

RESOLUTION NO. 98-56

A RESOLUTION OF THE RIDGECREST CITY COUNCIL TRANSFERRING FUNDS UNAPPROPRIATED AS OF JUNE 30, 1998 TO THE CONTINGENCY RESERVE ACCOUNT, AFFIRMING THE INVESTMENT POLICY, ADOPTING THE APPROPRIATIONS LIMIT, AND AUTHORIZING EXECUTION OF EXPENSES FOR FY 1998/99

BE IT RESOLVED BY THE RIDGECREST CITY COUNCIL as follows:

Section 1. Contingency Reserves

The City has previously established a contingency reserve account for each discrete fund of the City. The continued existence of such contingency reserve account is hereby affirmed.

All monies previously appropriated to any fund of the City which are not expended as of June 30, 1998, shall be appropriated to the contingency reserve account of each respective city fund.

Monies previously and currently appropriated to the various contingency reserve accounts shall be expended during future fiscal years first to avoid borrowing pending receipt of tax revenues and then for unusual and necessary expenses chargeable to each of the various respective funds prior to the expenditure of appropriations for the current fiscal year, provided, monies appropriated to a contingency reserve account shall not be expended as aforesaid to the extent that the appropriations to a contingency reserve account are being accumulated to provide reserves for emergencies, other unforeseen contingencies, specific capital projects, or other property acquisitions.

Section 2. Investment Policy

The investment policy heretofore adopted by the City on April 3, 1985 be and the same is hereby reaffirmed and readopted, as amended, for the fiscal year commencing July 1, 1998. See Exhibit "A".

Section 3. Proceeds of Taxes Appropriations Limit

The appropriations limit for proceeds of taxes is calculated by using either the City's or the County's population growth. The use of the County's growth for fiscal year 1998-1999 limit is hereby adopted.

The appropriations limit is also calculated by using either the change in

Resolution No. 98-56

Page 2

California per capita income or the increase in local nonresidential assessed valuation due to new construction. The County's computer system has been unable to provide the latter. Therefore, the use of the California per capita income factor is hereby adopted, reserving the right to recalculate and amend the appropriations limit once the County can provide the alternative data.

Based on the above factors, the appropriations limit for proceeds of taxes for fiscal year 1998-1999 is hereby adopted at \$9,497,437.00.

Departments are hereby authorized to execute expenses for the fiscal year commencing July 1, 1998

APPROVED AND ADOPTED this 15th day of July, 1998 by the following vote:

AYES: Mayor Lalor, Council Members Auld, Carter, and Morgan

NOES: None

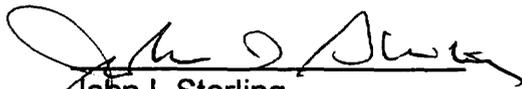
ABSTAIN: None

ABSENT: None



William R. Lalor, Mayor

ATTEST:



John I. Sterling
City Clerk

Exhibit A

INVESTMENT POLICY FOR PUBLIC FUNDS

1. Purpose

This statement is intended to provide direction for the investment of the City's temporary idle cash under the prudent man rule. Civil code Section 2261, et seq. States in part "in investing... for the benefit of another, a trustee shall exercise the judgement and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of their own affairs..."

2. Objectives

The City strives to maintain the level of investment of all idle funds as near 100% as possible, through the optimum operation of its cash management system which is designed to accurately monitor and forecast expenditures and revenue. The City attempts to obtain the highest yield on its investments consistent with preservation of principal and liquidity and consistent with the cooperation of the City's operating departments in avoiding sudden cash withdrawals, loss of interest and possible penalties.

3. Delegation of Authority

The City invests in the spectrum of instruments allowable under the Government Code Section 53600 et seq. of the State of California. The City Council has delegated, by resolution, the authority to invest to the City Treasurer, subject to the limitations set forth in the Investment Policy. The City shall hold its public funds investor harmless for responsible transactions undertaken in accordance with the Investment Policy.

4. Investment Strategy

To maximize returns, the economy and various markets are monitored carefully in order to assess the probable course of interest rates. The City lengthens its maturities when rates are falling and shortens maturities are rising. The City attempts to take advantage of imperfections in the market where a security's price is out of line with other investments, and tries to improve yields during contracyclical changes in interest rates and through the purchase of occasional odd lots which are offered at bargain prices.

5. Investment Instruments

The City invests in the following investment instruments as approved by the California Government Code:

Securities of the U.S. Government, or its Agencies.

Local Agency Investment Fund (State of California) Demand Deposits

Certificates of Deposit (Time Deposits) placed with commercial banks and savings and loan companies.

Bankers Acceptances.

Re-purchase Agreements.

Passbook Saving Account Demand Deposits.

Other investments that are, or may become, legal investments through the State of California Government Code and with prior approval of the city Council.

6. Policy Criteria for Selecting Investments, in Order of Priority

A. Safety

Safety and the minimizing of risk associated with investing refers to attempts to reduce the potential for loss of principal, interest or a combination of the two. The first level of risk control is found in state law which restricts the particular type of investments permissible for municipalities. The second level of risk control is reduction of default risk by investing in instruments that appear upon examination to be the most credit worthy. The third level of risk control is reduction of market risk by investing in instruments that have maturities coinciding with planned dates of disbursement, thereby eliminating risk of loss from a forced sale.

B. Liquidity

Liquidity refers to the ability to easily sell at any time with a minimal risk of losing some portion of principal or interest. Liquidity is an important quality for an investment to have, for at any time the City may have unexpected or unusual circumstances that result in larger disbursements than expected, and some investments may need to be sold to meet the contingency. Most investments of the City are highly liquid, with the exception of Time Certificates of Deposits issued by banks and savings and loan companies. Maturity dates for Time Certificates of

Deposits shall be selected in anticipation of disbursement needs, thereby obviating the need for forced liquidation or lost interest penalties.

C. Yield

Yield is the potential dollar earnings an investment can provide, and also is sometimes described as the rate of return. The City attempts to obtain the highest yield possible when selecting an investment, provided that the criteria stated in the Investment Policy for safety and liquidity are met.

7. Policy Constraints

The City operates its investment program with many State and self-imposed constraints. It does not speculate; it does not buy stocks or corporate bonds; it does not deal in futures or options; it does not purchase on margin through Reverse Re-purchase Agreements. Investments of over one year will be avoided as the market risk involved outweighs the potential for higher interest income (particularly in connection with securities of the U.S. Government, or its agencies). The weighted average life of the portfolio is maintained within limits dictated by the cash flow needs of the City. The City diversifies its investment to reduce potential default on market risks. The portfolio is carefully monitored to assure the prudent management of the portfolio.

8. Selection of Investment Contacts

The City determines those firms (broker, broker/dealers, banks, and savings and loans) with which it will do investment business based on the following criteria:

- A. Being authorized under California Government Code Section 53635.5 to transact investments within local agencies.
- B. Receipt of a positive, audited financial statement.
- C. Being in business for a minimum of seven years as evidence of minimum experience.

9. Safekeeping

Securities purchased from broker/dealers (if any) shall be held in third party safekeeping by the trust department of the City's bank or other designated third party trust, in the City's name and control.

10. Investment Controls

The City has a System of Internal Investment Controls and a Segregation of Responsibilities of Investments Functions. All requests for investment transactions are over the signatures of any two of the following four city officials: 1) Treasurer, 2) Parks and Recreation Director, 3) City Administrator, 4) Mayor.

In the absence of the City Treasurer, the Parks and Recreation Director will act as the Treasurer and will make the investment decisions (normally based on the criteria outlined by the Treasurer prior to his departure on business or vacation).

11. Investment Reports

- A. The Treasurer annually renders a Statement of Investment Policy to the City Council for their approval.
- B. The Treasurer renders an investment report at the frequency dictated by state law, to the City Administrator and City Council showing the type of investment, institution, date of maturity, amount of deposit, current market value for all securities with a maturity of more than 12 months, rate of interest, specifying in detail each investment in Re-purchase Agreements, and such other data as may be required by the City.
- C. The Investment Report states its relationship to the Statement of Investment Policy by indicating each and every instance that there is a divergence from or violation of Policy or stating that the report is in compliance with the approved Statement of Investment Policy.

12. Investment Audits

Annually, the City Council reviews and evaluates the investment program and updates the Statement of Investment Policy. The City's auditor will include in the scope of the audit investments executed, matured, and ongoing. The City's Accountant will assist the Treasurer in confirming the accuracy of his reports and will confirm correlation with City's system of accounts.