



Administrative Services Department

Request for Proposal (RFP)
for
Investment Advisory Services

Issue Date: July 8, 2022

Proposal Due Date: **Friday, August 5, 2022 at 5 P.M.**

RFP COORDINATOR:

Daniel Choe
City of Rocklin
916-625-5020
3970 Rocklin Road, 2nd Floor, Rocklin CA 95677
daniel.choe@rocklin.ca.us

Table of Contents

I.	BACKGROUND	3
II.	INVESTMENT PROGRAM	3
III.	SCOPE OF SERVICES.....	3
IV.	PROPOSAL REQUIREMENTS AND RESPONSE FORMAT	4
V.	SELECTION PROCESS	9
VI.	SUBMITTAL.....	10
VII.	KEY DATES	10
VIII.	GENERAL INFORMATION.....	10
IX.	EXHIBITS	11

I. BACKGROUND

The City of Rocklin is seeking proposals from qualified firms to provide investment advisory services in a comprehensive manner to handle the day-to-day administration of the City's investment portfolio and to provide discretionary investment advisory services to help govern the City's investment portfolio, currently valued at approximately \$100 million.

It is the intent of the City to contract for the services presented herein for a term of three (3) years, with the option to add two (2) additional one-year terms subject to the satisfactory negotiation of terms, including a price acceptable to both the City and the selected firm.

The City is located in South Placer County at the intersection of Interstate 80 and State Highway 65, and is characterized by rolling hill terrain with 360-degree panoramic views of the Sierra Nevada Mountains to the northeast and to the Sutter-Butte mountain range in the West. With an estimated population of 71,600, Rocklin is one of the fastest growing cities in California, with approximately 65% of its growth since 2000. The City is general law city and operates under the council/manager form of government. The people who live and work in the City of Rocklin are the heart of the community and have built a special place for residents and visitors. Rocklin is a preferred location for business and living due to its convenient location, excellent schools, diverse mix of housing, abundant parks and recreational opportunities, and the highest commitment to public safety.

II. INVESTMENT PROGRAM

The City's Investment Policy (Exhibit A) is based on the principles of prudent money management principles and California law relating to the investment of public funds. The primary objective calls for the safety of invested funds. Secondary to safety is sufficiency of liquid cash to meet ongoing obligations. The policy also calls for attaining a market rate of return on its investments.

The City, by way of its investment advisor, purchases investments with the intent to hold until maturity but does not preclude sales before maturity if it can be demonstrated that the transaction will benefit the portfolio. The City's current investment style can be described as passive. Responsibility of the investment program is assigned to the City Treasurer. Exhibit B contains the City's investment report for the quarter ended March 31, 2022.

III. SCOPE OF SERVICES

Specific services to be performed include but are not limited to the following:

1. Manage the City's portfolio with discretionary authority.
2. Assist the City with cashflows/maturity analysis.
3. Provide credit analysis of investment instruments in portfolio.
4. Provide monthly/quarterly/annual reporting of City funds you manage.

5. Attend quarterly meetings (in person or via teleconference) with City staff.
6. Attend biannual Investment Advisory Committee meetings in person or via teleconference
7. Attend City Council meetings in person or via teleconference when necessary or upon request.
8. Evaluate market risk and develop strategies that minimize the impact on the portfolio.
9. Provide assurance of portfolio compliance with applicable policies and laws.
10. Establish an appropriate performance benchmark.
11. Ensure that portfolio structure matches the City's objectives.
12. Perform broker/dealer due diligence and maintain relations with approved security brokers and dealers.
13. Review the City's Investment Policy and make recommendations for change as appropriate.
14. Answer questions from staff and provide general guidance in related areas.
15. Coordinate with the City's third-party custodian for safekeeping of securities.

Investment practices and procedures must comply with state law, the Rocklin Municipal Code, and the City's Investment Policy.

IV. PROPOSAL REQUIREMENTS AND RESPONSE FORMAT

The consultant is responsible for preparing an effective, clear, and concise proposal. In order to be considered for selection, consultant must submit a complete response to this *Request for Proposal* that includes the mandatory information and/or requirements in the following format. Responses must be in the same order as the questions presented, stating acceptance of, modifications or additions to, or a statement of the inability to provide, said service. Failure to provide any of the information requested below may be cause for the proposal to be rejected.

1. RFP cover letter introducing the Firm and the individual who will be the primary contact person. In addition, the cover letter should include:
 - a. Name, address, telephone and fax numbers, and email address of the contact person who will be authorized to make representations for the organization.
 - b. An expression of the proposer's ability and desire to meet the requirements of this RFP, including acceptance of the standard contract terms in Exhibit C.
 - c. The cover letter must be signed by an individual who is authorized to bind the firm contractually.
 - d. A statement affirming that the proposal is a firm offer good for a 120 calendar-day period beginning on August 5, 2022.

2. Firm Background and Organization

- a. Describe the organization, date founded, and ownership of your firm. Has your firm experienced a material change in organizational structure, ownership or management during the past three years and, if so, please describe.
- b. Describe any other business affiliations. Describe your firm's policy on soft dollars.
- c. Describe the firms' sources of revenue, categorized by retail and institutional accounts.
- d. Is your firm a registered investment advisor under the Investment Advisor's Act of 1940 as amended?
- e. Describe any SEC, FINRA, or regulatory censure or litigation involving your firm or its employees within the past three years.
- f. Did you, or will you, pay a finder's fee to any third party for business related to this account? Specify the recipients of any fee.
- g. Outline the errors and omissions (professional liability) and fidelity bond coverage your firm carries. Provide a valid, current Certificate of Insurance.
- h. Identify the types of accounts primarily sought by your firm.
- i. If you are hired, will your firm serve as a fiduciary in your role as an investment adviser to the City while providing the investment management services we are seeking? If no, describe your objections or limitations.

3. Experience

- a. Describe your firm's experience in managing fixed income portfolios for public funds and governmental entities.
- b. What is your firm's experience in developing policies and portfolio management guidelines for government portfolios?
- c. How is your firm compensated for the services it provides? Does your firm act as a broker/dealer, or receive any other form of additional compensation (including soft dollars) for the client transactions aside from the direct fee paid by clients?
- d. Provide the number and types of accounts, total asset value, and composition of portfolios currently being managed by your firm.

4. Personnel

- a. Identify and provide background information on the key person or personnel who take the most active role(s) in the administration and management of the firm.
- b. Identify the investment professionals (portfolio managers, analysts, and researchers) employed by your firm, by classification, and specify the average number of accounts handled by portfolio managers. Are there any established limits on accounts or assets under management?
- c. Provide resumes and biographical information on key investment professionals that will be directly involved in the decision-making process for the portfolio. Include the number of years at your firm, total years of experience, and professional licenses and designations. Include the number of accounts managed and any limits on this.
- d. Describe your firm's training and education efforts to keep portfolio managers informed of developments relevant to government investment managers.
- e. Has there been any turnover of professional staff in the firm in the last three years who were assigned to public sector clients?

5. Assets Under Management

- a. Identify the types of accounts managed by your firm. Provide the total dollar amount and percentage managed (exclude accounts for which your services are providing periodic oversight or advice) for public agency, corporation, and other.
- b. Provide the percentage of assets under management over the past five years separated by short-term, medium-term, long-term non-operating, and non-restrictive funds.

6. Investment Management Approach and Discipline

- a. Briefly describe your firm's investment management philosophy, including your approach to managing governmental portfolios.
- b. How frequently do you formulate and review fixed income strategy? How is that carried out and who is involved?
- c. What are the primary strategies for adding value to portfolios (e.g., market timing, credit research, trading)?
- d. Describe your credit review process. Do your firm assign credit research to specialists? Who reviews portfolio lists for credit approval?
- e. How are portfolios managed (e.g. by team, individual manager)? What is the back-up when the manager is away?
- f. What oversight is provided to portfolio managers?

- g. Describe your firm's in-house technical and research capabilities. Are outside sources used by the firm on a regular basis? Describe your credit review process.
- h. What percentage of your research is conducted in-house? Describe your research capability.
- i. What technical analysis (if any) do you use?
- j. What role does interest-rate forecasting play in your portfolio management strategy?
- k. How will you handle fluctuating cash?
- l. Describe the ongoing daily investment procedures proposed for the City of Rocklin, including procedures for trades, security choice, controls, etc., and how you will provide liquidity.
- m. How frequently would you suggest your staff meet with the Investment Committee or staff? Who will attend these meetings?

7. Reporting

- a. Describe your firm's knowledge of and ability to assist in the compliance with GASB 31 and 40.
- b. Describe the investment accounting and reporting system used by your firm. Is a client portal available? If so, what kind of information is available in the client portal and for how long?
- c. Describe the frequency and format of reports that you would provide to the City of Rocklin. Attach a sample.
- d. What performance benchmarks would you suggest for this portfolio? Provide recommendations regarding performance benchmarks for a portfolio similar to that of the City of Rocklin. What experience has the firm had in developing benchmarks for public operating portfolios?

8. Fees

- a. Provide the complete fee schedule that would apply to this account. Are fees charged in arrears?
- b. What additional expenses not covered through the fee structure will be expected in order to implement your investment advisory services?
- c. If alternative fee schedules could be developed, such as performance fees, describe how you would propose to develop such fee structures.

9. References

- a. List the name, address, telephone number, and email of references from at least three (3) current clients similar in size and scope to the City. Include a brief description of the work provided for each reference. California municipal or county services are preferred. You may offer more than three recent similar services if desired. The references should include the start date of the service and the date of completion for each service, if applicable.

10. Additional Information

- a. Briefly describe any additional features, attributes, or conditions which the City of Rocklin should consider in selecting your firm. Describe any other services your firm can provide.
- b. Provide a copy of your firm's most recent ADV Part II as on file with the SEC.
- c. Provide any contract language your firm requests or requires to be included in a contract for this service.
- d. Describe your firm's business continuity plan, how often it is updated, and what assistance would be available to the government.
- e. Provide a copy of your firm's most recent certified financial statement and audited financial statement.

11. The signature of an authorized individual to bind the firm. The proposal must be a firm offer good for a one hundred twenty (120) calendar-day period beginning on August 5, 2022.

12. Submit one (1) electronic copy of the proposal in PDF format to Daniel Choe via email at daniel.choe@rocklin.ca.us.

13. By submitting a proposal, the Contractor is verifying they have the following insurance coverage:

- a. Commercial General Liability
 - i. City will be named as Additional Insured with all the appropriate endorsements
 - ii. Personal injury & property damage liability
 - iii. Contractual liability,
- b. Independent contractor's liability
- c. Automobile liability insurance
 - i. Minimum combined liability limits of One Million Dollars (\$1,000,000) per

occurrence, and a maximum deductible of Five Thousand Dollars (\$5,000) per occurrence

- d. Workers' Compensation
- e. Professional Liability

V. SELECTION PROCESS

In Accordance with the goals of the City of Rocklin, the following criteria will be used as the weighting basis for evaluation of the proposals and the award recommendation:

1. Understanding of the City's overall investment program, investment objectives and unique constraints;
2. Experience, resources, and qualifications of the firm and individuals assigned to this account;
3. Experience of the firm in managing state/local government portfolios. In evaluating the firm's experience, past performance data will be evaluated in the context of portfolio objectives and constraints, as well as risks;
4. Recommended approach to management of the portfolio;
5. References; and
6. Fees

The respondents understanding of the scope of services required includes demonstrated abilities to coordinate delivery of the services and understanding of the needs and operational requirements of the City of Rocklin.

Award may not be made to the respondent submitting the lowest price proposal. The City of Rocklin will choose the firm submitting the best and most responsive overall proposal to satisfy its needs.

All questions and inquiries must be submitted via email to daniel.choe@rocklin.ca.us. The deadline to submit questions no later than **5 P.M. on July 22, 2022**.

Emails must be clearly labeled in the subject line "**RFP-Investment Advisory Services – Questions**" for convenience purposes. The City reserves the right to decline a response to any questions if, in the City's assessment, the information cannot be obtained and shared with all potential organizations in a timely manner. A summary of the questions submitted, including responses deemed relevant and appropriate by the City, will be shared with all other proposers, but the name of the firm asking the question will be redacted. Responses will be released in the form of an addenda available on the **CITY'S website**, <https://www.rocklin.ca.us/rfps>, by **July 27, 2022**.

VI. SUBMITTAL

Complete written proposals must be submitted via email or via mail in sealed envelopes marked and received no later than 5 P.M. PDT on August 5, 2022, to the address below. Proposals will not be accepted after this deadline. Email to daniel.choe@rocklin.ca.us with the subject line “RFP-Investment Advisory Services” or mail to:

City of Rocklin
Daniel Choe, City Treasurer
3970 Rocklin Road, 2nd Floor
Rocklin CA 95677

VII. KEY DATES

Below is a general timeline outlining the process steps with estimated dates for each step of the RFP process. By participating in the RFP process, proposers agree that they can adhere to the following:

Task	Completion Date
RFP Release Date	July 8, 2022
Deadline for written questions	July 22, 2022
City response to written questions	July 27, 2022
Proposal Due Date	August 5, 2022 at 5 P.M. PDT
Finalist Interviews (if necessary)	Week of August 8, 2022
Contract Negotiations	Week of August 15, 2022

VIII. GENERAL INFORMATION

The City of Rocklin reserves the right to reject any or all proposals and will not be liable for any costs incurred by responding firms relating to the preparation and submittal of proposals, making of initial presentation to the City, negotiating a contract for services, or any other expense incurred by the bidder prior to the date of an executed contract. In addition, no bidder shall include any such expenses as part of the price proposed to conduct the scope of work for this project.

1. Investment Advisors must be currently registered as an Investment Advisor with the Securities and Exchange Commission and remain registered during the term of the contract. If required under California Law, Investment Advisors must also be registered with the California Department of Law and remain registered during the term of the contract. Investment Advisors must have completed, obtained and performed all registrations, examinations, approvals, authorizations, and consents required by any

governmental authority for such engagements.

2. Investment Advisors are required to possess a minimum of five (5) years of experience in providing institutional investment advisory services.
3. Investment Advisors must have at least one billion dollars under advisement.
4. Proposals must be valid for 120 calendar days beginning August 5, 2022.
5. The City reserves the right to expand or diminish the scope of the work subject to negotiation with the successful bidder.
6. The City is not required to select the proposal that may indicate the lowest price or costs. The City expressly reserves the right to reject all proposals at its sole discretion and opinion, without indicating any reason(s) for such rejection. If all proposals are rejected, the City may or may not request additional proposals. The City may withdraw this RFP at any time without advance notice.
7. The successful firm shall defend, indemnify, save and hold harmless the City of Rocklin, its officers, agents, and employees, from any demands, claims, suits, damages, or actions that may be brought by third persons on account of bodily injury or death; personal injury; damage to property or personal interest; or violation of any law, regulation or ordinance; where the third person's loss, demand, claim, suit, damages, or action arises in whole or part out of any negligent or other act or omission of the contracting agency or its officers, employees, and agents, while performing the services agreed to save and except those actions arising out of the sole negligence of the City.
8. The successful firm shall submit appropriate evidence of required insurance coverage, licenses, or permits prior to the effectuation of any contract for services described herein, as required by the City. A copy of the City's Professional Services Agreement is included as Exhibit C, and by submitting a bid a bidder is consenting to abiding by the provisions therein.
9. The successful firm shall not transfer the responsibility for any part of their contractual obligation without prior written approval of the City Manager of the City of Rocklin.
10. The City reserves the right to terminate the agreement upon giving the successful firm a 45-day written notice of termination.
11. In the event it becomes necessary to revise any part of this RFP, addenda will be provided in writing to all consultants receiving the RFP from the City.

Thank you very much for taking your valuable time to respond to this RFP.

IX. EXHIBITS

Exhibit A	City of Rocklin Investment Policy
Exhibit B	Quarterly Treasurer's Report for the Quarter ended March 31, 2022
Exhibit C	Sample Professional Services Agreement

Exhibit A

CITY OF ROCKLIN INVESTMENT POLICY

INTRODUCTION

This statement is intended to outline the policies for the prudent investment of the City's Funds and to provide guidelines for suitable investments.

The ultimate goal is to enhance the economic status of the City while safeguarding its assets.

The City's Cash Management System is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City's investment portfolio shall be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, provided that all investments meet the criteria established for safety and liquidity.

The City's investment policies and practices are based upon Federal, State, and Local laws and prudent money management. The primary goals of these policies are:

1. To assure compliance with all Federal, State and Local laws governing the investment of monies under the control of the Investment Committee.
2. To protect the principal monies entrusted to this Committee.
3. To ensure the investment portfolio remains sufficiently liquid to enable the City of Rocklin to meet all operating requirements which might be reasonably anticipated.
4. To attain a market rate of return on investment within the parameters of this Statement of Investment Policy and the Investment Portfolio Guidelines.

I. SCOPE

It is intended that this policy cover all funds and investment activities under the direct authority of the City in accordance with California Government Code Section 53600 et seq., the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and local laws. Funds included are General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Permanent Funds and Trust Funds. The Investment Portfolio will be referred to hereafter as the "FUND" throughout the remainder of this document.

This policy will not cover bond proceeds obtained from bond issues which are not direct obligations of the City and which are not under the direct authority of the City. The bond proceeds will be invested in accordance with the Bond Indenture Agreement and applicable State and Federal regulations.

II. OBJECTIVES

1. Safety of Principal

Safety of principal is the foremost objective of the City of Rocklin. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The City shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

- A. Credit Risk. Credit risk, defined as the risk of loss due to failure of an issuer of a security, shall be mitigated by investing in only financially sound institutions and by diversifying the Fund so that the failure of any one issuer would not be detrimental to the City's cash flow.
- B. Market Risk. The risk of market value fluctuations due to overall changes in the general level of market interest rates shall be mitigated by limiting the weighted average maturity of the City's Fund to five years. It is explicitly recognized herein that occasional losses in a diversified portfolio are inevitable, and must be considered within the context of the overall investment return.

2. Liquidity

Liquidity is the second most important objective of the City of Rocklin. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. It is important that an investment contain the feature of being easily sold at any time with a minimal risk of loss of some portion of principal or interest.

3. Return of Investment

The City's Fund shall seek to attain a market-average rate of return throughout economic cycles. The market-average rate of return is defined as the average return on two-year U.S. Treasury Notes. Whenever possible, and consistent with risk limitations as defined here, and prudent investment principals, the

Investment Committee shall seek to augment returns above the market average rate of return.

III. PRUDENCE

Investments shall be made in the context of the “Prudent Investor” rule, which states that:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

City employees involved in the investment process, acting in accordance with written procedures and the Investment Policy and exercising due diligence, shall not be held personally responsible for a specific security’s credit risk or market price changes, provided that deviations from expectations are reported in a timely manner and that appropriate action is taken to control adverse developments.

IV. ETHICS AND CONFLICTS OF INTEREST

City employees and the Investment Committee involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the Investment Policy of which could impair their ability to make impartial investment decisions. The Investment Committee and City employees involved in the investment process shall disclose any material financial interests in financial institutions with which the City may conduct business, and they shall further disclose any reportable personal financial/investment positions that could be related to the performance of the City’s portfolio. The Investment Committee and City employees involved in the investment process shall subordinate their personal investment transactions to those of the City, particularly with regard to the timing of purchases and sales.

V. INVESTMENTS

1. AUTHORIZED INVESTMENTS

The City is governed by the California Government Code, Sections 53600 et seq. Within the context of these limitations, the following investments are authorized, as further limited herein:

- A. Bonds issued by the City of Rocklin.

- B. United States Treasury Bills, Notes, Bonds, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the Fund that can be invested in this category as they are both safe and liquid.
- C. Registered state warrants or treasury notes or bonds issued by the State of California.
- D. Registered treasury notes or bonds of any of the other forty-nine United States, in addition to California.
- E. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California.
- F. Obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal Home Loan Mortgage Corporation (FHLMC), the Tennessee Valley Authority, and those fully guaranteed as to principal and interest by the Federal National Mortgage Association (FNMA), or in guaranteed portions of Small Business Administration notes, those insured by the Federal Housing Administration (FHA) or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise. No more than 20% of the market value of the Fund may be invested in obligations issued by federal agencies or United States government-sponsored enterprises. No more than 5% of the of the market value of the Fund may be invested in the obligations of a single federal agency. No more than 5% of the of the market value of the Fund may be invested in callable federal agency securities.
- G. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances. Prime banker's acceptances purchased shall be issued by prime money center banks. Banker's acceptances purchased may not exceed 180 days to maturity or 40% of the market value of the Fund. No more than 5% of the market value of the fund may be invested in banker's acceptances issued by any one bank.
- H. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO), and issued by a domestic corporation having assets in excess of \$500,000,000 and having an "A" or better rating on its long term debentures as provided by a NRSRO. Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10% of the outstanding paper of the issuing corporation. No more than 5% of the market value of the Fund may be invested in commercial paper issued by any one corporation. No

more than 25% of the market value of the Fund may be invested in commercial paper.

- I. Negotiable Certificates of Deposit (NCD) issued by a Nationally or State-Chartered Bank or a State or Federal Savings and Loan Association or by a State licensed branch of a foreign bank. To be eligible for purchase by the City, the amount invested in NCD's shall be subject to the limitations of Section 53638 of the California Government Code. Purchases of NCD's may not exceed 30% of the market value of the Fund. No more than 5% of the market value of the Fund may be invested in NCD's issued by any one institution.
- J. Repurchase Agreements. The City may invest in Repurchase Agreements, on any investment authorized in this section with banks and dealers with which the City has entered into a master repurchase agreement that specifies terms and conditions of Repurchase Agreements and only when California Government Code Section 53601(j) conditions are met. The maturity of Repurchase Agreements shall not exceed 90 days. In order to conform with provisions of the Federal Bankruptcy Code that provides for the liquidation of securities held as collateral for Repurchase Agreements, the only securities acceptable as collateral shall be eligible negotiable certificates of deposit, eligible banker's acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or any agency of the United States. Collateral for Repurchase Agreements will also comply with the requirements of the FIRREA, see Section VII on collateralization. No more than 15% of the market value of the Fund may be invested in Repurchase Agreements. No more than 5% of the market value of the Fund may be invested in Repurchase Agreements issued by any one institution.
- K. Supranationals are United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA-", its equivalent, or better by an NRSRO. No more than 30% of the market value of the Fund may be invested in these obligations.
- L. Local Agency Investment Fund. The City may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the maximum permitted by State law.
- M. Medium-term notes of a maximum of five years maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

Notes eligible for investment shall be rated in a rating category of “A” or its equivalent or better by a nationally recognized rating service. No more than 30% of the market value of the Fund may be invested in medium-term notes. No more than 5% of the market value of the Fund may be invested in medium-term notes issued by any one institution.

- N. Time Deposits. The City may invest in non-negotiable time deposits collateralized in accordance with the California Government Code and the FIRREA, in those banks and savings and loan associations that meet the requirements for investment in negotiable certificates of deposit and in accordance with Sections 53637, 53638, 53648 and 53652 of the California Government Code. Since time deposits are not liquid, no more than 10% of the market value of the Fund may be invested in this category. No more than 5% of the market value of the Fund may be invested in time deposits issued by any one institution.
- O. Shares of beneficial interest issued by diversified management companies, such as mutual funds and money market funds, investing in the securities and obligations as authorized by subdivisions (A) to (M), inclusive, of this section and that comply with the investment restrictions (California Government Code, Section 53600 and Section 53630), Companies shall either:
- i. Attain the highest ranking or the highest letter and numerical rating provided by not less than two of the nationally recognized statistical rating organizations, or
 - ii. Have an investment adviser registered with the Securities and Exchange Commission with not less than five years’ experience investing in the securities and obligations as authorized by subdivisions (A) to (M), inclusive and with assets under management in excess of five hundred million dollars (\$500,000,000). The mutual fund is to be registered with the Federal Securities and Exchange Commission (SEC) and have met the requirements of Rule 2a-7 of the Investment Company Act of 1940. The purchase price of shares of beneficial interest (mutual funds or money market funds) purchased pursuant to this subdivision shall not include any commission that these companies may charge. No more than 15% of the market value of the Fund may be invested in mutual funds. No more than 5% of the market value of the Fund may be invested in mutual funds of any one institution.
- P. Collateralized Obligations. The City may invest in notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed in the California Government Code Section 53651

having a market value at least equal to California Government Code Section 53652. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or Federal regulations applicable to the types of securities in which the security interest is granted. No more than 10% of the market value of the Fund may be invested in Collateralized Negotiable investments. No more than 5% of the market value of the Fund may be invested in Collateralized Negotiable investments of any one institution.

- Q. Mortgage-Backed Securities. The City may invest in mortgage pass-through securities, collateralized mortgage obligations or mortgage-backed bonds of a maximum remaining maturity of five years or less. Securities shall be rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. No more than 20% of the market value of the Fund may be invested in these securities. No more than 5% of the market value of the Fund may be invested in mortgage pass-through securities, collateralized mortgage obligations or mortgage-backed bond issued by any one institution.
- R. Placer County Treasurer's Investment Pool. The City may invest in the Placer County Treasurer's Investment Pool established by the Placer County Treasurer for the benefit of local agencies. No more than 25% of the market value of the Fund may be invested in the Placer County Treasurer's Investment Pool.

2. INELIGIBLE INVESTMENTS

Investments not described herein, including, but not limited to common stocks, inverse floaters, range notes, or mortgage-derived interest-only strips, and any security that could result in zero interest accrual if held to maturity, as specified in Section 53601.6 are prohibited from use in this fund. See Table 1 for summary of above investment percentage limitations.

VI. QUALIFIED DEALERS AND INSTITUTIONS

The City shall transact business only with banks, savings and loans, and registered investment securities dealers. The purchase of any investment by the City other than those purchased directly from the issuer, shall be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the California Corporations Code, or a member of a Federally regulated securities exchange, a National or State-Chartered Bank, a Federal or State Association or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank. The City Treasurer shall review all institutions that wish to do business with the City, in order to determine if they are adequately capitalized, deal in security markets appropriate to the City's needs, and

agree to abide by the conditions set forth in the City of Rocklin's Investment Policy. This will be done periodically as determined by the Investment Committee by having the Financial Institutions complete and return the appropriate questionnaire (See Attachments "A" & "B"), and an audited Financial Statement must be provided. The Investment Committee shall make the final determination as to which institutions are admitted to the "Approved Qualified Institution List." See Attachment "F" for Institution Selection Policy. A written depository agreement will be obtained and retained for all qualified institutions.

Investment Management Services. The City shall also be open to contracting investment management services for a portion of the portfolio. The City Treasurer shall investigate all institutions that wish to do business with the City in order to determine that the firm's performance statistics are comparable with industry averages or benchmarks, deal in security markets appropriate to the City's needs, and agree to abide by the conditions set forth in the City of Rocklin's Investment Policy. This will be done as determined by the Investment Committee by having the Financial Institutions complete and return the "External Money Manager Questionnaire and Certification" (Attachment C). All investments made under contract will be purchased in the City's name and in accordance with the guidelines established by the City's Investment Policy.

VII. COLLATERALIZATION

All demand deposits, time deposits, and repurchase agreements be fully collateralized with securities authorized by the California Government Code Section 53652 and pursuant to Sections 53656 and 53658. Collateralization must comply with the requirements of the FIRREA. FIRREA mandates that a valid security collateral agreement 1) is in writing; 2) was executed by the depository institution and the City contemporaneously with the acquisition of the asset; 3) was approved by the board of directors or loan committee of the institution and reflected in the minutes of that group; and 4) has been an official record of the institution continuously from the time of its execution.

A. Eligible Collateral. Eligible collateral for demand and time deposits must be those investments authorized by the California Government Code Section 53651 and 53652. The eligible collateral for repurchase agreements must be those investments noted in Section V. 1. (J.) above. Eligible collateral must be in book entry form.

B. Collateral Levels. Collateral is valued at current market plus accrued interest through the date of valuation.

1. Demand Deposits and Time Deposits. The market value of collateral pledged for demand deposits and time deposits must at all times be equal

to or greater than the amount on the deposit, plus accrued interest, in accordance with the margin ratios following:

U.S. Treasury Securities.....	110%
U.S. Government Agencies.....	110%
U.S. Government Sponsored Corporations.....	110%
Mortgages (First Deeds of Trust).....	150%
Federal Home Loan Bank of San Francisco Irrevocable Letter of Credit.....	105%

2. Repurchase Agreements. The market value of collateral pledged for repurchase agreements must at all times be equal to or greater than the par amount, plus accrued interest with the margin ratios following:

U.S. Treasury Securities.....	102%
U.S. Government Agencies.....	102%
U.S. Government Sponsored Corporations.....	102%
All other securities permitted by 53601.....	104%
Cash (in immediately available funds).....	100%

The market value of the collateral shall be adjusted no less than quarterly.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. A written master repurchase agreement must be obtained by the City.

C. Monitoring Collateral. It is the policy of the City to require reports at least on a quarterly basis from institutions with whom the City has pledged security interest. The Investment Committee shall monitor the adequacy of collateralization to ensure that balances are collateralized in accordance with the margin ratios approved herein.

VIII. SAFEKEEPING OF SECURITIES

All investment securities owned by the City except securities used as collateral for repurchase agreements, shall be kept in safekeeping with “perfected interest” by a third-party bank trust department, acting as agent for the City under the terms of a written custody agreement executed by the bank and by the City. All securities will be received and delivered using standard delivery versus payment procedures. All securities are to be registered in the City’s name.

Substitution of collateral is permitted as long as the securities meet the City's collateralization requirements and approval.

IX. REPORTING

Monthly Reporting

The Investment Committee shall provide to the City Council a monthly investment report detailing transactions in the City's portfolio as required per California Government Code section 53607.

Quarterly Reporting

The Investment Committee shall render a quarterly report to the 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 twelve months, rate of interest, type and amount of funds under the management of contract investment managers, the Investment Committee's compliance with the statement of investment policy, the ability of the City of meet cash flow needs for the next six months, and such data as may be required by the City Council as required per California Government Code section 53646.

X. INVESTMENT CONTROLS

The Investment Committee has developed a system of internal investment controls and a segregation of responsibilities of investment functions in order to assure an adequate system of internal control over the investment function. An "Investment Transaction Authorization" form will be completed for all investment purchases. See Attachment "D".

XI. DELEGATION OF AUTHORITY

Pursuant to Section 53607 of the California Government Code, the City Council may delegate authority to make all investment decisions for the City's investment portfolio to the City Treasurer.

XII. POLICY ADOPTION

The City's Investment Policy shall be adopted by resolution of the City Council. The Policy shall be reviewed at least annually by the Investment Committee to ensure its consistency with the overall objectives of preservation of PRINCIPAL, LIQUIDITY, AND RETURN, and its relevance to current law, financial and economic trends, and to meet the needs of the City of Rocklin and any modifications made thereto must be approved by the City Council. The City's Investment Policy shall be submitted annually to the City Council.

Attachment "A"

CITY OF ROCKLIN

BANK/SAVINGS AND LOAN QUESTIONNAIRE AND CERTIFICATION

1. Name of Firm _____

2. Address _____

3. Telephone No. () _____ () _____
Local National Headquarters

4. Primary Representative: Manager:
Name _____ Name _____
Title _____ Title _____
Telephone No. () _____ Telephone No. () _____

5. What is the Total Assets of the Bank/Savings and Loan? _____

6. What is the current Net Worth Ratio? _____

7. What was the Net Worth Ratio for the Previous Year? _____

8. What is your required Capital Ratios?
A. Total Risk-Based Capital Ratio _____
B. Tier 1 Risk-Based Capital Ratio _____
C. Tier 1 Leverage Ratio _____

9. What is the date of your fiscal year-end? _____
A. Has there been a year during the past three years in which the Bank/ Savings and Loan did not make a profit? _____

10. Have you read the California Government Code Section 53600 et seq. pertaining to all of the State's requirements governing the deposit of monies by Local Agencies which includes Cities? [] YES [] NO

11. Where is the collateral for Time Deposits of the Bank/Savings and Loan held?

12. How many years of related experience does the Primary Contact(s) have?

- 13. What transaction documents and reports would we receive?

- 14. What information would you provide to the City?

- 15. Describe the precautions taken by your Bank/Savings and Loan to protect the interest of the public when dealing with government agencies as depositors of investors.

- 16. Please provide your Contract of Deposit of Moneys pre-signed and sealed by your institution, as well as, any signature cards that you may require.

- 17. Please provide your Wiring Instructions _____

- 18. Please provide your Banks/Savings and Loan most recent certified financial statements. In addition, audited financial statements must be provided.

--CERTIFICATION --

I hereby certify that I have personally read City of Rocklin's Investment Policy and the California Government Codes pertaining to the investments of the City of Rocklin, and have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the City of Rocklin. All sales personnel will be routinely informed of City of Rocklin's investment objectives, horizon, outlook, strategies and risk constraints whenever we are so advised. We pledge to exercise due diligence in informing City of Rocklin of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.

NOTE: Completion of Questionnaire is only part of City of Rocklin's Certification process and DOES NOT guarantee that the applicant will be approved to do business with the City of Rocklin.

SIGNED: _____

DATE: _____

TITLE: _____

COUNTERSIGNED: _____

DATE: _____

TITLE: _____

Attachment "B"

**CITY OF ROCKLIN
BROKER/DEALER QUESTIONNAIRE AND CERTIFICATION**

- 1. Name of Firm _____
- 2. Address _____
- 3. Telephone No. (____) _____ (____) _____
Local *National Headquarters*
- 4. Primary Representative Manager/Partner-in-Charge

Name _____ Name _____
Title _____ Title _____
Telephone No. _____ Telephone No. _____
No. of Yrs. in Institutional Sales _____ No. of Yrs. in Institutional Sales _____
Number of Years with Firm _____ Number of Years with Firm _____
- 5. Are you a Primary Dealer in U.S. Government Securities?
[] YES [] NO
- 6. Are you a Broker instead of a Dealer, i.e. You DO NOT own positions of Securities?
[] YES [] NO
- 7. What is the debt to equity ratio of your Firm? _____
- 8. What is the date of your Firm's fiscal year-end? _____
- 9. Is your Firm owned by a Holding Company? If so, what is its name and debt to equity ratio? _____

- 10. Please provide your Wiring and Delivery Instructions _____

11. Which of the following instruments are offered regularly by your local desk?

- T-Bills Treasury Notes/Bonds Discount Notes NCD'S
- Agencies (specify) _____
- BAs (Domestic) BAs (Foreign) Commercial Paper
- Mid-Term Notes

12. Which of the above does your Firm specialize in Marketing? _____

13. Please identify your most directly comparable City Local Agency clients in our geographical area.

Entity	Contact Person	Telephone No.	Client Since

14. What reports, transactions, confirmations and paper trail would we receive?

15. Please include samples of research reports or market information that your firm regularly provides to local agency clients. _____

16. What precautions are taken by your Firm to protect the interest of the public when dealing with government agencies as investors.

17. Have you or your Firm been censored or punished by a Regulatory State or Federal Agency for improper or fraudulent activities, related to the sale of securities?
 YES NO

If Yes, explain _____

19. Attach certified documentation as to your capital adequacy and financial solvency. In addition, annually audited financial Statements must be provided.

20. Have you read the California Government Code Section 53600 et seq. pertaining to all of the State's requirements governing the deposit of monies by Local Agencies, which includes Cities?

YES NO

-- CERTIFICATION--

I hereby certify that I have personally read City of Rocklin’s Investment Policy and the California Government Codes pertaining to the investments of the City of Rocklin, and have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the City of Rocklin. All sales personnel will be routinely informed of City of Rocklin’s investment objectives, horizon, outlook, strategies and risk constraints whenever we are so advised. We pledge to exercise due diligence in informing City of Rocklin’s Investment Committee of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.

NOTE: **Completion of Questionnaire is only part of City of Rocklin’s Certification process and DOES NOT guarantee that the applicant will be approved to do business with the City of Rocklin.**

SIGNED: _____

DATE: _____

TITLE: _____

COUNTERSIGNED: _____

DATE: _____

TITLE: _____

ATTACHMENT "C"

**CITY OF ROCKLIN
EXTERNAL MONEY MANAGER QUESTIONNAIRE AND CERTIFICATION**

1. Name of Firm _____

2. Address _____

3. Telephone No. () _____ () _____
(Local) (National Headquarters)

4. Primary Representative

Name _____

Title _____

Telephone No. _____

5. What are your total institutional assets under investment management?

6. What amount of your total assets under investment management are governmental funds? _____

7. Please provide relevant performance statistics on operating funds showing comparison with industry averages or benchmarks, if appropriate.

8. Describe your firm's research capabilities and resources. _____

9. Does your firm assign credit research to specialists?

[] YES [] NO

10. Describe your credit review process. _____

11. Who reviews portfolio lists for credit approval? _____

12. Identify the number of investment professionals (portfolio managers, analysts and researchers) employed by your firm by classification and specify the average number of accounts handled by portfolio managers. _____

13. Are there any established limits on accounts or assets under management?
 YES NO

14. Provide biographical information on investment professionals that will be directly involved in the decision-making process for the City's portfolio. _____

15. Describe how your firm organizes its investment-management process. _____

16. What oversight is provided to portfolio managers? _____

17. What are the primary strategies for adding value to portfolios; e.g. market timing, credit research, trading. _____

18. Provide the fee schedule that would apply to this account. _____

19. If alternative fee schedules could be developed, such as performance fees, describe how you would propose to develop such fee structures. _____

20. What expenses would be covered through the fee structure? _____

21. What additional costs could be required in order to implement your program; e.g., bank custodial fees, travel expenses, etc.? _____

22. Please provide three references including length of time you have managed their assets, client name, contact personnel, address and phone number. (Governmental entities are preferred.)

23. Have you read the California Government Code Section 53600 et seq. pertaining to all of the state requirements governing the deposit of monies by local agencies which includes cities?
 YES NO

24. Please provide your Wiring Instructions. _____

25. What is the date of your fiscal-year end. _____

26. Please provide your most recent certified financial statement. In addition, audited financial statement must be provided. _____

-- CERTIFICATION --

I hereby certify that I have personally read City of Rocklin’s Investment Policy and the California Government Codes pertaining to the investments of the City of Rocklin, and have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the City of Rocklin. All sales personnel will be routinely informed of City of Rocklin’s investment objectives, horizon, outlook, strategies and risk constraints whenever we are so advised. We pledge to exercise due diligence in informing City of Rocklin of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.

NOTE: Completion of Questionnaire is only part of City of Rocklin’s Certification process and DOES NOT guarantee that the applicant will be approved to do business with the City of Rocklin.

SIGNED: _____

DATE: _____

TITLE: _____

COUNTERSIGNED: _____

DATE: _____

TITLE: _____

ATTACHMENT "D"

**CITY OF ROCKLIN
INVESTMENT TRANSACTION AUTHORIZATIONS**

Date: _____

Please circle: Purchase Sale

Investment Transaction Placed By: _____

Debit/Credit Account Name: _____

Debit/Credit Account Number: _____

INVESTMENT

Type: _____

Cost/Sales Proceeds: _____

Face Value: _____

Yield: _____

Maturity Date: _____

Bank/Brokerage Firm: _____

Brokerage Account No.: _____

Document No.: _____

Contact Name: _____

Authorized By: _____ Title: _____

Authorized By: _____ Title: _____

Date: _____

ATTACHMENT "E"

**CITY OF ROCKLIN
INVESTMENT BID FORM**

Quotation requested by: _____ Date: _____

Surplus funds available to invest: _____

Date can be invested to: _____

Quotes obtained:

Firm No. 1 _____

Contact: _____ Phone: _____

<u>Types of Securities</u>	<u>Face Amount</u>	<u>Yield</u>	<u>Maturity Date</u>	<u>Cost¹</u>
--------------------------------	------------------------	--------------	--------------------------	-------------------------

Firm No. 2 _____

Contact: _____ Phone: _____

<u>Types of Securities</u>	<u>Face Amount</u>	<u>Yield</u>	<u>Maturity Date</u>	<u>Cost¹</u>
--------------------------------	------------------------	--------------	--------------------------	-------------------------

Please circle security of applicable firm accepted.

¹Total cost including fees, if any.

ATTACHMENT "F"

CITY OF ROCKLIN INSTITUTION SELECTION POLICY

I. PURPOSE

The purpose of the Institution Selection Policy is to establish procedures for the selection and evaluation of institutions that have been approved to conduct financial transactions with the City of Rocklin. Institutions selected pursuant to this policy will be admitted to the approved list upon approval by the City Treasurer. Evaluations of those approved institutions will be performed annually. The City will only transact business with institutions who have been previously approved.

II. SELECTION PROCESS

The selection process shall be as follows:

- A. Institutions complete and return the appropriate questionnaire (see Attachments "A" -- "C") to the City of Rocklin's Administrative Services Department.
- B. The Administrative Services Department shall review the questionnaire in order to determine if the institutions are adequately capitalized, deal in security markets appropriate to the City's needs, and agree to abide by the conditions set forth in the City of Rocklin's Investment Policy. The Department will then submit the questionnaire and the results of the review to the City Treasurer for future consideration. Institutions submitting incomplete responses will be advised and allowed an opportunity to amend their responses.
- C. The City will consider the institution's responses, the Administrative Services Department's review and determine if it is necessary to invite the institution to make a presentation prior to its final approval.
- D. The City Treasurer's decision to recommend approval or denial by his or her interpretation of the City's needs, the institution's response to the questionnaire, and other factors regarding the ability of the institution to provide the most effective and efficient financial services required.

III. EVALUATION PROCESS

The evaluation process shall be as follows:

- A. Upon acceptance to the “Approved Qualified Institutions” list, the Financial Institution shall complete periodically, as determined by the city Treasurer, the appropriate questionnaire (see Attachments “A” - “C”) and shall submit audited financial statements to the City. City shall review the data as in the selection process and forward results to the Investment Committee. Questions or issues that are raised as a result of the data reported will be put to the appropriate institution either personally or in writing.
- B. The City Treasurer shall make the final determination to retain or eliminate any institution from the approved list which is not subject to further review or appeal.

IV. APPROVED QUALIFIED INSTITUTIONS LIST

The City shall maintain an approved list of institutions authorized for transacting business. The number of institutions included on the approved list shall be determined by the city Treasurer. Inclusion on the approved list is a privilege and does not imply or create a right or any intent on behalf of the City of Rocklin to conduct financial transactions through or with any institution. Institutions may be added or removed from the approved list at the discretion of the City Treasurer. It is recognized that qualified institutions may not be included on the approved list due to the City’s need to manage the number of institutions for investment competition.

GLOSSARY

ACCRUED INTEREST - Interest on a bond that has accumulated since the last interest payment. The buyer pays the seller the bond price plus accrued interest.

AGENCIES - Federal agency securities.

BANKER'S ACCEPTANCE - A time draft drawn on a bank and accepted by that bank as ultimate liability for payment. Used most often to finance import and export transactions. Banker's acceptances are also collateralized by the underlying merchandise being contracted in the import-export transaction. It is a money market instrument when guaranteed by a bank.

BASIS POINT - Smallest measure used in quoting yields on bonds and notes; one one-hundredth of a percentage point (.01 percent or .0001).

BOND - A debt instrument in which the investor lends money to the bond issuer, who agrees to pay a stated rate of interest over a specified period of time. Very simply a bond is nothing more than a promissory note which is traded in the financial markets. The investor's position is that of lender.

BOOK VALUE - The value at which the investor holds on their books as their invested amount in a security. This may be more or less than the current face value of the security depending if the security was purchased at a price more or less than the face value.

BROKER - A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not hold a position. In the money market, brokers are active in markets in which banks buy and sell money and in interdealer markets.

CAPITALIZATION - A firm's capital structure, composed of total securities issued by the corporation, including bonds, debentures, preferred and common stock, and all surpluses (retained earnings).

CERTIFICATE OF DEPOSIT (CD) (TIME DEPOSIT) - An interest bearing time deposit issued by banks with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

CHURNING – excessive trading in a customer's account designed solely to increase broker's commissions.

COLLATERAL - Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED OBLIGATIONS - Notes secured by collateral. The collateral is usually comprised of U.S. Government securities which are held by a third-party-trustee who also insures that adequate collateral is posted at all times.

COLLATERALIZED MORTGAGE OBLIGATION (CMO) - Derivative security created by dividing the cash flows of a pool of mortgages into obligations with different maturities.

COMMERCIAL PAPER - Unsecured, bearer obligations (maturity usually 270 days or less) issued by corporations, either at a discount and redeemed at par, or at par and pay interest.

COMMON STOCK - Units (shares) of ownership in a public corporation. Shareholders have control over corporate affairs through voting rights, and dividends are paid to common stockholders after preferred stock shareholders.

CONFIRMATION - A piece of paper detailing the conditions and terms of a transaction. Delivered to the customer on or before settlement. It serves as a bill for purchases and an advisory notice for sales.

CORPORATE BONDS - A debt instrument issued by a corporation which normally pays interest on specific dates and repays the principal at maturity.

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.

CREDIT RISK - The risk that an obligation will not be met in a timely fashion with the result being a temporary or even permanent loss to the lender.

DEALER - A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE - A bond secured only by the general credit of the issuer.

DEBT TO EQUITY RATIO - Solvency ratio of total long-term debt to total stockholder's equity.

DELIVERY VERSUS PAYMENT - There are two methods of delivery of securities: delivery

versus payment and delivery versus receipt (also called free). Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVE - A broad term referring to any security which derives its value from another underlying asset or index.

DISCOUNT - The difference between the cost price of a security and its value at maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT RATE - Interest rate that the Federal Reserve charges for loans to member banks.

DISCOUNT SECURITIES - Non-interest bearing money market instruments that are issued at a discount and redeemed at a maturity for full face value; i.e., U.S. Treasury bills.

DIVERSIFICATION - Spreading a portfolio across a range of security types, industries or geographic areas to limit risk.

FACE VALUE - The same as par value. Face value is the principal amount of a bond.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) - A federal agency that insures bank deposits currently \$250,000 per depositor.

FEDERAL FARM CREDIT BANK (FFCB) - Government instrumentality which issues notes and bonds to provide funds for its member banks for the purchase of farm land, equipment and commodities.

FEDERAL HOME LOAN BANKS (FHLB) - Government instrumentality consisting of twelve regional banks owned by savings and homestead associations which issue bonds and notes to finance home building and mortgage loans of their member associates.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC OR FREDDIE MAC) - Debt issued by FHLMC, a government instrumentality, to facilitate real estate lending. FHLMC issues short-term debt backed by its own full faith and credit, and it issued long-term debt backed by mortgages with repayment guaranteed by FHLMC.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA OR FANNIE MAE) – A government-sponsored-publicly-owned corporation whose stock trades on the New York Stock Exchange. FNMA issues short-term debt backed by its own full faith and credit. FNMA purchases FHA, VA, and FHDA mortgages through the sale of its corporate debenture notes. These notes are backed by the mortgages with repayment guaranteed by FNMA.

FLOATER - A floating rate security in which the interest rate varies with an index such as U.S. Treasury Bills or LIBOR (London Interbank Offered Rate).

GENERAL OBLIGATION BOND (G.O.) - A municipal bond secured by the full faith and credit of the municipality.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR GINNIE MAE) - Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA or FMHM mortgages. The term pass-through is often used to describe Ginnie Maes.

GUARANTEED INVESTMENT CONTRACTS (GICs) - An agreement acknowledging receipt of funds for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid. Uninsured, non-guaranteed obligations of insurance companies, permitted for public investment in a few states. Risk varies according to the credit risk of the issuing company.

HEDGE/HEDGING - Technique designed to counteract the risk of loss from price changes in the market.

HOLDING COMPANIES - A corporation with controlling interest in one or more corporations.

INSTRUMENTALITIES - See U.S. government instrumentality obligations.

INTEREST - The sum charged for borrowing money.

INTEREST-ONLY SECURITY (IO) - Security derived from the interest rate portion of a pool of mortgage securities (separated from the principal portion).

INTEREST RATE RISK - The uncertainty of investment return due to changes in the market rates of interest. For investments that generate a fixed rate of return, the value of that investment is inversely related to the movement of market rates of interest.

INVERSE FLOATER - Structured note or derivative designed to rise in yield as interest rates fall. Also called reverse floater. Extremely volatile security not recommended for public funds.

INVESTMENT COMPANY ACT OF 1940 - Regulates investment companies.

LEVERAGE - Money borrowed to reinvest in order to increase the return on invested capital. A municipality may leverage funds through the issuance of taxable notes, reverse repurchase agreements and purchasing securities with embedded leverage. Leverage may be embedded inside a security or it may be applied to an investment portfolio as a whole.

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 prices is narrow and reasonable size can be done at those quotes.

LIQUIDITY RISK - The risk that a financial institution or other organization will not have sufficient cash on hand to meet its obligations; or in the case of a specific investment instrument, the risk that it will not be easily convertible to cash.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP) - The aggregate of all funds from a political subdivision that are placed in the custody of the State Treasurer for investment and reinvestment.

LONG TERM - Securities held more than six months or bonds maturing in more than five years.

MARK TO MARKET - Adjustment of an account or portfolio to reflect actual market price rather than book price, purchase price or some other valuation.

MARKET MAKER - A broker/dealer maintaining an inventory in a security.

MARKET RATE OF RETURN - Return that is based on some market index that acts as a proxy for the market, such as the "Standard & Poor's 500" stock index, which is used to gauge the returns on individual securities or portfolios. The City uses as a benchmark the average return on two-year U.S. Treasury Notes.

MARKET RISK - The risk of a decline in the price of securities because of a general falling market.

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

MASTER REPURCHASE AGREEMENT - A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

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

MEDIUM-TERM NOTES - Issuers register with the SEC allowing for notes to be issued at various times, rates and maturities from one to ten years as the issuer's financing needs dictate.

MONEY MARKET - The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MONEY MARKET FUND - An open-end investment company (mutual fund) that invests in money market instruments regulated by the Securities and Exchange Commission. It is a highly liquid investment that pays money market rates of interest.

MONEY MARKET INSTRUMENTS - Highly liquid debt instruments usually with maturities of one year or less. Money market instruments include repurchase agreements, reverse repurchase agreements, negotiable certificates of deposit, banker's acceptances, commercial paper, Treasury bills and other short-term direct obligations of U.S. government agencies and instrumentalities.

MORTGAGE BACKED SECURITY (MBS) - A pool of individual mortgages which is packaged and sold to investors at a specified coupon rate, maturity date, and face value. Individual mortgage loans are purchased from lenders by GNMA, FNMA, & FHLMC, thus converting the lenders loan assets to dollars, in turn making money available again for borrowing. GNMA, FNMA, & FHLMC then package the mortgage loans into pools, securitize them and offers them for sale in the securities market. In doing so, GNMA, FNMA, & FHLMC convert mortgages to dollars, enabling them to purchase additional individual mortgages for pooling. This conduit is used to reallocate funds, from the securities markets into the real estate market.

MUTUAL FUNDS - Investment company that pools funds from investors to buy stocks, bonds, government securities, money market instruments and other assets. Public investments, with the exception of pension funds, usually are restricted to mutual funds known as money market funds.

NATIONAL ASSOCIATION OF SECURITIES DEALERS - A not-for-profit organization of dealers whose aim is protecting over the counter customers through financial solvency and integrity.

NEGOTIABLE CERTIFICATE OF DEPOSIT - Time deposits which may be purchased and sold in the financial markets.

NET ASSET VALUE - Net redemption price (bid price) of an open-end investment company.

NO-LOAD MUTUAL FUNDS - Mutual funds offered directly to the public at net asset value with no sales charge.

NOTE - A written promise to pay a specified amount to a certain entity on demand or on a specified date.

OPEN MARKET OPERATIONS - Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE - The same as face value. Par value is the principal amount of a bond.

PERFECTED INTEREST - The legal right to interest and principal of securities held as collateral by a third party safekeeping arrangement.

PORTFOLIO - Collection of securities held by an investor.

PREFERRED STOCK - Shareholders are entitled to a specified dividend and priority over assets in liquidation, but not voting rights.

PREMIUM - Bond purchase price which is greater than that of its face value.

PRIMARY DEALER - A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange commission (SEC), registered securities broker-dealers, banks, and a few unregulated firms.

PRIME BANKER'S ACCEPTANCE - A banker's acceptance issued by a bank that has received the highest short-term ratings from at least two' nationally recognized ratings organizations. It has a relatively short maturity (usually six months or less), and is eligible for discounting within the Federal Reserve system. Eligibility depends on a number of criteria including the purpose; timing and amount of the underlying transaction (See also "banker's acceptance").

PRIME COMMERCIAL PAPER - Commercial paper that has received the highest short-term ratings from at least two national ratings organizations (See also "commercial paper").

PRIME RATE - Interest rate charged by a bank on loans to its best customers.

PRINCIPAL - (1) The face amount on a bond. (2) The basic amount invested.

PRINCIPAL-ONLY SECURITY (PO) - Security derived from principal portion of a pool of mortgage securities (separated from the interest payments).

PROSPECTUS - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR 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 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 yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REINVESTMENT RISK - The risk that maturing investments cannot be replaced by investments earning the same interest rate.

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

SAFEKEEPING - A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vault for protection.

SECONDARY MARKET - A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION (SEC) - Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECURITY INVESTOR PROTECTION CORPORATION (SIPC) - A non-profit organization of broker/dealers responsible for orderly liquidation of failed firms. Customers are protected to \$500,000 per account.

SHORT TERM - Securities held six months or less. Bonds with maturities of one year or less.

SMALL BUSINESS ADMINISTRATION LOANS (SBA) - Loans made by banks to small business, which are then sold to the SBA who offers them for sale in the financial markets. Loans are purchased by the SBA to facilitate lending for small business enterprises.

STRIPS – Separate trading of registered interest and principal securities

STRUCTURED NOTE - Complex customized security (also known as structured derivative) on which the returns are pegged to underlying assets or financial indices.

SUPRANATIONALS – International development institutions that provide financing, advisory services, and/or other financial services to their member countries to achieve overall goal of improving living standards through sustainable economic growth.

TAX AND REVENUE ANTICIPATION NOTES (TRANS) - Notes issued in anticipation of receiving tax proceeds or other revenues at a future date.

TOTAL RISK-BASED CAPITAL RATIO, TIER 1 RISK-BASED CAPITAL RATIO & TIER 1 LEVERAGE RATIO - In response to the FDIC Improvement Act of 1991 (FDICIA), the FDIC and the Federal Reserve Board both proposed a five-tier scheme of capital requirements and corresponding supervisory actions to implement the prompt corrective actions provisions

of the FDICIA. These ratios serve as benchmarks for the five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

Well capitalized institution would be defined as one that has a total risk-based capital ratio of ten percent, a Tier 1 risk-based capital ratio of six percent and a leverage ratio of five percent. A well-capitalized institution can not be subject to any written capital order or directive.

An adequately capitalized institution would be one with a total risk-based capital ratio of eight percent, a Tier 1 risk-based capital ratio of four percent, or a Tier 1 leverage ratio of four percent.

An undercapitalized institution would be one that does not meet the capital levels needed to be adequately capitalized. A significantly undercapitalized institution, however, would be one that has a total risk-based capital ratio of under six percent, a Tier 1 risk-based capital of under three percent, or a Tier 1 leverage ratio of under three percent.

Finally, the agencies proposed to classify any institution as critically undercapitalized if it has a Tier 1 leverage ratio of two percent or less.

TREASURY BILLS - A short-term U.S. government security, also known as a T-bill, issued in minimum denominations of \$10,000 with maturities of 13 weeks, 26 weeks and 52 weeks. T-bills bear no specific interest rate. They are sold at a discount to face value; their yield, therefore, varies with the difference between the purchase price and the value at maturity.

TREASURY BOND - Long-term, coupon-bearing U.S. government security, usually issued in denominations of \$1,000 or more and having maturities of 10 or more years. Interest is paid every six months at a rate of one-half the annual coupon; principal is paid at maturity.

TREASURY NOTES - Medium-term, coupon-bearing U.S. government security, usually issued in denominations of \$1,000 or more and having maturities of one to 10 years. Interest is paid every six months at a rate of one-half the annual coupon; principal is paid at maturity.

TRUSTEE OR TRUST COMPANY OR TRUST DEPARTMENT OF A BANK – A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER - A dealer which purchases a new issue of municipal securities for resale.

UNIFORM NET CAPITAL RULE - SEC requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. 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.

U.S. GOVERNMENT AGENCY OBLIGATIONS (AGENCIES) - Securities issued by federal agencies other than the U.S. Treasury including: the Government National Mortgage Association (GNMA or Ginnie Mae), Small Business Administration (SBA), General Services Administration (GSA) and Federal Housing Administration (FHA). Some investors include debt instruments issued by government-sponsored corporations and related instrumentalities in the term "agencies." However, technical differences make this usage incorrect. In most cases, the U.S. government explicitly guarantees principal and interest of agency debt but not debt of instrumentalities and government sponsored corporations.

U.S. GOVERNMENT INSTRUMENTALITY OBLIGATIONS (INSTRUMENTALITIES) - Securities issued by government-sponsored corporations including: the Student Loan Marketing Association (Sallie Mae), World Bank, Federal National Mortgage Association (Fannie Mae), Federal Farm Credit Banks (FFCB), Federal Home Loan Mortgage Association (Freddie Mae) and Federal Home Loan Banks (FHLB). Principal and interest are guaranteed only by the corporations, not the U.S. government.

WEIGHTED AVERAGE MATURITY (WAM) - The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD - The rate of annual income return on an investment, expressed as a percentage. (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security. (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

YIELD CURVE - A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

ZERO-COUPON SECURITY (ZEROS) - A security on which all interest is paid in a lump sum at maturity, thus eliminating the reinvestment risk of interest paid out over the life of the security. Prices are extremely interest rate sensitive and volatility increases with maturity (See also "zero-coupon treasury bonds").

ZERO-COUPON TREASURY BOND - Security formed by stripping coupons from a treasury bond so that an investor can buy a single coupon or the principal payment at present value. Market risk is high, particularly for longer maturities. Variations include STRIPS (Separate Trading: of Registered Interest and Principal), CATS (Certificate of Accrual on Treasury Securities), TIGRS (Treasury Income Growth Receipts) and others.

TABLE 1
INVESTMENT LIMITATIONS SUMMARY

<u>Eligible Investment Vehicle</u>	<u>Investment Policy Section</u>	<u>Percentage of Total Investment Fund Market Value</u>	<u>Percentage of Total Investment Fund Invested With a Single Institution</u>
City of Rocklin Bonds	V. 1. (A.)	No limitation	No limitation
U.S. Treasuries	V. 1. (B.)	No limitation	No limitation
State of California Bonds	V. 1. (C.)	No limitation	No limitation
Other U.S. State Bonds	V. 1. (D.)	No limitation	No limitation
Local Agency Bonds	V. 1. (E.)	No limitation	No limitation
U.S. Agencies	V. 1. (F.)	May not exceed 25% of the market value of the fund. No more than 5% may be in callable securities.	5%
Banker's Acceptance	V. 1. (H.)	May not exceed 180 days to maturity and 40% of the market value of the fund.	5%
Commercial Paper	V. 1. (I.)	May not exceed 270 days to maturity nor 10% of the outstanding paper of the issuing corporation and 25% of the market value of the fund.	5%
Negotiable Certificates of Deposit	V. 1. (J.)	30%	5%
Repurchase Agreements	V. 1. (L.)	May not exceed 90 days to maturity and 15% of the market value of the fund.	5%
Supranationals	V.1. (K.)		

<u>Eligible Investment Vehicle</u>	<u>Investment Policy Section</u>	<u>Percentage of Total Investment Fund Market Value</u>	<u>Percentage of Total Investment Fund Invested With a Single Institution</u>
Local Agency Investment Fund	V. 1. (L.)	Maximum dollar amount as permitted by State law.	Maximum dollar amount as permitted by State law.
Medium-term Notes	V. 1. (M.)	30%	5%
Time Deposits	V. 1. (N.)	10%	5%
Mutual Funds/Money Market Funds	V. 1. (O.)	15%	5%
Collateralized Negotiable Investments	V. 1. (P.)	10%	5%
Mortgage-Backed Securities	V. 1. (Q.)	20%	5%
Placer County Treasurer's Investment Pool	V. 1. (R.)	25%	N/A



City Council Staff Report

Subject: Quarterly Treasurer's Report

Date: June 14, 2022

Submitted By: Daniel Choe, City Treasurer

Department: Administrative Services - Finance

Staff Recommendation:

Receive the Treasurer's Report for the Quarter Ended March 31, 2022

ATTACHMENTS:

Description

- ▣ **Treasurer's Report**

This Staff Report has been reviewed by the City Attorney for legal sufficiency and by the City Manager for content.

**CITY OF ROCKLIN
TREASURER'S REPORT OF INVESTMENTS & CASH
MARCH 31, 2022**

DEPOSITORY	PURCHASE DATE	MATURITY DATE	RATE %	AMOUNT	TOTAL AMOUNT	ANNUALIZED INT. RETURN	SPECIAL NOTES
INVESTMENTS							
LOCAL AGENCY INVESTMENT FUND			0.365	\$ 71,931,000	\$ 71,931,000	\$ 262,548	Type: State Pooled Investment Account Considered 1 day funds
CITIGROUP INC.	12/11/1998	02/15/2098	6.875	\$ 20,000	\$ 20,000	\$ 1,375	Type: Corporate Bond Coupon Rate: 6.875 Cost is reported Market Value: \$29,307.55* Par Value: \$20,000
PLACER COUNTY TREASURER'S INVESTMENT PORTFOLIO			0.326	\$ 8,563,514	\$ 8,563,514	\$ 27,917	Type: County Pooled Investment Account Considered 1 day funds
FIVE STAR BANK (ROCKLIN RISE) DEPOSIT			0.298	\$ 5,095,344	\$ 5,095,344	\$ 15,184	Type: Public Money Market Account Considered 1 day funds
TOTAL INVESTMENTS				\$ 85,609,858		\$ 307,024	
AVERAGE PERCENTAGE ON INVESTMENTS			0.359%	WEIGHTED AVERAGE MATURITY 0.05 years			
OPERATING ACCOUNTS							
WELLS FARGO OPERATING ACCOUNT			N/A	\$ 7,191,776	\$ 7,191,776	\$ -	Type: Checking Account Immediate Access Compensatory balance arrangement
CDBG ACCOUNT			0.160	\$ 156,222	\$ 156,222	\$ 250	Type: Checking Account Immediate Access
TOTAL OPERATING ACCOUNTS				\$ 7,347,998		\$ 250	

* Sources of pricing as reported by Wells Fargo Investments.

I hereby certify that the above amounts and locations of accounts represent the total investments of the City of Rocklin as of the date of this report and that the investments are in conformity with Legislative Policy #1 as restated in Resolution 2022-5 on January 11, 2022. I hereby certify that the City of Rocklin has sufficient funds available to meet its expenditure requirements for the next six months.


 DANIEL CHOE
 CITY TREASURER

5/5/2022
 DATE


 ALY ZIMMERMANN
 CITY MANAGER

05/06/22
 DATE

CITY OF ROCKLIN INVESTMENT REPORT for the Quarter Ended March 31, 2022

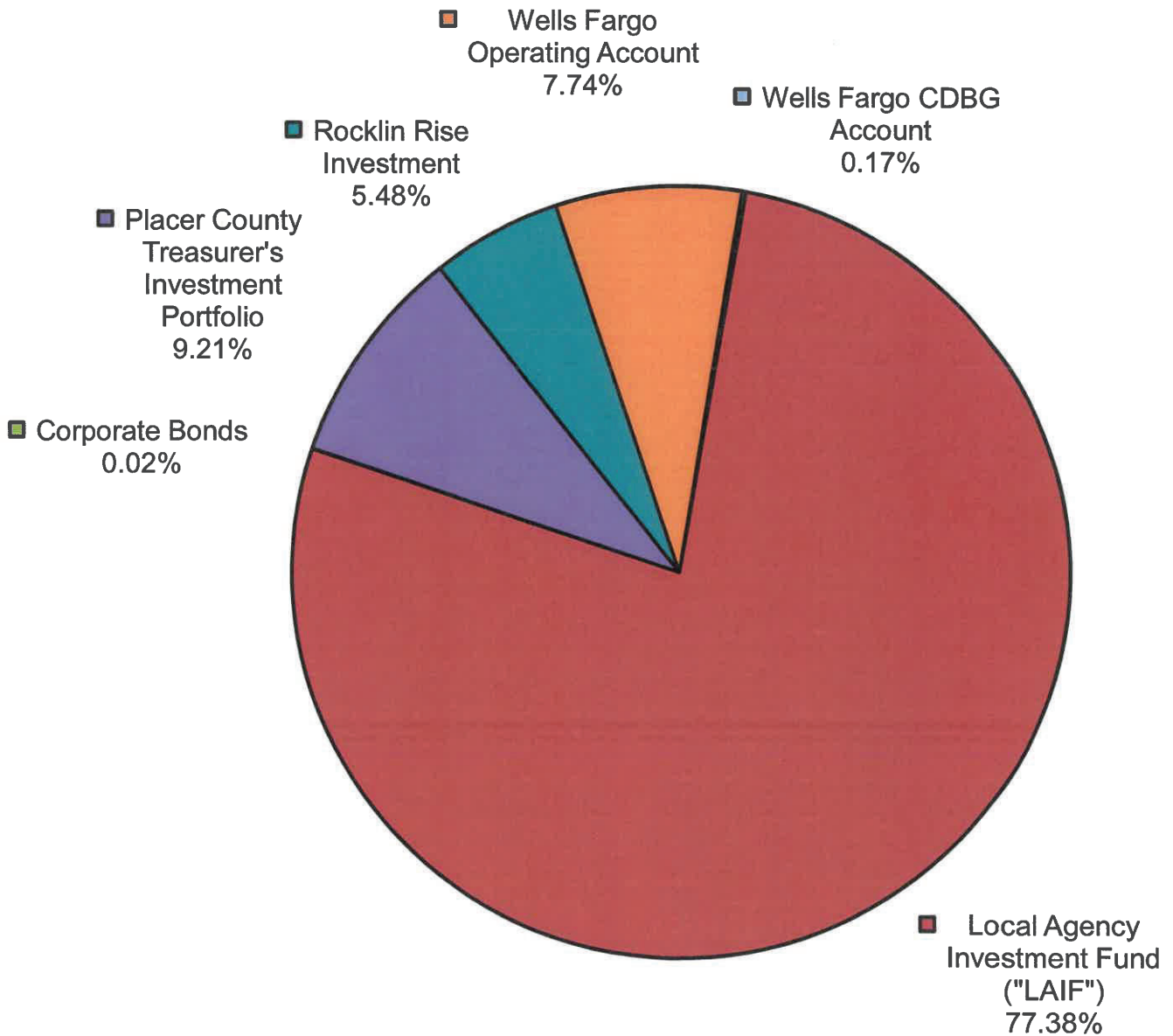


Exhibit C – Sample Contract for Services

The following sample **Contract for Services** is provided for reference only and is subject to change without notice.

CONTRACT FOR SERVICES

THIS CONTRACT is made on _____, 20__ by and between the CITY OF ROCKLIN a municipal corporation (“City”), and [NAME OF CONTRACTOR], [INSERT ADDRESS, PHONE AND EMAIL] (“Contractor”) who mutually agree as follows:

1. Scope of Services

Subject to the terms and conditions set forth in this agreement, Contractor shall provide to the City the services described in the Scope of Work. Contractor shall provide the services at the time, place and in the manner specified in Exhibits A. Contractor shall not be compensated for services outside the scope of work unless prior to the commencement of the services: (a) Contractor notifies the City and City agrees the services are outside the scope; (b) Contractor estimates the additional compensation required for these additional services; and (c) City after notice, approves in writing a supplemental agreement specifying the additional services and the amount of compensation therefore. City shall have no obligation whatsoever under this agreement or any supplemental agreement, unless and until the agreement or supplemental agreement is approved by the City Manager, the City Manager’s authorized designee, or by the Rocklin City Council, as required by the Rocklin Municipal Code or other local law or policy.

2. Compensation

A. The City shall pay Contractor for the services rendered pursuant to this agreement at the times and in the manner set forth in the Scope of Services, the Schedule for Performance, Exhibit B, and in accordance with the Schedule of Fees in Exhibit C, but in no event shall the total compensation exceed the **total sum of \$** _____. The payments specified in Exhibits A and/or B shall be the only payments to be made to Contractor for the services rendered pursuant to this Agreement unless pursuant to Section 1, above, City approves additional compensation for additional services.

B. Contractor shall furnish City with invoices for all expenses as well as for all materials authorized by this Contract. The invoices shall be submitted with the final billings. Reimbursable expenses shall be limited to actual expenditures of Contractor for expenses that are necessary for the proper completion of the services and shall only be payable if specifically authorized in advance by City.

C. Contractor shall submit all billings/invoices for services to City in the manner specified in Exhibit. Contractor’s fees shall be as specified in the Scope of Work, Exhibit A or the Schedule of Fees as set forth in Exhibit C. All invoices submitted by Contractor shall contain the following information:

1. Job/project name or description;
2. City's current purchase order and/or work order number (if applicable);
3. Contractor's invoice number;
4. Date of invoice issuance;
5. Description of services billed under invoice, including the description of tasks performed and the corresponding rate charged for the completion of that task;
6. Amount of invoice, itemizing all authorized reimbursable expenses; and
7. Total billed to date under agreement.

D. City shall make payment to Contractor net 30 days from receipt of an acceptable invoice. If Contractor's performance is not in conformity with the Scope of Work, Exhibit A, or the Schedule of Performance, Exhibit B, or the provisions set forth above, payments may be delayed or denied, unless the Contractor's failure to perform is a documented result of the City's failure to conform with the Schedule of Performance, or if the Schedule of Performance is extended pursuant to Section 4. City shall not be responsible for delays in payment to Contractor resulting from Contractor's failure to comply with the invoice format described above, or as set forth in the Schedule of Performance.

E. During performance of the agreement and for a period of three (3) years after completing all services, Contractor shall maintain all accounting and financial records related to this Agreement, including but not limited to records of Contractor's costs for all services performed under this agreement and records of Contractor's reimbursable expenses, in accordance with generally accepted accounting practices, and shall keep and make the records available for inspection and audit by representatives of the City upon reasonable written notice.

F. Contractor shall pay when and as due, any and all taxes incurred as a result of Contractor's compensation hereunder, including estimated taxes, and shall provide City with proof of payment upon request. Contractor hereby agrees to indemnify City for any claims, losses, costs, fees, liabilities, damages or injuries suffered by City arising out of Contractor's breach of this section.

3. Facilities and Equipment

Contractor shall at its sole cost and expense, furnish all facilities and equipment that may be required for Contractor to perform services pursuant to this agreement. City shall furnish to Contractor, only the facilities and equipment listed in Exhibit A (if any) according to any terms and conditions set forth in Exhibit A.

4. Term of Contract

A. This agreement shall become effective on the date that it is approved by both parties, set forth on the first page of the agreement and shall continue through _____, unless sooner terminated or extended as provided herein.

B. The services of Contractor are to commence upon execution of this Contract by the City, and shall be undertaken and completed in accordance with the Schedule of Performance attached hereto and incorporated herein by this reference as **Exhibit B**.

C. The City Manager or his or her designee may, by written instrument signed by the Parties, extend the duration of this Contract for a period of three weeks in the manner provided in Section 7.

5. Suspension/Termination:

A. City shall have the right at any time to temporarily suspend Contractor's performance hereunder, in whole or in part, by giving written notice of suspension to Contractor. If City gives such notice, Contractor shall immediately suspend its activities under this agreement.

B. This Contract may be terminated by either party, provided that the other party is given not less than thirty calendar days' written notice (delivered by certified mail, return receipt requested) of intent to terminate. If the agreement is terminated by the City:

- i. Contractor shall immediately cease rendering services pursuant to this agreement;
- ii. Contractor shall, not later than five days after such notice of termination, deliver to City copies of all information prepared pursuant to this agreement;
- iii. City shall pay Contractor the reasonable value of services rendered by Contractor prior to termination; provided however, City shall not in any manner be liable for lost profits that might have been made by Contractor had the agreement not been terminated or had Contractor completed the services required by this agreement. Contractor shall furnish to City such financial information as in the judgment of the City is necessary for City to determine the reasonable value of the services rendered by Contractor. The foregoing is cumulative and does not affect any right or remedy that city may have in law or equity.

C. Notwithstanding any provisions of this Contract, Contractor shall not be relieved of liability to the City for damages sustained by the City by virtue of any breach of this Contract by Contractor, and the City may withhold any payments due to Contractor until such time as the exact amount of damages, if any, due the City from Contractor is determined.

6. Independent Contractor

Contractor enters into this Contract as an independent contractor and not as an employee or agent of the City. Contractor shall have no power or authority by this Contract to act on behalf of City in any capacity whatsoever as an agent, or to bind the City in any respect or to any obligations whatsoever. Nothing in this Contract shall be construed to be inconsistent with this relationship or status. All employees, agents, contractors or subcontractors hired or retained by the Contractor are employees, agents, contractors or subcontractors of the Contractor and not of the City. The City shall not be obligated in any way to pay any wage claims or other claims made against Contractor by any such employees, agents, contractors or subcontractors, or any other person resulting from performance of this agreement.

7. Amendments, Changes or Modifications

Amendments, changes or modifications in the terms of this Contract may be made at any time by mutual written agreement between the parties hereto and shall be signed by the persons authorized to bind the

parties hereto.

8. Extensions of Time

Contractor may, for good cause, request extensions of time to perform the services required hereunder. Such extensions shall be authorized in advance by the City in writing and shall be incorporated in written amendments to this Contract or the attached Work Program in the manner provided in Section 7.

9. Property of City

It is mutually agreed that all materials prepared by the Contractor under this Contract shall become the property of the City, and the Contractor shall have no property right therein whatsoever. Immediately upon termination, the City shall be entitled to, and the Contractor shall deliver to the City, all data, drawings, specifications, reports, estimates, summaries and other such materials as may have been prepared or accumulated to date by the Contractor in performing this Contract which is not Contractor's privileged information, as defined by law, or Contractor's personnel information, along with all other property belonging exclusively to the City which is in the Contractor's possession.

10. Compliance with All Laws:

Contractor shall keep itself fully informed of, shall observe and comply with, and shall cause any and all persons, firms or corporations employed by it or under its control to observe and comply with, all applicable laws, ordinances, and codes of federal, State and local governments, which in any manner affect those engaged or employed on the work described by this Contract or the materials used or which in any way affect the conduct of the work, and shall commit no trespass on any public or private property in performing any of the work authorized by this Contract.

For all leases and purchases of materials, equipment, supplies or other tangible personal property used to perform the agreement and shipped from outside California, the Contractor and any subcontractors leasing or purchasing such materials, equipment, supplies or other tangible personal property shall obtain a Use Tax Direct Payment Permit or Seller's Permit from the California State Board of Equalization, in accordance with the applicable SBE criteria and requirements. This provision applies in all instances unless prohibited by the funding source for the agreement.

11. Warranties and Responsibilities - Contractor

A. Contractor agrees and represents that it is qualified to properly provide the services set forth in Exhibit "A" in a manner which is consistent with the generally accepted standards of Contractor's profession.

B. Contractor is duly licensed, qualified and experienced to perform the services set forth in the Scope of Services, Exhibit A. Contractor represents and warrants that Contractor has all licenses, permits, qualifications and approvals of whatsoever nature that are legally required for Contractor to practice its profession or provide any services under this agreement. Contractor represents and

warrants that Contractor shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this agreement, any licenses, permits and approvals that are legally required for Contractor to practice its profession or provide such services. If Contractor is an out of state corporation, Contractor further warrants and represents that it possesses a valid certification of qualification to transact business in the State of California issued by the California Secretary of State.

C. Contractor shall perform all services required pursuant to this agreement in the manner and according to the standards currently observed by a competent practitioner of Contractor's profession in California. Contractor shall devote such time and effort to the performance of services pursuant to this agreement as is necessary for the satisfactory and timely performance of Contractor's obligations under this agreement. Neither party shall be considered in default of this agreement to the extent that party's performance is prevented or delayed by any cause that is beyond the reasonable control of that party.

D. All products of whatsoever nature that Contractor delivers to City pursuant to this Agreement shall be prepared in a professional manner and conform to the standards of quality normally observed by a person currently practicing in Contractor's profession, and shall be provided in accordance with any scope of services or schedule of performance specified in Exhibits A or B.

E. Contractor shall assign only competent personnel to perform services pursuant to this agreement. Contractor shall designate a project manager who at all times shall represent the Contractor before the City on all matters relating to this Contract. The project manager shall continue in such capacity unless and until he or she is removed at the request of the City, is no longer employed by Contractor, or is replaced with the written approval of the City, which approval shall not be unreasonably withheld. Contractor shall notify City in writing, of any other changes in Contractor's staff assigned to perform the services required under this agreement, prior to any such performance. In the event the City desires the removal of any person assigned by Contractor to perform services pursuant to this agreement, because the City in its sole discretion, determines that such person is not performing in accordance with the standards required herein, Contractor shall remove such person immediately upon receiving notice from the City of the desire for the removal of such person.

F. Contractor agrees and represents that the work performed under this Contract shall be in accordance with applicable federal, State and local law.

G. Contractor shall provide corrective services without charge to the City for services which fail to meet the above professional and legal standards and which are reported to Contractor in writing within sixty (60) days of discovery. Should Contractor fail or refuse to perform promptly its obligations, the City may render or undertake performance thereof and the Contractor agrees it has satisfied itself by its own investigation and research regarding the conditions affecting the work to be done and labor and materials needed, and that its decision to execute this agreement is based on such independent investigation and research. Contractor shall be liable for any expenses thereby incurred.

12. Subcontracting

None of the services covered by this Contract shall be subcontracted without the prior written consent of the City, which will not be unreasonably withheld. Contractor shall be as fully responsible to the City for the negligent acts and omissions of its contractors and subcontractors, and of persons either directly

or indirectly employed by them, as it is for the negligent acts and omissions of persons directly employed by Contractor.

13. Assignability

Contractor shall not assign or transfer any interest in this Contract whether by assignment or novation, without the prior written consent of the City. The City has a strong interest in the qualifications and capability of the persons and entities that will fulfill the obligations imposed on Contractor under this agreement. However, claims for money due or to become due Contractor from the City under this Contract may be assigned to a financial institution, or to a trustee in bankruptcy, without such approval. Notice of any assignment or transfer whether voluntary or involuntary shall be furnished promptly to the City.

14. Interest in Contract

Contractor covenants that neither it, nor any of its employees, agents, contractors, or subcontractors has any interest, nor shall they acquire any interest, direct or indirect, in the subject of the Contract, nor any other interest which would conflict in any manner or degree with the performance of its services hereunder. Contractor shall make all disclosures required by the City's conflict of interest code in accordance with the category designated by the City, unless the City Manager determines in writing that Contractor's duties are more limited in scope than is warranted by the category designated by the City code and that a narrower disclosure category should apply. Contractor also agrees to make disclosure in compliance with the City conflict of interest code if, at any time after the execution of this Contract, City determines and notifies Contractor in writing that Contractor's duties under this Contract warrant greater disclosure by Contractor than was originally contemplated. Contractor shall make disclosures in the time, place and manner set forth in the conflict of interest code and as directed by the City.

15. Materials Confidential

To the extent permitted by law, all of the materials prepared or assembled by Contractor pursuant to performance of this Contract are confidential and Contractor agrees that they shall not be made available to any individual or organization without the prior written approval of the City, except by court order.

16. Liability of Contractor-Negligence

Contractor shall be responsible for performing the work under this Contract in a manner which is consistent with the generally-accepted standards of the Contractor's profession and shall be liable for its own negligence and the negligent acts of its employees, agents, contractors and subcontractors. The City shall have no right of control over the manner in which the work is to be done but only as to its outcome, and shall not be charged with the responsibility of preventing risk to Contractor or its employees, agents, contractors or subcontractors.

17. Indemnity and Litigation Costs

Contractor shall indemnify, defend, and hold harmless the City, its officers, officials, agents, and employees against all claims, damages, demands, liability, costs, losses and expenses, including without limitation court costs and reasonable attorneys' fees, arising from Contractor's negligent acts or negligent failure to act, errors, omissions or willful misconduct incident to the performance of this Contract except such loss or damage caused by the active negligence, sole negligence, or willful misconduct of the City. The provisions of this paragraph shall survive termination or suspension of this Contract.

18. Contractor to Provide Insurance

Contractor shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, or employees.

A. Minimum Scope and Limit of Insurance

1. **Commercial General Liability (CGL):** Insurance Services Office Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than **\$2,000,000** per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit.

2. **Automobile Liability:** Insurance Services Office Form Number CA 0001 covering, Code 1 (any auto), or if Contractor has no owned autos, Code 8 (hired) and 9 (non- owned), with limit no less than **\$1,000,000** per accident for bodily injury and property damage.

3. **Workers' Compensation** insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than **\$1,000,000** per accident for bodily injury or disease.

4. **Professional Liability (Errors and Omissions)** Insurance appropriate to the Contractor's profession, with limit no less than **\$2,000,000** per occurrence or claim, \$2,000,000 aggregate.

If the Contractor maintains broader coverage and/or higher limits than the minimums shown above, the City requires and shall be entitled to the broader coverage and/or the higher limits maintained by the contractor. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City.

B. Other Insurance Provisions

The insurance policies are to contain, or be endorsed to contain, the following provisions:

1. **Additional Insured Status.** The City, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Contractor's insurance (at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10, CG 20 26, CG 20 33, or CG 20 38; and CG 20 37 forms if later revisions used).

2. **Primary Coverage.** For any claims related to this contract, the Contractor's insurance coverage shall be primary with coverage at least as broad as ISO CG 20 01 04 13 as respects the City, its officers, officials, employees, or volunteers, and shall be excess of the Contractor's insurance and shall not contribute to it.

3. **Notice of Cancellation.** Each insurance policy required above shall not be canceled, except with notice to the City.

4. **Waiver of Subrogation.** Contractor hereby grants to City a waiver of any right to subrogation which any insurer of said Contractor may acquire against the City by virtue of the payment of any loss under such insurance. Contractor agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer.

5. **Self-Insured Retentions.** Self-insured retentions must be declared to and approved by the City. The City may require the Contractor to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or City.

6. **Acceptability of Insurers.** Insurance is to be placed with insurers authorized to conduct business in the state with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the City.

7. **Claims Made Policies.** If any of the required policies provide coverage on a claims made basis:

- i. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
- ii. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the contract of work.
- iii. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the Contractor must purchase "extended reporting" coverage for a minimum of five (5) years after completion of contract work.

8. **Verification of Coverage.** Contractor shall furnish the City with original Certificate of Insurance including all required amendatory endorsements (or copies of the applicable policy language effecting coverage required by this clause) and a copy of the Declarations and Endorsement Page of the CGL policy listing all policy endorsements to the City before work begins. However, failure to obtain the required documents prior to the work beginning shall not waive the Contractor's obligation

to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

9. **Subcontractors.** Contractor shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and Contractor shall ensure that City is an additional insured on insurance required from subcontractors.

10. **Special Risks or Circumstances.** City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

19. General/Miscellaneous Provisions:

A. **Contract Documents.** This agreement and its exhibits shall be known as the "Contract Documents." Terms set forth in any Contract Document shall be deemed to be incorporated in all Contract Documents as if set forth in full therein. In the event of conflict between terms contained in these Contract Documents, the more specific term shall control. If any portion of the Contract Documents shall be in conflict with any other portion, provisions contained in the Contract shall govern over conflicting provisions contained in the exhibits to the Contract. In the event of any conflict between the terms or conditions of this written agreement and any terms or conditions of any document prepared or provided by Contractor and made a part of this agreement, including without limitation any document relating to the scope of services or payment therefor, the written terms of this document shall control over those terms or conditions.

B. **Non-Discrimination in Employment and Equal Employment Opportunity.** Contractor shall not engage in unlawful employment discrimination. Such unlawful employment discrimination includes, but is not limited to, employment discrimination based upon a person's race, color, ancestry, national origin, religious creed, sex (including pregnancy, childbirth breastfeeding or related medical condition), sexual orientation, gender, gender identity, gender expression and age (over 40), disability (mental and physical), medical condition, marital status, citizenship, and military and veteran status.

C. **Inspection of Records.** Contractor shall maintain and make available for inspection by the City and its auditors accurate records of all of its costs, disbursements and receipts with respect to any work under this Contract. Such inspections may be made during regular office hours at any time until six (6) months after the final payments under this Contract are made to the Contractor.

D. **Entire Agreement.** This Contract constitutes the entire agreement between the parties relative to the services specified herein and supersedes whatever oral or written understanding they may have had prior to the execution of this agreement. No alteration or modification of this agreement shall be valid or effective unless and until such modification is evidenced by a writing signed by both parties to this Contract, by persons authorized to act on behalf of the parties. There are no understandings, agreements, conditions, representations, warranties or promises, with respect to this Contract, except those contained in or referred to in the writing.

E. **Severability.** If any portion of this agreement or the application thereof to any person or circumstance shall be held invalid or unenforceable, the remainder of this agreement shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

F. **Waiver.** Neither City's acceptance of, or payment for, any service performed by Contractor, nor any waiver by either party of any default, breach, or condition precedent, shall be construed as a waiver of any provision of this agreement, nor as a waiver of any other default, breach or condition precedent or any other right hereunder.

G. **Notice.** All notices that are required to be given by one party to the other under this Contract shall be in writing and shall be deemed to have been given if delivered personally or enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail addressed to the parties at the following addresses:

City: Daniel Choe
City of Rocklin
3970 Rocklin Road
Rocklin, CA 95677
Email: daniel.choe@rocklin.ca.us

Copy to: City Attorney
City of Rocklin
3970 Rocklin Road
Rocklin, CA 95677
Email: LegalNotices@rocklin.ca.us

Contractor: Contact Name
Contracting Firm
Address
City State Zip
Email

H. **Enforcement of Agreement.** This Contract shall be interpreted, governed and enforced in accordance with the laws of the State of California. Venue of any action arising out of this Contract shall be brought and maintained in Placer County California, regardless of where else venue may lie. The parties consent to jurisdiction over their persons and over the subject matter of any such litigation in such court, and consent to service of process issued by such courts.

I. **Attorney's Fees.** In any action brought by either party to enforce the terms of this Contract, each party shall bear responsibility for its attorney's fees and all costs regardless of whether one party is determined to be the prevailing party.

J. **Power and Authority to Enter into Agreement.** All parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement in the names, titles, and capacities herein stated and on behalf of any entities, persons, or firms represented or purported to be represented by such entity(ies), person(s), or firm(s) and that all formal requirements necessary or required by any state and/or federal law in order to enter into this Agreement have been fully complied with. Furthermore, by entering into this Agreement, Contractor hereby warrants that it shall not have breached the terms or conditions of any other contract or Agreement to which Contractor is obligated, which breach would have a material effect hereon.

K. **Exhibits.** All exhibits referred to herein and attached hereto, are by this reference incorporated as if set forth fully herein.

CITY OF ROCKLIN

By: _____
Aly Zimmermann, City Manager

APPROVED AS TO FORM:

By: _____
Sheri Chapman, City Attorney

ATTEST:

By: _____
Hope Ithurnburn, City Clerk

CONTRACTOR

By: _____
_____, President

By: _____
_____, CFO