



AGENDA
APRIL 7, 2015
REGULAR MEETING
CITY COUNCIL
CITY OF YUBA CITY

6:00 P.M. – REGULAR MEETING: COUNCIL CHAMBERS

MAYOR	• John Dukes
VICE MAYOR	• John Buckland
COUNCILMEMBER	• Stanley Cleveland, Jr
COUNCILMEMBER	• Preet Didbal
COUNCILMEMBER	• Kash Gill
CITY MANAGER	• Steven Kroeger
CITY ATTORNEY	• Timothy Hayes

1201 Civic Center Blvd
Yuba City CA 95993

Wheelchair Accessible



*If you need assistance in order to attend the City Council meeting, or if you require auxiliary aids or services, e.g., hearing aids or signing services to make a presentation to the City Council, the City is happy to assist you. Please contact City offices at 530/822-4817 at least 72 hours in advance so such aids or services can be arranged. **City Hall TTY: 530-822-4732***

**AGENDA
REGULAR MEETING OF THE CITY COUNCIL
CITY OF YUBA CITY
COUNCIL CHAMBERS
APRIL 7, 2015
6:00 P.M. – REGULAR MEETING**

Materials related to an item on this Agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's office at 1201 Civic Center Blvd., Yuba City, during normal business hours. Such documents are also available on the City of Yuba City's website at www.yubacity.net subject to staff's availability to post the documents before the meeting.

Regular Meeting—Council Chambers

Call to Order

Roll Call: _____ Mayor Dukes
 _____ Vice Mayor Buckland
 _____ Councilmember Cleveland
 _____ Councilmember Didbal
 _____ Councilmember Gill

Invocation

Pledge of Allegiance to the Flag

Presentations

1. **Child Abuse Prevention Month Proclamation**
2. **Presentation by the Yuba-Sutter Chamber of Commerce on Tourism Funding**

Public Communication

You are welcome and encouraged to participate in this meeting. Public comment is taken on items listed on the agenda when they are called. Public comment on items not listed on the agenda will be heard at this time. Comments on controversial items may be limited and large groups are encouraged to select representatives to express the opinions of the group.

3. Written Requests

Members of the public submitting written requests, at least 24 hours prior to the meeting, will be normally allotted five minutes to speak

4. Appearance of Interested Citizens

Members of the public may address the City Council on items of interest that are within the City's jurisdiction. Individuals addressing general comments are encouraged to limit their statements to three minutes

Bid Openings

5. One (1) Heavy Duty Forklift (FB15-05)

Recommendation: Award the purchase of one (1) Heavy Duty Forklift to Holt of California of Yuba City, CA, in the amount of \$111,768.83 by finding that it is in the best interest of the City to do so.

6. Garden Highway Complete Streets Rehabilitation – Franklin to Winship Project (Award of Contract – Total Cost of \$1,155,000)

Recommendation: a. Award Contract No. 13-02, Garden Highway Complete Streets Rehabilitation Project, to Teichert Construction of Davis, CA in the amount of their bid of \$947,547.00.

b. Authorize the City Manager to execute the contract on behalf of the City, following approval by the City Attorney.

c. Authorize the Finance Director to make necessary budget transfers between projects, as outlined in the fiscal impact.

Consent Calendar

All matters listed under Consent Calendar are considered to be routine and can be enacted in one motion. There will be no separate discussion of these items prior to the time that Council votes on the motion unless members of the City Council, staff or public request specific items to be discussed or removed from the Consent Calendar for individual action

7. Minutes of March 17, 2015

Recommendation: Approve the City Council Meeting Minutes of March 17, 2015

8. Annual Investment Policy Adoption

Recommendation: Review the City's Investment Policy to ensure that it continues to meet statutory requirements and reflects treasury best practices

General Items

9. Recology request for reimbursement for South Area Storm Water Improvements and Feather River Organics Compost Pad/Storm Water Improvements

Recommendation: Approve use of \$403,629.84 in Rate Stabilization and Capitalization Funds to reimburse Recology for eligible activities as submitted

10. Priorities and Goals for Fiscal Year 2015-2016

Recommendation: Note and file the Summary of Discussion of the Priority Goals for FY 2015-16 Workshop

Business from the City Council

11. City Council Reports

- Councilmember Cleveland
- Councilmember Didbal
- Councilmember Gill
- Vice Mayor Buckland
- Mayor Dukes

Adjournment



Proclamation

of the City Council

CHILD ABUSE PREVENTION MONTH APRIL 2015

WHEREAS, the tragedy of child abuse and neglect affects every community in California and touches the lives of far too many citizens regardless of cultural, ethnic, religious or socioeconomic level; and

WHEREAS, the threat to our children's welfare is demonstrated by steady increases in the number and in the seriousness of reported cases of child abuse and neglect; and

WHEREAS, if our children are to become productive adults, they should have the right to a childhood free from neglect, physical abuse, sexual molestation and exploitation; and

WHEREAS, it is recognized that primary prevention programs designed to work with children themselves, their parents, and caregivers within the community are successful in preventing first time abuse situations; and

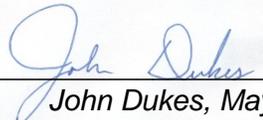
WHEREAS, early identification and intervention are essential to successfully interrupting the generational cycle of abuse and neglect; and

WHEREAS, collaboration among professionals, concerned parents, volunteers and policy makers can help to reduce the level of child abuse and neglect in our communities; and

WHEREAS, dedicated volunteers and professionals are working to decrease the incidence of child abuse through prevention programs and coordination among agencies delivering services to child abuse victims and their families; and

WHEREAS, the observance of Child Abuse Prevention Month provides an excellent opportunity for all citizens to reflect on this tragic crime, while rededicating themselves to taking an active role in child abuse prevention activities in their community.

NOW, THEREFORE, BE IT RESOLVED, that I, Mayor John Dukes, on behalf of the City of Yuba City Council does hereby proclaim April 7, 2015 as Child Abuse Prevention Month in the City of Yuba and encourage all residents to join with local community efforts in keeping all children "**Safe, Strong and Free.**" Done on this 7th day of April, 2015 at the City of Yuba City, County of Sutter, State of California.


John Dukes, Mayor



Tourism Funding

Presentation By

Rikki Shaffer, Chief Executive Officer

CITY OF YUBA CITY

Written Requests

Members of the public submitting written requests at least 24 hours prior to the meeting will normally be allotted 5 minutes to speak.

Procedure

When requesting to speak, please indicate your name and the topic and mail to:

City of Yuba City
Attn: City Clerk
1201 Civic Center Blvd
Yuba City CA 95993

Or email to:

Terrel Locke, City Clerk tlocke@yubacity.net

The Mayor will call you to the podium when it is time for you to speak.

CITY OF YUBA CITY

Appearance of Interested Citizens

Members of the public may address the City Council on items of interest that are within the City's jurisdiction. Individuals addressing general comments are encouraged to limit their statements.

Procedure

Complete a Speaker Card located in the lobby and give to the City Clerk. When a matter is announced, wait to be recognized by the Mayor. Comment should begin by providing your name and place of residence. A three minute limit is requested when addressing Council.

- For Items on the Agenda

Public comments on items on the agenda are taken during Council's consideration of each agenda item. If you wish to speak on any item appearing on the agenda, please note the number of the agenda item about which you wish to speak. If you wish to speak on more than one item, please fill out a separate card for each item.

- Items not listed on the Agenda

Public comments on items not listed on the agenda will be heard during the Public Communication portion of the meeting.

CITY OF YUBA CITY
STAFF REPORT

Date: April 7, 2015
To: Honorable Mayor & Members of the City Council
From: Finance Department
Presentation By: Spencer Morrison, Accounting Manager

Summary

Subject: One (1) Heavy Duty Forklift (FB15-05)
Recommendation: Award the purchase of one (1) Heavy Duty Forklift to Holt of California of Yuba City, CA, in the amount of \$111,768.83 by finding that it is in the best interest of the City to do so.
Fiscal Impact: \$111,768.83 Vehicle Replacement Fund Account 6610-69415

Purpose:

Replacement of one (1) heavy duty forklift which is essential for the removal and placement of various items that vary in weight and size.

Background:

Each year Fleet Maintenance staff reviews the City’s vehicles to determine which are recommended for replacement. For the 2014/2015 fiscal year, staff recommended the replacement of one (1) heavy duty forklift. The new forklift, also known as a lift truck, will be for the Wastewater Treatment Facility. The current forklift that is being replaced has reached the end of its useful life. It is 20 years old and has approximately 3000 hours of use.

The functions of the heavy duty forklift will be for moving multi-ton basin mixer stands, unloading and transporting various delivered equipment and material, installing and removing industrial equipment from second story buildings. A forklift of this size and capability eliminates the need for additional equipment and manpower in the field.

Analysis:

The Finance staff and Fleet Maintenance worked with the Wastewater Treatment Division staff to ensure that the vehicle specifications meet the City’s requirements. A formal bid was developed and advertised according to the City’s ordinances. Nine (9) vendors received bid notifications. The following bids were received:

<u>Vendor</u>	<u>Price</u>
Holt of California Yuba City, CA	\$111,768.83*

Select Equipment Sales, Inc
Buena Park, CA

\$113,027.65

*awardee

Fiscal Impact:

Funding of \$125,000 for one (1) Heavy Duty Lift Truck was appropriated in the FY 2014 / 2015 budget Capital Acquisitions and is available in the Vehicle Replacement Fund account number 6610-69415.

Alternatives:

- 1) Reject all bids
- 2) Request new bid process
- 3) Do not purchase

Recommendation:

Award the purchase of one (1) Heavy Duty Forklift to Holt of California of Yuba City, CA, in the amount of \$111,768.83 by finding that it is in the best interest of the City to do so.

Prepared By:

Submitted By:

/s/ Vicky Anderson

Vicky Anderson
Administrative Analyst I

/s/ Steven C. Kroeger

Steven C. Kroeger
City Manager

Reviewed By:

Finance

RB

Public Works

PW

City Attorney

TH

CITY OF YUBA CITY
STAFF REPORT

Date: April 7, 2015

To: Honorable Mayor & Members of the City Council

From: Department of Public Works

Presentation by: Diana Langley, Public Works Director

Summary

Subject: Garden Highway Complete Streets Rehabilitation – Franklin to Winship Project (Award of Contract – Total Cost \$1,155,000)

Recommendation:

- a. Award Contract No. 13-02, Garden Highway Complete Streets Rehabilitation Project, to Teichert Construction of Davis, CA in the amount of their bid of \$947,547.00.
- b. Authorize the City Manager to execute the contract on behalf of the City, following approval by the City Attorney.
- c. Authorize the Finance Director to make necessary budget transfers between projects, as outlined in the fiscal impact.

Fiscal Impact: \$1,155,000.00 – Account Nos. 911154 and 921154 (Garden Highway Rehabilitation), specified as follows:

- \$947,547.00 – contract award amount as follows:
 - \$832,600 – grant funds (921154-65501)
 - \$114,947 – local funds (911154-65501)
- \$142,000.00 – construction contingency (911154-65504)
- \$ 65,453.00 – construction management (911154-65503)

Purpose:

Construct an asphalt concrete overlay of Garden Highway between Franklin Avenue and Winship Road, as well as fill in the last remaining gap in the sidewalk and Class II bicycle lane on the west side of the street.

Background:

The City has obtained approximately \$832,000 in federal funding – about \$672,000 in Regional Surface Transportation Program (RSTP) funds and about \$160,000 in Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds – specifically for rehabilitating Garden Highway between Franklin Avenue and Winship Road, as well as filling in the last remaining gap in the sidewalk and Class II bicycle lane on the west side of the street. This funding is separate from the funding received for widening Garden Highway between Winship Road and Lincoln Road. The reconstruction project, for that southern segment, is currently at the point where the

right of way acquisition process is being finalized. Staff anticipates having Caltrans approval to bid the project this summer.

The proposed project largely involves surface grinding the existing asphalt, placing pavement reinforcing fabric, applying an asphalt concrete overlay, and providing new traffic markings and striping. Approximately 160 linear feet of curb, gutter, sidewalk, and paved bike lane/shoulder will be added just south of Percy Avenue to fill in the last remaining gap of sidewalk and bike lane on the west side of the street.

Council approved the plans and specifications on February 18th, 2014. The project was delayed one construction season due to difficulties obtaining right of way clearance resulting from new Federal Highway Administration requirements associated with adjusting existing manholes and valve boxes. Now that staff has navigated these new requirements, delays of this nature should no longer be an issue on future federally funded road rehabilitation projects.

Analysis:

The Garden Highway Complete Streets Rehabilitation Project was advertised for bid on February 5, 2015. Plans and specifications were provided to local builder/contractor exchanges and 11 contractors. On March 11th, 8 bids were received and opened in the City Clerk's office. A list of the bids received and the engineer's estimate are shown below.

<u>Company</u>	<u>Bid Amount</u>
Teichert Construction	\$947,547.00
Lamon Construction Company, Inc.	\$969,647.75
Knife River Construction	\$987,962.00
McGuire and Hester	\$1,017,062.60
Central Valley Engineering & Asphalt	\$1,043,479.52
Desilva Gates Construction	\$1,054,054.00
Martin Brothers Construction	\$1,125,729.70
Patterson Taber General Engineering	\$1,239,609.20
<i>Engineer's Estimate</i>	<i>\$1,090,000.00</i>

Teichert Construction of Davis, CA is the low bidder.

Contract administration and inspection of the project will be performed by Public Works Department staff. Project construction is expected to begin in June and be completed in July, prior to the Sutter County Fair.

Fiscal Impact:

The contract amount is \$947,547. Due to the possibility of unsuitable subgrade throughout the relatively large area of this project, staff is requesting a 15% contingency amount of \$142,000 for a total possible construction amount of \$1,089,547. With construction engineering and management, the total project cost is expected to be approximately \$1,155,000.

In the FY2014-19 CIP Budget, \$1,155,000 was budgeted through Account No. 931154 (Garden Highway Rehabilitation) for this project. Funding for this budgeted amount includes \$673,000 in grant funds from the federal RSTP Program, \$160,000 in grant funds from the federal CMAQ program, and \$323,981.50 in local funds provided by Development Impact Fees (DIF). The local funds for this project should actually be provided by Transportation Development Act (TDA) funds instead of DIF funds. So staff is requesting the Finance Director reimburse the DIF fund for design expenditures previously charged to Fund 304 in prior years. Reimbursement of the DIF funds should come from Fund 305. Staff is also requesting Council authorization for the following transfers of budget appropriation:

- \$833,000 from Project 931154 to Project 921154
- \$323,981.50 from Project 931154 to Project 911154

The City will be required to temporarily fund the entire project cost until federal reimbursements have been received.

Alternatives:

- a. Do not award the contract and reject the bids.
- b. Delay or modify recommended action.

Recommendation:

- a. Award Contract No. 13-02, Garden Highway Complete Streets Rehabilitation Project, to Teichert Construction of Davis, CA in the amount of their bid of \$947,547.00.
- b. Authorize the City Manager to execute the contract on behalf of the City, following approval by the City Attorney.
- c. Authorize the Finance Director to make necessary budget transfers between projects, as outlined in the fiscal impact.

Prepared by:

/s/ Kevin Bradford

Kevin Bradford
Senior Engineer

Submitted by:

/s/ Steven C. Kroeger

Steven C. Kroeger
City Manager

Reviewed by:

Department Head

DL

Finance

RB

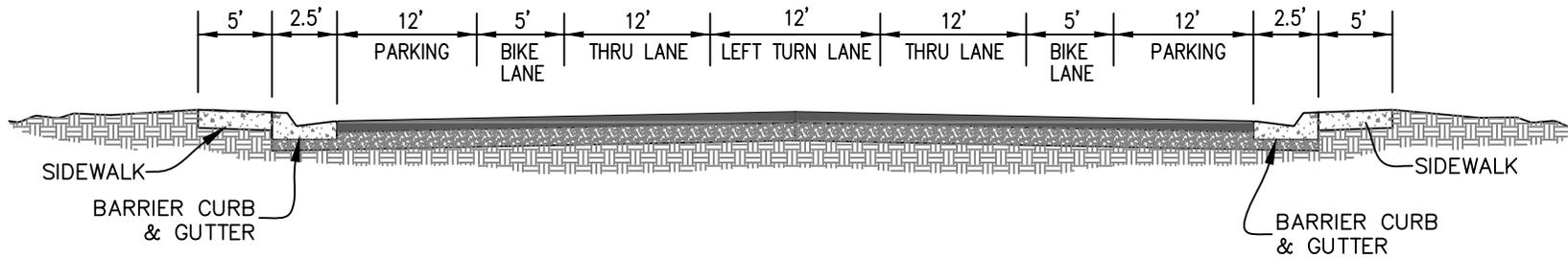
City Attorney

TH

EXHIBIT B

GARDEN HIGHWAY COMPLETE STREETS
REHABILITATION PROJECT

TYPICAL SECTION



NOT TO SCALE

**MINUTES (DRAFT)
REGULAR MEETING OF THE CITY COUNCIL
CITY OF YUBA CITY
COUNCIL CHAMBERS
MARCH 17, 2015
5:00 P.M. – CLOSED SESSION
6:00 P.M. – REGULAR MEETING**

Closed Session—Butte Room

- A. Conferred with labor negotiator Steve Kroeger regarding negotiations with the following associations: Yuba City Firefighters Local 3793, and Public Employees Local No. 1, pursuant to Section 54957.6 of the Government Code

Regular Meeting—Council Chambers

The City of Yuba City City Council meeting was called to order by Mayor Dukes at 6:03 p.m.

Roll Call

Present: Councilmembers Buckland, Cleveland, Didbal, Gill and Mayor Dukes

Absent: None

Invocation

Vice-Mayor Buckland gave the invocation.

Pledge of Allegiance to the Flag

Councilmember Gill led the Pledge of Allegiance.

Presentations

1. **National Agricultural Day, March 18th – Proclamation recognizing Agriculture's role in the American Life**

Mayor Dukes presented a proclamation to Farm Bureau Executive Director Claudia Street in honor of National Agriculture Day

Mayor Dukes requested to move Item No. 8 to be discussed at this time.

8. **Financial Report for the Six Months Ended December, 31, 2014**

Noted and Filed the December 31, 2014 Financial Report

Public Communication

2. **Written Requests** – None

3. **Appearance of Interested Citizens**

The following Person spoke:

Laurel Wankmueller LeAnn Ave, Yuba City regarding mail theft

Consent Calendar

Councilmember Buckland moved to adopt the Consent Calendar as presented. Councilmember Didbal seconded the motion that passed with a unanimous vote.

4. Minutes of March 3, 2015

Approved the City Council Meeting Minutes of March 3, 2015.

5. Yuba City Lighting and Landscape Maintenance District No. 6, Zone of Benefit B_8

Adopted **Resolution No. 15-015** confirming diagram and assessment and levying assessment for Fiscal year 2014-2015 for Lighting and Landscape Maintenance District No. 6, Zone of Benefit B_8 (960 Gray Avenue).

6. Summary Vacation of Public Easement on the west side of Kiley Avenue that is running through the property, 736 Kiley Avenue. APN 52-254-029

Adopted **Resolution No. 15-016** summarily vacating a public utility easement on the west side of Kiley Avenue is running through the property, 736 Kiley Avenue. APN 52-254-029.

General Items

7. Pavement Management System – Professional Services Agreement with the Metropolitan Transportation Commission

Councilmember Gill moved to award a professional services agreement to Metropolitan Transportation Commission of Oakland, CA for the development and implementation of the City's pavement Management System with the finding that it is in the best interest of the City. Councilmember Cleveland seconded the motion that passed with a unanimous vote.

Business from the City Council

9. Cancel April 21 Council Meeting – Schedule Special Joint Study Session

Councilmember Gill moved to 1) Schedule a Special Joint Workshop with the Yuba City Planning Commission on Tuesday April 14, 2015 regarding Amending the Harter Specific Plan; and 2) Cancel the Regular City Council Meeting on April 21, 2015 due to Lack of Quorum. Councilmember Buckland seconded the motion that passed with a unanimous vote.

10. City Council Reports

- Councilmember Cleveland
- Councilmember Didbal
- Councilmember Gill
- Vice Mayor Buckland
- Mayor Dukes

Adjournment

Mayor Dukes adjourned the Regular Meeting of the City Council of the City of Yuba City at 6:45 p.m.

Attest:

John Dukes, Mayor

Terrel Locke, City Clerk

CITY OF YUBA CITY
STAFF REPORT

Date: April 7, 2015
To: Honorable Mayor & Members of the City Council
From: City Treasurer
Presentation By: Spencer Morrison, City Treasurer

Summary

Subject: Annual Investment Policy Adoption
Recommendation: Approve Investment Policy as amended
Fiscal Impact: None

Purpose:

To review the City's Investment Policy to ensure that it continues to meet statutory requirements and reflects treasury best practices.

Background:

In accordance with the City's Investment Policy ("Policy") and Government Code Section 53646 (a) (1), the Policy is submitted annually to the City Council for review and approval.

Analysis:

As a result of this year's review, several minor changes are proposed:

Section VI. Providers of Financial Services – Authorized Broker/Dealers

- Broker/dealer certifications and questionnaires are no longer standard practice;

Section VII. Suitable and Authorized Investments

- Includes California state warrants and differentiates between California issues and the other 49 states;
- Clarifies which local agency obligations are permissible, renaming *Redevelopment Agency* to *Successor Agency to the Redevelopment Agency of the City of Yuba City*;
- Adds supranationals which are US dollar denominated senior unsecured, unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank with maturities not longer than five years and a minimum rating of AA or equivalent by a NRSRO, with total aggregate investment not exceeding 30% of the portfolio;

- Consolidates the limitation language of 5% of the portfolio in investments to any one issuer of banker's acceptances, commercial paper, certificates of deposit, and medium-term notes to one section, *Diversification*, while keeping the same aggregate investment percentages language for the portfolio in the individual investment type sections;
- Reduces the rating of the issuers debt for asset-backed obligations to *A* from *AA* while adding the requirement that the security must be at least *AA* rated or the NRSRO equivalent.

Fiscal Impact:

None.

Alternatives:

1. Do not approve amendments. If this alternative is chosen, then the City will continue to invest funds using the Investment Policy as adopted January, 2014.
2. Approve with modifications as desired by the Council.

Recommendation:

Staff recommends approval of the Investment Policy as amended.

Attachment:

- *Current Investment Policy with redlines showing proposed changes*

Prepared and Submitted By:

/s/ Spencer Morrison

Spencer Morrison
Accounting Manager/City Treasurer

Reviewed By:

Finance

RB



City of Yuba City

Investment Policy

January 21, 2014

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I. PURPOSE

It is the policy of the City of Yuba City to invest public funds in a prudent manner which will provide maximum security while meeting daily cash flow demands and conforming to all statutes governing the investment of public funds. Within these parameters, funds will be invested to optimize investment return.

II. SCOPE

This Investment Policy (“the Policy”) shall apply to all financial assets, other than proceeds of debt issues, of the City of Yuba City and the Successor Agency to the Redevelopment Agency of Yuba City (collectively “the City”). These funds are accounted for in the City comprehensive annual financial report and include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- Trust and Agency Funds
- Any new fund created by the governing body, unless specifically exempted by the governing body

This Policy applies to all transactions involving the financial assets and related activity of all the foregoing funds, with the exception of the proceeds of debt issuance. Investment of bond proceeds will be governed by the permitted investment section of bond documents.

III. OBJECTIVES

The City’s funds shall be invested in accordance with all applicable City policies, ordinances, and codes, State statutes, and Federal regulations, and in the manner designed to accomplish the following primary objectives, in priority order:

- Preservation of capital and protection of investment principal
- Maintenance of sufficient liquidity to meet anticipated cash flows
- Diversification to avoid incurring unreasonable market risks
- Attainment of a market rate of return-
- Conformance with all applicable City ordinances, State statutes and Federal regulations-

IV. STANDARD OF CARE

Prudence. The standard of prudence to be used by investment officials shall be the “prudent investor standard” which states:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic

conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

Investment officers acting in accordance with written procedures and this Policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy.

V. INVESTMENT AUTHORITY AND RESPONSIBILITIES

Delegation of Authority. Authority to manage the investment program is granted to the City Treasurer and derived from the California Government Code Section 53607 and the City of Yuba City Municipal Code Section 3-7.201. The City Treasurer serves as the Chief Investment Officer for the City and the Successor Agency to the Redevelopment Agency of Yuba City, and is authorized to invest or deposit the City’s funds in accordance with this Policy, California Government Code Sections 53600 and 53630 et seq., and all other related federal and State laws.

The City Finance Director is responsible for the day-to-day administration and implementation of the Investment Policy.

Internal Controls. An internal control structure shall be established and maintained to ensure that the financial assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Internal controls shall be subject to an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

Investment Procedures. Written investment procedures for the operation of the investment program shall be established that are consistent with this Policy. The procedures should include reference to:

- Safekeeping
- Master repurchase agreements
- Wire transfer agreements
- Banking service contracts

- Collateral/depository agreements

Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the established procedures set forth.

Ethics and Conflicts of Interest. City employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees shall disclose to the City Manager any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio, and they shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

VI. PROVIDERS OF FINANCIAL SERVICES

Authorized Broker/Dealers. A list of broker/dealers from which the City purchases investments directly shall be maintained. It shall be the policy of the City to purchase securities only from those authorized firms. To be eligible, a firm must have minimum capital of \$10,000,000 and, at least five years of operation. These may include “primary” dealers, financial firms that have a primary dealer within their holding company structure or regional dealers. All must qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

All approved broker/dealers must supply the following annually:

- (1) Audited financial statements
- (2) Proof of Financial Industry Regulatory Authority (FINRA) registration
- (3) Proof of State registration
- ~~(4) Completed broker/dealer questionnaire~~

The City may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria for commercial paper in the Suitable and Authorized Investments section of this Policy.

An annual review of the minimum capital requirement and registration of qualified financial institutions and broker/dealers will be conducted.

From time to time, the City Treasurer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to the criteria above may be granted. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with State or local law. These types of investment purchases should be approved by the City Council in advance.

Contracted Investment Advisor Services. The City Treasurer may engage the services of registered external investment advisors in regard to the City’s investment program. The City Treasurer may, by written agreement with investment advisors, delegate the day-to-day placement of investments. Investment advisors shall make all investment decisions and transactions in strict accordance with State law and this Investment Policy.

If the City has granted to an outside investment advisor authority to buy or sell securities, the investment advisor may place orders for the execution of such transactions with the broker/dealers of its choice, ~~provided such broker/dealers meet the eligibility requirements set forth above. In such case, in lieu of the broker/dealer supplying items (1) through (5) above, the investment advisor can fulfill this obligation by providing certification that its broker/dealers meet or exceed the requirements set forth in the City's broker/dealer questionnaire and that the investment advisor agrees to comply with the Policy and continue to provide due diligence reviews of their broker/dealers.~~

Safekeeping and Custody. One or more banks shall be selected to provide safekeeping and custodial services for the City. A Safekeeping Agreement approved by the City shall be executed with each custodian bank prior to utilizing the bank's safekeeping services. Custodian banks will be selected on the basis of their ability to provide services for the City's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities, except non-negotiable Certificates of Deposit, Money Market Funds, LAIF and CAMP will be delivered by book entry to be held by the City's custodian bank, ~~its correspondent bank~~ or its Depository Trust Company (DTC) participant account.

VII. SUITABLE AND AUTHORIZED INVESTMENTS

All investments and deposits of the City shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686. Percentage limits and credit criteria, where listed, are applied at the time of purchase. Credit ratings, where shown, specify the minimum credit rating category required at purchase without regard to +/- or 1, 2, 3 modifiers, if any. In the event a security held by the City is subject to a credit rating change that brings it below the minimum credit ratings specified in this Policy, the City Treasurer will review the security with the course of action to be determined on a case-by-case basis, considering such factors as the reason for the credit rating change, prognosis for recovery or further rate drops, and the market price of the security. The City has further restricted authorized investments to the following:

Government Obligations.

1. **United States Treasury** bills, notes, bonds, or strips with a final maturity not exceeding five years from the date of trade settlement.
2. **Federal Agency** or United States government-sponsored enterprise senior debt obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government sponsored enterprises securities with a final maturity not exceeding five years from the date of trade settlement. There is no limit to that amount of the City's portfolio that may be invested in Federal Agency or GSE securities, except that the aggregate investment in Federal Agency mortgage-backed securities shall not exceed 20% of the City's total portfolio.

State and Local Agency Obligations.

1. ~~California State Obligations.~~

- a. **State Obligations.** Registered State warrants or treasury notes or bonds of ~~any of the 50 United States~~this State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by ~~the a~~State or by a department, board, agency, or authority of ~~any of the States~~. Such obligations must have a final maturity not exceeding five years from the date of trade settlement, and rated at least “A-1”, or the equivalent, short-term; or “A”, or the equivalent, long-term by a Nationally Recognized Statistical Rating Organization (NRSRO) at the time of trade settlement. ~~No more than 5% of the City’s total portfolio shall be invested in the State obligations of any one issuer.~~
- b. **Local Agency Obligations.** (1) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this State, Obligations of local agencies within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency with a final maturity not exceeding five years from the date of trade settlement, and rated at least “A” or the equivalent by NRSRO at the time of trade settlement; and (2) Obligations of the City of Yuba City and the Successor Agency to the Redevelopment Agency of the City of Yuba City, including RDA tax allocation bonds, and the Redevelopment Agency of the City of Yuba City. ~~No more than 5% of the City’s total portfolio shall be invested in the local agency obligations of any one issuer.~~

2. **Local Agency Other 49 state Obligations.** Registered treasury notes or bonds of any of the other 49 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California. Such obligations must have a final maturity not exceeding five years from the date of trade settlement, and rated at least “A-1”, or the equivalent, short-term; or “A”, or the equivalent, long-term by a NRSRO at the time of trade settlement.

Supranationals. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a final maturity not exceeding five years from the trade settlement, and eligible for purchase and sale within the United States. Supranationals shall be rated at least “AA” or the equivalent by a NRSRO at the time of purchase. The aggregate investment in supranationals shall not exceed 30% of the City’s total portfolio.

Special Assessment District Obligations. Limited Obligation Improvement Bonds issued by the City of Yuba City related to special assessment districts. Investment in such obligations requires the approval of the City Council and maturities may extend to 30 years from the date of trade settlement.

Banker’s Acceptances. Eligible Banker’s Acceptances with a maturity not exceeding 180 days from the date of trade settlement, rated at least “A-1” or the equivalent by a NRSRO, drawn on or accepted by a commercial bank with combined capital and surplus of at least \$250 million, whose deposits are insured by the FDIC, and whose senior long-term debt is rated at least “A” or the equivalent by a NRSRO at the time of trade settlement. ~~No more than 5% of the City’s total portfolio shall be invested in banker’s acceptances of any one issuer, and T~~the aggregate investment in banker’s acceptances shall not exceed 40% of the City’s total portfolio.

Commercial Paper. Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:

A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of five hundred million dollars (\$500,000,000) and (3) have debt other than commercial paper, if any, that is rated “A” or higher by a NRSRO.

B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program-wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated “A-1” or higher, or the equivalent, by a NRSRO.

~~No more than 5% of the City’s total portfolio shall be invested in the commercial paper of any one issuer, and~~ The aggregate investment in commercial paper shall not exceed 25% of the City’s total portfolio.

Negotiable Certificates of Deposit. Negotiable Certificates of Deposit with a maturity not exceeding five years from the date of trade settlement, issued by a nationally or State-chartered bank, a savings association or a federal association, a State or federal credit union, or by a federally licensed or State licensed branch of a foreign bank. Purchases are limited to institutions which have long-term debt rating of at least “A” or the equivalent, by a NRSRO. ~~No more than 5% of the City’s total portfolio shall be invested in the Negotiable Certificates of Deposit of any one issuer.~~ The aggregate investment in Negotiable Certificates of Deposit and Placement Service Certificates of Deposit shall not exceed 30% of the City’s total portfolio.

Bank Deposits. Deposits in FDIC insured financial institutions located in California including, but not limited to, demand deposit accounts, savings accounts, market rate accounts, negotiable order of withdrawal accounts, and non-negotiable certificates of deposits are required to be collateralized as specified under Government Code. Collateral may be waived for any portion that is covered by federal deposit insurance. The amount on deposit shall not exceed the shareholder’s equity of any depository bank, nor shall the deposit exceed the total net worth of any institution. In addition, the financial institution must have received a minimum overall satisfactory rating for meeting the needs of California Communities in its most recent evaluation under the Community Reinvestment Act. For non-negotiable certificates of deposit, the maximum maturity is five years from the date of trade settlement and the maximum allocation is 30% of the City’s total portfolio.

Placement Service Certificates of Deposit. The City may invest in Placement Service Certificates of Deposit with a “Selected Depository Institution” in accordance with California Government Code Section 53601.8. The aggregate investment in Placement Service Certificates of Deposit and Negotiable Certificates of Deposit shall not exceed 30% of the City’s total portfolio. AB 279, ~~September 18, 2012~~ which took effect on January 1, 2014, authorizes the City to use placement services, such as CDARS, to invest in FDIC insured certificates of deposit until January 1, 2017, unless modified, at which time the statute will revert back to the current authorization under existing law.

Repurchase Agreements. Repurchase Agreements with a final termination date not exceeding 30 days and collateralized by U.S. Treasury obligations, Federal Agency securities, or Federal Instrumentality securities listed above with the maturity of the collateral not exceeding five years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City's Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. The market value of the collateral securities shall be marked-to-the-market daily. All collateral securing Repurchase Agreement must be delivered to the City's custodian bank, or be handled under a tri-party repurchase agreement. The City or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

Repurchase Agreements shall be entered into only with broker/dealers who are recognized as Primary Dealers with the Federal Reserve Bank of New York, or with financial firms that have a primary dealer within their holding company structure. A copy of the City's Master Repurchase Agreement shall be maintained along with a list of the broker/dealers who have executed same.

Medium-Term Notes. Medium-Term Notes ("Corporate Notes") 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, with a final maturity not exceeding five years from the trade settlement, and rated at least "A" or the equivalent by a NRSRO at the time of purchase. ~~No more than 5% of the City's total portfolio shall be invested in medium term notes of any one issuer, and~~ The aggregate investment in medium term notes shall not exceed 30% of the City's total portfolio.

Asset Backed Obligations. Any asset backed obligation with a final maturity not exceeding five years from the trade settlement, ~~Eligible securities shall be issued by an issuer having~~ rated at least "AA" or the equivalent rating for the issuer's debt by a NRSRO ~~and rated at least "AA" or the equivalent by an NRSRO.~~ The aggregate investment in aAsset backed obligations shall not exceed 20% of the City's total portfolio.

Money Market Funds. Money Market Funds registered under the Investment Company Act of 1940 that (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant daily net asset value per share of \$1.00; (3) invest only in the securities and obligations authorized in this Policy and (4) have a rating of "AAAm" or the equivalent by at least two NRSROs. The aggregate investment in money market funds shall not exceed 20% of the City's total portfolio and no more than 10% may be invested in any one Money Market Fund.

Local Government Investment Pools. State of California's Local Agency Investment Fund (LAIF) and shares of beneficial interest issued by a joint powers authority such as the California Asset Management Program (CAMP), as authorized respectively in Government Code Sections 16429.1 and 53601 (p), up to the maximum allowed by the pools.

Due Diligence Requirement. A thorough investigation of an investment pool is required prior to investing and on a continual basis. At a minimum, the following information shall be required for each pool:

- A description of eligible investment securities, and a written statement of investment policy and objectives
- A description of interest calculations, how interest is distributed, and how gains and losses are treated
- A description of how these securities are safeguarded (including the settlement process), and

- how often these securities are priced and the program audited
- A description of who may invest in the program, how often, and the size of deposits and withdrawals
- A schedule for receiving statements and portfolio listings
- Whether reserves, retained earnings, etc. are utilized by the pool/fund
- A fee schedule, and when and how fees are assessed
- Whether the pool/fund is eligible for bond proceeds and/or will it accept such proceeds

Legislative Changes. Any State of California legislative action that further restricts allowable maturities, investment types or percentage allocations will be incorporated into this Policy and supersede any and all previous applicable language. If the City is holding an investment that is subsequently prohibited by a legislative change, the City may hold that investment until the maturity date to avoid an unnecessary loss.

VIII. INVESTMENT PARAMETERS

Diversification. The City shall diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy, the securities markets, and the City's anticipated cash flow needs. Notwithstanding anything herein to the contrary, no more than 5% of the City's total portfolio may be deposited with or invested in securities issued by one corporate, financial, or municipal issuer with the exception of the U.S. Treasury, federal agency institutions, government sponsored enterprises, and investment pools.

Maximum Maturities. To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements and known future liabilities. The City will invest in securities maturing within five years from the date of trade settlement. Notwithstanding the five year maturity limitation, the City Council grants its express authority per Government Code Section 53601, to invest in Special Assessment District obligations and obligations of the City of Yuba City [and the Successor Agency to the Redevelopment Agency of the City of Yuba City](#) ~~and the Redevelopment Agency of the City of Yuba City~~ with maturities extending beyond five years.

Sale of Investments Prior to Maturity. The City recognizes that investments occasionally may be sold prior to maturity and measured losses may be desirable in a diversified portfolio as long as such sales are consistent with the overall objectives of the City and the guidelines established by this Policy. Such sales shall be considered within the context of the overall portfolio's return, provided that the sale of a security is in the best long term interest of the City.

IX. EVALUATION OF INVESTMENT PERFORMANCE

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. An appropriate performance benchmark shall be established against which portfolio performance shall be compared on a regular basis. The selected performance shall be representative of the City's overall investment objectives and liquidity requirements.

X. REPORTING

The City Treasurer shall prepare and present a quarterly investment report to the City Council. This report will include the following elements relative to the investments held at quarter-end:

- Type of Investment
- Issuer of Investment
- Maturity date
- Coupon rate
- Yield to maturity
- Face value
- Market value
- A list of monthly transactions
- A description of investments that are under the management of contracted parties
- A statement of compliance of the City's portfolio with this Policy
- A statement of the City's ability to meet expenditure requirements for the following six months, or an explanation of why sufficient funds may not be available
- Other information regarding the City's portfolio as appropriate

XI. POLICY REVIEW AND ADOPTION

This Investment Policy shall be submitted annually to the City Council for adoption. The Policy shall be reviewed at least annually to ensure its consistency with the overall objectives of the City and its relevance to current law and financial and economic trends. Any modifications made thereto must be approved by the City Council.

GLOSSARY OF SELECTED TERMS*

Benchmark

A passive index used to compare the performance, relative to risk and return, of an investor's portfolio.

Cash Flow

A comparison of cash receipts (revenues) to required payments (debt service, operating expenses, etc.).

CDARS

The Certificate of Deposit Account Registry Service: a convenient way for safety-conscious investors to earn interest and access FDIC insurance on certificates of deposit larger than the \$250,000 FDIC limit.

Credit Risk

~~The chance that an issuer will be unable to make scheduled payments of interest and principal on an outstanding obligation. Another concern for investors is that the market's perception of a corporation's credit will cause the market value of a security to fall, even if default is not expected.~~

Credit Rating

Various alphabetical and numerical designations used by institutional investors, Wall Street underwriters, and commercial rating companies to give relative indications of bond and note creditworthiness. Standard & Poor's and Fitch Ratings use the same system, starting with their highest rating, of AAA, AA, A, BBB, BB, B, CCC, CC, C, and D for default. Moody's Investors Service uses Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C, and D. Each of the services use pluses (+), minuses (-), or numerical modifiers to indicate steps within each category. The top four letter categories are considered investment grade ratings.

Credit Risk

The chance that an issuer will be unable to make scheduled payments of interest and principal on an outstanding obligation. Another concern for investors is that the market's perception of a corporation's credit will cause the market value of a security to fall, even if default is not expected.

Duration

A measure of the timing of cash flows to be received from a security that provides the foundation for a measure of the interest rate sensitivity of a bond. Duration is an elasticity measure and represents the percentage change in price divided by the percentage change in interest rates. A high duration measure indicates that for a given level of movement in interest rates, prices of securities will vary considerably.

FDIC

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions for safety and soundness and consumer protection, and managing receiverships.

Fiduciary

An individual who holds something in trust for another and bears liability for its safekeeping.

Liquidity

The ease with which an investment may be converted to cash, either by selling it in the secondary market or by demanding its repurchase pursuant to a put or other prearranged agreement with the issuer or another party.

Liquidity Risk

The chance that a security, sold prior to maturity, will be sold at a loss of value. For a local agency, the liquidity risk of an individual investment may not be as critical as how the overall liquidity of the portfolio allows the agency to meet its cash needs.

Market Risk

The chance that the value of a security will decline as interest rates rise. In general, as interest rates fall, prices of fixed income securities rise. Similarly, as interest rates rise, prices fall. Market risk also is referred to as systematic risk or risk that affects all securities within an asset class similarly.

Maturity

The stated date on which all or a stated portion of the principal amount of a security becomes due and payable.

Net Present Value

An amount that equates future cash flows with their value in present terms.

Par Amount or Par Value

The principal amount of a note or bond which must be paid at maturity. Par, also referred to as the “face amount” of a security, is the principal value stated on the face of the security. A par bond is one sold at a price of 100 percent of its principal amount.

Pooled Investment

A market institution authorized under various sections of state law that represents the combined deposits of more than one local agency and pays returns based upon each local agency’s share of investment in the pool.

Portfolio

The combined holdings of all investment assets held by an investor.

Principal Amount

The face amount or par amount of a bond or issue of bonds payable on stated dates of maturity.

Put

The ability of a holder of an investment security to sell at a specified time and for a specified price the security back to the issuer or prior holder.

Return

The principal plus interest on an investment or portfolio of investments. In certain unfavorable market environments or due to risk factors, income derived from principal and interest may be less than the original amount invested.

Risk

The uncertainty of maintaining the principal or interest associated with an investment due to a variety of factors.

Yield

For the purposes of this publication, return and yield are synonymous.

*Excerpted from Understanding Public Investment Reporting - A Handbook For Local Elected Officials, California Debt and Investment Advisory Commission, 2003.

GLOSSARY OF INVESTMENT INSTRUMENTS*

Asset-Backed Securities

Securities that are supported by pools of assets, such as installment loans or leases, or by pools of revolving lines of credits. Asset-backed securities are structured as trusts in order to perfect a security interest in the underlying assets.

Bank Note

A senior, unsecured, direct obligation of a bank or U. S. branch of a foreign bank.

Banker's Acceptance

Normally, a short-term bill of exchange that is accepted as payment by banks engaged in financing trade of physical assets or merchandise.

Bond

A debt obligation of a firm or public entity. A bond represents the agreement to repay the debt in principal and, typically, in interest on the principal.

Callable Security

An investment security that contains an option allowing the issuer to retire the security prior to its final maturity date.

Certificate of Deposit

A short-term, secured deposit in a financial institution that usually returns principal and interest to the lender at the end of the loan period. Certificates of Deposit (CDs) differ in terms of collateralization and marketability. Those appropriate to public agency investing include:

Negotiable Certificates of Deposit

Generally, short term debt instruments that usually pay interest and are issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. The majority of negotiable CDs mature within six months while the average maturity is two weeks. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

Non-Negotiable Certificates of Deposit

CDs that carry a penalty if redeemed prior to maturity. A secondary market does exist for these non-negotiable CDs, but include a transaction cost that reduces returns to the investor. Non-negotiable CDs issued by banks and savings and loans are insured by the Federal Deposit Insurance Corporation up to the amount of \$250,000, including principal and interest. Amounts deposited above this amount may be secured with other forms of collateral through an agreement between the investor and the issuer. Collateral may include other securities including Treasuries or agency securities such as those issued by the Federal National Mortgage Association.

Commercial Paper

A short-term, unsecured promissory note issued by a large corporation.

Corporate Notes and Bonds

Debt instruments, typically unsecured, issued by corporations, with original maturities in most cases greater than one year and less than ten years.

Federal Agency and Instrumentality Obligations

Obligations issued by a government-sponsored entity or a federally regulated institution.

Mortgage Pass-Through Obligations

Securities that are created when residential mortgages (or other mortgages) are pooled together and undivided interests or participations in the stream of revenues associated with the mortgages are sold.

Municipal Notes, Bonds, and Other Obligations

Obligations issued by state and local governments to finance capital and operating expenses.

Notes

Debt obligations of a firm or public entity, usually maturing in less than ten years.

Repurchase Agreements

From the perspective of a local agency, the short term, often overnight, purchase of securities with an agreement to resell the securities at an agreed upon price.

Reverse Repurchase Agreements

Differs from a repurchase agreement in the sense that a reverse repurchase agreement is an agreement to sell securities in return for cash with an agreement to repurchase the securities at an agreed upon price.

State and Local Investment Pools

The combined deposits of state and local agencies organized and operated by a state treasurer or a local official. These pools operate much like a mutual fund, with local agencies investing money together in order to increase efficiency and reduce costs.

State Notes, Bonds, and Warrants

Obligations of the State of California or another state government with different maturity lengths.

Supranationals

International financial institutions that are generally established by agreements among nations, with member nations contributing capital and participating in management. Supranational bonds finance economic and infrastructure development and support environmental protection, poverty reduction, and renewable energy around the globe.

Zero-Interest Bond

A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount. Zero-interest bonds are typically issued at a discount and repaid at par upon maturity.

*Excerpted from Understanding Public Investment Reporting - A Handbook For Local Elected Officials, California Debt and Investment Advisory Commission, 2003.

THE WORLD BANK AND OTHER TRIPLE-A SUPRANATIONALS

FACT SHEET

Why care about Supranationals?

Replacement for a shrinking supply of GSEs The universe of liquid triple-A bond issuers available to US investors has reduced dramatically and the issuance by government sponsored enterprises (GSEs) - such as Fannie and Freddie - is shrinking.

Investment in safe haven assets Investors now need alternative investment options that allow them to protect the credit quality and financial value of their portfolios, while still adding value to their portfolio performance goals.

Diversification of AAA portfolios The triple-A supranational, or “supra” sector is getting increased attention from portfolio managers and government investment officers in the US who have the fiduciary responsibility to protect the high credit quality of their portfolios, while offering their constituents a stable return or their budgets more income than possible from the US Treasury market.

How Supras & GSEs compare

Similarities Although supranationals cannot replace US agencies in terms of volume, they are an asset class that satisfies many requirements for US investors with conservative portfolios. These include

- USD borrowers: supranationals based in the US with mostly USD-based lending will rely more on funding in USD
- SEC exemptions: supranationals with the US as a major shareholder may benefit from exemptions that are similar to those for Fannie and Freddie
- debt products/pricing: Some supras offer US\$ callables and FRNs comparable to agencies
- bond features: supras share other features specific to bonds issued by the US agencies and US Treasury bonds, like settling USD benchmark bonds through Fedwire.*

Differences In addition to a smaller funding program compared to GSEs, some of the other basic differences include (but are not limited to)

- mission: Supras are charged with a global development mandate to help reduce poverty and improve standards of living.
- lending limits: Supras have strict lending limits, including cannot lend more than their capital plus reserves.
- sponsorship: Supras have the backing of a board of many governments of which the US is usually a major shareholder.

* Other supranationals who do not have the US as a major shareholder may still issue bonds in the US market, but they may clear these bonds through DTC rather than Fedwire and they would issue them under fully SEC registered documentation.

What is a Supranational?

Supranationals are international organizations owned by many different countries – like 188 countries for the World Bank– that operate under conservative financial policies.

The main purpose of supranationals is to work with member countries in different areas and help them reach their development goals in an environmentally and socially sustainable way.

Supranationals as issuers Sometimes referred to as Multilateral Development Banks, or MDBs, supranationals fund their activities by borrowing in the international capital markets.

Key features which supras share include

- Triple-A rated
- 0% risk weighting with Basle II and III
- Financial strength based on
 - quality loan portfolio (preferred creditor status)
 - conservative risk management
 - substantial liquidity and consistent profitability
 - strong capitalization
 - diversified, sovereign shareholders
- Issuers of US\$ global benchmarks
- Issuers of only senior, unsecured debt
- Benchmark bonds included in major USD and global indices

Supranationals are part of the “Sovereign Supranational and Agency” sector (SSAs) that bankers often refer to. The SSA borrower class is often discussed together by market professionals, but even within the SSA sector the credit for each issuer is different and should be carefully evaluated.



The US is the largest shareholder of most supranationals, including: Asian Development Bank (ADB), European Bank for Reconstruction and Development Bank (EBRD), Inter-American Development Bank (IADB), International Finance Corporation (IFC), and the World Bank (IBRD).

THE WASHINGTON SUPRAS

The Washington Supras are the supranationals headquartered in Washington, DC and seem to be especially interesting for US investors with conservative investment strategies due to their triple-A credit, the fact that the US is their largest shareholder, and because they issue similar products to those issued by GSEs, like US\$ benchmark bonds, callables and short-term discount notes.

These Washington Supras are the following:

- **International Bank for Reconstruction and Development (IBRD)**, known as “The World Bank”, established in 1944. The World Bank’s headquarters are in Washington, DC. It works with member countries to promote equitable and sustainable economic growth, by providing financing and risk management solutions directly to sovereign governments - globally. More information is provided below.
- **International Finance Corporation (IFC)**, part of the World Bank Group, created in 1956. Its headquarters are in Washington, DC. It provides investments and advisory services to build the private sector in developing countries.
- **Inter-American Development Bank (IADB)**, established in 1959. Its headquarters are in Washington, DC. It supports efforts by Latin America and the Caribbean countries to reduce poverty and inequality.



The World Bank main headquarters, Washington DC

SUPRA CASE STUDY: THE WORLD BANK

Development cooperative

The World Bank (International Bank for Reconstruction and Development, or IBRD) is an international organization owned by 188 countries. These shareholders are also its borrowers.

The World Bank provides development funding and consulting services directly to governments of “middle-income countries” like Mexico and Brazil, in areas such as education, health, environment, transportation, energy and infrastructure.

Issuer

To fund its international development activities, IBRD raises about US\$25 - US\$35 billion a year in the capital markets through hundreds of bond transactions offered to investors around the world in different currencies, maturities and structures.

The World Bank is rated triple-A and has been issuing bonds in the capital markets for more than 60 years.

Financial Strength

The World Bank’s high credit rating, strong balance sheet and conservative financial policies, and shareholder support, make World Bank bonds an attractive investment for many official sector and other investors who, like central banks, are looking for high quality assets.

The United States and the World Bank

The relationship between the U.S. government and the World Bank is most similar to that between the government and an instrumentality.

The US Secretary of the Treasury sits on the World Bank’s Board of Governors, the World Bank’s highest governing body.

The World Bank is treated as an “exempt issuer” under the US securities laws since 1949 in recognition of its status as an international organization in which the U.S. is the largest shareholder (with about 16%).

The United States’ membership in the World Bank was authorized by a federal statute known as the Bretton Woods Agreements Act (22 U.S.C. 286 et seq.)

The World Bank looks forward to continuing to provide support to US investors so that they may consider supranationals when looking for safe investments.

A list of World Bank bonds and details on World Bank Discount Notes can be found on Bloomberg under (IBRD <Go> or IBRD <GOVT> <Go>).

More information for investors on World Bank bonds and a list of recent bonds showing financial distributors of our bonds is available at:

<http://treasury.worldbank.org/capitalmarkets>

INVESTOR RELATIONS | CAPITAL MARKETS DEPARTMENT | WORLD BANK TREASURY

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CITY OF YUBA CITY
STAFF REPORT

Date: April 7, 2015
To: Honorable Mayor & Members of the City Council
From: Administration
Presentation By: Steven C. Kroeger, City Manager

Summary

Subject: Recology request for reimbursement for South Area Storm Water Improvements and Feather River Organics Compost Pad/Storm Water Improvements

Recommendation: Approve use of \$403,629.84 in Rate Stabilization and Capitalization Funds to reimburse Recology for eligible activities as submitted.

Fiscal Impact: \$403,629.84 - Rate Stabilization and Capitalization Fund

Purpose:

To use Rate Stabilization and Capitalization Funds for eligible activities and thereby avoid inclusion of these onetime expenses in ongoing solid waste rates.

Background:

In 2008, the Regional Waste Management Authority (RWMA) members established a Rate Stabilization and Capitalization Fund (Fund) as part of Recology's solid waste rate approval process. The Fund was established to reduce volatility in year to year rate adjustments and fund one time capital improvement costs. Use is guided by the Rate Stabilization and Capitalization Fund Distribution Guidelines (attached).

The Fund has worked as intended. Projects funded include: Levee Road (\$128,803); required safety improvements at the intersection of Highway 20 and North Levee Road (\$545,021); and, the projected net cost of the landfill gas control project at the closed YSDI landfill (\$284,170).

Since January 1, 2012, as provided in Yuba City's updated collection service agreement with Recology, the City's portion of the Fund (42.02%) is distributed directly to the City. The remaining RWMA members continue to have their Rate Stabilization and Capitalization Funds (57.98%) held by the RWMA.

Analysis:

Recology has submitted a request (attached) for use of Rate Stabilization and Capitalization Funds for two specific projects:

1. South Area Storm Water Improvements
2. Feather River Organics Compost Pad/Storm Water Improvements

A similar request was submitted to the RWMA for funding from the Five Jurisdiction Rate Stabilization and Capitalization Fund. Documentation of the actual expenses for these two projects and the allocations between RWMA and non-RWMA activities was reviewed by RWMA staff. The complete RWMA analysis, which includes additional background information and justification for the expenses, is included as an attachment to this staff report.

At their meeting of March 26, the RWMA Board considered Recology's request and approved funding from the Five Jurisdiction Rate Stabilization and Capitalization Fund (57.98%, or \$556,936.17). The request is now being brought before your Council for consideration of funding the remaining portion (42.02%, or \$403,629.84).

The balance of Yuba City's Rate Stabilization and Capitalization Fund as of 2/28/15 is \$778,331; therefore, adequate funds are available for reimbursement.

<i>Rate Stabilization and Capital Fund (Yuba City)</i>	
2/28/15 balance	\$ 778,331.49
Storm Water project	\$ (166,917.52)
Compost Pad project	\$ (236,712.32)
Remaining Balance	\$ 374,701.65

Fiscal Impact:

\$403,629.84 - Rate Stabilization and Capitalization Fund

Alternatives:

Request that solid waste service rates be adjusted to include the requested reimbursement.

Recommendation:

Approve use of \$403,629.84 in Rate Stabilization and Capitalization Funds to reimburse Recology for eligible activities as submitted.

Attachments:

- A. *Letter of Request from Recology dated February 11, 2015*
- B. *RWMA staff report dated Revised March 24, 2015*
- C. *Rate Stabilization and Capitalization Fund Distribution Guidelines*

Prepared and Submitted By:

/s/ Steven C. Kroeger

Steven C. Kroeger
City Manager

Reviewed By:

Finance

[RB](#)

City Attorney

[TH](#)



February 11, 2015

Steve Kroeger
City Manager
Yuba City
1201 Civic Center Boulevard
Yuba City, CA 95993

Regarding: Request for reimbursement for South Area Storm Water Improvements and Feather River Organics Compost Pad/Storm Water Improvements

Dear Mr. Kroeger:

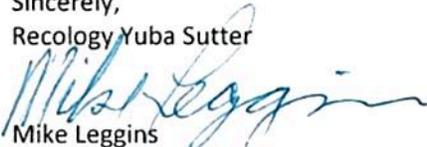
We submitted invoices totaling \$430,372.16 for the South Area Storm Water Improvements project and invoices totaling \$695,472.23 for the Feather River Organics (FRO) Compost Pad/Storm Water Improvements to the Regional Waste Management Authority (RWMA). These invoices are under review by the RWMA staff and will be considered by the RWMA Board of Directors at their meeting on March 19th. We were recently informed by the RWMA staff that the Board's consideration would exclude Yuba City's portion and that we would need to submit a separate request for payment from Yuba City. This letter serves a request from Yuba City for reimbursement of its share of these project costs.

The invoices for the South Area project are complete. Therefore, we are requesting reimbursement for the RWMA share of the cost as soon as possible. Based on the FY2014-15 rate application the RWMA share of the transfer station and MRF is 92.3% or ~~\$397,223.50~~ ^{397,233.50} for the project. Yuba City's share of this balance is 42.02% of the total RWMA share or ~~\$162,711.31~~ ^{\$166,917.52}.

Based on the FY2014-15 rate application the RWMA share of FRO is 81.0% or \$563,332.51 for the FRO Compost Pad/Storm Water Project. Yuba City's share of this balance is 42.02% or \$236,712.32. We understand that there may be some additional questions about this project. We look forward to meeting with you and the other RWMA administrators to answer any questions you might have on this project.

Please feel free to contact me at the office or cell (707) 499-0933 if you need more information.

Sincerely,
Recology Yuba Sutter


Mike Leggins
General Manager

Cc: Keith Martin Alyson Burleigh
Ed Farewell Terry Bentley Tom Norris

Revised March 24, 2015

AGENDA ITEM IV – C
STAFF REPORT

RATE STABILIZATION AND CAPITALIZATION FUNDS FOR THE CAPITAL EXPENSES FOR FEATHER RIVER ORGANICS COMPOST FACILITY PAD IMPROVEMENTS, RELATED STORM WATER CONTROL IMPROVEMENTS AND SOUTH AREA WORK PLAN PAVEMENT AND INFRASTRUCTURE IMPROVEMENTS REQUIRED BY THE STATE WATER BOARD

Background

The Detailed Rate Adjustment review for Rate Year 2008 determined that surplus revenue would be generated if the Rate Year 2007 service rates charged for services provided to all of the RWMA member agencies remained unchanged. Rather than reduce the base region-wide service rates for Rate Year 2008, the RWMA member jurisdictions and Recology Yuba-Sutter agreed to the establishment of a Rate Stabilization Fund to be maintained by the RWMA. Due to the then two-year rate setting cycle, the surplus revenue collection was continued into Rate Year 2009 and adjusted by the indexed adjustment methodology. In nearly identical situations, the now named Rate Stabilization and Capitalization Fund was continued in Rate Years 2010, 2011, 2012, 2013, 2014 and 2015, and is expected to be continued in Rate Years 2016 through 2019 based on provisions of the Collection Service Agreements.

The surplus revenues are remitted to the RWMA in twelve equal monthly payments. These funds are held in an interest bearing Local Agency Investment Fund (LAIF) account for use at the discretion of the RWMA Board of Directors to fund anticipated future capital improvements that would otherwise be eligible for inclusion in the collection rates and/or to reduce future rate increases. In November 2011, the RWMA Board adopted the attached Rate Stabilization and Capitalization Fund Distribution Guidelines. Since January 1, 2012, Yuba City's portion of the surplus revenues are being distributed directly to the City rather than remitted to the regional fund.

The RWMA Board has approved the release of Rate Stabilization Funds for improvements to Levee Road (\$128,803); required safety improvements at the intersection of Highway 20 and North Levee Road (\$545,021); and, the projected net cost of the landfill gas control project at the closed YSDI landfill (\$284,170) though the projected net cost for the landfill gas project will be true-up as the actual amounts of the projected expenses and revenues are known. At the October 2012 meeting, the RWMA Board authorized the execution of a contract with Tetra Tech BAS and the associated funding of up to \$98,287 from the RWMA Rate Stabilization and Capitalization Fund for professional services to prepare the Feasibility Study for a Transfer Station, Material Recovery Facility and/or Fleet Storage and Maintenance Facility for the Yuba-Sutter area.

In December 2012, the RWMA Board authorized the release of \$407,936 in Rate Stabilization and Capitalization Funds to fully fund the remaining 15 years of the 30-year landfill post-closure financial assurance period, which at that time, began January 23, 2013. In July 2013, the RWMA Board authorized the release of \$181,682 in Rate Stabilization and Capitalization Funds to fund the estimated landfill post-closure expenses for Rate Year 2013. Beginning with Rate

Year 2014, annual landfill post-closure expenses are included in the service rates. In conjunction with the provision of funds for the landfill post-closure expenses and related to prior funding for a landfill gas control project, a mid-2013 amendment to each of the member agencies' Collection Service Agreements included the following provisions:

- The post-closure maintenance funding contributions and expenses shall be trued-up annually through September 30, 2019 based on the funding contributions, interest received and actual expenses as documented by invoice copies and other documents, following the annual close and compilation of the documents.
- It was previously agreed by the Regional Waste Management Authority and Recology Yuba-Sutter that the \$284,170 provided by the Regional Waste Management Authority from the Rate Stabilization and Capitalization Fund on May 4, 2012 for the projected net cost of the Recology Yuba-Sutter (Marysville) Landfill Gas Project submitted by Recology Yuba-Sutter on March 20, 2012 will be trued-up as the projected expenses and revenues presented in the March 20, 2012 submittal become known. The projected net cost was based on the known expenses through Rate Year 2011 and the projected expenses and carbon credit revenues through Rate Year 2014. The Landfill Gas Project funding, revenue and expenses shall be trued-up annually and documented by invoice copies and other documents following the annual close and compilation of the revenues and expenses. Any net revenue shall be remitted to the Regional Waste Management Authority Rate Stabilization and Capitalization Fund and any net costs shall be submitted to the Regional Waste Management Authority with a request for payment from the Rate Stabilization and Capitalization Fund.
- Expenses funded by the Rate Stabilization and Capitalization Fund shall not be included in any of the cost categories for Refuse Rate Index rate adjustments and shall be considered pass-through expenses in Detailed Applications for rate adjustments.
- Should it be determined that the post-closure maintenance trust fund is no longer required for the Recology Yuba-Sutter Landfill in Marysville, Recology Yuba-Sutter shall remit the RWMA portion of the trust fund balance to the Yuba-Sutter region rate payers. The CITY/COUNTY portion of the trust fund balance shall be remitted as directed by the CITY/COUNTY should it be determined that the post-closure maintenance trust fund is no longer required for the Recology Yuba-Sutter Landfill in Marysville and Recology Yuba-Sutter is no longer the collection service contractor.

In July 2014, the RWMA Board authorized the release of \$408,158 in Rate Stabilization and Capitalization Funds to again shore-up the 15-year post closure maintenance trust fund. At that time, two additional pending rate fund requests were identified, but more detail needed to be provided and reviewed before these requests could be brought forward. These funding requests are related to State Water Board requirements for the Feather River Organics facility and pavement and infrastructure improvements to the operations area of the Marysville MRF/Transfer Station (South Area).

Current Action

Recology Yuba-Sutter's Rate Year 2015 Detailed Rate Application included capital funding for re-grading the operations pad at the Feather River Organics facility as required by the Central

Valley Regional Water Quality Control Board. The compost pad project was estimated to cost \$439,382 and the RWMA's portion of this cost would be \$355,899. The RWMA Administrators recommended that this item be adjusted out of the rate application and funded by the Five Jurisdiction (RWMA) and the Yuba City Rate Stabilization and Capitalization Funds. Since that time, additional storm water management requirements were identified and required to be completed by October 1, 2014, in advance of the rainy season.

During the RY 2015 Detailed Rate Application review process, Recology Yuba-Sutter also notified the RWMA Administrators that there was another set of pavement and infrastructure improvement requirements identified for the operations area of the Marysville MRF/Transfer Station (South Area Work Plan) required to meet conditions of a State Water Board Cleanup and Abatement Order pertaining to operations on top of the closed landfill. The RWMA Administrators recommended that the expenses not be included in the rate application and instead funded by the Five Jurisdiction RWMA and Yuba City Rate Stabilization and Capitalization Funds. This work was originally estimated at \$600,000, but this price was reduced to \$420,000 based on project bids and the final cost was \$430,372.

Documentation of the actual expenses for these two projects and the allocations between RWMA and non-RWMA activities have been reviewed by RWMA staff. The allocations between the RWMA Five Jurisdiction and the Yuba City Rate Stabilization and Capitalization Funds was also reviewed by RWMA staff. This allocation is 57.98 percent from the RWMA Five Jurisdiction Rate Stabilization and Capitalization Fund and 42.02 percent from the Yuba City Rate Stabilization and Capitalization Fund, the same proportions as the remittances to these funds. The current authorization requests from the Five Jurisdiction RWMA Rate Stabilization and Capitalization Fund are:

- \$326,620.19 for the Feather River Organics compost pad re-grading and storm water control projects
- \$230,315.98 for the South Area Work Plan pavement and infrastructure improvements.

At their March 11th meeting, the RWMA Administrators recommended that these capital expenditures be funded by the Five Jurisdiction RWMA Rate Stabilization and Capitalization Fund. Recology Yuba-Sutter has submitted a request to Yuba City for the balance of the funding required, \$403,629.84.

For reference, the February 2015 balances of the Six Jurisdiction RWMA and Five Jurisdiction RWMA Rate Stabilization and Capitalization Funds are respectively, \$963,777 and \$1,071,396. Assuming approval of the recommended disbursements as proposed, the RWMA Five Jurisdiction balance would be reduced by a total of \$556,936.17 to an estimated \$514,460.

Additional Pending Requests and Other Issues

It should be noted that additional capital expenditures of approximately \$80,000 for the infrastructure to service an additional 27 storm water collection tanks to meet the Water Board's requirements of handling a 25 year, 24 year storm event were incurred in December 2014 and/or January 2015. Requests for funding this portion of the project expenses is still pending and will be submitted for consideration at a future Board meeting.

It should also be noted that an additional \$398,000 is anticipated to be requested from the Six Jurisdiction Rate Stabilization and Capitalization Fund for annual post closure maintenance expenses and to further shore-up the 15-year post closure maintenance trust fund.

Finally, Recology Yuba-Sutter plans to relocate the compost facility to a new site in two to four years (three to five years as noted in a May 2014 State Water Board document). No information has been provided regarding the cost for the new facility or the effect on costs at the Marysville facility.

Staff will be prepared at the meeting to discuss any questions.

RECOMMENDATION: Authorize the release of funds from the RWMA Five Jurisdiction Rate Stabilization and Capitalization Fund contingent upon Yuba City funding its portion of the capital expenses as proposed.

**REGIONAL WASTE MANAGEMENT AUTHORITY
RATE STABILIZATION AND CAPITALIZATION FUND
DISTRIBUTION GUIDELINES**

To guide future distributions from the Rate Stabilization and Capitalization Fund, the following guidelines shall be considered for the use of available funds:

1. For the stabilization of future collection rates; and,
2. For the acquisition of municipal solid waste facilities and/or equipment including alternative transfer facilities, material recovery facilities, composting facilities, and/or landfills and any related studies and/or reports deemed necessary to evaluate or complete such acquisitions. The goal of this guideline is to enable the RWMA jurisdictions to create a more competitive environment for the future procurement of solid waste collection services. Progress regarding this goal shall be reviewed annually by the RWMA Board of Directors.
3. The specific near-term objective is to begin a feasibility analysis for a transfer station, material recovery facility and/or fleet storage and maintenance facility by July 2012.

Adopted by the Regional Waste Management Authority Board of Directors on November 17, 2011

**CITY OF YUBA CITY
STAFF REPORT**

Date: April 7, 2015
To: Honorable Mayor and Members of the City Council
From: Administration
Presentation By: Steve Kroeger, City Manager

Summary

Subject: Priorities and Goals for Fiscal Year 2015-2016
Recommendation: Note & File the Summary of Discussion of the Priority and Goals for FY 2015-16 Workshop
Fiscal Impact: Informational item only

Purpose:

Establishing and confirming the Goals and Priorities of the City Council for the next fiscal year.

Background:

Annually, the City Council and Executive Team hold a Goal Setting workshop to review and define the priorities and goals for the next fiscal. This year's workshop was held on March 10, 2015.

The City Council's long standing priorities remain:

- Public Safety (Police, Fire, Flood Control)
 - Provide Police Services to Annexed Areas of the City
- Develop our Economy
- Maintain and Improve our Infrastructure
- Develop Our Organization
 - Leadership Development
- Prepare for Growth
- Enhance Our Image/Reputation

Analysis:

At the workshop, City staff provided overviews of the following key issues:

- Financial Analysis, with future year projections
- An overview of the City's Capital Replacement needs for the Water and Wastewater Treatment Plants
- City Roadway Condition Assessment & Project Financing
- Provision of Police Services to the Walton Area
- Fire Department Facility and Equipment Needs

- Park Planning for Underserved Areas
- Enhancement of Garden Highway Industrial Area

Open discussion among the Council addressed:

- Continued emphasis on Customer Service Training
- Leadership/Succession/Recruitment Process
- Progress of new 5th Street Bridge
- Continued use of SACOG funding for Streets and Road Maintenance
- Caltrans disposition of 3rd Bridge Property
- Future Annexations
- Provision of fire service to County Fire Service Area G
- Reach out /Interface with educational institutions

Next Steps:

The Executive Team will develop and refine specific initiatives as part of the budget process, which will then be tracked and reported to the City Council over the next year.

Fiscal Impact:

Informational item only.

Recommendation:

Note & File the Summary of Discussion of the Priority and Goals for FY 2015-2016

Prepared By:

Submitted By:

/s/ Terrel Locke_____

/s/ Steven C. Kroeger

Terrel Locke
Assistant to the City Manager

Steven C. Kroeger
City Manager

CITY OF YUBA CITY

City Council Reports

- Councilmember Cleveland
- Councilmember Didbal
- Councilmember Gill
- Vice Mayor Buckland
- Mayor Dukes

Adjournment