund future years' operating budgets when necessary to stabilize services and fund capital outlay.
3. Budget transfers require the approval of the City Manager or designee except those affecting personnel and capital projects which must be approved by the City Council.
4. Budget transfers required to hire additional permanent personnel require the City Council's approval.
5. The City will periodically update replacement and maintenance financing plans, and incorporate them into the Budget.
6. The City will monitor and review methods of operation to ensure that services continue to be delivered in the most cost-effective manner possible. This review process encompasses a wide range of productivity issues, including:
  - a. Analyzing systems and procedures to ensure efficient delivery of services.
  - b. Evaluating the ability of new technologies and related capital investments to improve productivity.
  - c. Developing the skills and abilities of all City employees.
  - d. Developing and implementing appropriate methods of recognizing and rewarding exceptional employee performance.
  - e. Evaluating the ability of the private sector to perform the same level of service at a lower cost.

## **Debt Policy**

### **Policy**

The City will limit the use of debt so as not to place a burden on the fiscal resources of the City and its taxpayers. Long-term borrowing will be limited to capital improvements or projects that cannot be financed from current revenues. When capital projects are financed, the City will amortize the debt within a period not to exceed the expected useful life of the project. The City will limit the total debt ratio (debt guaranteed by the General Fund) to 10% or as required by bond coverage ratios. The debt ratio is calculated by the relationship between the debt and the General Fund revenue.

### **Purpose**

To maintain fiscal viability by not encumbering the General Fund with excessive debt payments or using debt to support operating expenses.

### **Definitions and Details**

1. For purposes of computing the percentage of debt payments the proposed budget expenditures will be used.
2. The ratio of debt payments to operating expenditures will be presented in the annual budget.
3. The City will investigate the use of special assessment, revenue or other self-supporting bonds to limit the General Fund obligation for debt service payments.
4. The City will not use long-term debt for current operations.
5. The City will not use short-term borrowing to support routine operations, provided however, that it may be used to meet temporary cash flow needs.
6. The City will maintain strong communications with bond rating agencies about the City's financial condition and will follow a policy of full disclosure on financial reports and bond prospectus.
7. The City will strive to maintain or improve the City's bond rating.
8. The City will utilize inter-fund loans when possible to reduce the cost of financing capital improvements.
9. The City is required to enter into an agreement for inter-fund loans beyond the current fiscal year.

## **Receivables Policy**

### **Policy**

The City will ensure the timely invoicing, monitoring, and collection of outstanding obligations owed to the City.

### **Purpose**

To maintain appropriate oversight of all receivables and maintain sound fiscal management and accounting practices related to all receivables.

### **Definitions and Details**

1. For the purpose of this policy, receivables are defined to include outstanding obligations owed to the City for services or goods supplied.
2. All receivables shall be recorded in accordance with Generally Accepted Accounting Principles (GAAP).
3. Accounts receivable will be administered by the Finance Department.
4. Accounts receivable shall be established for services or goods provided in advance of a payment and should include terms for collection. Invoices should be prepared in a timely manner but not less than on a monthly basis. Invoices should include a description of the goods or services provided, payment terms and remittance address.
5. All accounts receivable should be recorded in a manner that allows for aging analysis. Reconciliation of accounts receivable may be performed on a monthly, quarterly or annual basis depending on the type of receivable.
6. Collection options should be evaluated and pursued to maximize collections. The use of collection agencies and programs such as the State Interagency Intercept Collection Program or the County Tax lien process may be used based on the type of receivable.
7. An allowance for doubtful accounts should be recorded after a bad debt expense is estimated. Write-off of bad debt should be performed on an annual basis to ensure that accounts receivable and allowance balances are not overstated.
8. The City will establish written procedures to document the accounts receivable process and bad debt write-off process for adequate internal controls and proper management oversight. These procedures should be reviewed annually as part of the year end audit process.

# Grants Management Policy and Procedures

## Policy

City departments actively pursue federal, state and other grant opportunities when deemed appropriate. Grant funding allows the City to leverage local public funds by extending and enhancing the services it offers to the community, and to introduce new initiatives.

## Purpose

The purpose of this policy is to specify circumstances when grant funding is appropriate and to establish a standardized set of procedures for the fiscal administration, management, and monitoring of public and private grants. This policy is intended to ensure compliance with all applicable administrative, financial, reporting, and monitoring requirements established by the funding agency as well as all applicable administrative and fiscal directives and guidelines established by the City of Pinole. The policy and procedures established herein shall apply to all Federal, State, County and private grants administered by the City.

## Definitions and Details

### 1. Staff Responsibilities

- a. City Department seeking and managing grant funding is responsible for:
  - i. Preparation of grant application materials;
  - ii. Providing sufficient data to allow City Management to evaluate the costs and benefits of the proposed grant;
  - iii. Obtaining appropriate approvals for submission of grant, if necessary;
  - iv. Obtaining City Council approval for acceptance of grant;
  - v. Understanding the operational and budgetary impact the grant has on the City;
  - vi. Accumulating the appropriate accounting detail and supporting documentation;
  - vii. Preparation of reports required by the grantor;
  - viii. Providing the Finance Department with the following:
    1. Grant Award Letter;
    2. Grant Contract;
    3. City Council minutes of action or Council Resolution approving the grant;
    4. An administrative manual (this includes program guidelines and accounting procedures). This will allow Finance to maintain grant files which are accurate and complete.

- ix. Providing Finance copies of all grant amendments, program reporting, reimbursement requests and other communications to all agents involved in the grant administration process for review prior to submission.
- a. The Finance Department (Finance Director) is responsible for:
  - i. Reviewing all financial reports to the grantor prior to submission to ensure its accuracy;
  - ii. Assisting departments with any problems or questions regarding the grant submission process;
  - iii. Scheduling audit of grant programs when requested by Grantee Agency. City staff will aid in the auditing process providing available source documents as requested by the auditing agency;
  - iv. Coordinating the accounting for all receipts and disbursements related to the grant. Finance Department will determine setup and maintain the most appropriate method (s) of accounting for the grant in the financial system.

## 2. Pre-Application

Prior to submitting an application for any grant award, the applicant department shall thoroughly review the grant requirements outlined in the solicitation to ensure that the department is aware of and has the capacity to meet all administrative, fiscal, programmatic, reporting and monitoring requirements.

## 3. Post-Award

- a. Set-Up

All new grants should be reviewed by the Finance Director to ensure that all grant details are accurate and grant budget is established in the financial system in accordance with any special conditions required by the funder.

- i. Acceptance of all grants must be approved by action of the City Council. Said approval shall include authorization to appropriate funding to revenue and expenditure accounts.
- ii. For grants that were not included in the annual adopted budget, the applicant department will submit a request to appropriate revenue and expenditures to the City Council for review and approval. Once the grant budget has been approved by the City Council, department staff should submit a request to the Finance Department to establish the approved budget in the financial system.
- iii. The term of grant-funded positions must be clearly identified and disclosed to the City Council prior to approval. If the expiration of a grant requires the application of General Fund revenue for continued funding, this stipulation must also be disclosed.

- iv. One-time or fluctuating grant sources should not be used for ongoing programs.
- v. The awarded department assumes the lead role in grant management in collaboration with the Finance Department.

b. Cash Handling

Grant funds are received from various funding agencies via checks and electronic wire/ACH transfers only and should be sent to the Finance Department. Hard copy checks are deposited weekly and promptly recorded in the City's financial system.

4. Grant Monitoring and Quarterly Reporting

a. Grant Award Monitoring

Award monitoring shall be the responsibility of the applicant department to ensure that grant funds are expended for eligible activities in accordance with the guidelines established by the funder, including, but not limited to:

The applicant department shall obtain all documentation necessary to fully and accurately support all grant expenditures, including expenditures incurred by sub- recipients. Examples of supporting documentation may include, but not be limited to:

- i. Employee timesheets
- ii. Personnel Activity Reports
- iii. Personnel Action Forms
- iv. Payroll reports
- v. Invoices and proof of payment
- vi. Purchase receipts
- vii. Workshop/Training itineraries
- viii. Travel documents

b. Quarterly Reporting

Finance Department staff should review grant expenditures and cash position as needed to ensure proper oversight and fiscal administration of the grant. Claims for reimbursement based grants should be sent to the funder timely to ensure prompt reimbursement. If grant reimbursements are not received within the timeframe prescribed by the funder - generally 60 to 90 days - the appropriate applicant department staff should follow up to check on the status of the reimbursement request.

Grants are required to be reconciled at least quarterly as part of the Finance

Department's grant reconciliation process. Grant reconciliation should include review of all of the following:

- i. Grant expenditure to revenue balance
- ii. Grant budget to actual balance
- iii. Status of reimbursement requests submitted to the funder for purpose of reversing revenue accruals
- iv. Grant advances and whether or not funds should be recognized
- v. Grant end dates, closeouts
- vi. Review grant information against the general ledger to ensure accuracy of information listed

5. Record Retention

The City is committed to ensuring that all necessary grant records and documents are adequately retained as required by federal, state, and private funding agencies. The below Record Retention Schedule is approved as the retention schedule for grant records and documents maintained by the applicant department. The schedule is applicable to all physical and electronic grant records maintained by the department as part of the administration and management of federal, state, and private grant funds.

Record Retention Schedule: Grant Records	
Record Type*	Retention Period
Original grant proposal Grant-specific policies and procedures Grant award letter Grant agreement and subsequent modifications, if applicable Grant budget and subsequent modifications, if applicable All pertinent funder correspondence, including emails, phone log notes, letters, site visit/monitoring/corrective action/audit reports, etc... All pertinent sub-recipient/sub-grantee correspondence including emails, phone	At least 5 years following official notification by the awarding agency that the grant has been fiscally and programmatically closed OR at least 5 years following the closure of its audit report covering the entire award period, whichever is later.

<p>log notes, letters, site visit/monitoring/corrective action/audit reports, etc...</p> <p>Fiscal and program/performance reports submitted to the funder including explanation of data collection/reporting methodology, if not evident</p> <p>Wire transfers and/or copies of reimbursement checks received</p> <p>Documentation of required matching funds</p> <p>All documentation relating to grantee compliance with the grant agreement</p> <p>All evidence of returned grant funds</p> <p>All supporting documentation necessary to fully and adequately justify grant expenditures including timesheets, payroll reports, Personnel Activity Reports, receipts, invoices, etc.</p> <p>Other documents deemed necessary and important by grant program/fiscal staff and/or documents required to be maintained by the funder</p>	
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\* All grant documents and records should be organized and maintained in designated grant files or other systematic organizational structure.

# Capital Assets Policy and Procedures

## Policy

Purchased and donated assets meeting the City's capitalization definition and threshold will be classified and recorded in the City's financial records as capital assets. The value of the asset must meet the City's capitalization threshold of \$5,000 to be recorded as a capital asset.

## Purpose

To define costs eligible and establish thresholds for capitalization in conformity with Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and Statement No. 51 Accounting and Financial Reporting for Intangible Capital Assets.

## Definitions and Details

### 1. Definition of a Capital Asset

A capital asset is any tangible or intangible asset purchased for use in the day-to-day operations of the City with a useful life greater than one year and has an acquisition cost of \$5,000 or more. Donations with an estimated appraised value of \$5,000 or more and have a useful life greater than one year is also considered a capital asset. Capital assets include items such as land, sewer lines, buildings, vehicles, equipment, and furniture.

### 2. Major Asset Classes

- a. (100) Land – includes land under infrastructure and preparation costs. Costs can include acquisition prices and cost of initially preparing land for its intended use (basic site improvements, removal, excavation, relocation, reconstruction). Usually has an indefinite useful life and is not depreciated.
- b. (200) Improvements other than buildings - permanent improvements (non-moveable), other than buildings that add value to land, but do not have an indefinite useful life. Examples include fences, retaining walls, parking lots, and landscaping.
- c. (300) Buildings - permanent structures. Costs can include purchase of new building or cost of an improvement to an existing building. An entire building can be classified as one asset or be reported as separate capital assets if discrete portions of the building have significantly different useful lives (e.g. roof separate from building).
- d. (400) Infrastructure - capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, drainage

- systems, water and sewer systems, and lighting systems.
- e. (600) Furnishings and Equipment - moveable assets that includes all costs to place equipment into service (freight, installation, warranties, and sales tax). Each piece of equipment must meet the minimum capitalization threshold and is not recorded in bulk. Examples include vehicles, furnishings, machinery, servers, and appliances.
  - f. (700) Other Capital Assets – capital assets that do not fit into any of the major asset classes. This can include:
    - i. Intangibles – assets that are not physical in nature. Generally, this includes software and easements (can also include water rights, trademarks).
    - ii. Easements - intangibles with an indefinite useful life and are not depreciated.
    - iii. Software - both internally generated and off-the-shelf.
  - g. (900) Construction in Progress - construction projects in progress at the conclusion of the fiscal year. These costs are not depreciable until the project is completed and booked into the correct category of improvements, buildings, or infrastructure.

### 3. Capital Asset Useful Life

The capital asset useful life is the determining factor for the number of accounting periods over which the asset is to be depreciated. The City can determine the useful life of an asset by using historical information or by seeking guidance from other external resources to determine the proper useful life of the asset. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset as follows:

<b>Class</b>	<b>Useful Life</b>
Bridges	75 years
Buildings	50 years
Equipment	5-10 years
Parks	70 years
Street drainage	100 years
Streets and roads	50 years
Vehicles	5-10 years
Wastewater infrastructure	50 years

### 4. Capital Asset Review

The City relies on a decentralized method to verify the accuracy of capital assets. Departments are responsible for evaluating the condition and functionality of existing capital assets assigned to their department to determine if the asset is still providing the most appropriate method to deliver services. Capital assets should be assessed on an annual basis.

### 5. Disposal of Capital Assets/Surplus Property

When an asset will no longer be used in operations, voluntarily or involuntarily, the asset shall be removed from the City's financial records and removed from service. Disposal of equipment, material, or inventory will be in accordance with the City's surplus property guidelines.

"Surplus Property" is used generically to describe any City property that is no longer needed or useable by the holding department. The City Council shall declare item(s) surplus prior to disposal.

## 6. Methods of Disposition

- a. The department head or designee in consultation with the Finance Director shall determine or approve one of the following methods of disposition that is most appropriate and in the best interests of the City.
- b. All surplus property is for sale "as is" and "where is", with no warranty, guarantee, or representation of any kind, expressed or implied, as to the condition, utility or usability or the property offered for sale. Appropriate methods of sale are as follows:
  - i. Public Auction - Surplus property may be sold at public auction. City staff may conduct public Auctions, or the City may contract with a professional auctioneer including professional auction services.
  - ii. Bids - Bids may be solicited for the sale of surplus property. Surplus property disposed of in this manner shall be sold to the highest responsible bidder.
  - iii. Selling for Scrap - Surplus property may be sold as scrap if the department head or designee in consultation with the Finance Director deems that the value of the raw material exceeds the value of the property as a whole.
  - iv. Negotiated Sale - Surplus property may be sold outright if the department head or designee in consultation with the Finance Director determines that only one known buyer is available or interested in acquiring the property.
  - v. No Value Item – Where the department head or designee in consultation with the Finance Director determines that specific supplies or equipment are surplus and of minimal value to the City due to spoilage, obsolescence or other cause, or where the Finance Director, serving as the Purchasing Officer, determines that the cost of disposal of such supplies or equipment would exceed the recovery value, the department head or designee in consultation with the Finance Director shall dispose of the same in such a manner as he or she deems appropriate and in the best interest of the City.
- c. Surplus property that remains unsold will be donated to a non-profit organization or transferred to an appropriate recycle center.
- d. Proceeds from the sale or trade-in of surplus property shall be submitted to Finance for returning to the appropriate fund.

# Unclaimed Funds/Outstanding Checks Policy and Procedures

## Policy

The City of Pinole will account for unclaimed funds in a manner which follows Government Code Sections 50050 through 50056. Funds that remain unclaimed for at least three (3) years will become the property of the City of Pinole after the procedures identified herein have been followed.

## Purpose

The purpose of this policy is to establish guidelines for the proper disposition of unclaimed funds and outstanding checks in accordance with government statutes.

## Definitions and Details

### 1. Definitions

- a. Unclaimed Funds - Consists of funds which are not the property of the City but remain in the City Treasury for three (3) or more years without a claim being filed by the legal owner(s). Unclaimed funds do not include individual items of less than \$15.00, any amounts in which the depositor's name is unknown, or restitution to victims.
- b. Warrant – Instrument issued to pay for goods and/or services rendered, issue refunds, etc. (i.e. a check).
- c. Stale Dated – A check that is older than six (6) months.
- d. Escheat – refers to state escheat laws that require agencies to transfer unclaimed property or funds to the state after three years and reasonable efforts locate the property owner.

### 2. Guidelines

The City of Pinole has established the policy to hold unclaimed payroll and accounts payable checks rather than escheating the unclaimed funds to the State of California.

This unclaimed funds policy applies to all outstanding payroll and accounts payable checks abandoned three years after the issue date.

### 3. Procedures: Items over \$15.00

- a. Quarterly during the bank reconciliation process, the outstanding warrant register will be reviewed for items six (6) months and older. For the warrants six months and older, a letter and unclaimed property claim form will be mailed to the address on record for the issued warrant. See Exhibit 1 and 2 for examples.
- b. Every June 30th and December 31st, (final evaluation dates) all remaining

outstanding warrants will be evaluated. Any warrants issued more than 12 months prior to evaluation date will receive a second letter and affidavit form. If no response is received within 30 days for the warrants 12 months or greater, the warrant will be identified as stale dated. Stale dated warrants shall be cancelled and voided in the system. A journal entry shall be prepared to record the total amount of stale dated checks in a hold account called "Aged Unclaimed Warrants".

- c. A list of stale date warrants containing the warrant number, issue date, amount, and payee shall be maintained by the Finance Department. If a cancelled warrant is presented, or the payee files a claim after cancellation, the warrant shall be reissued by debiting the "Aged Unclaimed Warrants" account, and the original warrant shall be removed from the stale dated list.
- d. Also, on June 30th and December 31st, the stale dated list shall be evaluated to determine which warrants are more than 3 years old from the date of issue. Warrants that are more than 3 years old will be handled as follows:
  - i. A notice must be published once a week for two consecutive weeks in a newspaper of general circulation in the City of Pinole stating the payee, the amount, the fund in which the money is held, and that it is proposed that the money will become the property of the City of Pinole on a specific date (not less than 45 nor more than 60 days after the first publication). See Exhibit 3 for example.
  - ii. Upon or prior to publication, a party of interest may file a claim (Exhibit 2) for the funds with the Finance Director. The claim must contain the claimant's name, address, amount, tax identification number, and grounds for claim prior to the date the funds become property of the City of Pinole. The Finance Director can require additional information to help substantiate the claim.
  - iii. On the day identified in the notice, the total dollar amount (on which no claims were filed) becomes the property of the City. A journal entry will be prepared to recognize the revenue. The money will be moved from "Aged Unclaimed Warrants" to the fund the warrant was originally issued from.

#### 4. Procedures: Items under \$15.00 or items where the depositor is unknown

- a. Quarterly during the bank reconciliation process, the outstanding warrant register will be reviewed for items six (6) months and older. For the warrants six months and older, a letter and unclaimed property claim form will be mailed to the address on record for the issued warrant. See Exhibit 1 and 2 for examples.
- b. Every June 30th and December 31st, (final evaluation dates) all remaining outstanding warrants will be evaluated. Any warrants issued more than 12 months prior to evaluation date will receive a second letter and affidavit form. If no response is received within 30 days for the warrants 12 months or greater, it becomes the property of the City of Pinole. Stale dated warrants shall be cancelled and voided in the system. A journal entry will

be used to record the total amount of these warrants as revenue.

- c. Any individual check of less than fifteen (\$15) dollars, or any amount if the depositor's name is unknown, which remain unclaimed for a period of one (1) year may be transferred from the funds which the money was originally drawn from by the City Council to the General Fund without the necessity of publication of notice in a newspaper. (Gov. Code Section 50055)

# **City of Pinole INVESTMENT POLICY**

## **I. Introduction**

The purpose of this Policy is to define the parameters within which funds are to be managed. In methods, procedures, and practices, the policy formalizes the framework for the City of Pinole's investment activities that must be exercised to ensure effective and judicious fiscal and investment management of the City's funds.

## **II. Governing Authority**

The investment program of the City of Pinole ("the City") shall be operated in conformance with federal, state, and other legal requirements. All funds will be invested in accordance with the City's Investment Policy, and California Government Code Sections 5360I, 5360I.1, 5360I.5, 5360I.6, 53635, 53646, 53635.5, and I648I.2.

## **III. Scope**

It is intended that this policy cover all funds (except retirement funds) and investment activities under the direction of the City. The investment of bond proceeds will be in accordance with the provisions of relevant bond documents.

## **IV. Objectives**

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

1. Safety  
Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.
2. Liquidity  
The investment portfolio of the City will remain sufficiently liquid to enable the City to meet its cash flow requirements.

### 3. Return

The investment portfolio of the City 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.

## V. **Standards of Care**

### 1. Prudence

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. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse development.

The “prudent person” standard states that,

“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.”

### 2. 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 which could impair their ability to make impartial decisions.

### 3. Delegation of Authority

The management responsibility for the investment program is hereby delegated to the City Treasurer or designee who shall monitor and review all investments for consistency with this investment policy. No person may engage in an investment transaction except as provided under the limits of this policy. The City Council may delegate its investment decision making and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as are provided.

## **VI. Permitted Investment Instruments**

1. U.S. Treasury and other government notes, bonds, bills, or obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest. Maturities shall not exceed five years in length. No more than fifty (50) percent of the City's investment portfolio may be invested in instruments defined under this section.
2. Federal Agency or U.S. government sponsored enterprises (GSE) bonds and note obligations, participations or other instruments. This includes but is not limited to obligations issued by Banks for Cooperatives, Federal Land Banks, Federal Intermediate Credit Banks, Federal Farm Credit Banks, Federal Home Loan Banks, the Federal Home Loan Bank Board, the Federal Home Loan Mortgage Corporation or in obligations, participations, or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes. Maturities shall not exceed five years in length, unless the funds to be invested are moneys generated from the proceeds of the sale of real estate assets restricted to a reserve account, and the investment security is "AA" rated by at least two of three nationally recognized rating agencies (Standard & Poor's, Moody's or Fitch) in which case maturities shall not exceed ten years in length. No more than 40 (forty) percent of the City's investment portfolio may be invested in instruments defined under this section.
3. Certificates of Deposit (CDs) which are Federal Deposit Insurance Company (FDIC) insured or fully collateralized time CD's in financial institutions in California. No more than 10 percent of the City's portfolio shall be invested in FDIC insured or fully collateralized time certificates of deposit. Maturities shall not exceed five years in length.
4. Negotiable FDIC insured 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. Purchase of negotiable CD's may not exceed 30 percent of the City's investment portfolio. Maturities shall not exceed five years in length, and must have an IDC number greater than 165 (excellent rated).

5. Bankers' 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 Bankers' Acceptances may not exceed 180 days maturity or 40 percent of the City's investment portfolio. No more than 10 percent of the City's investment portfolio may be invested in the Banker's Acceptances of any one commercial bank.
6. Medium-term corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a Double-AA rating category "AA" or its equivalent or better by a nationally recognized rating service. Additionally, corporate notes shall be widely diversified across all market sectors. Purchase of medium-term corporate notes may not exceed fifteen (15) percent of the City's investment portfolio. No more than five (5) percent of the City's investment portfolio may be invested in a medium-term note of any one corporation. Maturities shall not exceed five years in length.
7. Commercial paper rated in the highest tier of "prime quality" as provided by Moody's Investors Service, Inc., or Standard & Poor's Corporation, 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 180 day's maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 15 percent of the City's investment portfolio. An additional 15 percent or a total of 30 percent of the City's investment portfolio may be invested only if the dollar weighted average of the entire amount does not exceed 31 days.
8. Repurchase Agreements used solely as short-term investments not to exceed 30 days. The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in VI.1 and 2, will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the City's custodian bank versus payment or be handled under a tri-party repurchase agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 103 percent of the total dollar value of the money invested by the City for the term of the investment unless the term of the investment is overnight, in which case the total of all collateral for the Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 100 percent of the total dollar value of the

investment. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a regular basis. Market value must be calculated each time there is a substitution of collateral. The City or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

The City may enter into Repurchase Agreements with (1) primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York, and (2) California and non-California banking institutions having assets in excess of \$1 billion and in the highest short-term rating category as provided by Moody's Investors Service, Inc. or Standard & Poor's Corporation. The City will have specific written agreements with each firm with which it enters into Repurchase Agreements. No more than 10 percent of the City's investment portfolio may be invested in Repurchase Agreements.

9. State of California's Local Agency Investment Fund (LAIF). Up to 100 percent of the City's portfolio may be invested in LAIF or up to the maximum permitted by California State Law. The LAIF portfolio should be reviewed periodically.
10. Securities and Exchange Commission (SEC) registered Money Market Mutual Funds as authorized by Government Code Sections 53601 and/or 53635. To be eligible for investment pursuant to this subdivision these companies shall either:
  - a. Attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services;
  - b. 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;
  - c. Assets under management in excess of \$500,000,000;
  - d. The purchase price of the share of beneficial interest shall not include any commission charged by these companies; and,
  - e. Purchases shall not exceed 15 percent of the investment portfolio of the City.

Under no circumstances shall any funds of the City be invested in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. Nor

shall any of the City's funds be invested in any security that could result in zero interest accrual if held to maturity.

## **VII. Reporting Requirements**

Quarterly investment reports shall be submitted by the City's Treasurer or designee to the City Council. The reports shall include, at a minimum, the following information for each individual investment:

- Type investment instrument;
- Institution/Issuer;
- Maturity date;
- Cost of security (par value) and dollar amount in all securities;
- Description of the funds and investments;
- Maturity distribution and of the portfolio;
- Current market value of all securities;
- Rate of return for the portfolio;
- A statement of compliance of the portfolio with the City's Investment Policy, and its ability to meet expenditure requirements for the next six months.

Pursuant to Government Code Section 53646 (e), the Treasurer may supply to the governing body, chief executive office and the external auditor a copy of the most recent statement received by the City on those investments in the State Local Agency Investment Fund in lieu of the above required statement.

## **VIII. Safekeeping and Custody**

The assets of the City shall be secured through the third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Collateralized securities such as repurchase agreements shall be purchased using the delivery vs. payment (DVP) procedure.

# **City of Pinole PENSION INVESTMENT POLICY**

## **I. Introduction**

The City of Pinole (the “City”) has established the City of Pinole Employee Benefit Pension Plan (the “Plan”), a Section 115 Trust. The goal of the Plan’s investment program is to provide a reasonable level of growth which will result in sufficient assets to offset a portion of the present and future obligations of retirement benefits provided by the California Public Employees Retirement System (“CalPERS”) for those eligible employees who meet the specified age and service requirements.

## **II. Statement of Purpose**

The purpose of this Pension Investment Policy is to establish a comprehensive strategy for assets invested under the Plan, and outline prudent and acceptable parameters in which pension funds are to be managed.

The primary objectives of this policy are to:

- Facilitate the process of ongoing communication between the Plan Sponsor and its plan fiduciaries;
- Confirm the Plan’s investment goals and objectives and management policies applicable to the investment portfolio;
- Provide a framework to construct a well-diversified asset mix that can potentially be expected to meet the account’s short and long-term needs that is consistent with the account’s investment objectives, liquidity considerations and risk tolerance;
- Identify any unique considerations that may restrict or limit the investment discretion of its designated investment managers;
- Help maintain a long-term perspective when market volatility is caused by short-term market movements.

## **III. Roles and Responsibilities**

### ***Governing Authority***

The pension investment program of the City of Pinole (“the City”) shall be operated in conformance with federal, state, and other legal requirements. All funds will be invested in accordance with the City’s Pension Investment Policy, and applicable California Government Code Sections.

## Delegation of Authority

The management responsibility for the pension investment program is hereby delegated to the City Manager and/or Assistant City Manager or designee as Plan Administrator who shall monitor and review all investments for consistency with this investment policy. No person may engage in an investment transaction except as provided under the limits of this policy. The City Council may delegate its investment decision making and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as are provided.

Duties and Responsibilities (Refer to Appendix for who serves in these roles)

### **Plan Administrator**

The Plan Administrator for the City of Pinole is responsible for:

- Confirming the accuracy of this Investment Guidelines Document, in writing.
- Advising Trustee and Investment Manager of any change in the plan/account's financial situation, funding status, or cash flows, which could possibly necessitate a change to the account's overall risk tolerance, time horizon or liquidity requirements; and thus would dictate a change to the overall investment objective and goals for the account.
- Monitoring and supervising all service vendors and investment options, including investment managers.
- Avoiding prohibited transactions and conflicts of interest.

### **Trustee**

The plan Trustee is responsible for:

- Valuing the holdings.
- Collecting all income and dividends owed to the Plan.
- Settling all transactions (buy-sell orders).

### **Investment Manager**

The Investment Manager is responsible for:

- Assisting the Plan Administrator with the development and maintenance of this Investment Policy document.
- Meeting with the Plan Administrator to review portfolio structure, holdings, and performance.
- Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this Policy.
- Researching and monitoring investment advisers and investment vehicles.

- Purchasing, selling, and reinvesting in securities held in the account.
- Monitoring the performance of all selected assets.
- Voting proxies, if applicable.
- Recommending changes to any of the above.
- Periodically reviewing the suitability of the investments, and being available at such other times within reason at your request.
- Preparing and presenting appropriate reports.
- Informing the Plan Administrator if changes occur in personnel that are responsible for portfolio management or research.

### ***Standards of Care***

#### Prudence

The standard of prudence to be used by investment officers shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse development.

The “prudent person” standard states that,

“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.”

#### 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 which could impair their ability to make impartial decisions.

### **IV. Asset Allocation**

The goal of the Plan’s investment program is to provide a reasonable level of growth, which will result in sufficient assets to pay a portion of the present and future obligations of the Plan. The following objectives are intended to assist in

achieving this goal:

- The Plan should seek to earn a return in excess of its policy benchmark over the life of the Plan.
- The Plan’s assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic perspective of the capital markets.

<b><i>Investment Time Horizon:</i></b>	Intermediate-term
<b><i>Anticipated Cash Flows:</i></b>	Assets in the Plan will seek to mitigate the impact of future rate increases from CalPERS. Typically, increases in rates come with a one-year advance warning; however the Plan Administrator may request disbursement of assets at any time.
<b><i>Investment Objective:</i></b>	The primary objective is to generate a reasonable level of growth over time. The assets in this Plan will eventually be used to fund Pension Plan obligations for assets managed in the CalPERS Trust.
<b><i>Risk Tolerance:</i></b>	<i>Custom</i> – The account’s risk tolerance has been rated moderate, which demonstrates that the account can accept price fluctuations to pursue its investment objectives.

### ***Strategic Asset Allocation***

As of the date of this Pension Investment Policy adoption, the asset allocation ranges for the City of Pinole Employee Benefit Pension Plan is as follows:

<b><i>Strategic Asset Allocation Ranges</i></b>		
Cash	Fixed Income	Equity
0-20%	45%-75%	25%-45%
Policy: 4%	Policy: 60%	Policy: 36%

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The Investment Manager will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with the Plan's objectives.

## V. Investment Guidelines

### **Security Guidelines**

#### Equities

With the exception of limitations and constraints described above, the Investment Manager may allocate assets of the equity portion of the account among various market capitalizations (large, mid, small) and investment styles (value, growth). Further, the Investment Manager may allocate assets among domestic, international developed and emerging market equity securities.

Total Equities	25%-45%
<i>Equity Style</i>	<i>Range</i>
Domestic Large Cap Equity	12%-35%
Domestic Mid Cap Equity	0%-10%
Domestic Small Cap Equity	0%-15%
International Equity (incl. Emerging Markets)	0%-15%
Real Estate Investment Trust (REIT)	0%-8%

#### Fixed Income

In the fixed income portion of the account, the Investment Manager may allocate assets among various sectors and industries, as well as varying maturities and credit quality that are consistent with the overall goals and objectives of the portfolio.

Total Fixed Income	45%-75%
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\*High Yield securities may be purchased, but they will be held using a diversified exchange traded fund, or mutual fund vehicle.

If individual fixed income securities are purchased for the Plan, the following guidelines will be adhered to in the management of the fixed income segment:

### **Eligible Investments**

- Debt obligations of the U.S. Government, its agencies, and Government Sponsored Enterprises
- Mortgage-Backed Securities (MBS)
- Asset Backed Securities (ABS)
- Collateralized Mortgage Obligations (CMO)
- Commercial Mortgage-Backed Securities (CMBS)
- Corporate debt securities issued by U.S. or foreign entities including, but not limited to, limited partnerships, equipment trust certificates and enhanced equipment trust certificates
- Eligible instruments issued pursuant to SEC Rule 144(a)
- Municipal Bonds

With the exception of Debt obligations of the U.S. Government, its agencies, Government Sponsored Enterprises and US TIPS, the total investment in any fixed income security issuer shall not exceed 3% of total plan assets. These restrictions do not apply to fixed income funds or exchange-traded funds (ETFs).

### **Quality**

The portfolio will maintain a minimum weighted average quality of A- at all times. Individual securities shall have a minimum quality rating of Baa3 by Moody's or BBB- by Standard & Poor's (S&P).

### **Duration**

The Investment Manager will maintain the portfolio duration within +/- 25% of the benchmark duration at all times.

### **Diversification**

- No more than 5% of the portfolio assets may be invested in any individual issuer, with the exception of securities issued or guaranteed by the U.S. Government, its agencies, and Government Sponsored Enterprises.
- No more than 10% of the portfolio may be invested in securities issued under Rule 144A.

## ***Performance Benchmarks***

The performance of the total Plan shall be measured over a three and five-year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance shall be compared to the return of the total portfolio blended benchmark shown below.

### Total Portfolio Blended Benchmark

19.00%	S&P 500 Index
3.50%	Russell Mid Cap Index
5.50%	Russell 2000 Index
2.50%	MSCI Emerging Market Index
4.50%	MSCI EAFE Index
1.00%	Wilshire REIT Index
45.50%	Bloomberg Barclays Capital Aggregate Bond Index
13.00%	ML 1-3 Year US Corp/Gov't Index
1.50%	US High Yield Master II
4.00%	Citi 1Mth T-Bill

### Asset Class/Style Benchmarks

Over a market cycle, the long-term objective for each investment strategy is to add value to a market benchmark. The following are the benchmarks used to monitor each investment strategy:

Large Cap Equity	S&P 500 Index
Growth	S&P 500 Growth Index
Value	S&P 500 Value Index
Mid Cap Equity	Russell Mid Cap Index
Growth	Russell Mid Cap Growth Index
Value	Russell Mid Cap Value Index
Small Cap Equity	Russell 2000 Index
Growth	Russell 2000 Growth Index
Value	Russell 2000 Value Index
REITs	Wilshire REIT Index
International Equity	MSCI EAFE Index
Investment Grade Bonds	Bloomberg Barclays Capital Aggregate Bond Index
High Yield	US High Yield Master II

## **Security Selection**

The Investment Manager may utilize a full range of investment vehicles when constructing the investment portfolio, including but not limited to individual securities, mutual funds, and exchange-traded funds. In addition, to the extent permissible, the Investment Manager is authorized to invest in shares of mutual funds in which the Investment Manager serves as advisor or sub-adviser.

## **Investment Limitations**

The following investment transactions are prohibited:

- Direct investments in precious metals (precious metals mutual funds and exchange-traded funds are permissible).
- Venture Capital
- Short sales\*
- Purchases of Letter Stock, Private Placements, or direct payments
- Leveraged Transactions\*
- Commodities Transactions Puts, calls, straddles, or other option strategies\*
- Purchases of real estate, with the exception of REITs
- Derivatives, with exception of ETFs\*

*\*Permissible in diversified mutual funds and exchange-traded funds*

## **VI. Reporting Requirements**

Quarterly reports shall be submitted by the Investment Manager to the Plan Administrator of the City of Pinole. These reports will be submitted by the City's Treasurer or designee to the City Council.

**APPENDIX**

Plan Sponsor Account Information as of the date this pension investment policy is adopted:

<b>Plan Sponsor:</b>	City of Pinole
<b>Plan Administrator:</b>	City Manager and/or Assistant City Manager or designee
<b>Governance:</b>	Pinole City Council
<b>Plan Name (“Plan”)</b>	City of Pinole Employee Benefits Pension Plan
<b>Trustee:</b>	US Bank
<b>Type of Account</b>	Pension Plan
<b>ERISA Status:</b>	Not subject to ERISA
<b>Investment Manager:</b>	US Bank, as discretionary trustee, has delegated investment management responsibilities to HighMark Capital Management, Inc. (“Investment Manager”), an SEC-registered investment adviser
<b>Investment Authority:</b>	Except as otherwise noted, the Trustee, US Bank, has delegated investment authority to HighMark Capital Management, an SEC-registered investment adviser. Investment Manager has full investment discretion over the managed assets in the account. Investment Manager is authorized to purchase, sell, exchange, invest, reinvest and manage the designated assets held in the account, all in accordance with account’s investment objectives, without prior approval or subsequent approval of any other party(ies).



## City of Pinole

### Financial and Investment Policies

Updated March 2024

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## **Structurally Balanced Budget**

### **Policy**

The City will aspire to create a proposed General Fund operating budget that is structurally balanced whereby current expenditures will be funded by current year revenue. If the proposed operating budget is structurally imbalanced, the City will develop a plan to create a proposed General Fund operating budget for the subsequent fiscal year that is structurally balanced.

### **Purpose**

To ensure the sustainability of service and expenditure levels by requiring that ongoing General Fund operating expenditures be funded by ongoing revenues.

### **Definitions and Details**

1. This policy applies to General Fund operating budgets.
2. Structural balance is defined as recurring (ongoing) revenues equaling or exceeding ongoing expenditures.
3. Under this policy, City staff will analyze whether the proposed General Fund operating budget is structurally balanced.
4. If City staff determines that the proposed budget is imbalanced, City staff will develop a plan to create a proposed General Fund operating budget for the following fiscal year that is structurally balanced, including possible revenue enhancements or expenditure decreases.
5. Internal service funds are intended to operate on a break-even basis.
6. To implement this policy, staff will identify General Fund operating revenue that is recurring and non-recurring. Recurring revenues are those that the City can reasonably expect to continue to receive on an annual basis over the next 5 to 10 years. Recurring revenues include, but may not be limited to, property taxes, sales and use taxes, utility user taxes, franchise taxes, business license taxes, transient occupancy taxes, other taxes, fines and forfeitures, interest on investments, use of money and property, motor vehicle in-lieu, city interfund transfers, licenses and permits, resources from other governmental agencies, charges to other City funds, and other reimbursements and charges for services. Non-recurring revenues are monies that the City cannot reasonably expect to continue to receive over the next 10 to 15 years. Non-recurring revenues include, but may not be limited to, fund balance, grant funds, financing proceeds, and sale of property and equipment. Revenue from recurring sources that is significantly above normal levels will be considered non-recurring revenues.
7. Staff will also identify General Fund operating expenditures that are recurring and non-recurring. A recurring expenditure is an ongoing cost that relates to an ongoing City service or activity. Examples of recurring expenditures are salaries, benefits, utilities, debt service, maintenance, normal capital outlays, and other mandated costs. Non-recurring expenditures are costs that are incurred for one-time activities,

or services that are scheduled to "sunset". Typical non-recurring expenditures include those for grant-funded activities, special initiatives, and one-time capital expenditures.

8. A structurally balanced General Fund operating budget is a best practice. It is, however, appropriate and consistent with best practice to adopt a structurally imbalanced budget for a given fiscal year under certain circumstances. For example, it is appropriate and consistent with best practice to use designated reserves as a non-recurring revenue to cover recurring expenditures during times of fiscal duress. If a budget is proposed with this characteristic, the Structurally Balanced Budget Policy provides appropriate direction, which is that staff should develop a plan to create a structurally balanced budget for the subsequent fiscal year.

## Reserve Policy

### Policy

The City will establish and maintain reserves to meet certain anticipated future obligations as well as to ensure that the City maintains adequate financial resources to continue to provide basic municipal services in the event of a significant unanticipated revenue decrease or expenditure increase.

### Purpose

To ensure that the City maintains adequate financial resources to continue to provide basic municipal services in the event of a significant unanticipated revenue decrease or expenditure increase.

### Definitions and Details

1. The City shall establish a separate account in the financial system to reserve funds intended to ensure that the City maintains adequate financial resources to continue to provide basic municipal services in the event of a significant unanticipated revenue decrease or expenditure increase. This account and the funds contained therein shall be referred to as the General Reserve. It shall be budgeted to contain an amount equivalent to 50% of the City's annual General Fund ongoing operating expenditures. Resources in the General Reserve account will be considered ~~committed~~<sup>1</sup> for the purpose of financial reporting per the standards of Generally Accepted Accounting Principles (GAAP) set forth by the Governmental Accounting Standards Board (GASB) Statement No. 54.
2. The City shall establish other separate accounts in the financial system to reserve funds for other appropriate purposes, such as for replacement of vehicles and major equipment; maintenance and replacement of capital assets; and long-term liabilities.
3. Funds held in the General Reserve can only be appropriated by a majority vote of the Council to address exceptional circumstances specifically related to a significant revenue shortfall, unanticipated expenditure, or other budget stabilization issue.
4. If the General Reserve funds are appropriated and expended, the City Council will endeavor to replenish them to the full amount noted above as part of the adoption of the subsequent budget, if not sooner.
5. This Policy shall be reviewed by the City Council periodically to ensure its consistency with current law and the City's current needs.

Deleted: assigned

<sup>1</sup> Per the Governmental Accounting Standards Board (GASB) Statement No. 54, "~~committed~~" includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that originally imposed the constraint.

Deleted: assigned

Deleted: fund balance is comprised of amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed

## **Revenue Policy – One-Time (Non-Recurring) Resources**

### **Policy**

The City will strive to maintain a diversified and stable revenue base that is not overly dependent on any individual revenue type, land use, or major taxpayer. One-time resources (also referred to as “non-recurring”) should be used for one-time (non-recurring) expenditures, including but not limited to establishing and rebuilding reserves, early retirement of debt, capital expenditures, and reducing unfunded pension liabilities (California Employee Retirement System (CalPERS) and Other Post Employment Benefits (OPEB)).

### **Purpose**

To ensure that the City appropriately uses one-time resources, including not using one-time resources on ongoing expenditures, which can contribute to a structurally imbalanced budget.

### **Definitions and Details**

1. Non-recurring revenues are monies that the City cannot reasonably expect to continue to receive over the next 10 to 15 years. Non-recurring revenues include, but may not be limited to, fund balance, grant funds, financing proceeds, and sale of property and equipment. Revenue from recurring sources that is significantly above normal levels will be considered non-recurring revenues.

## **Revenue Policy – User Fees and Charges**

### **Policy**

The City of Pinole is empowered to recapture, through fees, up to the full cost of providing specific services. Regular and consistent review of all fees is necessary to ensure that the costs associated with delivery of individual services have been appropriately identified, and that the City is fully recovering those costs. It is the City's policy to set user fees at full cost recovery levels, except where a greater community benefit is demonstrated to the satisfaction of the City Council, or when it is not cost effective to do so. The City will recover costs of new facilities and infrastructure necessitated through development impact fees consistent with state law.

### **Purpose**

To determine the full costs of providing specific services so that the City Council can make informed decisions as to the appropriate levels of fees for services that may be imposed to avoid providing unwanted subsidies. The City Council may decide against full cost recovery in cases where greater community benefit is demonstrated.

### **Definitions and Details**

1. Every service supported by user fees or charges will be analyzed bi-annually, or as required by statute or directed by City Council to determine the net cost of providing the service.
2. Net cost will be determined by identifying all revenues generated or attributed to the service and subtracting all cost elements (direct and indirect expenses, capital outlays and other one-time expenses). The resulting figure will be the level of subsidy, which the City Council will use as a basis for determining user fee increases or decreases.
3. If it is determined that there is a net cost to providing the service, the City Council will raise user fees to achieve full cost recovery, unless it is decided that the subsidy should be maintained.
4. Additional information may be necessary to aid in the decision as to whether or not a service should be subsidized (community benefit, cost-effectiveness, etc.)

## **Expenditure and Budget Policy**

### **Policy**

The City will deliver service in the most efficient and cost-effective manner. This includes utilizing the services of volunteers in areas where operationally and economically viable. The budget will state the objectives of the operating programs, and identify the resources being provided to accomplish the specified objectives.

### **Purpose**

To provide guidance to staff in developing spending plans that address the City's priorities and policy objectives while ensuring benefit to the City.

### **Definitions and Details**

1. Department expenditures are limited to:
  - a. Budgeted expenditures approved by the City Council as appropriated by major category:
    - i. Salary and Benefits;
    - ii. Services and Supplies: Travel and Training, Office Expenses, Repairs and Maintenance, Materials, Professional Services, etc.; and Capital Outlay.
2. The operating budget will be prepared to fund current year expenditures with current year revenue. However, surplus fund balances may be used to increase reserves, fund Capital Improvement Projects, reduce unfunded pension liability (California Employee Retirement System (CalPERS) and Other Post Employment Benefits (OPEB)), or carried forward to fund future years' operating budgets when necessary to stabilize services and fund capital outlay.
3. Budget transfers require the approval of the City Manager or designee except those affecting personnel and capital projects which must be approved by the City Council.
4. Budget transfers required to hire additional permanent personnel require the City Council's approval.
5. The City will periodically update replacement and maintenance financing plans, and incorporate them into the Budget.
6. The City will monitor and review methods of operation to ensure that services continue to be delivered in the most cost-effective manner possible. This review process encompasses a wide range of productivity issues, including:
  - a. Analyzing systems and procedures to ensure efficient delivery of services.
  - b. Evaluating the ability of new technologies and related capital investments to improve productivity.
  - c. Developing the skills and abilities of all City employees.
  - d. Developing and implementing appropriate methods of recognizing and rewarding exceptional employee performance.
  - e. Evaluating the ability of the private sector to perform the same level of service at a lower cost.

## **Debt Policy**

### **Policy**

The City will limit the use of debt so as not to place a burden on the fiscal resources of the City and its taxpayers. Long-term borrowing will be limited to capital improvements or projects that cannot be financed from current revenues. When capital projects are financed, the City will amortize the debt within a period not to exceed the expected useful life of the project. The City will limit the total debt ratio (debt guaranteed by the General Fund) to 10% or as required by bond coverage ratios. The debt ratio is calculated by the relationship between the debt and the General Fund revenue.

### **Purpose**

To maintain fiscal viability by not encumbering the General Fund with excessive debt payments or using debt to support operating expenses.

### **Definitions and Details**

1. For purposes of computing the percentage of debt payments the proposed budget expenditures will be used.
2. The ratio of debt payments to operating expenditures will be presented in the annual budget.
3. The City will investigate the use of special assessment, revenue or other self-supporting bonds to limit the General Fund obligation for debt service payments.
4. The City will not use long-term debt for current operations.
5. The City will not use short-term borrowing to support routine operations, provided however, that it may be used to meet temporary cash flow needs.
6. The City will maintain strong communications with bond rating agencies about the City's financial condition and will follow a policy of full disclosure on financial reports and bond prospectus.
7. The City will strive to maintain or improve the City's bond rating.
8. The City will utilize inter-fund loans when possible to reduce the cost of financing capital improvements.
9. The City is required to enter into an agreement for inter-fund loans beyond the current fiscal year.

## **Receivables Policy**

### **Policy**

The City will ensure the timely invoicing, monitoring, and collection of outstanding obligations owed to the City.

### **Purpose**

To maintain appropriate oversight of all receivables and maintain sound fiscal management and accounting practices related to all receivables.

### **Definitions and Details**

1. For the purpose of this policy, receivables are defined to include outstanding obligations owed to the City for services or goods supplied.
2. All receivables shall be recorded in accordance with Generally Accepted Accounting Principles (GAAP).
3. Accounts receivable will be administered by the Finance Department.
4. Accounts receivable shall be established for services or goods provided in advance of a payment and should include terms for collection. Invoices should be prepared in a timely manner but not less than on a monthly basis. Invoices should include a description of the goods or services provided, payment terms and remittance address.
5. All accounts receivable should be recorded in a manner that allows for aging analysis. Reconciliation of accounts receivable may be performed on a monthly, quarterly or annual basis depending on the type of receivable.
6. Collection options should be evaluated and pursued to maximize collections. The use of collection agencies and programs such as the State Interagency Intercept Collection Program or the County Tax lien process may be used based on the type of receivable.
7. An allowance for doubtful accounts should be recorded after a bad debt expense is estimated. Write-off of bad debt should be performed on an annual basis to ensure that accounts receivable and allowance balances are not overstated.
8. The City will establish written procedures to document the accounts receivable process and bad debt write-off process for adequate internal controls and proper management oversight. These procedures should be reviewed annually as part of the year end audit process.

## **Grants Management Policy and Procedures**

### **Policy**

City departments actively pursue federal, state and other grant opportunities when deemed appropriate. Grant funding allows the City to leverage local public funds by extending and enhancing the services it offers to the community, and to introduce new initiatives.

### **Purpose**

The purpose of this policy is to specify circumstances when grant funding is appropriate and to establish a standardized set of procedures for the fiscal administration, management, and monitoring of public and private grants. This policy is intended to ensure compliance with all applicable administrative, financial, reporting, and monitoring requirements established by the funding agency as well as all applicable administrative and fiscal directives and guidelines established by the City of Pinole. The policy and procedures established herein shall apply to all Federal, State, County and private grants administered by the City.

### **Definitions and Details**

#### **1. Staff Responsibilities**

- a. City Department seeking and managing grant funding is responsible for:
  - i. Preparation of grant application materials;
  - ii. Providing sufficient data to allow City Management to evaluate the costs and benefits of the proposed grant;
  - iii. Obtaining appropriate approvals for submission of grant, if necessary;
  - iv. Obtaining City Council approval for acceptance of grant;
  - v. Understanding the operational and budgetary impact the grant has on the City;
  - vi. Accumulating the appropriate accounting detail and supporting documentation;
  - vii. Preparation of reports required by the grantor;
  - viii. Providing the Finance Department with the following:
    1. Grant Award Letter;
    2. Grant Contract;
    3. City Council minutes of action or Council Resolution approving the grant;
    4. An administrative manual (this includes program guidelines and accounting procedures). This will allow Finance to maintain grant files which are accurate and complete.

- ix. Providing Finance copies of all grant amendments, program reporting, reimbursement requests and other communications to all agents involved in the grant administration process for review prior to submission.

- a. The Finance Department (Finance Director) is responsible for:
  - i. Reviewing all financial reports to the grantor prior to submission to ensure its accuracy;
  - ii. Assisting departments with any problems or questions regarding the grant submission process;
  - iii. Scheduling audit of grant programs when requested by Grantee Agency. City staff will aid in the auditing process providing available source documents as requested by the auditing agency;
  - iv. Coordinating the accounting for all receipts and disbursements related to the grant. Finance Department will determine setup and maintain the most appropriate method (s) of accounting for the grant in the financial system.

## 2. Pre-Application

Prior to submitting an application for any grant award, the applicant department shall thoroughly review the grant requirements outlined in the solicitation to ensure that the department is aware of and has the capacity to meet all administrative, fiscal, programmatic, reporting and monitoring requirements.

## 3. Post-Award

### a. Set-Up

All new grants should be reviewed by the Finance Director to ensure that all grant details are accurate and grant budget is established in the financial system in accordance with any special conditions required by the funder.

- i. Acceptance of all grants must be approved by action of the City Council. Said approval shall include authorization to appropriate funding to revenue and expenditure accounts.
- ii. For grants that were not included in the annual adopted budget, the applicant department will submit a request to appropriate revenue and expenditures to the City Council for review and approval. Once the grant budget has been approved by the City Council, department staff should submit a request to the Finance Department to establish the approved budget in the financial system.
- iii. The term of grant-funded positions must be clearly identified and disclosed to the City Council prior to approval. If the expiration of a grant requires the application of General Fund revenue for continued funding, this stipulation must also be disclosed.

- iv. One-time or fluctuating grant sources should not be used for ongoing programs.
- v. The awarded department assumes the lead role in grant management in collaboration with the Finance Department.

b. Cash Handling

Grant funds are received from various funding agencies via checks and electronic wire/ACH transfers only and should be sent to the Finance Department. Hard copy checks are deposited weekly and promptly recorded in the City's financial system.

4. Grant Monitoring and Quarterly Reporting

a. Grant Award Monitoring

Award monitoring shall be the responsibility of the applicant department to ensure that grant funds are expended for eligible activities in accordance with the guidelines established by the funder, including, but not limited to:

The applicant department shall obtain all documentation necessary to fully and accurately support all grant expenditures, including expenditures incurred by sub- recipients. Examples of supporting documentation may include, but not be limited to:

- i. Employee timesheets
- ii. Personnel Activity Reports
- iii. Personnel Action Forms
- iv. Payroll reports
- v. Invoices and proof of payment
- vi. Purchase receipts
- vii. Workshop/Training itineraries
- viii. Travel documents

b. Quarterly Reporting

Finance Department staff should review grant expenditures and cash position as needed to ensure proper oversight and fiscal administration of the grant. Claims for reimbursement based grants should be sent to the funder timely to ensure prompt reimbursement. If grant reimbursements are not received within the timeframe prescribed by the funder - generally 60 to 90 days - the appropriate applicant department staff should follow up to check on the status of the reimbursement request.

Grants are required to be reconciled at least quarterly as part of the Finance

Department's grant reconciliation process. Grant reconciliation should include review of all of the following:

- i. Grant expenditure to revenue balance
- ii. Grant budget to actual balance
- iii. Status of reimbursement requests submitted to the funder for purpose of reversing revenue accruals
- iv. Grant advances and whether or not funds should be recognized
- v. Grant end dates, closeouts
- vi. Review grant information against the general ledger to ensure accuracy of information listed

5. Record Retention

The City is committed to ensuring that all necessary grant records and documents are adequately retained as required by federal, state, and private funding agencies. The below Record Retention Schedule is approved as the retention schedule for grant records and documents maintained by the applicant department. The schedule is applicable to all physical and electronic grant records maintained by the department as part of the administration and management of federal, state, and private grant funds.

Record Retention Schedule: Grant Records	
Record Type*	Retention Period
Original grant proposal Grant-specific policies and procedures Grant award letter Grant agreement and subsequent modifications, if applicable Grant budget and subsequent modifications, if applicable All pertinent funder correspondence, including emails, phone log notes, letters, site visit/monitoring/corrective action/audit reports, etc... All pertinent sub-recipient/sub-grantee correspondence including emails, phone	At least 5 years following official notification by the awarding agency that the grant has been fiscally and programmatically closed OR at least 5 years following the closure of its audit report covering the entire award period, whichever is later.

<p>log notes, letters, site visit/monitoring/corrective action/audit reports, etc...</p> <p>Fiscal and program/performance reports submitted to the funder including explanation of data collection/reporting methodology, if not evident</p> <p>Wire transfers and/or copies of reimbursement checks received</p> <p>Documentation of required matching funds</p> <p>All documentation relating to grantee compliance with the grant agreement</p> <p>All evidence of returned grant funds</p> <p>All supporting documentation necessary to fully and adequately justify grant expenditures including timesheets, payroll reports, Personnel Activity Reports, receipts, invoices, etc.</p> <p>Other documents deemed necessary and important by grant program/fiscal staff and/or documents required to be maintained by the funder</p>	
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\* All grant documents and records should be organized and maintained in designated grant files or other systematic organizational structure.

## Capital Assets Policy and Procedures

### Policy

Purchased and donated assets meeting the City's capitalization definition and threshold will be classified and recorded in the City's financial records as capital assets. The value of the asset must meet the City's capitalization threshold of \$5,000 to be recorded as a capital asset.

### Purpose

To define costs eligible and establish thresholds for capitalization in conformity with Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and Statement No. 51 Accounting and Financial Reporting for Intangible Capital Assets.

### Definitions and Details

#### 1. Definition of a Capital Asset

A capital asset is any tangible or intangible asset purchased for use in the day-to-day operations of the City with a useful life greater than one year and has an acquisition cost of \$5,000 or more. Donations with an estimated appraised value of \$5,000 or more and have a useful life greater than one year is also considered a capital asset. Capital assets include items such as land, sewer lines, buildings, vehicles, equipment, and furniture.

#### 2. Major Asset Classes

- a. (100) Land – includes land under infrastructure and preparation costs. Costs can include acquisition prices and cost of initially preparing land for its intended use (basic site improvements, removal, excavation, relocation, reconstruction). Usually has an indefinite useful life and is not depreciated.
- b. (200) Improvements other than buildings - permanent improvements (non-moveable), other than buildings that add value to land, but do not have an indefinite useful life. Examples include fences, retaining walls, parking lots, and landscaping.
- c. (300) Buildings - permanent structures. Costs can include purchase of new building or cost of an improvement to an existing building. An entire building can be classified as one asset or be reported as separate capital assets if discrete portions of the building have significantly different useful lives (e.g. roof separate from building).
- d. (400) Infrastructure - capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, drainage

systems, water and sewer systems, and lighting systems.

- e. (600) Furnishings and Equipment - moveable assets that includes all costs to place equipment into service (freight, installation, warranties, and sales tax). Each piece of equipment must meet the minimum capitalization threshold and is not recorded in bulk. Examples include vehicles, furnishings, machinery, servers, and appliances.
- f. (700) Other Capital Assets – capital assets that do not fit into any of the major asset classes. This can include:
  - i. Intangibles – assets that are not physical in nature. Generally, this includes software and easements (can also include water rights, trademarks).
  - ii. Easements - intangibles with an indefinite useful life and are not depreciated.
  - iii. Software - both internally generated and off-the-shelf.
- g. (900) Construction in Progress - construction projects in progress at the conclusion of the fiscal year. These costs are not depreciable until the project is completed and booked into the correct category of improvements, buildings, or infrastructure.

### 3. Capital Asset Useful Life

The capital asset useful life is the determining factor for the number of accounting periods over which the asset is to be depreciated. The City can determine the useful life of an asset by using historical information or by seeking guidance from other external resources to determine the proper useful life of the asset. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset as follows:

<b>Class</b>	<b>Useful Life</b>
Bridges	75 years
Buildings	50 years
Equipment	5-10 years
Parks	70 years
Street drainage	100 years
Streets and roads	50 years
Vehicles	5-10 years
Wastewater infrastructure	50 years

### 4. Capital Asset Review

The City relies on a decentralized method to verify the accuracy of capital assets. Departments are responsible for evaluating the condition and functionality of existing capital assets assigned to their department to determine if the asset is still providing the most appropriate method to deliver services. Capital assets should be assessed on an annual basis.

### 5. Disposal of Capital Assets/Surplus Property

When an asset will no longer be used in operations, voluntarily or involuntarily, the asset shall be removed from the City's financial records and removed from service. Disposal of equipment, material, or inventory will be in accordance with the City's surplus property guidelines.

"Surplus Property" is used generically to describe any City property that is no longer needed or useable by the holding department. The City Council shall declare item(s) surplus prior to disposal.

#### 6. Methods of Disposition

- a. The department head or designee in consultation with the Finance Director shall determine or approve one of the following methods of disposition that is most appropriate and in the best interests of the City.
- b. All surplus property is for sale "as is" and "where is", with no warranty, guarantee, or representation of any kind, expressed or implied, as to the condition, utility or usability or the property offered for sale. Appropriate methods of sale are as follows:
  - i. Public Auction - Surplus property may be sold at public auction. City staff may conduct public Auctions, or the City may contract with a professional auctioneer including professional auction services.
  - ii. Bids - Bids may be solicited for the sale of surplus property. Surplus property disposed of in this manner shall be sold to the highest responsible bidder.
  - iii. Selling for Scrap - Surplus property may be sold as scrap if the department head or designee in consultation with the Finance Director deems that the value of the raw material exceeds the value of the property as a whole.
  - iv. Negotiated Sale - Surplus property may be sold outright if the department head or designee in consultation with the Finance Director determines that only one known buyer is available or interested in acquiring the property.
  - v. No Value Item – Where the department head or designee in consultation with the Finance Director determines that specific supplies or equipment are surplus and of minimal value to the City due to spoilage, obsolescence or other cause, or where the Finance Director, serving as the Purchasing Officer, determines that the cost of disposal of such supplies or equipment would exceed the recovery value, the department head or designee in consultation with the Finance Director shall dispose of the same in such a manner as he or she deems appropriate and in the best interest of the City.
- c. Surplus property that remains unsold will be donated to a non-profit organization or transferred to an appropriate recycle center.
- d. Proceeds from the sale or trade-in of surplus property shall be submitted to Finance for returning to the appropriate fund.

## **Unclaimed Funds/Outstanding Checks Policy and Procedures**

### **Policy**

The City of Pinole will account for unclaimed funds in a manner which follows Government Code Sections 50050 through 50056. Funds that remain unclaimed for at least three (3) years will become the property of the City of Pinole after the procedures identified herein have been followed.

### **Purpose**

The purpose of this policy is to establish guidelines for the proper disposition of unclaimed funds and outstanding checks in accordance with government statutes.

### **Definitions and Details**

#### **1. Definitions**

- a. Unclaimed Funds - Consists of funds which are not the property of the City but remain in the City Treasury for three (3) or more years without a claim being filed by the legal owner(s). Unclaimed funds do not include individual items of less than \$15.00, any amounts in which the depositor's name is unknown, or restitution to victims.
- b. Warrant – Instrument issued to pay for goods and/or services rendered, issue refunds, etc. (i.e. a check).
- c. Stale Dated – A check that is older than six (6) months.
- d. Escheat – refers to state escheat laws that require agencies to transfer unclaimed property or funds to the state after three years and reasonable efforts locate the property owner.

#### **2. Guidelines**

The City of Pinole has established the policy to hold unclaimed payroll and accounts payable checks rather than escheating the unclaimed funds to the State of California.

This unclaimed funds policy applies to all outstanding payroll and accounts payable checks abandoned three years after the issue date.

#### **3. Procedures: Items over \$15.00**

- a. Quarterly during the bank reconciliation process, the outstanding warrant register will be reviewed for items six (6) months and older. For the warrants six months and older, a letter and unclaimed property claim form will be mailed to the address on record for the issued warrant. See Exhibit 1 and 2 for examples.
- b. Every June 30th and December 31st, (final evaluation dates) all remaining

outstanding warrants will be evaluated. Any warrants issued more than 12 months prior to evaluation date will receive a second letter and affidavit form. If no response is received within 30 days for the warrants 12 months or greater, the warrant will be identified as stale dated. Stale dated warrants shall be cancelled and voided in the system. A journal entry shall be prepared to record the total amount of stale dated checks in a hold account called "Aged Unclaimed Warrants".

- c. A list of stale date warrants containing the warrant number, issue date, amount, and payee shall be maintained by the Finance Department. If a cancelled warrant is presented, or the payee files a claim after cancellation, the warrant shall be reissued by debiting the "Aged Unclaimed Warrants" account, and the original warrant shall be removed from the stale dated list.
- d. Also, on June 30th and December 31st, the stale dated list shall be evaluated to determine which warrants are more than 3 years old from the date of issue. Warrants that are more than 3 years old will be handled as follows:
  - i. A notice must be published once a week for two consecutive weeks in a newspaper of general circulation in the City of Pinole stating the payee, the amount, the fund in which the money is held, and that it is proposed that the money will become the property of the City of Pinole on a specific date (not less than 45 nor more than 60 days after the first publication). See Exhibit 3 for example.
  - ii. Upon or prior to publication, a party of interest may file a claim (Exhibit 2) for the funds with the Finance Director. The claim must contain the claimant's name, address, amount, tax identification number, and grounds for claim prior to the date the funds become property of the City of Pinole. The Finance Director can require additional information to help substantiate the claim.
  - iii. On the day identified in the notice, the total dollar amount (on which no claims were filed) becomes the property of the City. A journal entry will be prepared to recognize the revenue. The money will be moved from "Aged Unclaimed Warrants" to the fund the warrant was originally issued from.

#### 4. Procedures: Items under \$15.00 or items where the depositor is unknown

- a. Quarterly during the bank reconciliation process, the outstanding warrant register will be reviewed for items six (6) months and older. For the warrants six months and older, a letter and unclaimed property claim form will be mailed to the address on record for the issued warrant. See Exhibit 1 and 2 for examples.
- b. Every June 30th and December 31st, (final evaluation dates) all remaining outstanding warrants will be evaluated. Any warrants issued more than 12 months prior to evaluation date will receive a second letter and affidavit form. If no response is received within 30 days for the warrants 12 months or greater, it becomes the property of the City of Pinole. Stale dated warrants shall be cancelled and voided in the system. A journal entry will

- be used to record the total amount of these warrants as revenue.
- c. Any individual check of less than fifteen (\$15) dollars, or any amount if the depositor's name is unknown, which remain unclaimed for a period of one (1) year may be transferred from the funds which the money was originally drawn from by the City Council to the General Fund without the necessity of publication of notice in a newspaper. (Gov. Code Section 50055)

## **City of Pinole INVESTMENT POLICY**

### **I. Introduction**

The purpose of this Policy is to define the parameters within which funds are to be managed. In methods, procedures, and practices, the policy formalizes the framework for the City of Pinole's investment activities that must be exercised to ensure effective and judicious fiscal and investment management of the City's funds.

### **II. Governing Authority**

The investment program of the City of Pinole ("the City") shall be operated in conformance with federal, state, and other legal requirements. All funds will be invested in accordance with the City's Investment Policy, and California Government Code Sections 53601, 53601.1, 53601.5, 53601.6, 53635, 53646, 53635.5, and 16481.2.

### **III. Scope**

It is intended that this policy cover all funds (except retirement funds) and investment activities under the direction of the City. The investment of bond proceeds will be in accordance with the provisions of relevant bond documents.

### **IV. Objectives**

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

1. Safety

Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.

2. Liquidity

The investment portfolio of the City will remain sufficiently liquid to enable the City to meet its cash flow requirements.

3. Return

The investment portfolio of the City 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.

**V. Standards of Care**

1. Prudence

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. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse development.

The “prudent person” standard states that,

“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.”

2. 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 which could impair their ability to make impartial decisions.

3. Delegation of Authority

The management responsibility for the investment program is hereby delegated to the City Treasurer or designee who shall monitor and review all investments for consistency with this investment policy. No person may engage in an investment transaction except as provided under the limits of this policy. The City Council may delegate its investment decision making and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as are provided.

## **VI. Permitted Investment Instruments**

1. U.S. Treasury and other government notes, bonds, bills, or obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest. Maturities shall not exceed five years in length. No more than fifty (50) percent of the City's investment portfolio may be invested in instruments defined under this section.
2. Federal Agency or U.S. government sponsored enterprises (GSE) bonds and note obligations, participations or other instruments. This includes but is not limited to obligations issued by Banks for Cooperatives, Federal Land Banks, Federal Intermediate Credit Banks, Federal Farm Credit Banks, Federal Home Loan Banks, the Federal Home Loan Bank Board, the Federal Home Loan Mortgage Corporation or in obligations, participations, or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes. Maturities shall not exceed five years in length, unless the funds to be invested are moneys generated from the proceeds of the sale of real estate assets restricted to a reserve account, and the investment security is "AA" rated by at least two of three nationally recognized rating agencies (Standard & Poor's, Moody's or Fitch) in which case maturities shall not exceed ten years in length. No more than 40 (forty) percent of the City's investment portfolio may be invested in instruments defined under this section.
3. Certificates of Deposit (CDs) which are Federal Deposit Insurance Company (FDIC) insured or fully collateralized time CD's in financial institutions in California. No more than 10 percent of the City's portfolio shall be invested in FDIC insured or fully collateralized time certificates of deposit. Maturities shall not exceed five years in length.
4. Negotiable FDIC insured 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. Purchase of negotiable CD's may not exceed 30 percent of the City's investment portfolio. Maturities shall not exceed five years in length, and must have an IDC number greater than 165 (excellent rated).

5. Bankers' 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 Bankers' Acceptances may not exceed 180 days maturity or 40 percent of the City's investment portfolio. No more than 10 percent of the City's investment portfolio may be invested in the Banker's Acceptances of any one commercial bank.
6. Medium-term corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a Double-AA rating category "AA" or its equivalent or better by a nationally recognized rating service. Additionally, corporate notes shall be widely diversified across all market sectors. Purchase of medium-term corporate notes may not exceed fifteen (15) percent of the City's investment portfolio. No more than five (5) percent of the City's investment portfolio may be invested in a medium-term note of any one corporation. Maturities shall not exceed five years in length.
7. Commercial paper rated in the highest tier of "prime quality" as provided by Moody's Investors Service, Inc., or Standard & Poor's Corporation, 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 180 day's maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 15 percent of the City's investment portfolio. An additional 15 percent or a total of 30 percent of the City's investment portfolio may be invested only if the dollar weighted average of the entire amount does not exceed 31 days.
8. Repurchase Agreements used solely as short-term investments not to exceed 30 days. The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in VI.1 and 2, will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the City's custodian bank versus payment or be handled under a tri-party repurchase agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 103 percent of the total dollar value of the money invested by the City for the term of the investment unless the term of the investment is overnight, in which case the total of all collateral for the Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 100 percent of the total dollar value of the

investment. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a regular basis. Market value must be calculated each time there is a substitution of collateral. The City or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

The City may enter into Repurchase Agreements with (1) primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York, and (2) California and non-California banking institutions having assets in excess of \$1 billion and in the highest short-term rating category as provided by Moody's Investors Service, Inc. or Standard & Poor's Corporation. The City will have specific written agreements with each firm with which it enters into Repurchase Agreements. No more than 10 percent of the City's investment portfolio may be invested in Repurchase Agreements.

9. State of California's Local Agency Investment Fund (LAIF). Up to 100 percent of the City's portfolio may be invested in LAIF or up to the maximum permitted by California State Law. The LAIF portfolio should be reviewed periodically.
10. Securities and Exchange Commission (SEC) registered Money Market Mutual Funds as authorized by Government Code Sections 53601 and/or 53635. To be eligible for investment pursuant to this subdivision these companies shall either:
  - a. Attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services;
  - b. 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;
  - c. Assets under management in excess of \$500,000,000;
  - d. The purchase price of the share of beneficial interest shall not include any commission charged by these companies; and,
  - e. Purchases shall not exceed 15 percent of the investment portfolio of the City.

Under no circumstances shall any funds of the City be invested in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. Nor

shall any of the City's funds be invested in any security that could result in zero interest accrual if held to maturity.

## **VII. Reporting Requirements**

Quarterly investment reports shall be submitted by the City's Treasurer or designee to the City Council. The reports shall include, at a minimum, the following information for each individual investment:

- Type investment instrument;
- Institution/Issuer;
- Maturity date;
- Cost of security (par value) and dollar amount in all securities;
- Description of the funds and investments;
- Maturity distribution and of the portfolio;
- Current market value of all securities;
- Rate of return for the portfolio;
- A statement of compliance of the portfolio with the City's Investment Policy, and its ability to meet expenditure requirements for the next six months.

Pursuant to Government Code Section 53646 (e), the Treasurer may supply to the governing body, chief executive office and the external auditor a copy of the most recent statement received by the City on those investments in the State Local Agency Investment Fund in lieu of the above required statement.

## **VIII. Safekeeping and Custody**

The assets of the City shall be secured through the third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Collateralized securities such as repurchase agreements shall be purchased using the delivery vs. payment (DVP) procedure.

## **City of Pinole PENSION INVESTMENT POLICY**

### **I. Introduction**

The City of Pinole (the “City”) has established the City of Pinole Employee Benefit Pension Plan (the “Plan”), a Section 115 Trust. The goal of the Plan’s investment program is to provide a reasonable level of growth which will result in sufficient assets to offset a portion of the present and future obligations of retirement benefits provided by the California Public Employees Retirement System (“CalPERS”) for those eligible employees who meet the specified age and service requirements.

### **II. Statement of Purpose**

The purpose of this Pension Investment Policy is to establish a comprehensive strategy for assets invested under the Plan, and outline prudent and acceptable parameters in which pension funds are to be managed.

The primary objectives of this policy are to:

- Facilitate the process of ongoing communication between the Plan Sponsor and its plan fiduciaries;
- Confirm the Plan’s investment goals and objectives and management policies applicable to the investment portfolio;
- Provide a framework to construct a well-diversified asset mix that can potentially be expected to meet the account’s short and long-term needs that is consistent with the account’s investment objectives, liquidity considerations and risk tolerance;
- Identify any unique considerations that may restrict or limit the investment discretion of its designated investment managers;
- Help maintain a long-term perspective when market volatility is caused by short-term market movements.

### **III. Roles and Responsibilities**

#### ***Governing Authority***

The pension investment program of the City of Pinole (“the City”) shall be operated in conformance with federal, state, and other legal requirements. All funds will be invested in accordance with the City’s Pension Investment Policy, and applicable California Government Code Sections.

### Delegation of Authority

The management responsibility for the pension investment program is hereby delegated to the City Manager and/or Assistant City Manager or designee as Plan Administrator who shall monitor and review all investments for consistency with this investment policy. No person may engage in an investment transaction except as provided under the limits of this policy. The City Council may delegate its investment decision making and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as are provided.

Duties and Responsibilities (Refer to Appendix for who serves in these roles)

#### **Plan Administrator**

The Plan Administrator for the City of Pinole is responsible for:

- Confirming the accuracy of this Investment Guidelines Document, in writing.
- Advising Trustee and Investment Manager of any change in the plan/account's financial situation, funding status, or cash flows, which could possibly necessitate a change to the account's overall risk tolerance, time horizon or liquidity requirements; and thus would dictate a change to the overall investment objective and goals for the account.
- Monitoring and supervising all service vendors and investment options, including investment managers.
- Avoiding prohibited transactions and conflicts of interest.

#### **Trustee**

The plan Trustee is responsible for:

- Valuing the holdings.
- Collecting all income and dividends owed to the Plan.
- Settling all transactions (buy-sell orders).

#### **Investment Manager**

The Investment Manager is responsible for:

- Assisting the Plan Administrator with the development and maintenance of this Investment Policy document.
- Meeting with the Plan Administrator to review portfolio structure, holdings, and performance.
- Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this Policy.
- Researching and monitoring investment advisers and investment vehicles.

- Purchasing, selling, and reinvesting in securities held in the account.
- Monitoring the performance of all selected assets.
- Voting proxies, if applicable.
- Recommending changes to any of the above.
- Periodically reviewing the suitability of the investments, and being available at such other times within reason at your request.
- Preparing and presenting appropriate reports.
- Informing the Plan Administrator if changes occur in personnel that are responsible for portfolio management or research.

### **Standards of Care**

#### Prudence

The standard of prudence to be used by investment officers shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse development.

The “prudent person” standard states that,  
“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.”

#### 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 which could impair their ability to make impartial decisions.

### **IV. Asset Allocation**

The goal of the Plan’s investment program is to provide a reasonable level of growth, which will result in sufficient assets to pay a portion of the present and future obligations of the Plan. The following objectives are intended to assist in

achieving this goal:

- The Plan should seek to earn a return in excess of its policy benchmark over the life of the Plan.
- The Plan’s assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic perspective of the capital markets.

<b>Investment Time Horizon:</b>	Intermediate-term
<b>Anticipated Cash Flows:</b>	Assets in the Plan will seek to mitigate the impact of future rate increases from CalPERS. Typically, increases in rates come with a one-year advance warning; however the Plan Administrator may request disbursement of assets at any time.
<b>Investment Objective:</b>	The primary objective is to generate a reasonable level of growth over time. The assets in this Plan will eventually be used to fund Pension Plan obligations for assets managed in the CalPERS Trust.
<b>Risk Tolerance:</b>	<i>Custom</i> – The account’s risk tolerance has been rated moderate, which demonstrates that the account can accept price fluctuations to pursue its investment objectives.

**Strategic Asset Allocation**

As of the date of this Pension Investment Policy adoption, the asset allocation ranges for the City of Pinole Employee Benefit Pension Plan is as follows:

<i>Strategic Asset Allocation Ranges</i>		
Cash	Fixed Income	Equity
0-20%	45%-75%	25%-45%
Policy: 4%	Policy: 60%	Policy: 36%

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The Investment Manager will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with the Plan's objectives.

**V. Investment Guidelines**

**Security Guidelines**

Equities

With the exception of limitations and constraints described above, the Investment Manager may allocate assets of the equity portion of the account among various market capitalizations (large, mid, small) and investment styles (value, growth). Further, the Investment Manager may allocate assets among domestic, international developed and emerging market equity securities.

Total Equities	25%-45%
<i>Equity Style</i>	<i>Range</i>
Domestic Large Cap Equity	12%-35%
Domestic Mid Cap Equity	0%-10%
Domestic Small Cap Equity	0%-15%
International Equity (incl. Emerging Markets)	0%-15%
Real Estate Investment Trust (REIT)	0%-8%

Fixed Income

In the fixed income portion of the account, the Investment Manager may allocate assets among various sectors and industries, as well as varying maturities and credit quality that are consistent with the overall goals and objectives of the portfolio.

Total Fixed Income	45%-75%
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\*High Yield securities may be purchased, but they will be held using a diversified exchange traded fund, or mutual fund vehicle.

If individual fixed income securities are purchased for the Plan, the following guidelines will be adhered to in the management of the fixed income segment:

### **Eligible Investments**

- Debt obligations of the U.S. Government, its agencies, and Government Sponsored Enterprises
- Mortgage-Backed Securities (MBS)
- Asset Backed Securities (ABS)
- Collateralized Mortgage Obligations (CMO)
- Commercial Mortgage-Backed Securities (CMBS)
- Corporate debt securities issued by U.S. or foreign entities including, but not limited to, limited partnerships, equipment trust certificates and enhanced equipment trust certificates
- Eligible instruments issued pursuant to SEC Rule 144(a)
- Municipal Bonds

With the exception of Debt obligations of the U.S. Government, its agencies, Government Sponsored Enterprises and US TIPS, the total investment in any fixed income security issuer shall not exceed 3% of total plan assets. These restrictions do not apply to fixed income funds or exchange-traded funds (ETFs).

### **Quality**

The portfolio will maintain a minimum weighted average quality of A- at all times. Individual securities shall have a minimum quality rating of Baa3 by Moody's or BBB- by Standard & Poor's (S&P).

### **Duration**

The Investment Manager will maintain the portfolio duration within +/- 25% of the benchmark duration at all times.

### **Diversification**

- No more than 5% of the portfolio assets may be invested in any individual issuer, with the exception of securities issued or guaranteed by the U.S. Government, its agencies, and Government Sponsored Enterprises.
- No more than 10% of the portfolio may be invested in securities issued under Rule 144A.

**Performance Benchmarks**

The performance of the total Plan shall be measured over a three and five-year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance shall be compared to the return of the total portfolio blended benchmark shown below.

Total Portfolio Blended Benchmark

- 19.00% S&P 500 Index
- 3.50% Russell Mid Cap Index
- 5.50% Russell 2000 Index
- 2.50% MSCI Emerging Market Index
- 4.50% MSCI EAFE Index
- 1.00% Wilshire REIT Index
- 45.50% Bloomberg Barclays Capital Aggregate Bond Index
- 13.00% ML 1-3 Year US Corp/Gov't Index
- 1.50% US High Yield Master II
- 4.00% Citi 1Mth T-Bill

Asset Class/Style Benchmarks

Over a market cycle, the long-term objective for each investment strategy is to add value to a market benchmark. The following are the benchmarks used to monitor each investment strategy:

- |                        |   |
|------------------------|---|
| Large Cap Equity       | S&P 500 Index                                   |
| Growth                 | S&P 500 Growth Index                            |
| Value                  | S&P 500 Value Index                             |
| Mid Cap Equity         | Russell Mid Cap Index                           |
| Growth                 | Russell Mid Cap Growth Index                    |
| Value                  | Russell Mid Cap Value Index                     |
| Small Cap Equity       | Russell 2000 Index                              |
| Growth                 | Russell 2000 Growth Index                       |
| Value                  | Russell 2000 Value Index                        |
| REITs                  | Wilshire REIT Index                             |
| International Equity   | MSCI EAFE Index                                 |
| Investment Grade Bonds | Bloomberg Barclays Capital Aggregate Bond Index |
| High Yield             | US High Yield Master II                         |

### **Security Selection**

The Investment Manager may utilize a full range of investment vehicles when constructing the investment portfolio, including but not limited to individual securities, mutual funds, and exchange-traded funds. In addition, to the extent permissible, the Investment Manager is authorized to invest in shares of mutual funds in which the Investment Manager serves as advisor or sub-adviser.

### **Investment Limitations**

The following investment transactions are prohibited:

- Direct investments in precious metals (precious metals mutual funds and exchange-traded funds are permissible).
- Venture Capital
- Short sales\*
- Purchases of Letter Stock, Private Placements, or direct payments
- Leveraged Transactions\*
- Commodities Transactions Puts, calls, straddles, or other option strategies\*
- Purchases of real estate, with the exception of REITs
- Derivatives, with exception of ETFs\*

*\*Permissible in diversified mutual funds and exchange-traded funds*

### **VI. Reporting Requirements**

Quarterly reports shall be submitted by the Investment Manager to the Plan Administrator of the City of Pinole. These reports will be submitted by the City's Treasurer or designee to the City Council.

**APPENDIX**

Plan Sponsor Account Information as of the date this pension investment policy is adopted:

<b>Plan Sponsor:</b>	City of Pinole
<b>Plan Administrator:</b>	City Manager and/or Assistant City Manager or designee
<b>Governance:</b>	Pinole City Council
<b>Plan Name ("Plan")</b>	City of Pinole Employee Benefits Pension Plan
<b>Trustee:</b>	US Bank
<b>Type of Account</b>	Pension Plan
<b>ERISA Status:</b>	Not subject to ERISA
<b>Investment Manager:</b>	US Bank, as discretionary trustee, has delegated investment management responsibilities to HighMark Capital Management, Inc. ("Investment Manager"), an SEC-registered investment adviser
<b>Investment Authority:</b>	Except as otherwise noted, the Trustee, US Bank, has delegated investment authority to HighMark Capital Management, an SEC-registered investment adviser. Investment Manager has full investment discretion over the managed assets in the account. Investment Manager is authorized to purchase, sell, exchange, invest, reinvest and manage the designated assets held in the account, all in accordance with account's investment objectives, without prior approval or subsequent approval of any other party(ies).