



FINANCE AND AUDIT COMMITTEE MEETING

550 E. 6th Street, Beaumont, CA

Monday, May 10, 2021 - 6:00 PM

Materials related to an item on this agenda submitted to the Finance and Audit Committee after distribution of the agenda packets are available for public inspection in the City Clerk's office at 550 E. 6th Street during normal business hours.

AGENDA

MEETING PARTICIPATION NOTICE

This meeting will be conducted utilizing teleconference communications and will be recorded for live streaming as well as open to public attendance subject to social distancing and applicable health orders. All City of Beaumont public meetings will be available via live streaming and made available on the City's official YouTube webpage. Please use the following link during the meeting for live stream access.

beaumontca.gov/livestream

Public comments will be accepted using the following options.

1. Written comments will be accepted via email and will be read aloud during the corresponding item of the meeting. Public comments shall not exceed three (3) minutes unless otherwise authorized by City Council. Comments can be submitted anytime prior to the meeting as well as during the meeting up until the end of the corresponding item. Please submit your comments to: **nicolew@beaumontca.gov**
2. Phone-in comments will be accepted by joining a conference line prior to the corresponding item of the meeting. Public comments shall not exceed three (3) minutes unless otherwise authorized by City Council. Please use the following phone number to join the call **(951) 922 - 4845.**
3. In person comments subject to the adherence of the applicable health orders and social distancing requirements.

In compliance with the American Disabilities Act, if you require special assistance to participate in this meeting, please contact the City Clerk's office using the above email or call **(951) 572 - 3196.** Notification 48 hours prior to a meeting will ensure the best reasonable accommodation arrangements.

REGULAR SESSION

6:00 PM

CALL TO ORDER

Committee Members: Council Member Julio Martinez, Council Member David Fenn, Treasurer Baron Ginnetti, Chair Thomas LeMasters, Vice Chair Steve Cooley, Member Frank Parks, Member Keith Bacon, Member Cesar Maruffo, Alternate Member David Vanderpool, and Alternate Member Dameon Butler

Action of any Requests for Excused Absence

Pledge of Allegiance

Adjustments to Agenda

Conflict of Interest Disclosure

PUBLIC COMMENT PERIOD (ITEMS NOT ON THE AGENDA):

Any one person may address the Committee on any matter not on this agenda. If you wish to speak, please fill out a "Public Comment Form" provided at the back table and give it to the Committee Chair or Secretary. There is a three (3) minute limit on public comments. There will be no sharing or passing of time to another person. State Law prohibits the Committee from discussing or taking actions brought up by your comments.

ACTION ITEMS / PUBLIC HEARINGS / REQUESTS

1. Approval of Minutes

Recommended Action:

Approve Minutes dated April 12, 2021.

2. FY2021 General Fund and Wastewater Fund Budget to Actual through April 2021

Recommended Action:

Receive and file the attached reports.

3. FY2022 City Wide Budget

Recommended Action:

Review and file this overview of the FY2022 Budget.

4. Review of Proposed Amended Investment Policy

Recommended Action:

Review the amended investment policy and recommend approval by the City Council or provide modifications for consideration by the City Council prior to approval.

SUB-COMMITTEE UPDATES

FUTURE AGENDA ITEMS

MEETING REVIEW - TREASURER

FINANCE DIRECTOR'S COMMENTS

ADJOURNMENT

The next regular meeting of the Finance and Audit Committee Meeting is scheduled for Monday, June 14, 2021, at 6:00 p.m.

Beaumont City Hall – Online www.BeaumontCa.gov

FINANCE AND AUDIT COMMITTEE MEETING

550 E. 6th Street, Beaumont, CA
Monday, April 12, 2021 - 6:00 PM

MINUTES

REGULAR SESSION

6:00 PM

CALL TO ORDER at 6:02 p.m.

Present: Council Member Julio Martinez, Council Member David Fenn, Treasurer Baron Ginnetti, Chair Thomas LeMasters, Vice Chair Steve Cooley, Member Cesar Maruffo, Alternate Member David Vanderpool, and Alternate Member Dameon Butler

Absent: Member Frank Parks, Member Keith Bacon

Action of any Requests for Excused Absence: Member Frank Parks

Pledge of Allegiance

Approval/Adjustments to Agenda: **None**

Conflict of Interest Disclosure: **None**

PUBLIC COMMENT PERIOD (ITEMS NOT ON THE AGENDA):

Any one person may address the Committee on any matter not on this agenda. If you wish to speak, please fill out a "Public Comment Form" provided at the back table and give it to the Committee Chair or Secretary. There is a three (3) minute limit on public comments. There will be no sharing or passing of time to another person. State Law prohibits the Committee from discussing or taking actions brought up by your comments.

No comments

ACTION ITEMS / PUBLIC HEARINGS / REQUESTS

1. Approval of Minutes

Motion by Treasurer Ginnetti

Second by Vice Chair Cooley

To approve Minutes dated March 8, 2021.

Approved by a 5-0 vote.

2. FY 2021 General Fund and Wastewater Fund Budget to Actual through March 2021

Motion by Vice Chair Cooley

Second by Council Member Martinez

**To receive and file the attached reports.
Approved by a 6-0 vote.**

3. Internal Control Findings Update

**Motion by Treasurer Ginnetti
Second by Council Member Fenn**

**To receive and file
Approved by a 6-0 vote.**

SUB-COMMITTEE UPDATES

No updates.

FUTURE AGENDA ITEMS

- **Discussion of status of sub-committees**
- **Nomination to existing sub-committees**
- **Report of contractual services and YTD**
- **Committee requested tasks**
- **Debit card processes**
- **First draft of FY22 budget**
- **Investment Policy update**

MEETING REVIEW - TREASURER

FINANCE DIRECTOR'S COMMENTS

Gave an update of the status of the next Fiscal Year budget and investment policy.

ADJOURNMENT at 6:55 p.m.



Staff Report

TO: Finance and Audit Committee Members
FROM: Jennifer Ustation, Interim Finance Director
DATE: May 10, 2021
SUBJECT: **FY2021 General Fund and Wastewater Fund Budget to Actual through April 2021**

Background and Analysis:

City staff has updated the analysis of the General Fund and Wastewater Fund for FY2021 with results through April 2021. This represents 10 months of activity. The analysis of results through April and estimated fiscal year end results is included in the attachments.

Recommended Action:

Receive and file the attached reports.

Attachments:

- A. FY2021 General Fund Budget to Actual Report – through April 2021
- B. FY2021 Wastewater Fund Budget to Actual Report – through April 2021



City of Beaumont, CA

Budget Comparison Report

General Fund Budget to Actual through April 2021

SubCategory	Parent Budget					Notes
	2018-2019 YTD Activity Through Per	2019-2020 YTD Activity Through Per	2020-2021 YTD Activity Through Per	2020-2021 V1 2020-2021	FY 2021 Estimate	
Fund: 100 - GENERAL FUND						
Revenue						
Category: 40 - TAXES						
400 - Real Property Taxes	\$ 3,611,638	\$ 3,795,417	\$ 4,288,100	\$ 6,174,605	\$ 6,350,000	Exceeding budget for Transient Occupancy Tax, Utility Users Tax and Motor Vehicle In Lieu Taxes continue trending higher and are expected to exceed the budget
403 - Personal Property Taxes	\$ -	\$ 254,416	\$ 210,630	\$ 267,137	\$ 245,000	
406 - Franchise Fees	\$ 713,958	\$ 7,829,679	\$ 2,856,553	\$ 3,019,846	\$ 3,325,000	
409 - Sales Taxes	\$ 3,766,531	\$ 3,871,886	\$ 4,390,547	\$ 6,375,048	\$ 6,650,000	
420 - Other Taxes	\$ 3,798,722	\$ 3,953,793	\$ 4,450,534	\$ 7,533,745	\$ 7,650,000	
Total Category: 40 - TAXES:	\$ 11,890,848	\$ 19,705,191	\$ 16,196,363	\$ 23,370,381	\$ 24,220,000	
Category: 41 - LICENSES						
430 - Business Licenses	\$ 102,112	\$ 153,388	\$ 223,686	\$ 325,000	\$ 385,000	
Total Category: 41 - LICENSES:	\$ 102,112	\$ 153,388	\$ 223,686	\$ 325,000	\$ 385,000	
Category: 42 - PERMITS						
450 - Building Permits	\$ 3,595,614	\$ 1,816,401	\$ 1,494,643	\$ 2,200,000	\$ 1,800,000	
453 - Inspections	\$ 244,208	\$ 171,895	\$ 200,321	\$ 210,000	\$ 245,000	
456 - Other Permits	\$ 494,644	\$ 448,561	\$ 419,289	\$ 417,500	\$ 488,000	
515 - Public Works	\$ 72,643	\$ (75,975)	\$ -	\$ -	\$ -	
Total Category: 42 - PERMITS:	\$ 4,407,108	\$ 2,360,883	\$ 2,114,253	\$ 2,827,500	\$ 2,533,000	
Category: 45 - INTERGOVERNMENTAL						
465 - State	\$ 20,062	\$ -	\$ -	\$ -	\$ -	
470 - Local	\$ 9,257	\$ 2,550	\$ -	\$ -	\$ -	
Total Category: 45 - INTERGOVERNMENTAL:	\$ 29,319	\$ 2,550	\$ -	\$ -	\$ -	
Category: 47 - CHARGES FOR SERVICE						
500 - Sanitation	\$ 5,872,539	\$ 131,257	\$ 101,363	\$ -	\$ -	
505 - Animal Control	\$ 80,984	\$ 79,110	\$ 73,783	\$ 119,450	\$ 88,896	
510 - Community Development	\$ 5,062	\$ 5,144	\$ 4,846	\$ 5,500	\$ 5,839	
515 - Public Works	\$ 9,166	\$ 9,712	\$ 49,237	\$ 7,900	\$ 59,322	
525 - Abatements	\$ 20,904	\$ 40,412	\$ 41,121	\$ 54,500	\$ 49,544	
530 - Public Safety	\$ 222,374	\$ 181,635	\$ 239,797	\$ 537,850	\$ 475,000	
535 - Facilities	\$ 159,195	\$ 97,763	\$ 74,965	\$ 125,000	\$ 90,319	
540 - Programs	\$ 101,893	\$ 77,882	\$ 2,115	\$ 20,000	\$ 2,644	
545 - Other	\$ 97,024	\$ 119,468	\$ 80,070	\$ 148,200	\$ 100,088	
Total Category: 47 - CHARGES FOR SERVICE:	\$ 6,569,141	\$ 742,383	\$ 667,297	\$ 1,018,400	\$ 871,650	

Category: 50 - FINES AND FORFEITURES										
555 - Vehicle	\$	58,531	\$	63,588	\$	61,582	\$	70,000	\$	72,000
557 - Other	\$	22,717	\$	33,020	\$	38,365	\$	45,000	\$	43,000
Total Category: 50 - FINES AND FORFEITURES:	\$	81,248	\$	96,608	\$	99,947	\$	115,000	\$	115,000
Category: 53 - COST RECOVERY										
465 - State	\$	8,889	\$	24,870	\$	-	\$	25,000	\$	20,000
565 - Other Income	\$	456,544	\$	408,368	\$	19,058	\$	334,000	\$	285,000
Total Category: 53 - COST RECOVERY:	\$	465,434	\$	433,238	\$	19,058	\$	359,000	\$	305,000
Category: 54 - MISCELLANEOUS REVENUES										
560 - Investment Earnings	\$	1,313	\$	106,259	\$	47,218	\$	170,000	\$	104,000
565 - Other Income	\$	16,335	\$	157,368	\$	168,918	\$	154,500	\$	203,515
Total Category: 54 - MISCELLANEOUS REVENUES:	\$	17,648	\$	263,627	\$	216,136	\$	324,500	\$	307,515
Category: 58 - OTHER FINANCING SOURCES										
595 - Sale of Assets	\$	20,629	\$	27,431	\$	-	\$	15,000		
599 - Other	\$	7,500	\$	-	\$	-	\$	-		
Total Category: 58 - OTHER FINANCING SOURCES:	\$	28,129	\$	27,431	\$	-	\$	15,000		
Category: 90 - TRANSFERS										
900 - Transfers	\$	129,892	\$	1,954,182	\$	6,522,268	\$	8,757,651	\$	8,757,651
Total Category: 90 - TRANSFERS:	\$	129,892	\$	1,954,182	\$	6,522,268	\$	8,757,651	\$	8,751,651
Total Revenue:	\$	23,720,880	\$	25,739,480	\$	26,059,009	\$	37,112,432	\$	37,488,816
Expense										
Category: 60 - PERSONNEL SERVICES										
600 - SALARIES AND WAGES	\$	8,976,618	\$	9,667,660	\$	9,061,640	\$	13,179,560	\$	12,610,000
610 - BENEFITS	\$	4,163,554	\$	5,096,185	\$	4,307,729	\$	6,073,295	\$	5,743,639
615 - OTHER	\$	597,443	\$	658,112	\$	394,074	\$	463,509	\$	539,827
699 - OTHER	\$	16,014	\$	24,213	\$	20,914	\$	34,200	\$	28,649
Total Category: 60 - PERSONNEL SERVICES:	\$	13,753,629	\$	15,446,170	\$	13,784,357	\$	19,750,564	\$	18,922,115
Category: 65 - OPERATING COSTS										
615 - OTHER	\$	16,676	\$	31,821	\$	44,321	\$	15,000	\$	46,000
650 - UTILITIES	\$	1,318,412	\$	1,342,101	\$	1,461,722	\$	1,548,533	\$	1,761,111
655 - ADMINISTRATIVE	\$	305,990	\$	327,384	\$	340,211	\$	440,301	\$	409,892
660 - FLEET COSTS	\$	274,733	\$	348,774	\$	318,871	\$	369,669	\$	384,182
665 - PROGRAM COSTS	\$	467,142	\$	470,130	\$	540,264	\$	741,619	\$	675,330
670 - REPAIRS AND MAINTENANCE	\$	269,598	\$	269,686	\$	613,881	\$	996,595	\$	767,351
675 - SUPPLIES	\$	268,059	\$	265,945	\$	195,999	\$	544,920	\$	405,000
680 - SPECIAL SERVICES	\$	5,249,832	\$	601,705	\$	172,094	\$	422,000	\$	305,000
690 - CONTRACTUAL SERVICES	\$	3,378,211	\$	4,200,979	\$	4,290,948	\$	7,275,058	\$	6,750,000
697 - ADMIN OVERHEAD	\$	(534,000)	\$	(562,500)	\$	-	\$	-		
699 - OTHER	\$	962,553	\$	1,176,100	\$	1,567,300	\$	1,613,000	\$	1,610,000
Total Category: 65 - OPERATING COSTS:	\$	11,977,207	\$	8,472,124	\$	9,545,611	\$	13,966,695	\$	13,113,867
Category: 70 - CAPITAL IMPROVEMENTS										
700 - EQUIPMENT	\$	222,816	\$	43,869	\$	210,962	\$	367,000	\$	355,000
703 - FURNITURE	\$	-	\$	7,936	\$	-	\$	-	\$	-
705 - VEHICLE	\$	84,694	\$	247,864	\$	378,687	\$	588,591	\$	585,000
710 - STRUCTURE	\$	8,019	\$	-	\$	-	\$	-	\$	-

All transfers are expected to be made.

Actuals include 19 of 26 pay periods

Expenses expected higher, last two quarters of Fire Services remain to be booked

Total Category: 70 - CAPITAL IMPROVEMENTS:	\$ 315,529	\$ 299,668	\$ 589,649	\$ 955,591	\$ 940,000
Category: 77 - CONTINGENCY					
770 - CONTINGENCY	\$ 30,000	\$ -	\$ -	\$ 150,001	\$ -
Total Category: 77 - CONTINGENCY:	\$ 30,000	\$ -	\$ -	\$ 150,001	\$ -
Total Expense:	\$ 26,076,365	\$ 24,217,962	\$ 23,919,618	\$ 34,822,851	\$ 32,975,982
GENERAL FUND Operating Surplus/ (Deficit)	\$ (2,355,485)	\$ 1,521,518	\$ 2,139,391	\$ 2,289,581	\$ 4,512,835
Category: 90 - TRANSFERS					
900 - Transfers	\$ 43,985	\$ 45,194	\$ 270,955	\$ 6,955,545	\$ 6,955,545
Net Change in General Fund Balance				\$	\$ (2,442,710)

FY 2021 includes \$6.9 million of One-Time allocations

Analysis: The General Fund is trending to have an operating surplus of \$4.5 million. This is driven by continued increases in tax revenues and savings in both personnel and operating expenses. For this analysis, transfers-out have been separated from operating activities as the City Council made several One-Time allocations of General Funds totalling \$6.9 million during FY 2021. This will result in a reduction in General Funds of approximately (\$2.4 million) overall during FY 2021.



City of Beaumont, CA

Budget Comparison Report

Group Summary

Item 2.

SubCategory	2018-2019 YTD Activity Through Per	2019-2020 YTD Activity Through Per	2020-2021 YTD Activity Through Per	Parent Budget	Notes
				2020-2021 V1 2020-2021	
Fund: 700 - WASTEWATER FUND					
Revenue					
Category: 50 - FINES AND FORFEITURES					
557 - Other	\$ 9,000	\$ 1,000	\$ 1,946	\$ -	\$ -
Total Category: 50 - FINES AND FORFEITURES:	\$ 9,000	\$ 1,000	\$ 1,946	\$ -	\$ -
Category: 53 - COST RECOVERY					
565 - Other Income	\$ -	\$ 6,236	\$ 2,823	\$ 6,300	\$ 6,400
Total Category: 53 - COST RECOVERY:	\$ -	\$ 6,236	\$ 2,823	\$ 6,300	\$ 6,400
Category: 54 - MISCELLANEOUS REVENUES					
560 - Investment Earnings	\$ 70,544	\$ 40,158	\$ 15,156	\$ 37,500	\$ 31,000
Total Category: 54 - MISCELLANEOUS REVENUES:	\$ 70,544	\$ 40,158	\$ 15,156	\$ 37,500	\$ 31,000
Category: 56 - PROPRIETARY REVENUES					
570 - WasteWater	\$ 5,821,919	\$ 6,748,770	\$ 7,074,311	\$ 10,849,000	\$ 10,725,000
Total Category: 56 - PROPRIETARY REVENUES:	\$ 5,821,919	\$ 6,748,770	\$ 7,074,311	\$ 10,849,000	\$ 10,725,000 4 of 6 payments received
Category: 58 - OTHER FINANCING SOURCES					
595 - Sale of Assets	\$ 635	\$ -	\$ -	\$ -	
599 - Other	\$ 831	\$ 780	\$ -	\$ -	
Total Category: 58 - OTHER FINANCING SOURCES:	\$ 1,466	\$ 780	\$ -	\$ -	\$ -
Category: 90 - TRANSFERS					
900 - Transfers	\$ (100,000)	\$ -	\$ -	\$ -	
Total Category: 90 - TRANSFERS:	\$ (100,000)	\$ -	\$ -	\$ -	
Total Revenue:	\$ 5,802,929	\$ 6,796,945	\$ 7,094,236	\$ 10,892,800	\$ 10,762,400
Expense					
Category: 60 - PERSONNEL SERVICES					
600 - SALARIES AND WAGES	\$ 470,877	\$ 922,470	\$ 857,257	\$ 1,340,577	\$ 1,260,671
610 - BENEFITS	\$ 162,240	\$ 282,487	\$ 267,409	\$ 501,401	\$ 387,549
615 - OTHER	\$ 7,087	\$ 15,071	\$ 13,181	\$ 17,572	\$ 18,830
699 - OTHER	\$ 162	\$ 1,265	\$ 2,049	\$ 1,500	\$ 2,886
Total Category: 60 - PERSONNEL SERVICES:	\$ 640,367	\$ 1,221,294	\$ 1,139,895	\$ 1,861,049	\$ 1,669,936 Significant savings expected in personnel expense
Category: 65 - OPERATING COSTS					
615 - OTHER	\$ 1,044	\$ -	\$ -	\$ -	
650 - UTILITIES	\$ 652,134	\$ 598,916	\$ 639,319	\$ 827,821	\$ 779,657

655 - ADMINISTRATIVE	\$ 114,878	\$ 102,223	\$ 201,487	\$ 291,216	\$ 248,749	
660 - FLEET COSTS	\$ 11,424	\$ 22,002	\$ 34,448	\$ 31,980	\$ 42,528	
670 - REPAIRS AND MAINTENANCE	\$ 43,940	\$ 43,720	\$ 30,803	\$ 60,695	\$ 38,028	
675 - SUPPLIES	\$ 190,391	\$ 159,170	\$ 342,763	\$ 379,610	\$ 412,968	
690 - CONTRACTUAL SERVICES	\$ 1,049,001	\$ 650,178	\$ 671,598	\$ 1,062,563	\$ 904,134	
697 - ADMIN OVERHEAD	\$ 459,000	\$ 487,500	\$ -	\$ -	\$ -	
699 - OTHER	\$ 65,535	\$ 92,205	\$ 66,059	\$ 478,637	\$ 206,555	Contract for Brine line maintenance not in full use for most of the year
Total Category: 65 - OPERATING COSTS:	\$ 2,587,347	\$ 2,155,914	\$ 1,986,477	\$ 3,132,522	\$ 2,632,619	
Category: 70 - CAPITAL IMPROVEMENTS						
700 - EQUIPMENT	\$ 69,588	\$ -	\$ 141,172	\$ 153,638	\$ 153,000	
750 - Contingency	\$ -	\$ -	\$ -	\$ 103,804	\$ 150,000	Emergency repairs for pump replacements and lift station repairs
Total Category: 70 - CAPITAL IMPROVEMENTS:	\$ 69,588	\$ -	\$ 141,172	\$ 257,442	\$ 303,000	
Category: 90 - TRANSFERS						
900 - Transfers	\$ -	\$ 3,858,375	\$ 5,530,352	\$ 5,641,787	\$ 5,697,852	One quarter of overhead allocation remaining
Total Category: 90 - TRANSFERS:	\$ -	\$ 3,858,375	\$ 5,530,352	\$ 5,641,787	\$ 5,697,852	
Total Expense:	\$ 3,297,302	\$ 7,235,583	\$ 8,797,897	\$ 10,892,800	\$ 10,303,407	
Total Fund: 700 - WASTEWATER FUND:	\$ 2,505,627	\$ (438,638)	\$ (1,703,661)	\$ -	\$ 458,993	

Analysis: The Wastewater fund is trending to have a budget surplus in excess of \$400K for FY 2021. This is driven by savings in both personnel and operating costs and an assumption that most of contingency funds will not be utilized this year.



Staff Report

TO: Finance and Audit Committee Members
FROM: Jennifer Ustation, Interim Finance Director
DATE: May 10, 2021
SUBJECT: FY2022 City Wide Budget

Background and Analysis:

The City prepares an annual budget that must be adopted by June 30, 2021. The budget estimates the resources that will be available to meet City operational and capital needs. It then allocates those resources to meet those needs across the City operating departments and to address priority capital projects.

The City Council completed its first review of the FY2022 Budget on May 4, 2021, and directed City staff to bring the budget back for adoption on or before June 15, 2021. The following report is the same provided to City Council on May 4, 2021. It is being provided to the Finance and Audit Committee as an information item to keep the Committee informed of the process and the changes in the budget that will be made following City Council direction.

This first review of the budget is structured as follows:

- **General Fund Overview** – An overview of the primary operating funds including a comparison of the revenues and expenses for FY2021 and FY2022 to highlight variances;
- **General Fund Expenditure Highlights by Department** - A summary of General Fund department budgets including highlights of material changes and enhancements;
- **Wastewater Fund Overview** – An overview of the Wastewater Fund including changes to revenues and expenditures plus highlights of enhancements;
- **Other Funds Overview** – An overview of all other funds that support operations and that support capital projects; and
- **Internal Service Fund Programs and FY2022 Budgeted Expenditures** – A review of the newly created Internal Service Funds.

General Fund Overview

The General Fund includes the majority of City operations. Revenues supporting the General Fund come from taxes, charges for services, CFD services fees and other miscellaneous sources. Expenses include public safety, community services, engineering/public works and street maintenance, community development, building safety and administration.

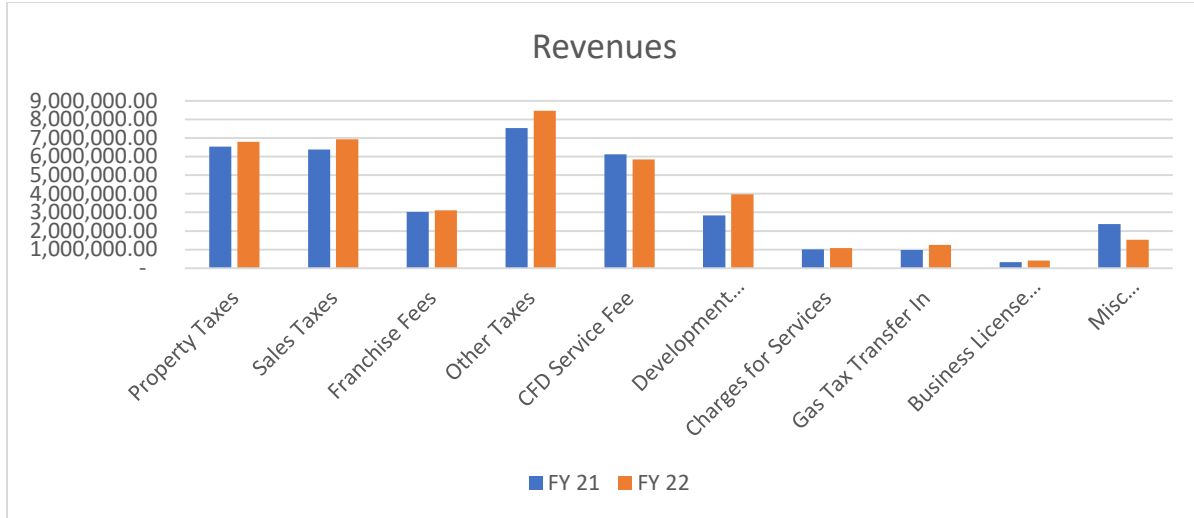
The budget for FY2022 projects total revenues of \$39,372,812 and total expenditures of \$38,598,061 for a budgeted surplus of \$774,751. The total expenditures include certain enhancements that programs new positions and additional operating costs. These enhancements are summarized for each major City function in the following section of this report and also detailed in Attachment C.

General Fund Revenues

For FY2022, tax revenues of \$25.3 million are projected representing 64.2% of General Fund revenues. CFD service fee revenues of \$5.85 million are estimated representing 15% of General Fund revenues. Development related revenues projected to be \$4.0 million representing 10% of General Fund revenues. The balance of General Fund revenues are derived from charges for services, other transfers in from other sources and miscellaneous revenues.

Revenue Type	FY2022 Budget	% of Total Revenues
Taxes	\$25,295,395	64.2%
CFD Service Fees	\$ 5,845,595	15.0%
Development Revenues	\$ 3,980,025	10.0%
Charges for Services	\$ 1,080,914	2.8%
Gas Tax Transfer In	\$ 1,242,846	3.2%
Business License Fees	\$ 405,000	1.0%
Misc Revenues/ Transfers	\$ 1,523,037	3.8%
Total Revenues	<u>\$39,372,812</u>	<u>100 %</u>

General Fund revenues have increased from the FY2021 budget by \$2.26 million or 6.1%. This is led primarily by projected growth in property tax revenues, sales tax revenues and increases in projected development related revenues.



A schedule providing General Fund revenues for FY2020, FY2021 as well as the proposed FY2022 budget is included as Attachment A.

General Fund Expenses

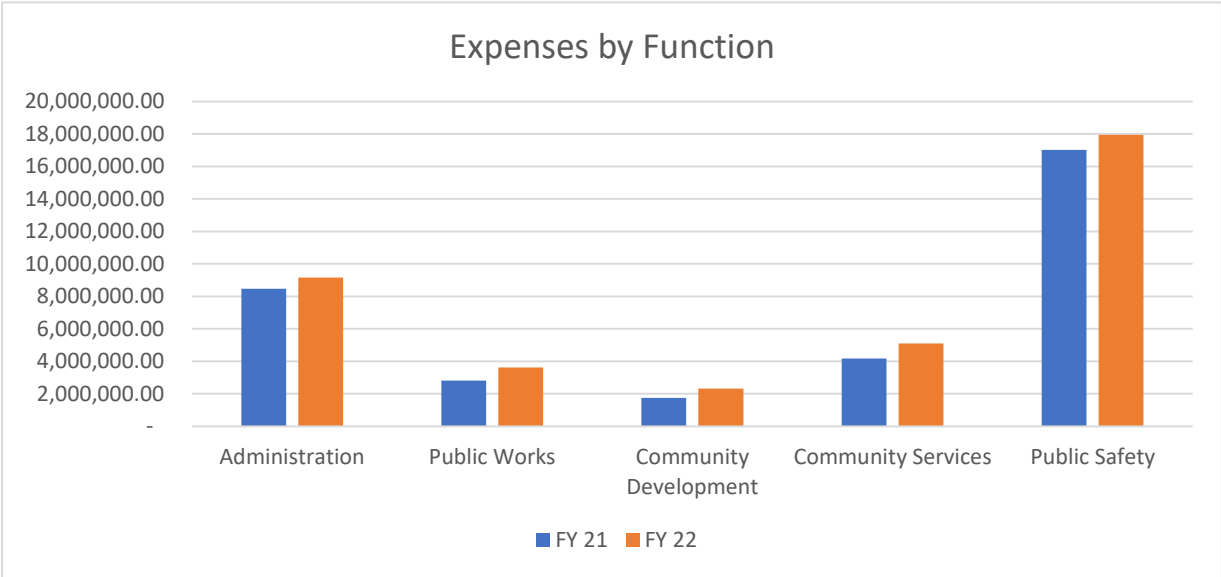
Programmed General Fund expenses are \$38.5 million. This represents an increase of \$4.2 million or 12.2% compared FY2021. The table below indicates changes from FY2021 to FY2022.

Expenditure Type	FY2021 (adjusted) (1)	FY2022	Difference	% Increase
Personnel Costs	\$19,731,364	\$21,654,542	\$1,923,178	9.7%
Operating Expenses	\$13,985,895	\$15,428,070	\$1,442,175	10.3%
Capital Improvements	\$ 488,816	\$ 920,178	\$ 431,362	88.3%
Contingency	\$ 150,000	\$ 150,000	\$0	0%
Transfers Out	\$ 31,000	\$ 445,271	\$ 414,271	1336%%
Total	\$34,387,075	\$38,598,061	\$4,210,986	12.2%

This includes budget adjustments made during FY2021 to add back positions and to adjust the operating budget. It excludes allocations for one-time items authorized by the City Council in September 2020 and March 2021 for additional vehicles, equipment, and capital projects. These adjustments are made to provide for a better comparison from year to year.

Explanation of Budgeted Expense Changes from FY2021 to FY2022:

- **Personnel** – the primary drivers of this increase include restoration of remaining frozen positions, adjustment to payroll and payroll related expenses pursuant to the City’s multi-year fiscal forecast, and enhancement requests for new positions and related costs;
- **Operating Expense** – the primary driver is increases in contracted plan check and inspections related to development activity, which are directly offset by fees and increases in utility charges and maintenance for City parks. Other contract related increases, including insurance costs, increases in credit card fees, investment management services and increases in contractual services. The remainder of the increase is enhancement requests for additional operating costs;
- **Capital Improvements** – the increases are directly related to transfers to the newly created internal service funds. The transfers for vehicle replacement and information technology (I.T.) equipment are new for FY 2022. These are discussed in detail later in this report; and
- **Transfers** – transfers to the Facility Maintenance Internal Service Fund and the Equipment Internal Service fund are the reason for the increase in transfers out of the General Fund.



A summary of General Fund expenditures by department is included as Attachment B.

General Fund Expenditure Highlights by Department

Administration - Administration, City Council, City Clerk, Risk/Human Resources, Information Technology, Legal and Finance

	FY 2021 Budget	FY 2022 Budget	Variance
Personnel	\$3,326,413	\$3,625,023	\$ 296,610
Operating	\$4,832,768	\$5,340,960	\$ 508,192
Capital Improvements	\$ 150,000	\$ 40,744	(\$109,256)
Contingency	\$ 150,000	\$150,000	\$0
Total Expenditures	\$8,459,181	\$9,156,727	\$ 697,546

Budget Highlights

- All budgets made necessary contributions to the internal service funds;
- Increases in contract service for investment management, credit card fees and insurance costs;
- Legal cost increases from \$1,250,000 to \$1,500,000; and
- Enhancements: 1 New IT Desktop Analyst position, reclassification of one existing Senior Accountant to Assistant Finance Director and several operating enhancements – total requested enhancements - \$192,995.

Public Works - Engineering/ Public Works and Street Maintenance

	FY 2021 Budget	FY 2022 Budget	Variance
Personnel	\$1,609,738	\$1,880,553	\$ 270,815
Operating	\$1,168,830	\$1,522,773	\$ 353,943
Capital Improvements	\$ 38,332	\$ 213,703	\$ 175,371
Total Expenditures	\$2,816,900	\$3,617,029	\$ 800,129

Budget Highlights

- All budgets made necessary contributions to the internal service funds;
- Increases in contract service for plan checking, inspections and traffic engineering – the majority of these expense increases will be recoverable via

development fees and revenue estimates for fees have been adjusted accordingly;

- Increase in budget to manage street lights as Solera has been added to City responsibility which will be paid through CFD special assessments; and
- Enhancements: 2 New Street Maintenance Worker positions and new survey equipment – total requested enhancements - \$324,748.

Community Development - Community Development, Community Enhancement, Building and Safety

	FY 2021 Budget	FY 2022 Budget	Variance
Personnel	\$1,358,383	\$1,439,197	\$ 80,814
Operating	\$ 387,980	\$ 853,070	\$465,090
Capital Improvements	\$ 0	\$ 25,589	\$ 25,589
Total Expenditures	\$1,746,363	\$2,317,856	\$571,493

Budget Highlights

- All budgets made necessary contributions to the internal service funds; and
- Increases in contracted plan check and inspection services to accommodate expected increases in development activity – these costs are recoverable via building related fees and revenue estimates have been adjusted accordingly.

Community Services – Community Services, Parks and Grounds Maintenance, Building Maintenance

	FY 2021 Budget	FY 2022 Budget	Variance
Personnel	\$2,307,943	\$2,635,795	\$ 327,852
Operating	\$1,590,684	\$2,335,968	\$ 745,284
Capital Improvements	\$275,500	\$123,497	(\$ 152,003)
Total Expenditures	\$4,174,127	\$5,095,260	\$ 921,133

Budget Highlights

- All budgets made necessary contributions to the internal service funds;

- Remaining frozen positions restored for FY 2022 - includes 2 Park Maintenance Positions and 4 part time Recreation Specialists;
- Increased allocation for routine building maintenance;
- Increased utility costs and chemicals for splash pads at Rangel and Michelson Parks;
- Increased spending for maintenance of parks and right of way to include additional tree trimming, bark, hydroseeding, new planting, etc; and
- Enhancements: no new positions are requested, several operating cost increases, including improvements for park maintenance and right of way maintenance are included – total requested enhancements - \$417,391.

Public Safety - Police Department, Police Support, Fire Services, Animal Control, K-9, Emergency Operations

	FY 2021 Budget	FY 2022 Budget	Variance
Personnel	\$11,088,087	\$12,073,974	\$ 985,887
Operating	\$ 5,508,864	\$ 5,375,299	(\$133,565)
Capital Improvements	\$ 409,759	\$ 499,187	\$ 89,428
Total Expenditures	\$17,006,710	\$17,948,460	\$941,750

Budget Highlights

- Remaining frozen police officer position restored, other positions restored during mid-year budget adjustments budgeted for the full year;
- Increase in spending for special department supplies to purchase, including tasers, body armor, weapons, etc;
- Increase in fuel costs to support additional special duty assignments and additional vehicles;
- Fire Services contract reduced from \$4.5 million to \$4.0 million due to a reduction in the contract amount and to more closely approximate historical spending patterns;
- Emergency management - \$91,900 added to support contract emergency management services;
- K-9 budget doubles with an expansion of the K-9 program previously authorized by the City Council to add an additional dog for FY 2022; and
- Enhancements: 3 New Police Officer positions, 1 Support Services Specialist, 1 Officer Trainee, upgrade of 2 Police Officer positions to Corporals – total enhancement request - \$706,883.

A detailed listing of all enhancement requests, including the new positions, is included in Attachment C.

Wastewater Fund Overview

The Wastewater Fund provides for the day-to-day operations of the sewer system, equipment needs and the servicing of debt service. Revenues supporting wastewater operations come primarily from sewer fee payments from customers. Expenses include personnel costs, operating costs, equipment related costs, transfers to support capital projects, debt service payments and an overhead transfer to the General Fund.

The budget for FY 2022 provides for revenues of \$11,781,500 and expenditures of \$11,781,500 for a balanced budget. Expenses include enhancement requests totaling \$493,344 detailed below.

The revenue increase is driven by a 5% increase in rates that begins July 1, 2021, and projected growth of new residential and non-residential accounts.

Wastewater Expenses

Budgeted expenses for the wastewater system increase from \$10,892,800 in FY2021 to \$11,781,500 in FY2022. This represents an increase of \$888,700 or 8.2%.

Type of Expense	FY2021*	FY2022	Increase/ (Decrease)	% Increase
Personnel	\$ 1,859,549	\$ 2,167,400	\$ 307,851	16.6%
Operating	\$ 3,134,022	\$ 3,478,057	\$ 344,035	11.0%
Capital Improvements	\$ 153,638	\$ 413,638	\$ 260,000	169.2%
Contingency	\$ 103,804	\$ 100,000	(\$ 3,804)	(3.7%)
Transfer Out	\$ 5,641,787	\$ 5,622,405	(\$ 19,382)	0%
Total	\$10,892,800	\$11,781,500	\$ 888,700	8.2%

*Added 3 positions at mid-year at a prorated cost.

Explanation of change in expenses:

- **Personnel costs** – full year costs of mid-year added positions during FY2021 and adjustments to payroll and payroll related expenses pursuant to the City's multi-year fiscal forecast;

- **Operating costs** – increases in contract services, equipment leasing/rental, supplies and repairs and maintenance. These costs are partially offset by projected decreases in utility costs;
- **Capital** – ongoing equipment needs;
- **Enhancements** – included in the schedule and detailed below totaling \$493,344; and
- **Transfer Out** – while debt service costs increase slightly in FY2022, additional funds, \$500,583 are transferred in from development impact fees (DIF) to support this payment.

A schedule summarizing the revenues and expenditures in the Wastewater Fund is included in Attachment D.

Wastewater Recommended Budget Enhancements

The enhancement requests for Wastewater include one new position, a vehicle, other equipment and some operating costs as follows:

• Utilities General Manager	\$288,344 (includes all operating costs)
• Jetter Truck	\$175,000 (for collection line maintenance)
• Water Buffalo	\$ 10,000 (mounted tank for spill cleanup)
• Root control	<u>\$ 20,000</u> (ongoing operating costs for root control)
Total	<u>\$493,344</u>

Attachment E includes additional detail regarding these recommended enhancements.

Other Funds Overview

Operating Funds

Operating funds of the City also include special revenue funds that help support the operations of the City. These include special revenues that must be tracked in their own funds due to either the restrictions of their uses or for reporting purposes.

Other Fund activity is a complex component of the overall budget. Attachment F summarizes the activity discussed below.

The beginning fund balances of operating funds for FY2021 total \$40.2 million with FY2022 projected revenue being \$58.3 million and projected expenditures being \$60.3 million for a projected total ending balance of \$38.2 million. Out of this total, City Council has committed funds of \$10.6 million resulting in a projected unrestricted ending

balance of \$27.6 million. The FY2022 planned budgeted revenues are \$61.5 million and planned budgeted expenditures of \$60.4 million, resulting in a projected ending balance of \$28.7 million with \$21.8 million being unrestricted.

Total Operating Funds FY 21 Beg Balance	FY2021 Projected Ending Balance	FY2022 Budgeted Revenues	FY2022 Budgeted Expenditures	FY2022 Projected Ending Fund Balance
\$40,237,793	\$27,632,017	\$61,541,712	\$60,442,780	\$28,730,949

Internal Service Funds

Internal Service funds include the newly allocated internal service funds approved by Council on December 15, 2020. A projected ending fund balance for FY2021 is \$6.3 million. After including the FY2022 budgeted revenues of \$1.2 million and budgeted expenditures of \$2.6 million a projected ending fund balance of \$4.9 million is projected at the end of FY2022.

Total Internal Service Funds Beg Balance	FY2021 Projected Ending Balance	FY2022 Budgeted Revenues	FY2022 Budgeted Expenditures	FY2022 Projected Ending Fund Balance
\$0	\$6,300,000	\$1,239,280	\$2,593,794	\$4,945,486

Capital Projects Funds

Capital projects funds include the General Capital Projects that contains the activity of the majority of the capital improvement plan (CIP) projects and the Enterprise Capital funds which hold the capital assets of the Wastewater and Transit Funds separately from the operating funds. Tracking and accounting for actual construction occurs within this fund.

These funds use transfers in to cover the costs of the capital projects for each fund in amounts equal to project costs. Ending fund balances of these funds are a reflection in timing of the completion of CIP projects and assets held for enterprise funds. These funds are dedicated to specific projects shown in the CIP adopted by the City Council after a duly advertised public hearing. These funds may not be moved to other projects or purposes without City Council first amending the CIP.

Capital Improvement Funding

The CIP funds are available for the City to use for capital improvement or maintenance. These funds are restricted by the type of improvement they can be used for and have expenses either captured within the fund or are transferred to support the CIP in the Capital Projects Fund.

The beginning fund balances for FY2021 total \$15.9 million with projected revenues of \$2.7 million and projected expenses of \$11.1 million with a projected ending balance of \$7.5 million. The FY2022 budgeted revenues of \$2.4 million and budgeted expenditures of \$2.5 million leave these funds at an estimated FY2022 ending fund balance of \$7.4 million.

Total Capital Improvement Funds Beg Balance	FY 21 Projected Ending Balance	FY22 Budgeted Revenues	FY 22 Budgeted Expenditures	FY 22 Projected Ending Fund Balance
\$15,945,977	\$7,552,927	\$2,447,088	\$2,589,263	\$7,410,752

Capital Expansion Funding

Capital expansion funding includes all the development impact fee funds that are restricted to be used only to expand infrastructure to mitigate the impacts of development and cannot be used for maintenance projects.

These revenues are held in separate funds based on the fee collected and had a cumulative FY2021 beginning balance of \$25.4 million with projected revenues of \$4.2 million and projected capital projects expenditures of \$18.6 million with a projected ending balance of \$11 million. The FY2022 budgeted revenues of \$6.5 million and budgeted project expenditures of \$1.1 million leave these funds with an estimated FY2022 ending balance of \$16.5 million available for allocation to eligible CIP expansion projects.

Total Capital Expansion Funds Beg Balance	FY2021 Projected Ending Balance	FY2022 Budgeted Revenues	FY2022 Budgeted Expenditures	FY2022 Projected Ending Fund Balance
\$25,477,423	\$11,090,621	\$6,557,719	\$1,100,583	\$16,547,757

- IT Equipment Replacement ISF \$250,500 annual contribution.

These contributions will come from the various department budgets and will be reassessed annually based on actual expenditures and re-evaluation of projected future expenditures.

FY 2022 Planned Expenditures from the Internal Service Funds

Vehicle Internal Service Fund

The model for the vehicle ISF provides for replacement of vehicles on a schedule based on age and mileage. All vehicles will be evaluated using these criteria and also by evaluating the cost of maintenance and gas consumption to determine the appropriate replacement time frame. There will typically be some vehicles that need to be replaced before the targeted age and mileage threshold and others that can be extended beyond the established schedule.

The City fleet will require an initial catch up in the first two years of operating the ISF due to aged vehicles. For FY2022, the budget provides for replacing 22 vehicles at a cost of \$898,217. Future years are projected to require lower expenditure levels.

Information Technology Internal Service Fund

The model for the I.T. ISF provides for the replacement of I.T. equipment and infrastructure on a scheduled basis. At this time, software and other related costs are not included in the ISF. Equipment will be replaced on the regular schedule to ensure system reliability.

The replacement model is based upon research of other cities and is in line with best practices. Planned expenditures from the I.T. ISF for FY2022 are \$236,000.

Information technology projects for FY2022 include:

- Data Center Maintenance and Improvements - \$50,000,
- Inspector Vehicle mobile technology - \$36,000,
- Camera Maintenance and Updating - \$42,000,
- Application management and security maintenance - \$44,000, and
- Evidence server upgrade (PD) – 64,000.

Facility Maintenance Internal Service Fund

The model for the Facility Maintenance ISF is being finalized. There is a significant backlog of large maintenance projects at City Hall, the Police Department and the Fire

Station. For FY2022, several CIP projects will be created to address some of this backlog. These projects will be funded from a transfer from the Facility Maintenance ISF. The CIP projects to be funded from the Facility Maintenance ISF total \$1,459,577 and are detailed in the CIP report to be discussed as a separate agenda item.

For FY2022, City staff is recommending an allocation of \$250,000 to the Facility Maintenance ISF as this approximates future annual allocation needs. This transfer is included in budgeted transfers out of the General Fund.

Equipment Replacement Internal Service Fund

This fund will be used for the replacement of existing equipment and purchase of new equipment. This model has not yet been developed and no expenditures are currently planned from this fund for FY2022. City staff is recommending an allocation of \$150,000 to this fund as this approximates historical annual spending on equipment. This transfer is included in budgeted transfers out of the General Fund

Recommended Action:

Review and file this overview of the FY2022 Budget.

Attachments:

- A. FY2022 General Fund Revenues
- B. FY2022 General Fund Expenditures by Department
- C. FY2022 General Fund – proposed budget Enhancements
- D. FY2022 Wastewater Fund – Revenues and Expenditures
- E. FY2022 Wastewater Fund – Proposed Budget Enhancements
- F. FY2022 All Funds Summary



City of Beaumont, CA

Item 3.
Budget Worksheet
Group Summary

For Fiscal: 2021-2022 Period Ending: 06/30/2022

SubCategor...	Defined Budgets					
	2019-2020 Total Budget	2019-2020 Total Activity	2020-2021 Total Budget	2020-2021 Total Activity	2021-2022 Total Budget	2021-2022 YTD Activity
Fund: 100 - GENERAL FUND						
Revenue						
Category: 40 - TAXES						
400 - Real Property Taxes	4,823,562.00	5,855,207.39	6,174,605.00	3,761,325.25	6,516,588.00	0.00
403 - Personal Property Taxes	228,000.00	254,416.12	267,137.00	210,630.22	277,822.00	0.00
406 - Franchise Fees	7,953,875.00	8,074,503.93	3,019,846.00	2,401,200.76	3,111,474.00	0.00
409 - Sales Taxes	5,436,227.01	6,593,629.85	6,375,048.00	4,378,474.95	6,926,638.00	0.00
420 - Other Taxes	6,896,380.86	6,964,756.83	7,533,745.00	4,380,029.98	8,462,873.00	0.00
Category: 40 - TAXES Total:	25,338,044.87	27,742,514.12	23,370,381.00	15,131,661.16	25,295,395.00	0.00
Category: 41 - LICENSES						
430 - Business Licenses	214,221.00	337,993.21	325,000.00	222,248.28	405,000.00	0.00
Category: 41 - LICENSES Total:	214,221.00	337,993.21	325,000.00	222,248.28	405,000.00	0.00
Category: 42 - PERMITS						
450 - Building Permits	3,349,500.00	2,134,649.88	2,200,000.00	1,300,963.57	2,857,250.00	0.00
453 - Inspections	1,080,100.00	270,960.79	210,000.00	200,150.70	376,200.00	0.00
456 - Other Permits	738,285.00	561,801.25	417,500.00	388,397.73	746,575.00	0.00
515 - Public Works	0.00	-75,974.50	0.00	0.00	0.00	0.00
Category: 42 - PERMITS Total:	5,167,885.00	2,891,437.42	2,827,500.00	1,889,512.00	3,980,025.00	0.00
Category: 45 - INTERGOVERNMENTAL						
465 - State	21,288.00	0.00	0.00	0.00	0.00	0.00
470 - Local	0.00	2,549.65	0.00	0.00	0.00	0.00
Category: 45 - INTERGOVERNMENTAL Total:	21,288.00	2,549.65	0.00	0.00	0.00	0.00
Category: 47 - CHARGES FOR SERVICE						
500 - Sanitation	0.00	131,257.25	0.00	101,363.14	0.00	0.00
505 - Animal Control	118,000.00	112,083.38	119,450.00	66,233.22	111,564.00	0.00
510 - Community Development	5,000.00	5,526.00	5,500.00	4,316.00	6,135.00	0.00
515 - Public Works	13,000.00	11,398.00	7,900.00	49,237.06	15,500.00	0.00
525 - Abatements	66,000.00	68,021.58	54,500.00	41,121.35	67,399.00	0.00
530 - Public Safety	259,460.21	403,344.09	537,850.00	184,589.84	450,496.00	0.00
535 - Facilities	125,000.00	107,306.26	125,000.00	72,424.53	131,020.00	0.00
540 - Programs	110,500.00	72,542.00	20,000.00	2,085.00	18,750.00	0.00
545 - Other	68,450.00	270,977.46	148,200.00	76,756.05	280,050.00	0.00
Category: 47 - CHARGES FOR SERVICE Total:	765,410.21	1,182,456.02	1,018,400.00	598,126.19	1,080,914.00	0.00

Budget Worksheet

For Fiscal: 2021-2022 Period Ending Item 3. 2

Defined Budgets

SubCategor...	2019-2020 Total Budget	2019-2020 Total Activity	2020-2021 Total Budget	2020-2021 Total Activity	2021-2022 Total Budget	2021-2022 YTD Activity
Category: 50 - FINES AND FORFEITURES						
555 - Vehicle	111,780.00	79,266.72	70,000.00	51,087.05	76,608.00	0.00
557 - Other	22,070.00	38,370.92	45,000.00	36,778.89	52,195.00	0.00
Category: 50 - FINES AND FORFEITURES Total:	133,850.00	117,637.64	115,000.00	87,865.94	128,803.00	0.00
Category: 53 - COST RECOVERY						
465 - State	0.00	26,259.52	25,000.00	0.00	20,000.00	0.00
565 - Other Income	0.00	511,985.10	334,000.00	5,824.68	225,000.00	0.00
Category: 53 - COST RECOVERY Total:	0.00	538,244.62	359,000.00	5,824.68	245,000.00	0.00
Category: 54 - MISCELLANEOUS REVENUES						
560 - Investment Earnings	1,000.00	191,115.55	170,000.00	47,218.19	275,000.00	0.00
565 - Other Income	146,500.00	432,586.61	154,500.00	189,406.17	161,500.00	0.00
Category: 54 - MISCELLANEOUS REVENUES Total:	147,500.00	623,702.16	324,500.00	236,624.36	436,500.00	0.00
Category: 58 - OTHER FINANCING SOURCES						
595 - Sale of Assets	5,000.00	33,430.98	15,000.00	0.00	0.00	0.00
Category: 58 - OTHER FINANCING SOURCES Total:	5,000.00	33,430.98	15,000.00	0.00	0.00	0.00
Category: 90 - TRANSFERS						
900 - Transfers	6,121,237.00	6,258,158.82	8,757,651.00	3,945,158.86	7,801,175.00	0.00
Category: 90 - TRANSFERS Total:	6,121,237.00	6,258,158.82	8,757,651.00	3,945,158.86	7,801,175.00	0.00
Revenue Total:	37,914,436.08	39,728,124.64	37,112,432.00	22,117,021.47	39,372,812.00	0.00
Fund: 100 - GENERAL FUND Total:	37,914,436.08	39,728,124.64	37,112,432.00	22,117,021.47	39,372,812.00	0.00
Report Total:	37,914,436.08	39,728,124.64	37,112,432.00	22,117,021.47	39,372,812.00	0.00

Fund Summary

Defined Budgets

Fund	2019-2020 Total Budget	2019-2020 Total Activity	2020-2021 Total Budget	2020-2021 Total Activity	2021-2022 Total Budget	2021-2022 YTD Activity
100 - GENERAL FUND	37,914,436.08	39,728,124.64	37,112,432.00	22,117,021.47	39,372,812.00	0.00
Report Total:	37,914,436.08	39,728,124.64	37,112,432.00	22,117,021.47	39,372,812.00	0.00



Categor...	Defined Budgets					
	2019-2020 Total Budget	2019-2020 Total Activity	2020-2021 Total Budget	2020-2021 Total Activity	2021-2022 Total Budget	2021-2022 YTD Activity
Fund: 100 - GENERAL FUND						
Expense						
Department: 0000 - NON-DEPARTMENTAL						
60 - PERSONNEL SERVICES	0.00	0.00	60,000.00	0.00	0.00	0.00
65 - OPERATING COSTS	0.00	33,473.98	462,569.00	394,294.00	0.00	0.00
70 - CAPITAL IMPROVEMENTS	0.00	0.00	82,000.00	6,512.85	0.00	0.00
90 - TRANSFERS	154,000.00	71,553.64	6,955,545.20	270,954.99	445,271.00	0.00
Department: 0000 - NON-DEPARTMENTAL Total:	154,000.00	105,027.62	7,560,114.20	671,761.84	445,271.00	0.00
Department: 1050 - CITY COUNCIL						
60 - PERSONNEL SERVICES	27,153.00	26,805.83	27,153.00	19,105.37	27,153.00	0.00
65 - OPERATING COSTS	72,347.00	59,251.98	21,760.00	2,096.31	15,900.00	0.00
Department: 1050 - CITY COUNCIL Total:	99,500.00	86,057.81	48,913.00	21,201.68	43,053.00	0.00
Department: 1150 - CITY CLERK						
60 - PERSONNEL SERVICES	157,801.00	130,539.66	159,829.00	102,639.88	171,322.00	0.00
65 - OPERATING COSTS	16,705.00	18,360.12	69,865.00	3,971.59	22,750.00	0.00
70 - CAPITAL IMPROVEMENTS	0.00	0.00	0.00	0.00	21,127.00	0.00
Department: 1150 - CITY CLERK Total:	174,506.00	148,899.78	229,694.00	106,611.47	215,199.00	0.00
Department: 1200 - ADMINISTRATION						
60 - PERSONNEL SERVICES	1,285,409.00	1,344,606.24	1,358,401.00	1,069,904.69	1,420,497.00	0.00
65 - OPERATING COSTS	-237,039.00	-173,799.44	535,896.00	467,939.04	556,638.00	0.00
70 - CAPITAL IMPROVEMENTS	0.00	0.00	0.00	0.00	13,581.00	0.00
77 - CONTINGENCY	47,960.79	0.00	150,001.00	0.00	150,000.00	0.00
Department: 1200 - ADMINISTRATION Total:	1,096,330.79	1,170,806.80	2,044,298.00	1,537,843.73	2,140,716.00	0.00
Department: 1225 - FINANCE AND BUDGETING						
60 - PERSONNEL SERVICES	866,314.00	765,549.64	883,766.00	653,913.76	932,137.00	0.00
65 - OPERATING COSTS	99,525.00	198,944.05	239,568.00	196,081.11	319,550.00	0.00
70 - CAPITAL IMPROVEMENTS	0.00	0.00	0.00	0.00	9,054.00	0.00
Department: 1225 - FINANCE AND BUDGETING Total:	965,839.00	964,493.69	1,123,334.00	849,994.87	1,260,741.00	0.00
Department: 1230 - I.T.						
60 - PERSONNEL SERVICES	390,767.00	295,745.80	401,270.00	276,728.40	538,002.00	0.00
65 - OPERATING COSTS	768,275.00	673,573.21	1,092,479.00	639,320.73	1,032,063.00	0.00
70 - CAPITAL IMPROVEMENTS	0.00	0.00	150,000.00	151,026.10	6,036.00	0.00
Department: 1230 - I.T. Total:	1,159,042.00	969,319.01	1,643,749.00	1,067,075.23	1,576,101.00	0.00

Defined Budgets

Categor...	2019-2020 Total Budget	2019-2020 Total Activity	2020-2021 Total Budget	2020-2021 Total Activity	2021-2022 Total Budget	2021-2022 YTD Activity
Department: 1240 - RISK AND HUMAN RESOURCES						
60 - PERSONNEL SERVICES	426,707.00	442,020.96	495,994.00	303,838.50	535,912.00	0.00
65 - OPERATING COSTS	1,223,402.00	1,239,756.82	1,622,700.00	1,662,783.21	1,894,059.00	0.00
70 - CAPITAL IMPROVEMENTS	0.00	0.00	0.00	0.00	4,527.00	0.00
Department: 1240 - RISK AND HUMAN RESOURCES Total:	1,650,109.00	1,681,777.78	2,118,694.00	1,966,621.71	2,434,498.00	0.00
Department: 1300 - LEGAL						
65 - OPERATING COSTS	750,454.00	1,424,505.40	1,250,500.00	1,112,421.93	1,500,000.00	0.00
Department: 1300 - LEGAL Total:	750,454.00	1,424,505.40	1,250,500.00	1,112,421.93	1,500,000.00	0.00
Department: 1350 - COMMUNITY DEVELOPMENT						
60 - PERSONNEL SERVICES	378,403.00	350,855.77	371,753.00	274,975.35	405,937.00	0.00
65 - OPERATING COSTS	146,207.00	63,195.22	107,241.00	42,016.55	113,400.00	0.00
70 - CAPITAL IMPROVEMENTS	0.00	0.00	0.00	0.00	6,791.00	0.00
Department: 1350 - COMMUNITY DEVELOPMENT Total:	524,610.00	414,050.99	478,994.00	316,991.90	526,128.00	0.00
Department: 1550 - COMMUNITY SERVICES						
60 - PERSONNEL SERVICES	599,309.00	499,435.01	438,612.00	304,099.51	521,870.00	0.00
65 - OPERATING COSTS	151,110.00	53,067.59	50,200.00	26,071.77	172,285.00	0.00
70 - CAPITAL IMPROVEMENTS	12,000.00	0.00	0.00	0.00	10,563.00	0.00
Department: 1550 - COMMUNITY SERVICES Total:	762,419.00	552,502.60	488,812.00	330,171.28	704,718.00	0.00
Department: 2000 - ANIMAL CONTROL						
60 - PERSONNEL SERVICES	240,388.00	229,648.83	255,180.00	173,975.17	263,131.00	0.00
65 - OPERATING COSTS	77,816.00	61,790.97	69,713.00	35,256.27	69,505.00	0.00
70 - CAPITAL IMPROVEMENTS	0.00	0.00	42,823.68	0.00	11,546.00	0.00
Department: 2000 - ANIMAL CONTROL Total:	318,204.00	291,439.80	367,716.68	209,231.44	344,182.00	0.00
Department: 2030 - COMMUNITY ENHANCEMENT						
60 - PERSONNEL SERVICES	236,809.00	224,944.73	250,155.00	165,522.42	257,031.00	0.00
65 - OPERATING COSTS	58,597.00	93,726.31	57,626.00	15,649.52	64,490.00	0.00
Department: 2030 - COMMUNITY ENHANCEMENT Total:	295,406.00	318,671.04	307,781.00	181,171.94	321,521.00	0.00
Department: 2040 - PUBLIC SAFETY - OES						
65 - OPERATING COSTS	6,000.00	0.00	0.00	0.00	91,900.00	0.00
Department: 2040 - PUBLIC SAFETY - OES Total:	6,000.00	0.00	0.00	0.00	91,900.00	0.00
Department: 2050 - POLICE						
60 - PERSONNEL SERVICES	9,502,900.00	9,307,187.71	9,180,814.00	6,536,040.53	10,003,740.00	0.00
65 - OPERATING COSTS	800,059.00	788,429.28	852,728.00	690,513.12	1,127,150.00	0.00
70 - CAPITAL IMPROVEMENTS	252,688.36	216,560.91	366,935.32	349,938.02	443,944.00	0.00
Department: 2050 - POLICE Total:	10,555,647.36	10,312,177.90	10,400,477.32	7,576,491.67	11,574,834.00	0.00
Department: 2080 - K-9						
65 - OPERATING COSTS	5,900.00	3,473.60	5,550.00	1,052.15	11,100.00	0.00
Department: 2080 - K-9 Total:	5,900.00	3,473.60	5,550.00	1,052.15	11,100.00	0.00

Defined Budgets

Categor...	2019-2020 Total Budget	2019-2020 Total Activity	2020-2021 Total Budget	2020-2021 Total Activity	2021-2022 Total Budget	2021-2022 YTD Activity
Department: 2090 - POLICE SUPPORT						
60 - PERSONNEL SERVICES	1,688,736.00	1,480,503.27	1,652,093.00	1,115,416.82	1,807,103.00	0.00
65 - OPERATING COSTS	8,215.00	5,296.54	1,565.00	1,858.51	15,563.00	0.00
70 - CAPITAL IMPROVEMENTS	0.00	0.00	0.00	0.00	33,199.00	0.00
Department: 2090 - POLICE SUPPORT Total:	1,696,951.00	1,485,799.81	1,653,658.00	1,117,275.33	1,855,865.00	0.00
Department: 2100 - FIRE						
65 - OPERATING COSTS	4,420,400.00	4,123,312.10	4,579,308.00	2,074,108.18	4,060,081.00	0.00
70 - CAPITAL IMPROVEMENTS	0.00	0.00	0.00	0.00	10,498.00	0.00
Department: 2100 - FIRE Total:	4,420,400.00	4,123,312.10	4,579,308.00	2,074,108.18	4,070,579.00	0.00
Department: 2150 - BUILDING AND SAFETY						
60 - PERSONNEL SERVICES	621,779.00	512,168.94	736,475.00	461,835.54	776,229.00	0.00
65 - OPERATING COSTS	670,955.00	443,909.63	223,113.00	61,329.12	675,180.00	0.00
70 - CAPITAL IMPROVEMENTS	0.00	24,322.54	0.00	0.00	18,798.00	0.00
Department: 2150 - BUILDING AND SAFETY Total:	1,292,734.00	980,401.11	959,588.00	523,164.66	1,470,207.00	0.00
Department: 3100 - ENGINEERING AND PUBLIC WORKS						
60 - PERSONNEL SERVICES	728,284.00	620,086.22	975,853.00	647,676.47	1,100,249.00	0.00
65 - OPERATING COSTS	507,721.00	451,357.23	176,090.00	131,707.67	424,190.00	0.00
70 - CAPITAL IMPROVEMENTS	60,000.00	56,149.87	0.00	0.00	59,440.00	0.00
Department: 3100 - ENGINEERING AND PUBLIC WORKS Total:	1,296,005.00	1,127,593.32	1,151,943.00	779,384.14	1,583,879.00	0.00
Department: 3250 - STREET MAINTENANCE						
60 - PERSONNEL SERVICES	535,773.00	512,647.28	633,884.99	349,769.78	780,304.00	0.00
65 - OPERATING COSTS	1,115,557.00	923,935.38	992,740.00	687,773.40	1,098,583.00	0.00
70 - CAPITAL IMPROVEMENTS	38,331.72	43,373.22	38,332.00	28,748.79	158,140.00	0.00
Department: 3250 - STREET MAINTENANCE Total:	1,689,661.72	1,479,955.88	1,664,956.99	1,066,291.97	2,037,027.00	0.00
Department: 6000 - BUILDING MAINTENANCE						
65 - OPERATING COSTS	519,342.56	511,434.81	434,764.00	326,727.10	487,926.00	0.00
70 - CAPITAL IMPROVEMENTS	6,038.44	6,465.81	0.00	0.00	0.00	0.00
Department: 6000 - BUILDING MAINTENANCE Total:	525,381.00	517,900.62	434,764.00	326,727.10	487,926.00	0.00
Department: 6050 - PARKS AND GROUNDS MAINT						
60 - PERSONNEL SERVICES	2,081,094.00	1,774,945.17	1,869,331.00	1,305,936.81	2,113,925.00	0.00
65 - OPERATING COSTS	1,234,211.00	1,099,974.70	1,105,720.00	880,464.05	1,675,757.00	0.00
70 - CAPITAL IMPROVEMENTS	98,950.00	47,727.45	275,500.00	53,423.40	112,934.00	0.00
Department: 6050 - PARKS AND GROUNDS MAINT Total:	3,414,255.00	2,922,647.32	3,250,551.00	2,239,824.26	3,902,616.00	0.00
Department: 6150 - CITY POOL						
60 - PERSONNEL SERVICES	32,381.00	38,582.13	0.00	0.00	0.00	0.00
65 - OPERATING COSTS	28,700.00	22,579.46	15,000.00	0.00	0.00	0.00

Budget Worksheet

For Fiscal: 2021-2022 Period Ending Item 3. 2

Defined Budgets

Categor...	2019-2020 Total Budget	2019-2020 Total Activity	2020-2021 Total Budget	2020-2021 Total Activity	2021-2022 Total Budget	2021-2022 YTD Activity
Department: 6150 - CITY POOL Total:	61,081.00	61,161.59	15,000.00	0.00	0.00	0.00
Expense Total:	32,914,435.87	31,141,975.57	41,778,396.19	24,075,418.48	38,598,061.00	0.00
Fund: 100 - GENERAL FUND Total:	32,914,435.87	31,141,975.57	41,778,396.19	24,075,418.48	38,598,061.00	0.00
Report Total:	32,914,435.87	31,141,975.57	41,778,396.19	24,075,418.48	38,598,061.00	0.00

Fund Summary

Defined Budgets

Fund	2019-2020 Total Budget	2019-2020 Total Activity	2020-2021 Total Budget	2020-2021 Total Activity	2021-2022 Total Budget	2021-2022 YTD Activity
100 - GENERAL FUND	32,914,435.87	31,141,975.57	41,778,396.19	24,075,418.48	38,598,061.00	0.00
Report Total:	32,914,435.87	31,141,975.57	41,778,396.19	24,075,418.48	38,598,061.00	0.00

**FY 2022 Budget Preparation
General Fund Summary of Enhancement Requests**

<i>New Position Requests in Enhancements Recommended by the City Manager -</i>	\$	1,092,376.00
<i>Operating Cost Enhancements Recommended by the City Manager -</i>	\$	549,641.00
Total Enhancements Recommended -	\$	1,642,017.00

Expenditure Group	Department	Cost of Proposed Enhancement	Type of Request	Summary of Request	Explanation of Need for the Enhancement
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ENHANCEMENT REQUESTS - NEW POSITIONS (and position related costs)

Public Safety	Police Department - 2090	\$ 10,820	<i>Upgrade of Position</i>	Convert Police Services Analyst to Management Analyst Position	This position currently has duties that justify an increase in the position level and this upgrade will allow for assignment of additional responsibilities.
	Police Department - 2050	\$ 551,837	<i>New Positions/Upgrades</i>	Adds 3 new police officer positions, adds a PD trainee position and upgrades two police officer positions to corporals	These positions are requested to keep pace with the growth in the City and to ensure public safety services continue to meet the demands going forward.
	(combined with above)	\$ 55,992	<i>New Position - Operating costs</i>	Provides for the non-personnel costs for the positions above	If the new police department positions are approved, these costs will be necessary to ensure continuity of services.
	Police Support -2090	\$ 88,234	<i>New Position</i>	Add 1 Support Services Specialist	This position is requested to meet the ongoing demands of City growth and to support the added sworn officers.
Administration	Info Tech - 1230	\$ 90,962	<i>New Position</i>	Additional Desktop Analyst	This position is requested to meet the growth in the City and the increasing reliance on technology to conduct our work. It is essential to allow existing staff to deal with matters of increasing complexity.
	(combined with above)	\$ 2,040	<i>New Position - Operating costs</i>	Non Personnel costs for Desktop Analyst	These costs will be necessary if the new IT analyst position is approved.
	Finance - 1225	\$ 12,743	<i>Position Upgrade</i>	Conversion of a Senior Accountant to Asst Finance Director position	This provides for improved flexibility in dealing with the complicated workload in the Finance Department.
Public Works	Streets Maintenance - 3250	\$ 187,128	<i>New Positions</i>	Add two Street Maintenance Workers	These new positions will allow the City to make progress in addressing street maintenance needs.
	(combined with above)	\$ 90,000	<i>New position - Operating costs</i>	Vehicles associated with new Street Maintenance Worker positions (2)	If the new positions are approved, these vehicles will be needed to conduct daily work. If approved, these new vehicles will be purchased out of the ISF and reduce the GF allocation required. It is in this request to demonstrate the full cost of adding these positions.
	(combined with above)	\$ 2,620	<i>New Position - Operating costs</i>	Operating Costs associated with new Street Maintenance Worker positions	Additional costs needed if street maintenance positions are approved.
Total Personnel		\$ 1,092,376			

ENHANCEMENTS - OPERATING COSTS

Administration	City Clerk - 1150	\$ 7,000	<i>operating</i>	Electronic imaging service- scanning	This will allow for completion of scanning to improve record keeping and transparency
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	Administration - 1200	\$ 15,000	Operating	My City App - mobile friendly ability to share and receive information from the public	This provides an easier method for citizens to access content and to find the services they are seeking.
	Administration -1200	\$ 15,000	Operating	Economic Dev Market Data Service - Buxton Scout Srv	This provides for significant improvement in data and analysis that will be useful for business expansion and retention efforts. Information will be obtained to allow for a more targeted economic development strategy.
	Administration -1200	\$ 10,000	Operating	Economic Development Website	This provides for the setup of an economic development website to improve attraction and retention of businesses.
	Administration -1200	\$ 5,000	Operating	Citywide Banner Program - provides for putting up physical banners at selected street intersections	This provides for enhancement of City Pride.
	Admin - 1200	1,250	Operating	New Events for the City	
	Finance - 1225	\$ 12,000	operating	Budget Book Software	This will allow the Finance Department to make additional strides in providing a seamless financial package. It will allow for central consolidation of financial information in a clear and understandable manner.
	Finance -1225	22,000	Operating	Cost allocation study	To address audit finding and to allow for City fee adjustments
Community Services	Parks and Grounds - 6050	\$ 7,200	Operating	Replant Ring Ranch Road landscaping and replace irrigation	This will provide for City beautification in the Ring Ranch Road area.
	Parks and Recreation - 1550	\$ 12,980	Operating	Funds community events and activities that are new to the budget	This will provide for several new programs, including pickleball, E sports league, senior lunch and learn, movie nights, screen and sound company.
	Parks and Rec - 1550	2,500	Operating	Annual inspections and maintenance of basketball hoops	This will allow for significant improvements in the ability to trim trees throughout the City
	Parks and Grounds - 6050	75,000	Operating	Increased Tree Trimming	
	Parks and Grounds - 6050	66,000	Operating	New Maint Costs for Parks (increase over \$25k current budget)	Improvements to right of way management. This will include cleanup and replanting
	Parks and Grounds - 6050	133,526	Operating	Improve the appearance and functionality of City right of way areas.	
	Parks and Grounds - 6050	114,126	Operating	Increased spending for park management	More work is needed and areas are growing with new parks including brick dusting baseball fields, installing backflow cages, installing more wood mulch and hydroseeding on top of the amount we're already doing.
	Parks and Grounds - 6050	6,059	Operating	Turf Management Training for parks staff	Increase in training budget needed because Turf management training is more expensive and we are building a library of manuals and books for employees to check out and use for certifications.
Public Works	Public Works - 3100	\$ 45,000	Operating/ Equipment	New survey equipment	This will allow the City to have improved equipment for construction activities.
	Operating Total	549,641			



Budget Worksheet

Wastewater Fund

SubCategory	FY 2021 Budget	FY 2022 Proposed Budget
Fund: 700 - WASTEWATER FUND		
Revenue		
Category: 50 - FINES AND FORFEITURES		
557 - Other	\$ -	\$ 5,000
Category: 50 - FINES AND FORFEITURES Total:	\$ -	\$ 5,000
Category: 53 - COST RECOVERY		
565 - Other Income	\$ 6,300	\$ 5,000
Category: 53 - COST RECOVERY Total:	\$ 6,300	\$ 5,000
Category: 54 - MISCELLANEOUS REVENUES		
560 - Investment Earnings	\$ 37,500	\$ 100,000
Category: 54 - MISCELLANEOUS REVENUES Total:	\$ 37,500	\$ 100,000
Category: 56 - PROPRIETARY REVENUES		
570 - WasteWater	\$ 10,849,000	\$ 11,671,500
Category: 56 - PROPRIETARY REVENUES Total:	\$ 10,849,000	\$ 11,671,500
Revenue Total:	\$ 10,892,800	\$ 11,781,500
Expense		
Category: 60 - PERSONNEL SERVICES		
600 - SALARIES AND WAGES	\$ 1,340,577	\$ 1,557,349
610 - BENEFITS	\$ 501,401	\$ 576,339
615 - OTHER	\$ 17,572	\$ 21,412
699 - OTHER	\$ 1,500	\$ 12,300
Category: 60 - PERSONNEL SERVICES Total:	\$ 1,861,049	\$ 2,167,400
Category: 65 - OPERATING COSTS		
650 - UTILITIES	\$ 827,821	\$ 767,796
655 - ADMINISTRATIVE	\$ 291,216	\$ 187,475
660 - FLEET COSTS	\$ 31,980	\$ 34,820
670 - REPAIRS AND MAINTENANCE	\$ 60,695	\$ 96,200
675 - SUPPLIES	\$ 379,610	\$ 553,900
690 - CONTRACTUAL SERVICES	\$ 1,062,563	\$ 1,188,816
699 - OTHER	\$ 478,637	\$ 649,050
Category: 65 - OPERATING COSTS Total:	\$ 3,132,522	\$ 3,478,057
Category: 70 - CAPITAL IMPROVEMENTS		
700 - EQUIPMENT	\$ 153,638	\$ 198,638
705 - VEHICLE	\$ -	\$ 215,000
750 - OTHER	\$ 103,804	\$ 100,000
Category: 70 - CAPITAL IMPROVEMENTS Total:	\$ 257,442	\$ 513,638
Category: 90 - TRANSFERS		
900 - Transfers	\$ 5,641,787	\$ 5,622,405
Category: 90 - TRANSFERS Total:	\$ 5,641,787	\$ 5,622,405
Expense Total:	\$ 10,892,800	\$ 11,781,500
Fund: 700 - WASTEWATER FUND Surplus (Deficit):	\$ -	\$ -

Waste Water Fund - Recommended Enhancements

Department	Enhancement Amount	Type of Request	Description	Explanation of Enhancement Request
Wastewater - 4050	\$ 175,000	Vehicle	Jetter Truck for Collections Department - this provides improved access to lines	This will provide for greater access to restricted or encroached areas the Vactor truck cannot reach. Many areas of the original downtown area have alley ways that are difficult to access. This will provide for improved access.
	\$ 20,000	Operating	Root control application to gravity sewer mains	Sewer root intrusion is seen throughout the system. The majority of calls are the result of root related problems.
	\$ 10,000	Operating	Water Buffalo - mounted water tank with pump for spill cleanup and other uses	This mobile tank will be used for clean-ups and wash downs. It can be used in locations where water access is unavailable.
	\$ 244,614	New Position	Utilities General Manager	This provides for expanded authority as the City's waste water system continues to grow and as the City moves toward Title 22 water recovery and deployment. This growing department has a significant level of infrastructure projects, dealing with City growth, regulatory demands that require additional managerial resources.
	\$ 43,730	Operating	Operating Costs associated with new GM position	These costs will be necessary, this includes purchasing of a new vehicle at an estimated cost of \$40,000
Total of Recommended Items		\$ 493,344		

City of Beaumont
Fund Balances and Projections
For Budget 2020-2021

Operating

Fund	FY 20-21				Committed Funds to Projects & Other	Projected End/Beq Fund		Projected Restricted Balance	Estimated Unrestricted
	Beginning Fund Balance	Projected Revenues	Projected Expenses	Projected Revenues		Balance	Balance		
100 - General Fund	21,398,226.71	36,927,151.00	32,811,787.00	3,203,162.94	9,891,270.20	15,622,320.51	3,203,162.94	15,622,320.51	
120 - Self Insurance	2,667,433.94	537,425.00	1,696.00	19,411.73		3,203,162.94	19,411.73		
110 - Successor Agency	19,411.73					19,411.73			
200 - Gas Tax		1,131,048.00	1,131,048.00						
220 - COPS	367,812.37	147,589.85	172,833.97	342,568.25		342,568.25			
225 - Asset Seizures (State)	290,939.00	8,655.15	1,899.65	297,694.50		297,694.50			
230 - Asset Seizure (Federal)	6,027.44	4,542.00		10,569.44		10,569.44			
240 - Other Special Revenue	163,173.34	30,796.05	37,886.99	155,982.40		155,982.40			
250 - CFD (Admin)	8,312,829.33	1,598,785.00	8,479,322.00	1,432,292.33		1,432,292.33			
255 - CFD (Maint)	534,499.25	3,895,009.00	3,895,009.00	534,499.25		534,499.25			
260 - CFD (Public Safety)	545,140.14	571,020.00	571,020.00	545,140.14		545,140.14			
700 - Wastewater	5,588,339.00	10,740,500.00	10,173,970.00	5,466,525.57	688,343.43	5,466,525.57		5,466,525.57	
750 - Transit	342,111.00	2,742,273.00	3,084,384.00						
860 - Evidence	1,850.04					1,850.04			
Total	40,237,793.29	58,334,794.05	60,360,956.61	10,579,613.63	27,632,017.10	4,031,239.30	18,134,252.23		

Internal Service Funds

Fund	FY 20-21				Committed Funds to Projects & Other	Projected End/Beq Fund		Projected Restricted Balance	Estimated Unrestricted
	Beginning Fund Balance	Projected Revenues	Projected Expenses	Projected Revenues		Balance	Balance		
600 - Internal Service Funds	-	6,300,000.00				6,300,000.00			
Total	-	6,300,000.00	-	-	-	6,300,000.00	6,300,000.00	-	

Capital Projects Funds

Fund	FY 20-21				Committed Funds to Projects & Other	Projected End/Beq Fund		Projected Restricted Balance	Estimated Unrestricted
	Beginning Fund Balance	Projected Revenues	Projected Expenses	Projected Revenues		Balance	Balance		
500 - General Capital Projects	308,862.81	38,454,113.19	38,762,976.00			134,256,948.00	134,256,948.00		
710 - Wastewater Capital Projects	134,256,948.00	20,329,177.07	20,329,177.07			2,242,304.39	2,242,304.39		
760 - Transit Capital Projects	2,242,304.39	1,321,894.00	1,321,894.00			136,499,252.39	136,499,252.39		
Total	136,808,115.20	60,105,184.26	60,414,047.07	-	-	136,499,252.39	136,499,252.39	-	

Capital Improvement Funding

Fund	FY 20-21			FY 20-21		
	Beginning Fund Balance	Projected Revenues	Projected Expenses	Projected End/Bei Fund Balance	Projected Restricted Balance	Estimated Unrestricted/Unallocated
201 - SB1	551,819.94	1,060,685.38	1,501,468.52	111,036.80	111,036.80	-
202 - Measure A	1,348,379.01	1,010,100.00	2,210,589.78	147,889.23	147,889.23	-
205 - Motor Vehicle Subvention (AB2766)	474,840.40	38,164.17	86,996.05	426,008.52	426,008.52	-
210 - PEG	21,481.25	21,205.61	24,800.00	17,886.86	17,886.86	-
215 - CDBG	-	425,038.00	425,038.00	-	-	-
265 - CHD (Facilities)	-	1,000.00	-	214,021.06	214,021.06	-
505 - Equipment Replacement	13,336,435.58	203,389.00	6,903,739.16	6,636,085.42	6,636,085.42	-
510 - CFD	15,945,977.24	2,759,582.16	11,152,631.51	7,552,927.89	7,552,927.89	-
Total						

Capital Expansion Funding

Fund	FY 20-21			FY 20-21		
	Beginning Fund Balance	Projected Revenues	Projected Expenses	Projected End/Bei Fund Balance	Projected Restricted Balance	Estimated Unrestricted
550 - Other Mitigation	11,591.08	46.64	11,637.72	241,367.30	241,367.30	-
552 - Basic Services Mitigation	906,841.09	114,990.00	780,463.79	490,631.68	490,631.68	-
554 - General Plan Mitigation	(102,411.18)	176,292.44	73,881.26	1,535,923.43	1,535,923.43	-
555 - Recreational Facilities Mitigation	990,203.68	400,428.00	900,000.00	1,312,334.85	1,312,334.85	-
556 - Traffic Signal Mitigation	1,610,687.99	80,243.54	155,008.10	712,859.53	712,859.53	-
558 - Railroad Crossing Mitigation	2,187,044.64	91,292.70	966,002.49	459,904.85	459,904.85	-
559 - Police Facilities Mitigation	824,133.92	138,725.61	250,000.00	3,536,343.49	3,536,343.49	-
560 - Fire Station Mitigation	4,246,940.66	173,122.28	3,960,158.09	(45,671.83)	(45,671.83)	-
562 - Road and Bridge Mitigation	7,488,166.94	735,509.79	4,687,333.24	(1,009,257.87)	(1,009,257.87)	-
564 - Recycled Water Mitigation	2,196,269.30	221,153.66	2,463,094.79	(185,604.92)	(185,604.92)	-
566 - Emergency Preparedness Mitigation	(1,206,257.97)	197,000.10	-	33,267.04	33,267.04	-
567 - Community Park Mitigation	792,899.52	166,495.56	1,145,000.00	(188,683.16)	(188,683.16)	-
568 - Regional Park Mitigation	1,933,267.04	-	1,900,000.00	(7,073.68)	(7,073.68)	-
569 - Neighborhood Parks Mitigation	959,828.43	201,488.42	1,350,000.00	4,204,280.50	4,204,280.50	-
570 - Pass Thru DIF	(7,073.68)	-	-	11,090,621.20	11,090,621.20	-
705 - Wastewater Mitigation	2,645,291.72	1,558,988.78	-	4,204,280.50	4,204,280.50	-
Total Revenues	25,477,423.18	4,255,777.50	18,642,579.48	11,090,621.20	11,090,621.20	-

Debt Service

Fund	FY 20-21			FY 20-21		
	Beginning Fund Balance	Projected Revenues	Projected Expenses	Projected End/Bei Fund Balance	Projected Restricted Balance	Estimated Unrestricted
840 - CFD	(220,886,149.72)	19,387,441.00	19,387,441.00	(213,066,298.72)	(213,066,298.72)	-
850 - BFA	87,382,384.81	6,293,649.00	6,293,649.00	83,582,384.81	83,582,384.81	-
855 - BPIA	5,384,639.21	410,400.00	410,400.00	5,094,639.21	5,094,639.21	-

City of Beaumont
Fund Balances and Projections
For Budget 2020-2021

Operating

Fund	FY 21-22		Budgeted Funds to Projects	Projected Ending Fund Balance	Projected Restricted	Estimated Unrestricted
	Budgeted Revenues	Budgeted Expenses				
100 - General Fund	39,372,812.00	38,598,061.00		16,397,071.51	3,203,162.94	16,397,071.51
120 - Self Insurance				3,203,162.94		
110 - Successor Agency				19,411.73	19,411.73	
200 - Gas Tax	1,242,846.00	1,242,846.00		-		-
220 - COPS	153,000.00	62,734.00		432,834.25	432,834.25	
225 - Asset Seizures (State)	4,500.00			302,194.50	302,194.50	
230 - Asset Seizure (Federal)				10,569.44	10,569.44	
240 - Other Special Revenue				175,282.40	175,282.40	
250 - CFD (Admin)	53,400.00	34,100.00		1,432,292.33	1,432,292.33	
255 - CFD (Main)	1,532,960.00	1,532,960.00		534,499.25	534,499.25	
260 - CFD (Public Safety)	4,049,142.00	4,049,142.00		545,140.14	545,140.14	
700 - Wastewater	605,588.00	605,588.00		5,466,525.57		5,466,525.57
750 - Transit	11,781,500.00	11,781,500.00		210,115.00	210,115.00	
860 - Evidence	2,745,964.00	2,535,849.00		1,850.04	1,850.04	
Total	61,541,712.00	60,442,780.00	-	28,730,949.10	6,867,352.02	21,863,597.08

Internal Service Funds

Fund	FY 21-22		Budgeted Funds to Projects	Projected Ending Fund Balance	Projected Restricted	Estimated Unrestricted
	Budgeted Revenues	Budgeted Expenses				
600 - Internal Service Funds	1,239,280.00	2,593,794.00		4,945,486.00	4,945,486.00	
Total	1,239,280.00	2,593,794.00	-	4,945,486.00	4,945,486.00	

Capital Projects Funds

Fund	FY 21-22		Projected Ending Fund Balance	Projected Restricted	Estimated Unrestricted
	Budgeted Revenues	Budgeted Expenses			
500 - General Capital Projects	3,783,340.00	3,783,340.00	-	-	-
710 - Wastewater Capital Projects	5,922,988.00	5,922,988.00	134,256,948.00	134,256,948.00	
760 - Transit Capital Projects	1,584,000.00	1,584,000.00	2,242,304.39	2,242,304.39	
Total	11,290,328.00	11,290,328.00	136,499,252.39	136,499,252.39	

Capital Improvement Funding

	FY 21-22		FY 21-22		FY 21-22	
	Budgeted Revenues	Budgeted Expenses	Projected Ending Fund Balance	Projected Restricted	Unrestricted/Unallocated	Estimated
Fund						
201 - SB1	947,983.00	863,763.00	195,256.80	195,256.80		
202 - Measure A	1,063,000.00	1,060,000.00	150,889.23	150,889.23		
205 - Motor Vehicle Subvention (AB2766)	62,500.00	266,000.00	222,508.52	222,508.52		
210 - PEG	25,920.00	19,500.00	24,306.86	24,306.86		
215 - CD8G	130,000.00	130,000.00	-	-		
265 - CFD (Facilities)	-	-	-	-		
505 - Equipment Replacement	-	-	214,021.06	214,021.06		
510 - CFD	217,685.00	250,000.00	6,603,770.42	6,603,770.42		
Total	2,447,088.00	2,589,263.00	7,410,752.89	7,410,752.89	-	-

Capital Expansion Funding

	FY 21-22		FY 21-22		FY 21-22	
	Budgeted Revenues	Budgeted Expenses	Projected Ending Fund Balance	Projected Restricted (1)	Estimated Unrestricted	
Fund						
550 - Other Mitigation	186,298.00	-	427,665.30	427,665.30		
552 - Basic Services Mitigation	21,950.00	-	21,950.00	21,950.00		
554 - General Plan Mitigation	314,655.00	-	805,286.68	805,286.68		
555 - Recreational Facilities Mitigation	125,178.00	150,000.00	1,511,101.43	1,511,101.43		
556 - Traffic Signal Mitigation	137,492.00	-	1,449,826.85	1,449,826.85		
558 - Railroad Crossing Mitigation	216,980.00	-	929,839.53	929,839.53		
559 - Police Facilities Mitigation	269,799.00	-	729,703.85	729,703.85		
560 - Fire Station Mitigation	1,100,917.00	-	4,637,260.49	4,637,260.49		
562 - Road and Bridge Mitigation	346,822.00	-	301,150.17	301,150.17		
564 - Recycled Water Mitigation	310,093.00	-	(699,164.87)	(699,164.87)		
566 - Emergency Preparedness Mitigation	510,117.00	-	324,512.08	324,512.08		
567 - Community Park Mitigation	10,500.00	-	43,767.04	43,767.04		
568 - Regional Park Mitigation	617,259.00	-	428,575.85	428,575.85		
569 - Neighborhood Parks Mitigation	-	-	(7,073.68)	(7,073.68)		
570 - Pass Thru DIF	-	-	-	-		
705 - Wastewater Mitigation	2,389,659.00	950,583.00	5,643,356.50	5,643,356.50		
Total Revenues	6,557,719.00	1,100,583.00	16,547,757.20	16,547,757.20	-	-

(1) These funds are restricted as they are only available for DIF qualifying projects/ as of 4-07-2021 they have not been allocated to a qualifying project.

	FY 21-22		FY 21-22		FY 21-22	
	Budgeted Revenues	Budgeted Expenses	Projected Ending Fund Balance	Projected Restricted	Estimated Unrestricted	
Fund						
840 - CFD	19,601,527.00	19,601,527.00	(203,403,567.72)	(203,403,567.72)		
850 - BFA	5,806,506.00	5,806,506.00	80,367,384.81	80,367,384.81		
855 - BPIA	1,465,773.00	1,465,773.00	4,279,639.21	4,279,639.21		
Total	21,873,806.00	21,873,806.00	(118,756,543.70)	(118,756,543.70)	-	-

Debt Service

	FY 21-22		FY 21-22		FY 21-22	
	Budgeted Revenues	Budgeted Expenses	Projected Ending Fund Balance	Projected Restricted	Estimated Unrestricted	
Fund						
840 - CFD	19,601,527.00	19,601,527.00	(203,403,567.72)	(203,403,567.72)		
850 - BFA	5,806,506.00	5,806,506.00	80,367,384.81	80,367,384.81		
855 - BPIA	1,465,773.00	1,465,773.00	4,279,639.21	4,279,639.21		
Total	21,873,806.00	21,873,806.00	(118,756,543.70)	(118,756,543.70)	-	-



Staff Report

TO: Finance and Audit Committee Members
FROM: Jennifer Ustation, Interim Finance Director
DATE: May 10, 2021
SUBJECT: Review of Proposed Amended Investment Policy

Background and Analysis:

On September 14, 2020, the Finance and Audit Committee reviewed and recommended to City Council to adopt its current investment policy. On September 15, 2020, the City Council adopted the policy. At that time, the topic of engaging an Investment Advisor was discussed to provide many benefits to the City's Investment portfolio by providing professional advice on investment selection, management of the City's investment portfolio and assisting the City in achieving the goals of the investment policy.

On February 16, 2021, City Council approved a contract for investment advisor and portfolio management services with Public Trust Advisors, LLC (Public Trust). As a part of their contractual services, Public Trust will review the City's current investment policy, provide a full analysis and suggest policy recommendations. Public Trust completed this service and met with City staff to walk through their recommended amendments. After recommended changes, Public Trust returned an amended investment policy for Finance and Audit Committee review. City staff agrees that the changes recommended are beneficial to the City's investment policy goals by expanding the investment choices to include all those available under the California Government Code 53600.

City staff would note that the key principals of stability of principle, liquidity and investment return remain unchanged. All of the added investments will meet these standards but allow for greater flexibility and for improved levels of diversification.

Highlights of Recommended Amendments

- Updated language to incorporate most recent changes and legislative updates to the California government code

- Establishes the Finance Committee to provide general oversight and direction regarding policy-driven issues and considerations in connection with the City's investment portfolio
- Added Performance Standards and Evaluation section to clarify the criteria by which the Portfolio's long-term performance will be evaluated
- Add Asset-Backed Commercial Paper as an authorized investment
- Add Medium-term Corporate Notes as an authorized investment
- Add specified Supranational Securities as an authorized investment
- Add Mortgage Pass-Through and Asset-Backed Securities as an authorized investment

Public Trust has advised that the investment policy now meets the standards necessary to certify the policy through the California Municipal Treasurers Association. The benefits of having the Investment Policy certified by the California Municipal Treasurers Association include: demonstrating that due diligence was performed on the Investment Policy, to show transparency of the Governing Body to the public, assist to satisfy auditors when reviewing the Investment Policy, and provides trust, confidence and verification that the policy has been reviewed and certified by a professional organization within California. The policy will be submitted for certification if approved by City Council.

Recommended Action:

Review the amended investment policy and recommend approval by the City Council or provide modifications for consideration by the City Council prior to approval.

Attachments:

- A. Proposed Amended Beaumont Investment Policy – clean draft
- B. Proposed Amended Beaumont Investment Policy – redlined draft

City of Beaumont

Statement of Investment Policy

1. Introduction

In accordance with the charter of the City of Beaumont and under authority granted by the City Council, the City Manager is designated the responsibility for investing the unexpended cash in the City Treasury and the overall conduct of the City's investment program. The intent of this Investment Policy is to formalize the framework for the investment activities that shall be exercised to ensure the effective and judicious fiscal and investment management of the City's funds. The City's portfolio shall be designed and managed in such a manner as to comply with state and local laws, provide for daily cash flow requirement, ensure consistency with the prioritized objectives of safety, liquidity, and return, and in a manner consistent with prudent investment management and worthy of the public trust.

2. Governing Authority

The City's investment program shall be managed in conformance with federal, state, and other legal requirements, including California Government Code Sections 16429.1-16429.4, 53600-53609, and 53630-53686. This Investment Policy was endorsed and adopted by the City Council and is effective **{Insert Effective Date}**. This Investment Policy shall replace all previous versions.

3. Scope

The City's investment policies apply to all personnel, departments, divisions and offices of the City government as well as all associated accounting funds under the direct authority of the City of Beaumont. These accounting funds include, but are not limited to, the General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Debt Service Funds, Capital Projects Funds, Private Purpose Trust Funds and Agency Trust Funds. These investment policies are also applicable to the City's blended component units, including the Successor Agency to the Beaumont Redevelopment Agency, Beaumont Utility Authority, and the Beaumont Public Improvement Authority.

The City commingles its investable assets to maximize interest earnings and to increase efficiencies with respect to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective percentage participation in the total fund and in accordance with generally accepted accounting principles.

Proceeds arising from the issuance of debt shall be invested in accordance with the provisions of their governing bond documents and in a manner consistent with the City's general investment philosophy as outlined in this Investment Policy.

4. Responsibility

The City Manager is responsible for the City's implementation and compliance with these policies, unless the City Council authorizes exceptions. Under the direction of the City Manager, the Finance Director will review, develop and implement a system of processes and procedures to ensure compliance with these policies throughout the entire organization. The City Manager will work with the Finance Director to ensure these policies are updated on a timely basis.

5. Pooling of Funds

The City of Beaumont consolidates cash balances from all eligible funds to maximize investment earnings. Funds held by the Trustee are not eligible to be pooled. The City schedules its collection of receipts, deposits of

City of Beaumont Statement of Investment Policy

funds and disbursements of monies to ensure maximum availability of cash for temporary investment purposes. Investment income is allocated to the various Funds based on their respective participation and in accordance with Generally Accepted Accounting Principles (GAAP).

6. Objectives

The prioritized objectives of the City's investment program are to preserve principal (safety), ensure sufficient liquidity (liquidity), and generate a market rate of return (return).

1. **Safety:** Safety of principal is the foremost investment objective of the City's investment program. Investment shall be undertaken in a manner designed to ensure the preservation of capital in overall portfolio growth. The City shall seek to preserve principal by mitigating credit risk and interest rate risk.
2. **Liquidity:** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Because not all liquidity needs can be anticipated, the investment portfolio shall focus on securities with active secondary and resale markets.
3. **Return:** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints of safety and liquidity.

Set forth in Section 17 of this Investment Policy are certain strategies and principles utilized by the City to manage investment risks.

7. Standard of Care

The standard of prudence to be used by City investment officials shall be the "Prudent Investor Standard" and shall be applied in the context of managing the overall portfolio. As set forth in the California Government Code 53600.3, the Prudent Investor Standard states:

"...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

Consistent with the objectives set forth in section vi of this Investment Policy, in addition to safeguarding invested principal and ensuring sufficient liquidity for the City, a prudent investor should also seek optimize portfolio return subject to these constraints.

8. Indemnification

The City Manager, Finance Director, and other authorized persons responsible for managing City funds, acting in accordance within written procedures and the intent and scope of this Investment Policy and exercising due diligence, shall be relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

City of Beaumont Statement of Investment Policy

9. Ethics and Conflicts of Interest

Officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Consistent with the requirements of the California fair Political Practices Commission, employees and investment officials will disclose any material interest in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers will refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Beaumont.

10. Delegation of Authority

The authority to manage the City's investment program is provided by the California Government Code Sections 53600 *et seq.* Authority to manage the City's investment program is granted to the City Manager and his or her designee. Responsibility for the operation of the investment program is hereby delegated to the Finance Director, who shall act in accordance with this investment policy. The Finance Director shall establish procedures for the operation consistent with this investment policy and may authorize other finance department staff to initiate investment transactions. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

The City may contract with one or more external investment managers to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940 and specialize in the management of public funds fixed income portfolios.

11. Finance Committee

A Finance Committee is established to provide general oversight and direction concerning policy related issues concerning management of the City's investment portfolio. The committee shall meet at quarterly unless circumstances require more frequent meetings.

12. Authorized Financial Institutions, Depositories, Broker Dealers, and Competitive Transactions

In circumstances where the investment portfolio is managed internally, the requirements set forth in Sections A and B, below, shall apply;

A. The City shall maintain a list of financial institutions and depositories authorized to provide investment services. In addition, the City shall maintain a list of approved security broker/dealers selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission ("SEC") Rule 15C3-1 (uniform net capital rule). The Finance Director will determine which financial institutions are authorized to provide investment services to the City. Institutions eligible to transact investment business with the City include:

1. Primary government dealers as designated by the Federal Reserve System
2. Regional broker/dealers qualified under SEC Rule 15C3-1
3. Nationally or state-chartered banks

City of Beaumont Statement of Investment Policy

4. The Federal Reserve Bank
5. Direct issuers of securities eligible for purchase

B. Investment staff shall review broker/dealers who would like to transact with the City to determine if they are adequately capitalized and make markets in the securities appropriate to the City's needs. The Investment Officer shall send a copy of the current investment policy to all broker/dealers approved to transact with the City. Financial institutions which desire to become qualified broker/dealers for investment transactions (and which are not transacting solely through an investment advisor) must provide the City with a statement certifying that the institution has reviewed the California Government Code Section 53600 et seq. and the City's Investment Policy. The selection of broker/dealers shall be at the sole discretion of the City.

C. Selection of broker/dealers used by an external investment adviser retained by the City will be at the sole discretion of the investment adviser, provided such broker/dealers meet the requirements set forth in section A, above.

D. Public deposits will be made only in qualified public depositories as established by State statutes. Deposits will be insured by the Federal Deposit Insurance Corporation (FDIC), or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with state statutes. A written contract of deposit of public funds must be obtained from the financial institution, indicating the institution's policy and process of FDIC insurance and collateralization.

E. It is the policy of the City to require competitive bidding from at least three broker/dealers for investment transactions that are not classified as "new issue" securities whenever possible and practical. Such competitive bidding can be executed through a competitive bidding or through the use of a nationally recognized trading platform. In such circumstances where competitive price comparisons are not available, best efforts will be made to document quotations for comparable or alternative securities.

13. Security Safekeeping and Delivery Procedures

Third-Party safekeeping: To protect against fraud, embezzlement, or losses caused by collapse of an individual securities dealer and to enhance access to securities and interest payments, all securities owned by the City shall be held in safekeeping by a third party bank trust department acting as agent for the City under the terms of a duly executed custody agreement. In connection with the City's annual independent audit, securities held in custody are audited to verify investment holdings. No outside broker/dealer or advisor may have access to the City funds, accounts or investments, and any transfer of funds to or through an outside broker/dealer must be approved by the City Council.

Delivery-Versus-Payment: All trades of marketable securities shall be cleared and settled on a standard delivery-versus-payment ("DVP") basis to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

14. Internal Controls

A system of internal controls has been established to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or unanticipated changes in financial markets. Internal controls deemed most important include control of collusion, separation of transaction authority from accounting and record keeping, custodial safekeeping, avoid of physical delivery of securities, clear delegation of authority to subordinate staff members, written confirmation of transactions for investments and wire transfers and development of a wire transfer agreement with the lead bank and third-party custodian. Furthermore, an

**City of Beaumont
Statement of Investment Policy**

independent analysis by an external auditor shall be conducted annually to review internal control, account activity, and compliance with policies, procedures, and applicable laws.

15. Authorized Investments

The investment of City funds shall be made in accordance with Sections 53600 et seq. of the California Government Code and in accordance with this Investment Policy. Permitted investments for the City shall include the following security types and related credit quality, maturity, and diversification constraints.

1. **Municipal Bonds:** Bonds issued by the City, the State of California, any other of the 49 states in addition to California, and any local agency within the state of California. This authorization includes the ability to invest in obligations payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or any local agency in the state of California or by a department, board, agency, or authority of a state or any local agency in the state of California.

Credit Quality: Securities in this category shall have a minimum credit rating of A (or its equivalent) by at least one nationally recognized statistical rating organization at the time of purchase.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the portfolio may be invested in any single issuer. No more than 30% of the portfolio may be invested in this category.

2. **U.S. Treasury Obligations:** United States Treasury bills, notes, bonds, and certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

Credit Quality: No minimum credit rating required for securities in this category.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: There are no dollar or percentage limits on securities in this category.

3. **Federal Agency and Government Sponsored Enterprise Obligations:** Federal agency or United States government-sponsored-enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

Credit Quality: No minimum credit rating required for securities in this category.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: There are no dollar or percentage limits individual issuers in this category.

4. **Commercial Paper:** Commercial paper of "prime" quality and issued by a corporation organized and operating in the United States with total assets of at least \$500 million.

Credit Quality: Securities in this category must be rated "A-1" (or the equivalent) or higher by at least one nationally recognized statistical rating organization. In addition, debt other than commercial paper (if any) issued by corporations in this category must be rated at least "A" (or the equivalent) or better by at least one nationally recognized statistical rating organization.

Maximum Maturity: 270 days at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the City's portfolio may be invested in any single issuer of commercial paper. For purposes of this issuer limitation, holdings of commercial paper and medium term notes of a single issuer shall be limited to 10% of total portfolio assets. No more than 25% of the

**City of Beaumont
Statement of Investment Policy**

total portfolio may be invested cumulatively in commercial paper or asset-backed commercial paper as defined in Section 6, below. No more than 10% of the outstanding commercial paper of any single issuer may be purchased.

5. **Asset-Backed Commercial Paper:** Asset-Backed Commercial paper of “prime” quality and issued by an entity organized within the United States as a special purpose corporation, trust, or limited liability company.

Credit Quality: Securities in this category must be rated “A-1” (or the equivalent) or higher by at least one nationally recognized statistical rating organization. In addition, the issuing entity must have programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.

Maximum Maturity: 270 days at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the City’s portfolio may be invested in any single issuer of commercial paper. For purposes of this issuer limitation, holdings of commercial paper and medium term notes of a single issuer shall be limited to 10% of total portfolio assets. No more than 25% of the total portfolio may be invested cumulatively in asset-backed commercial paper or commercial paper as defined in Section 5, above. No more than 10% of the outstanding commercial paper of any single issuer may be purchased.

6. **Federally Insured Time Deposits:** Non-negotiable certificates of deposit in state or federally chartered banks, savings and loans, or credit unions.

Credit Quality: Securities in this category shall be limited to the maximum amount covered by federal deposit insurance.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the portfolio may be invested in any single issuer of non-negotiable or negotiable certificates of deposit. No more than 15% of the portfolio may be invested in any combination of non-negotiable certificates of deposit as set forth in subsections 6, 7, and 8 hereto. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit.

7. **Collateralized Time Deposits:** Non-negotiable certificates of deposit in state or federally chartered banks, savings and loans, or credit unions in excess of federal deposit insurance limits which are fully collateralized in accordance with state law.

Credit Quality: Securities in this category exceeding federal deposit insurance limits shall be collateralized in accordance with state law and be issued by institutions which have long-term debt obligations rated “A” (or the equivalent) or better and short-term debt obligations, if any, rated “A1” (or the equivalent) or better by at least two nationally recognized statistical rating agencies.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the portfolio may be invested in any single issuer of non-negotiable or negotiable certificates of deposit. No more than 15% of the portfolio may be invested in any combination of non-negotiable certificates of deposit as set forth in subsections 7, 8, and 9 hereto. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit.

8. **Certificate of Deposit Placement Services:** Non-negotiable certificates of deposit at a commercial bank,

**City of Beaumont
Statement of Investment Policy**

savings bank, savings and loan association, or credit union that that uses a private sector entity to assist in the placement of deposits (e.g., CDARS).

Credit Quality: The full amount of each deposit and the interest that may accrue on each such deposit shall at all times be insured by federal deposit insurance.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the portfolio may be invested in any single issuer of non-negotiable or negotiable certificates of deposit. No more than 15% of the portfolio may be invested in any combination of non-negotiable certificates of deposit as set forth in subsections 7, 8, and 9 hereto. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit.

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

Credit Quality: Securities in this category exceeding federal deposit insurance limits shall be issued by institutions which have long-term debt obligations rated "A" (or the equivalent) or better and short-term debt obligations, if any, rated "A-1" (or the equivalent) or better by at least two nationally recognized statistical rating agencies.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the portfolio may be invested in any single issuer of non-negotiable or negotiable certificates of deposit. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit.

10. **Repurchase Agreements:** Repurchase agreements with specific terms and conditions may be transacted with banks and brokers. Such investments must be subject to a "Master Repurchase Agreement" substantially in the form developed by the Securities Industry and Financial Markets Association ("SIFMA").

Credit Quality: Repurchase agreements shall be collateralized with U.S. Treasury and Federal Agency securities (as authorized herein) maintained at a value of at least 102% of the market value of the repurchase agreement. Securities used as collateral for repurchase agreements shall be delivered to the City's custodian bank.

Maximum Maturity: 1 year at the time of entry.

Diversification: There are no dollar or percentage limits on securities in this category.

11. **Medium-Term Corporate Notes:** Medium-term corporate notes shall mean all corporate and depository institution debt securities issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

Credit Quality: Securities in this category shall be rated in the "A" category or better by at least two nationally recognized statistical rating organizations at the time of purchase.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the portfolio may be invested in any single issuer. No more than 10% of the total portfolio may be invested in the commercial paper and medium-term notes of a single issuer. No more than 30% of the portfolio may be invested in this category.

City of Beaumont
Statement of Investment Policy

12. **Money Market Mutual Funds:** Money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15U.S.C. Sec. 80a-1 et seq.) meeting the credit quality requirements set forth below or retaining an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).
- Credit Quality:** Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.
- Maximum Maturity:** No maturity restrictions apply.
- Diversification:** No more than 20% of the portfolio may be invested in this category.
13. **Mortgage Pass-Through and Asset-Backed Securities:** Mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bonds meeting the requirements set forth below.
- Credit Quality:** Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.
- Maximum Maturity:** Five years at the time of purchase as measured by the settlement date.
- Diversification:** With the exception of obligations issued by Federal Agencies and Government Sponsored Enterprises as specified in subsection 3 hereto, no more than 5% of the portfolio may be invested in any single issuer. No more than 10% of the total portfolio may be invested in this category.
14. **State of California Local Agency Investment Fund:** The State of California Local Agency Investment Fund ("LAIF") managed by the State of California Treasurer's Office.
- Credit Quality:** No credit rating requirements exist for LAIF. In addition, should LAIF invest in securities or instruments prohibited or not specifically authorized by the City's Investment policy, the City is not prohibited from investing in LAIF provided sufficient information is available to allow the City to understand the risks associated with investing in LAIF.
- Maximum Maturity:** No maturity restrictions apply.
- Diversification:** The City may invest up to the maximum amount permitted by California state law.
15. **Joint Powers Authority Pools:** Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities authorized by California Government Code Section 53601 subdivisions (a) to (r), inclusive, and that has retained an investment adviser that is registered or exempt from registration with the Securities and Exchange Commission having not less than five years of experience investing in the securities and obligations authorized by California Government Code Section 53601 and having at least five hundred million dollars (\$500,000,000) under management.
- Credit Quality:** There are no credit rating requirements for Joint Powers Authority Pools.
- Maximum Maturity:** No maturity restrictions apply.
- Diversification:** The City may invest up to the maximum amount permitted by California law.
16. **Supranational Securities:** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and

City of Beaumont Statement of Investment Policy

Development, International Finance Corporation, or Inter-American Development Bank eligible for purchase and sale within the United States.

Credit Quality: Securities in this category shall be rated in the “AA” category or better by at least one nationally recognized statistical rating organizations at the time of purchase.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 10% of the portfolio may be invested in any single issuer. No more than 15% of the portfolio may be invested in this category.

Bond Proceeds: Proceeds arising from the issuance of debt shall be invested in accordance with the provisions of their governing bond documents and in a manner consistent with the City’s general investment philosophy as outlined in this Investment Policy. Bond proceeds are not eligible as a part of the City’s pooled funds. Securities authorized by the bond indenture or similar investment documents that are not authorized by the City’s Investment Policy will be considered approved investments for bond proceeds when the bond indenture or similar authorizing document is approved by the City Council. Bond reserve funds, escrow funds and any funds approved by the City Council may be invested in securities with maturity limits of five years or an appropriate longer period. The bond indenture shall provide any specific restrictions or limitations on either the nature or the duration of the investments and should be the governing document.

Note on Credit Quality Requirements: Should the credit rating of a security owned by the City be downgraded to a level below that required by this Investment Policy, the City will review the credit situation and determine if such securities should be sold or retained in the portfolio based upon its remaining term to maturity, the credit outlook for the issuer, and other relevant facts and circumstances. If the decision is made to retain a downgraded security, it will be closely monitored by the City and reported on quarterly to the Finance Committee.

Note on Maximum Maturity Limitation: The five-year maturity limitation of this Investment Policy shall be measured as of the transaction settlement date. In accordance with section 53601 of the California Government Code, this five year maturity limitation may be extended if deemed prudent by the Investment Officer and provided that the City Council has approved such investment either specifically or as part of an investment program approved by the legislative body no less than three months prior to the investment.

Note on Diversification Requirements: The diversification requirements set forth above relating to the maximum allowable percentage for a particular issuer or investment type shall apply at the time of purchase. Due to fluctuations in the aggregate invested balance, these maximum percentages may be exceeded from time to time and shall not require liquidation to realign the portfolio. However, consideration should be given to this matter when future purchases are made.

Note on Other Requirements: Should any investment fall out of compliance with any other guidelines of this policy after its purchase, the City will review the situation and determine if such securities should be sold or retained in the portfolio based upon its remaining term to maturity, the credit outlook for the issuer, and other relevant facts and circumstances. If the decision is made to retain such a security, it will be closely monitored by the City and reported on quarterly to the Finance Committee.

16. Prohibited Investments and Practices

Provided below are certain prohibited investments and investment practices intended to help safeguard invested balances.

1. In accordance with California Government Code section 53601.6, investments in inverse floaters, range

City of Beaumont Statement of Investment Policy

notes, mortgage-derived interest-only strips are prohibited. In addition the purchased of any security that could result in zero interest accrual if held to maturity is also prohibited except for the purchase securities issued or backed by the United States government in the event of, and for the duration of, a period of negative market interest rates

2. Investments not specifically described herein are prohibited.
3. The purchase or sale of securities on margin is prohibited.
4. The purchase of securities denominated in foreign currencies is prohibited.
5. The purchase or sale of securities done solely to speculate on the direction of future interest rates is prohibited.

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, any such monies shall be reinvested only as provided for in this policy.

17. Managing Portfolio and Investment Risks

Safety of principal is the foremost investment objective of the City. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker/dealer default, or erosion of market value. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio, it must be recognized that occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. The City shall seek to preserve principal by mitigating credit risk and market risk as set forth below.

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

1. Adhering to the diversification requirements set forth in Section XIII of this policy which limit the amount of the total portfolio that may be invested in any single issuer.
2. Utilizing an active management strategy that allows for the sale of securities prior to their scheduled maturity dates for purposes of improving the portfolio's credit quality, liquidity, yield, or return profile in response to changing market conditions or City circumstances.
3. Reviewing downgraded securities. Should the credit rating of a security owned by the City be downgraded to a level below that required by this Investment Policy, the City will review the credit situation and determine if such securities should be sold or retained in the portfolio based upon its remaining term to maturity, the credit outlook for the issuer, and other relevant facts and circumstances.
4. Monitoring any downgraded securities. If the decision is made to retain a downgraded security, it will be closely monitored by the City and reported on quarterly to the Investment Committee.

Mitigating Interest Rate Risk: Market risk is the risk that the value of a security or portfolio will fluctuate due to changes in the general level of interest rates. The City understands that while longer-term portfolios have the potential to generate higher investment returns over time, they also exhibit a greater volatility of return. In addition, the City further recognizes certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded call options, will affect the market risk

City of Beaumont Statement of Investment Policy

characteristics of the portfolio differently. Accordingly, the City will mitigate market risk by adopting the following strategies:

1. The City shall maintain sufficient balances in short-term investments to provide liquidity for expected and contingent expenditures thereby limiting the need to sell securities prior to maturity. Liquidity funds shall be maintained in short-term investments such as LAIF, deposit accounts collateralized in accordance with state law, and money market funds and instruments with minimal market risk.
2. Longer-term securities shall be scheduled to mature in advance of known expenditure requirements whenever possible.
3. The City shall avoid the purchase of securities for the sole purpose of short-term speculation.
4. The maximum stated final maturity of any security in the portfolio shall be five years, except as otherwise stated in this Investment Policy.
5. The maximum percentage of callable securities (excluding securities with “make whole” call provisions) held in the portfolio shall be 20%.
6. The weighted average duration of the actively managed portion of the portfolio, i.e. non liquidity funds, shall be maintained in a range of +/- 25% the duration of a market benchmark as selected by the City based upon the City’s risk tolerances and investment objectives.

18. Performance Standards & Evaluation

Consistent with the City’s circumstances and risk tolerances, the investment performance objective for the managed portfolio shall be to earn a total rate of return over market cycles that is approximately equal to the return on the City’s chosen benchmark index.

19. Reporting and Disclosure

In accordance with Government Code Section 53646(8)(1), the City Treasurer shall submit to the Finance Committee a quarterly report that will then be taken to the City Council. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for the City of Beaumont by third party contract managers. The report will also include the source of the portfolio valuation. As specified in Government Code 53646(e), if all funds are placed in the Local Agency Investment Fund (LAIF), FDIC insured accounts and/or county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been in full compliance with the investment policy, and, (2) the City of Beaumont will meet its expenditures obligations within the cash flow needs.

20. Policy Review and Adoption

The City of Beaumont's investment policy shall be adopted by resolution of the City Council on, at minimum, an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return as well as its relevance to current law and financial and economic trends. In accordance with Senate Bill 564 and Senate Bill 866, effective January 1, 1996, the City staff brings forward each year the City’s Investment Policy for review by the City Council. Any amendments to the policy shall be forwarded to City Council for approval.

City of Beaumont Statement of Investment Policy

~~business.~~

~~The City of Beaumont will use the approved purchasing process for any Investment Advisor services. Within this process will be an agreed upon condition that the Investment Advisor's services obtained shall be required to prequalify all financial institutions to comply with the City of Beaumont's Investment Policy.~~

~~(3) Diversifying the investment portfolio so that potential losses on overall portfolio will be strictly limited. The investments shall be diversified by:~~

- ~~• Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),~~
- ~~• Investing in securities of varying maturities and~~
- ~~• Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.~~

~~**B. Interest Rate Risk.** The City of Beaumont will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:~~

- ~~(1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity,~~
- ~~(2) Investing operating funds primarily in shorter term securities or with State and local government investment pools to ensure liquidity needs are met and stability of principal is assured.~~

2. 2. Liquidity. The investment portfolio ~~remains~~shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. ~~This is accomplished by structuring the portfolio so that securities mature concurrently with the City's cash needs to meet anticipated demands (static liquidity). A portion of the portfolio also may be placed in money market mutual funds or Local Government Investment Pools (LGIP's) which offer either same day or next day liquidity. Furthermore, since all possible cash demands cannot be anticipated, the portfolio consists largely of~~Because not all liquidity needs can be anticipated, the investment portfolio shall focus on securities with active secondary or resale markets (dynamic liquidity). The City will ensure that liquid resources are available to meet at least six months of operating expenses and resale markets.

3. 3. Yield on Investments. Return: The investment portfolio ~~is~~shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs of the City.

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**City of Beaumont
Statement of Investment Policy**

~~Return on investment is of secondary importance compared to the safety and preservation of capital and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to the maturity with the following exceptions: of safety and liquidity.~~

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~~A. Loss of Principal. A security with declining credit may be sold early to minimize loss of principal. While investments in securities that pose some risk of principal loss, the portfolio of investments must be structured to strictly limit the overall loss of principal while seeking to increase the rate of investment return.~~

~~Set forth in Section 17 of this Investment Policy are certain strategies and principles utilized by the City to manage investment risks.~~

~~7. Standard Security Swap. A security swap would improve the quality, yield, or target duration in the portfolio.~~

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~~C. Liquidity. Liquidity needs of the portfolio require that the security be sold. Any non liquid investments will be structured to ensure they become liquid in time to meet operating expenditures. This will require managing of maturity dates for investments to ensure liquid funds are available when needed.~~

6. Standards of Care

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~~A. Prudence. The standard of prudence to be used by City investment officials shall be the "prudent" person standard (Civil Code Section 2261, et. seq.) Prudent Investor Standard" and shall be applied in the context of managing the overall portfolio. As set forth in the California Government Code 53600.3, the Prudent Investor Standard states:~~

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~~"...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall investment portfolio. Investment officer strategy, investments may be acquired as authorized by law."~~

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~~Consistent with the objectives set forth in section vi of this Investment Policy, in addition to safeguarding invested principal and ensuring sufficient liquidity for the City, a prudent investor should also seek optimize portfolio return subject to these constraints.~~

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City of Beaumont
Statement of Investment Policy

8. Indemnification

~~The City Manager, Finance Director, and other authorized persons responsible for managing City funds, acting in accordance with within written procedures and this overall investment policy, the intent and scope of this Investment Policy, and exercising due diligence, shall be relieved of personal responsibility, liability for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and the liquidity and sale of securities are carried in accordance with the terms of this policy. manner and appropriate action is taken to control adverse developments.~~

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~~Investments are 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.~~

~~**B. Public Trust, Ethics and Conflicts of Interest.** Investment officials recognize that the investment portfolio is subject to public review and evaluation. The overall program is designed and managed with a degree of professionalism that is worthy of the public trust.~~

9. Ethics and Conflicts of Interest

~~Officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees consistent with the requirements of the California fair Political Practices Commission, employees and investment officials will disclose any material interest in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers will refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Beaumont.~~

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~~10.
Delegation of Authority~~

~~The authority to manage the City's investment program is provided by the California Government Code Sections 53600 et seq. Authority to manage the City's investment program is granted to the City Manager and his or her designee, hereinafter referred to the "Investment Officer," Responsibility for the operation of the investment program is hereby delegated to the investment officer Finance Director, who shall act in accordance with this investment policy. The Finance Director shall establish procedures for the operation consistent with this investment policy and may authorize other finance department staff to initiate investment transactions. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.~~

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City of Beaumont Statement of Investment Policy

~~7.~~ may contract with one or more external investment managers to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940 and specialize in the management of public funds fixed income portfolios.

11. Finance Committee

A Finance Committee is established to provide general oversight and direction concerning policy related issues concerning management of the City's investment portfolio. The committee shall meet at quarterly unless circumstances require more frequent meetings.

12. Authorized Financial ~~Dealers and Institutions~~, Depositories, Broker Dealers, and Competitive Transactions

In circumstances where the investment portfolio is managed internally, the requirements set forth in Sections A and B, below, shall apply:

~~A.~~ The City will secure the services shall maintain a list of one or more approved financial institutions and depositories authorized to provide investment services to the City. In addition, the City shall maintain a list of Beaumont approved security broker/dealers selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission ("SEC") Rule 15C3-1 (uniform net capital rule). A determination should be made. The Finance Director will determine which financial institutions are authorized to ensure that all approved broker/dealer firms, and individuals covering provide investment services to the City. Institutions eligible to transact investment business with the City include:

- ~~1.~~ of Beaumont, are reputable and trustworthy. In addition, the government dealers as designated by the Federal Reserve System
2. Regional broker/dealers qualified under SEC Rule 15C3-1
3. Nationally or state-chartered banks
4. The Federal Reserve Bank
5. Direct issuers of securities eligible for purchase

~~B.~~ dealer firms should have the ability. Investment staff shall review broker/dealers who would like to meet all of their financial obligations in dealing transact with the City to determine if they are adequately capitalized and make markets in the securities appropriate to the City's needs. The Investment Officer shall send a copy of the current investment policy to all broker/dealers approved to transact with the City. Financial institutions which desire to become qualified broker/dealers for investment transactions (and which are not transacting solely through an investment advisor) must provide the City with a statement certifying that the institution has reviewed the California Government Code Section 53600 et seq. and the City's Investment Policy. The selection of broker/dealers shall be at the sole discretion of the City.

~~C.~~ of Beaumont. The firms, and individuals covering the City of Beaumont, should be knowledgeable and experienced in Selection of broker/dealers used by an external investment adviser retained by the City will be at the sole discretion of the investment adviser, provided such broker/dealers meet the requirements set forth in section A, above.

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City of Beaumont
Statement of Investment Policy

~~D. Public Agency investing and the investment products involved. No deposits will be made only in qualified public deposit shall be made except in a qualified public depository/depositories as established by the established state laws. All State statutes. Deposits will be insured by the Federal Deposit Insurance Corporation (FDIC), or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with state statutes. A written contract of deposit of public funds must be obtained from the financial institutions institution, indicating the institution's policy and broker/dealers who desire to provide investment management services for the City will be selected through a process of FDIC insurance and collateralization.~~

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~~E. It is the policy of the City to require competitive bidding process. At a minimum, any selected investment advisor/ manager will be required to provide evidence of all required licensure and/or certifications from at least three broker/dealers for investment transactions that are not classified as "new issue" securities whenever possible and practical. Such competitive bidding can be executed through a competitive bidding or through the use of a nationally recognized trading platform. In such circumstances where competitive price comparisons are not available, best efforts will be made to document quotations for comparable or alternative securities.~~

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~~8. Beaumont's Investment Policy~~

~~The City on an annual basis submits a copy of the current investment policy to all financial institutions approved to do business with the City. Confirmation of receipt of this policy is considered evidence that the dealer has read and understands the City's investment policy and will recommend and execute only transactions suitable for and in compliance with the City's Investment Policy. In selecting financial institutions for deposit or investment of City funds, the creditworthiness of the institutions will be considered. The City will continue to monitor financial institution's credit characteristics and financial history throughout the period in which City funds are deposited or invested.~~

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~~9. Authorized Investments for the City~~

~~The City is authorized by California Government Code Section 53600, et. seq. to invest in specific types of securities. Section 43601 of the Government Code sets limits on the type investments that may be in the City portfolio. Refer to attachment A for allowable investment by State of CA.~~

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~~The City Council may establish further limits on the types of securities in which the City may invest its idle cash. Any investment security (except investment of bond proceeds as explained in the next section) not listed below is not a valid investment for the City of Beaumont.~~

~~1. Local Agency Investment Fund (LAIF) Investments. LAIF is a~~

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**City of Beaumont
Statement of Investment Policy**

~~special fund of the State of California Treasury that local agencies may use to deposit funds for investment. Investments by the State Treasurer for City funds in LAIF are authorized by the City Council. State law prohibits LAIF from impounding any depositor's funds and prohibits the fund from ever declaring bankruptcy~~

~~2. **United States Debt Obligations.** These investments would include U.S. Government direct obligations such as Treasury bills, bonds, notes and other certificates of indebtedness where the full faith and credit of the United States are pledged for payment of principal and interest.~~

~~3. **United States Agency Debt Obligations.** These investments include obligations, participations or other instruments of, or issued by, a Federal Agency or a United States Government Credit Bank (FFCB) or other obligations or other instruments issued by, or fully guaranteed as to principal and by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association (FNMA). While these U.S. Government debt issues are not backed by the full faith and credit of the United States, they do in fact have defacto backing from the Federal Government, and it would be most unlikely that the government would let any of these agencies default on its obligations.~~

~~4. **Repurchase Agreements.** These agreements would be limited to U.S. Government or its authorized Agencies' securities described in Number 2 and Number 3 above, provided that they are held less than a year.~~

~~5. **Negotiable Certificates of Deposit (CD).** A Certificate of Deposit (CD) is a time deposit with a specific maturity evidenced by a certificate. Certificates of Deposit must be issued through financial institutions insured by the Federal Deposit Insurance Corporation (FDIC), a federal agency of the United States Government that insures bank deposits up to \$250,000 per account~~

~~6. **Pass Book Savings Account Demand Deposits.** Savings accounts are hereby approved by the Beaumont City Council provided they are maintained only with banks and savings and loan institutions which are insured by the Federal Deposit Insurance Corporation (FDIC), a federal agency of the United States Government that insures bank deposits up to \$250,000 per account.~~

~~7. **Overnight Repurchase Agreements.** The City is authorized by the City Council to set up a "sweep account" and to enter into an overnight repurchase agreement with an authorized bank to sweep cash from its checking accounts and other appropriate accounts to earn~~

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**City of Beaumont
Statement of Investment Policy**

~~overnight interest on funds in these funds.~~

~~8. **State Obligations CA and Others.** The City is authorized by the City Council to purchase State Obligations that fall within the allowable limits of the State Government Code and within the objectives of the City of Beaumont's Investment Policy.~~

~~9. **CA Local Agency Obligations.** The City is authorized by the City Council to purchase CA Local Agency Obligations that fall within the allowable limits of the State Government Code and within the objectives of the City of Beaumont's Investment Policy.~~

~~10. **Joint Powers Authority Pool.** The City is authorized by the City Council to invest in Joint Powers Authority Pools as long as they meet the criteria within the State Government Code and within the objectives of the City of Beaumont's investment Policy and would require that statement 10 of this policy is followed prior to entrance into such investment pool.~~

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~~11. **Money Market Mutual Funds.** The City is authorized by the City Council to invest in Money Market Mutual Funds whose portfolios consist entirely of U.S. government securities and would require that statement 10 of this policy is followed prior to entrance into such mutual fund.~~

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~~12. **Commercial Paper Pooled Funds.** Commercial paper is a money-market security issued by large corporations to obtain funds to meet short-term debt obligations and is backed only by an issuing bank or company promise to pay the face amount on the maturity date specified on the note. It is usually sold at a discount of face value. State Government Code requires that only the highest letter and number rating by a nationally recognized statistical ratings organization are allowed.~~

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~~13. **CDARS Program.** A CDARS program is a CD-laddering portfolio that allows investing with a relationship institution for different maturity levels of CDs. Despite using multiple banks, the program will submit one statement which makes administration simple.~~

~~**10. Investment Pools/Mutual Funds**~~

~~A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:~~

- ~~1. A description of eligible investment securities, and a written statement of investment policy and objectives.~~
- ~~2. A description of interest calculations and how it is distributed, and how gains and losses are treated.~~

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City of Beaumont Statement of Investment Policy

~~A description of how the securities are safeguarded (including the settlement process), and how often the~~

~~13. Security Safekeeping and Delivery Procedures~~

- ~~3. **Third-Party safekeeping:** To protect against fraud, embezzlement, or losses caused by collapse of an individual securities dealer and to enhance access to securities are priced and program audited.~~
- ~~4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.~~
- ~~5. A schedule for receiving statements and portfolio listings.~~
- ~~6. Are reserves, retained earnings, etc. utilized by the pool/fund?~~
- ~~7. A fee schedule, and when and how is it assessed.~~
- ~~8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?~~

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~~11. Investment of Bond Proceeds~~

~~The City directs the investment of proceeds in bonds or similar debt instruments issued as instructed in the bond indenture or similar investment documents. Bond proceeds are not eligible as a part of the City's pooled funds. Securities authorized by the bond indenture or similar investment documents that are not authorized by the City's Investment Policy will be considered approved when the bond indenture or similar investment document is approved by the City Council. Bond reserve funds, eserow funds and any funds approved by the City Council may be invested in securities with maturity limits of five years or an appropriate longer period. When possible, the bond indenture shall provide any specific restrictions or limitations on either the nature or the duration of the investments, and should be the governing document.~~

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~~12. Safekeeping and Custody~~

~~1. **Custody.** To protect against potential losses by the collapse of individual securities dealers interest payments, all securities owned by the City shall be held in safekeeping by a third-party bank trust department acting as agent for the City under the terms of a eustody agreement executed by the bank and the City. duly executed custody agreement. In connection with the City's annual independent audit, securities held in custody are audited to verify investment holdings. No outside broker/dealer or advisor may have access to the City funds, accounts or investments, and any transfer of funds to or through an outside broker/dealer must be approved by the City Council.~~

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~~2. **Delivery-Versus-Payment:** All trades of marketable securities shall be cleared and settled on a standard delivery-versus-payment ("DVP") basis to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.~~

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~~14. Internal Control. Controls~~

**City of Beaumont
Statement of Investment Policy**

A system of internal controls has been established to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or unanticipated changes in financial markets. Internal controls deemed most important include control of collusion, separation of transaction authority from accounting and record keeping, custodial safekeeping, avoid of physical delivery of securities, clear delegation of authority to subordinate staff members, written confirmation of transactions for investments and wire transfers and development of a wire transfer agreement with the lead bank and third-party custodian. Furthermore, an independent analysis by an external auditor shall be conducted annually to review internal control, account activity, and compliance with policies, procedures, and applicable laws.

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15. Authorized Investments

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The investment of City funds shall be made in accordance with Sections 53600 et seq. of the California Government Code and in accordance with this Investment Policy. Permitted investments for the City shall include the following security types and related credit quality, maturity, and diversification constraints.

1. Municipal Bonds: Bonds issued by the City, the State of California, any other of the 49 states in addition to California, and any local agency within the state of California. This authorization includes the ability to invest in obligations payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or any local agency in the state of California or by a department, board, agency, or authority of a state or any local agency in the state of California.

Credit Quality: Securities in this category shall have a minimum credit rating of A (or its equivalent) by at least one nationally recognized statistical rating organization at the time of purchase.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the portfolio may be invested in any single issuer. No more than 30% of the portfolio may be invested in this category.

2. U.S. Treasury Obligations: United States Treasury bills, notes, bonds, and certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

Credit Quality: No minimum credit rating required for securities in this category.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: There are no dollar or percentage limits on securities in this category.

3. Federal Agency and Government Sponsored Enterprise Obligations: Federal agency or United States government-sponsored-enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

Credit Quality: No minimum credit rating required for securities in this category.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: There are no dollar or percentage limits individual issuers in this category.

4. Commercial Paper: Commercial paper of "prime" quality and issued by a corporation organized and operating in the United States with total assets of at least \$500 million.

Credit Quality: Securities in this category must be rated "A-1" (or the equivalent) or higher by at least one nationally recognized statistical rating organization. In addition, debt other than commercial paper

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**City of Beaumont
Statement of Investment Policy**

(if any) issued by corporations in this category must be rated at least "A" (or the equivalent) or better by at least one nationally recognized statistical rating organization.

Maximum Maturity: 270 days at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the City's portfolio may be invested in any single issuer of commercial paper. For purposes of this issuer limitation, holdings of commercial paper and medium-term notes of a single issuer shall be limited to 10% of total portfolio assets. No more than 25% of the total portfolio may be invested cumulatively in commercial paper or asset-backed commercial paper as defined in Section 6, below. No more than 10% of the outstanding commercial paper of any single issuer may be purchased.

- 5. **Asset-Backed Commercial Paper:** Asset-Backed Commercial paper of "prime" quality and issued by an entity organized within the United States as a special purpose corporation, trust, or limited liability company.

Credit Quality: Securities in this category must be rated "A-1" (or the equivalent) or higher by at least one nationally recognized statistical rating organization. In addition, the issuing entity must have programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.

Maximum Maturity: 270 days at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the City's portfolio may be invested in any single issuer of commercial paper. For purposes of this issuer limitation, holdings of commercial paper and medium term notes of a single issuer shall be limited to 10% of total portfolio assets. No more than 25% of the total portfolio may be invested cumulatively in asset-backed commercial paper or commercial paper as defined in Section 5, above. No more than 10% of the outstanding commercial paper of any single issuer may be purchased.

- 6. **Federally Insured Time Deposits:** Non-negotiable certificates of deposit in state or federally chartered banks, savings and loans, or credit unions.

Credit Quality: Securities in this category shall be limited to the maximum amount covered by federal deposit insurance.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the portfolio may be invested in any single issuer of non-negotiable or negotiable certificates of deposit. No more than 15% of the portfolio may be invested in any combination of non-negotiable certificates of deposit as set forth in subsections 6, 7, and 8 hereto. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit.

- 7. **Collateralized Time Deposits:** Non-negotiable certificates of deposit in state or federally chartered banks, savings and loans, or credit unions in excess of federal deposit insurance limits which are fully collateralized in accordance with state law.

Credit Quality: Securities in this category exceeding federal deposit insurance limits shall be collateralized in accordance with state law and be issued by institutions which have long-term debt obligations rated "A" (or the equivalent) or better and short-term debt obligations, if any, rated "A1" (or the equivalent) or better by at least two nationally recognized statistical rating agencies.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

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**City of Beaumont
Statement of Investment Policy**

Diversification: No more than 5% of the portfolio may be invested in any single issuer of non-negotiable or negotiable certificates of deposit. No more than 15% of the portfolio may be invested in any combination of non-negotiable certificates of deposit as set forth in subsections 7, 8, and 9 hereto. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit.

- 8. Certificate of Deposit Placement Services:** Non-negotiable certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that that uses a private sector entity to assist in the placement of deposits (e.g., CDARS).

Credit Quality: The full amount of each deposit and the interest that may accrue on each such deposit shall at all times be insured by federal deposit insurance.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the portfolio may be invested in any single issuer of non-negotiable or negotiable certificates of deposit. No more than 15% of the portfolio may be invested in any combination of non-negotiable certificates of deposit as set forth in subsections 7, 8, and 9 hereto. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit.

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

Credit Quality: Securities in this category exceeding federal deposit insurance limits shall be issued by institutions which have long-term debt obligations rated "A" (or the equivalent) or better and short-term debt obligations, if any, rated "A-1" (or the equivalent) or better by at least two nationally recognized statistical rating agencies.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the portfolio may be invested in any single issuer of non-negotiable or negotiable certificates of deposit. No more than 30% of the portfolio may be invested in any combination of non-negotiable or negotiable certificates of deposit.

- 10. Repurchase Agreements:** Repurchase agreements with specific terms and conditions may be transacted with banks and brokers. Such investments must be subject to a "Master Repurchase Agreement" substantially in the form developed by the Securities Industry and Financial Markets Association ("SIFMA").

Credit Quality: Repurchase agreements shall be collateralized with U.S. Treasury and Federal Agency securities (as authorized herein) maintained at a value of at least 102% of the market value of the repurchase agreement. Securities used as collateral for repurchase agreements shall be delivered to the City's custodian bank.

Maximum Maturity: 1 year at the time of entry.

Diversification: There are no dollar or percentage limits on securities in this category.

- 11. Medium-Term Corporate Notes:** Medium-term corporate notes shall mean all corporate and depository institution debt securities issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

**City of Beaumont
Statement of Investment Policy**

Credit Quality: Securities in this category shall be rated in the "A" category or better by at least two nationally recognized statistical rating organizations at the time of purchase.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 5% of the portfolio may be invested in any single issuer. No more than 10% of the total portfolio may be invested in the commercial paper and medium-term notes of a single issuer. No more than 30% of the portfolio may be invested in this category.

- 12. Money Market Mutual Funds:** Money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15U.S.C. Sec. 80a-1 et seq.) meeting the credit quality requirements set forth below or retaining an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

Credit Quality: Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

Maximum Maturity: No maturity restrictions apply.

Diversification: No more than 20% of the portfolio may be invested in this category.

- 13. Mortgage Pass-Through and Asset-Backed Securities:** Mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bonds meeting the requirements set forth below.

Credit Quality: Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: With the exception of obligations issued by Federal Agencies and Government Sponsored Enterprises as specified in subsection 3 hereto, no more than 5% of the portfolio may be invested in any single issuer. No more than 10% of the total portfolio may be invested in this category.

- 14. State of California Local Agency Investment Fund:** The State of California Local Agency Investment Fund ("LAIF") managed by the State of California Treasurer's Office.

Credit Quality: No credit rating requirements exist for LAIF. In addition, should LAIF invest in securities or instruments prohibited or not specifically authorized by the City's Investment policy, the City is not prohibited from investing in LAIF provided sufficient information is available to allow the City to understand the risks associated with investing in LAIF.

Maximum Maturity: No maturity restrictions apply.

Diversification: The City may invest up to the maximum amount permitted by California state law.

- 15. Joint Powers Authority Pools:** Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities authorized by California Government Code Section 53601 subdivisions (a) to (r), inclusive, and that has retained an investment adviser that is registered or

**City of Beaumont
Statement of Investment Policy**

exempt from registration with the Securities and Exchange Commission having not less than five years of experience investing in the securities and obligations authorized by California Government Code Section 53601 and having at least five hundred million dollars (\$500,000,000) under management.

Credit Quality: There are no credit rating requirements for Joint Powers Authority Pools.

Maximum Maturity: No maturity restrictions apply.

Diversification: The City may invest up to the maximum amount permitted by California law.

16. **Supranational Securities:** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank eligible for purchase and sale within the United States.

Credit Quality: Securities in this category shall be rated in the "AA" category or better by at least one nationally recognized statistical rating organizations at the time of purchase.

Maximum Maturity: Five years at the time of purchase as measured by the settlement date.

Diversification: No more than 10% of the portfolio may be invested in any single issuer. No more than 15% of the portfolio may be invested in this category.

Bond Proceeds: Proceeds arising from the issuance of debt shall be invested in accordance with the provisions of their governing bond documents and in a manner consistent with the City's general investment philosophy as outlined in this Investment Policy. ~~Bond proceeds are not eligible as a part of the City's pooled funds.~~

~~**Delivery vs. Payment.** All trades where applicable executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities are held by a third party custodian as evidenced by safekeeping receipts.~~

~~13. Securities authorized by the bond indenture or similar investment documents that are not authorized by the City's Investment Policy will be considered approved investments for bond proceeds when the bond indenture or similar authorizing document is approved by the City Council. Bond reserve funds, escrow funds and any funds approved by the City Council may be invested in securities with maturity limits of five years or an appropriate longer period. The bond indenture shall provide any specific restrictions or limitations on either the nature or the duration of the investments and should be the governing document.~~

Note on Credit Quality Requirements: Should the credit rating of a security owned by the City be downgraded to a level below that required by this Investment Policy, the City will review the credit situation and determine if such securities should be sold or retained in the portfolio based upon its remaining term to maturity, the credit outlook for the issuer, and other relevant facts and circumstances. If the decision is made to retain a downgraded security, it will be closely monitored by the City and reported on quarterly to the Finance Committee.

Note on Maximum Maturity Limitation: The five-year maturity limitation of this Investment Policy shall be measured as of the transaction settlement date. In accordance with section 53601 of the California Government Code, this five year maturity limitation may be extended if deemed prudent by the Investment Officer and provided that the City Council has approved such investment either specifically or as part of an investment program approved by the legislative body no less than three months prior to the investment.

Note on Diversification Requirements: The diversification requirements set forth above relating to the

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**City of Beaumont
Statement of Investment Policy**

maximum allowable percentage for a particular issuer or investment type shall apply at the time of purchase. Due to fluctuations in the aggregate invested balance, these maximum percentages may be exceeded from time to time and shall not require liquidation to realign the portfolio. However, consideration should be given to this matter when future purchases are made.

Note on Other Requirements: Should any investment fall out of compliance with any other guidelines of this policy after its purchase, the City will review the situation and determine if such securities should be sold or retained in the portfolio based upon its remaining term to maturity, the credit outlook for the issuer, and other relevant facts and circumstances. If the decision is made to retain such a security, it will be closely monitored by the City and reported on quarterly to the Finance Committee.

16. Prohibited Investments and Practices

Provided below are certain prohibited investments and investment practices intended to help safeguard invested balances.

1. In accordance with California Government Code section 53601.6, investments in inverse floaters, range notes, mortgage-derived interest-only strips are prohibited. In addition the purchased of any security that could result in zero interest accrual if held to maturity is also prohibited except for the purchase securities issued or backed by the United States government in the event of, and for the duration of, a period of negative market interest rates
2. Investments not specifically described herein are prohibited.
3. The purchase or sale of securities on margin is prohibited.
4. The purchase of securities denominated in foreign currencies is prohibited.
5. The purchase or sale of securities done solely to speculate on the direction of future interest rates is prohibited.

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, any such monies shall be reinvested only as provided for in this policy.

17. Managing Portfolio and Investment Risks

Safety of principal is the foremost investment objective of the City. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker/dealer default, or erosion of market value. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio, it must be recognized that occasional measured losses are inevitable and must be considered within the context of the overall portfolio’s investment return, provided that adequate diversification has been implemented. The City shall seek to preserve principal by mitigating credit risk and market risk as set forth below.

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

1. Adhering to the diversification requirements set forth in Section XIII of this policy which limit the amount of the total portfolio that may be invested in any single issuer.
2. Utilizing an active management strategy that allows for the sale of securities prior to their scheduled

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**City of Beaumont
Statement of Investment Policy**

maturity dates for purposes of improving the portfolio's credit quality, liquidity, yield, or return profile in response to changing market conditions or City circumstances.

3. Reviewing downgraded securities. Should the credit rating of a security owned by the City be downgraded to a level below that required by this Investment Policy, the City will review the credit situation and determine if such securities should be sold or retained in the portfolio based upon its remaining term to maturity, the credit outlook for the issuer, and other relevant facts and circumstances.
4. Monitoring any downgraded securities. If the decision is made to retain a downgraded security, it will be closely monitored by the City and reported on quarterly to the Investment Committee.

Mitigating Interest Rate Risk: Market risk is the risk that the value of a security or portfolio will fluctuate due to changes in the general level of interest rates. The City understands that while longer-term portfolios have the potential to generate higher investment returns over time, they also exhibit a greater volatility of return. In addition, the City further recognizes certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded call options, will affect the market risk characteristics of the portfolio differently. Accordingly, the City will mitigate market risk by adopting the following strategies:

1. The City shall maintain sufficient balances in short-term investments to provide liquidity for expected and contingent expenditures thereby limiting the need to sell securities prior to maturity. Liquidity funds shall be maintained in short-term investments such as LAIF, deposit accounts collateralized in accordance with state law, and money market funds and instruments with minimal market risk.
2. Longer-term securities shall be scheduled to mature in advance of known expenditure requirements whenever possible.
3. The City shall avoid the purchase of securities for the sole purpose of short-term speculation.
4. The maximum stated final maturity of any security in the portfolio shall be five years, except as otherwise stated in this Investment Policy.
5. The maximum percentage of callable securities (excluding securities with "make whole" call provisions) held in the portfolio shall be 20%.
6. The weighted average duration of the actively managed portion of the portfolio, i.e. non liquidity funds, shall be maintained in a range of +/- 25% the duration of a market benchmark as selected by the City based upon the City's risk tolerances and investment objectives.

18. Performance Standards & Evaluation

Consistent with the City's circumstances and risk tolerances, the investment performance objective for the managed portfolio shall be to earn a total rate of return over market cycles that is approximately equal to the return on the City's chosen benchmark index.

19. Reporting and Disclosure

In accordance with Government Code Section 53646(8)(1), the City Treasurer shall submit to the Finance Committee a quarterly report that will then be taken to the City Council. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for the City of Beaumont by third party contract managers. The report will also include the source of the portfolio valuation. As specified in Government Code 53646(e), if all funds are placed in the Local Agency Investment Fund (LAIF), FDIC insured accounts and/or county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been in full compliance with the investment policy, and, (2) the City of Beaumont will meet its expenditures obligations within the cash flow needs.

14. Investment

20. Policy Review and Adoption and Review

~~The City's independent certified public accountants annually review and make recommendations regarding the City's investment policies to the City Manager and City Council. City of Beaumont's investment policy shall be adopted by resolution of the City Council on, at minimum, an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return as well as its relevance to current law and financial and economic trends.~~ In accordance with Senate Bill 564 and Senate Bill 866, effective January 1, 1996, the City staff brings forward each year the City's Investment Policy for review by the City Council. Any amendments to the policy shall be forwarded to City Council for approval.

15. Glossary

Active investment management. An investment management strategy that involves the active trading of securities in an attempt to earn above-average returns on a portfolio. Active investment management requires frequent monitoring of financial markets with the investor taking positions on key market variables in an attempt to "beat" the market.

Arbitrage. The simultaneous purchase and sale of similar assets in order to profit from a price difference between the two assets, such as stocks, bonds, commodities, and currencies. In public finance, the term is commonly used to refer to the investment of bond proceeds in taxable instruments to increase investment income.

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Arbitrage rebate. The federal government has imposed restrictions that prohibit an issuer from retaining arbitrage profits when investing bond proceeds at a yield that exceeds the yield on the bonds. The profit is rebated to the federal government.

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

Benchmark. A benchmark is a composite of securities with specific characteristics such as credit, asset, and maturity. Investors can use a benchmark as a measure to compare the performance of their own portfolio.

Benchmarking. Benchmarking, also known as indexing, is a passive investment management approach in which an investor generally creates a portfolio that strives to achieve a return and risk profile similar to a benchmark or an index.

Certificate of deposit (CD). A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

Collateral. Underlying securities that are pledged to secure deposits of public funds. Also used in conjunction with repurchase agreements to protect the entity from default by the counterparty.

Coupon. (a.) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

Custody. The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

Delivery-versus-payment (DVP). A settlement procedure where payment for securities purchase is made simultaneously with the transfer of the purchased securities. The same procedure applies for a securities sale; the securities are transferred as payment is made. This procedure ensures that funds are released upon receipt of securities, thus protecting the government's assets.

Derivative instrument. A security that derives its value from an underlying asset, group of assets, reference rate, or index value. Some derivative instruments can be highly volatile and result in a loss of principal in changing interest rate environments.

Diversification. Dividing investment funds among a variety of securities offering different risk characteristics and independent returns to reduce risk in a portfolio.

Generally accepted accounting principles (GAAP). The criteria normally used by independent auditors to assess whether financial statements are "fairly presented."

Governmental Accounting Standards Board (GASB). The standard-

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setting body responsible for setting GAAP for state and local governments since 1984.

Leverage. Using borrowed funds for investment purposes or an attempt to increase the rate of return on a investment by buying securities on margin. This practice can be risky if interest rates rise or if investment yields are lower than expected.

Liquidity. A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked price is narrow and reasonable size can be done at those quotes. Local Government Investment Pool (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

Marking-to-market. The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.

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

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

Passive investment management. An investment strategy where securities are bought with the intention of holding them to maturity or to mimic a benchmark or an index with the goal of achieving an average market rate of return.

Portfolio. Collection of securities held by an investor.

Primary dealer. A primary dealer is a bank or securities broker-dealer that trades in the U.S. government securities with the Federal Reserve Bank of New York (FRBNY). It is through the FRBNY Open Market Desk that the Federal Reserve System ("Fed") implements monetary policy. A firm may become a primary dealer by meeting certain requirements, such as minimum capital adequacy standards. Some governments only conduct investment transactions with primary dealers because of these capital standards.

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

Rate of return. The amount of income received from an investment, expressed as a percentage. A market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

Regional dealer. Regional dealers are also referred to as "secondary" or "non-primary" dealers. These are all the firms

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that are not designated as "primary". These firms do not trade directly with the FRBNY. Many firms, ranging in size, capitalization, as well as product focus, fall in this category.

Repurchase agreement (repo). A transaction in which a holder of securities sells those securities to an investor with an agreement to repurchase those securities for a fixed price at an agreed-upon date. A master repurchase agreement is a written contract governing all future transactions between the parties and seeks to establish each party's rights in the transactions.

Reverse repurchase agreement. The opposite of a repurchase agreement. The investor owns the securities or collateral and a bank or dealer temporarily exchanges cash for the collateral for a specified period of time at an agreed-upon interest rate.

Safekeeping. A procedure where securities are held by a third party acting as custodian for a fee.

Securities and Exchange Commission (SEC). The Securities and Exchange Commission is a U.S. government agency having primary responsibility for enforcing the federal securities laws and regulating the securities industry.

SEC Rule 15c3-1. See Uniform Net Capital Rule.

Securities lending. Similar to a reverse repurchase transaction. Financial institutions offer to lend securities owned by institutional clients to brokers in exchange for collateral (typically cash), which is reinvested at a higher rate. The resulting proceeds are split between the client and the lending agent (financial institution).

STRIPS. Securities created by separating the principal and interest portions of bonds, such as 30-year Treasuries, or pools of mortgage-backed securities.

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

Treasury Bonds. Long-term coupon-bearing discount security issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

Total return. Interest income plus capital gains (or minus losses) on an investment.

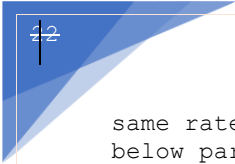
Uniform net capital rule. Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Yield. The percentage return on an investment; also called return. There are several yield calculations that can be made, such as yield to maturity, the promised return assuming all interest and principal payments are made and reinvested at the

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same rate taking into account price appreciation (if priced below par) or depreciation (if priced above par), or yield to call, the yield an investor will receive if the security is called prior to maturity.

~~EXHIBIT A — ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2020) APPLICABLE TO ALL LOCAL AGENCIES~~

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

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