



**REGULAR MEETING AGENDA  
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT  
BOARD ROOM, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076**

**Saturday, February 8th, 2020 9:00 a.m.**

**Raphael Kraw will be joining the meeting by phone from:**

**Omni Rancho La Palma Hotel  
41000 Bob Hope Dr. Rancho Mirage, CA, 92270  
Please inquire at the front desk for the exact location.**

**A. OPEN SESSION CALL TO ORDER – PLEDGE OF ALLEGIANCE**

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**Roll Call**

John Cullen, Secretary  
David Ferrari, Community Liaison  
Jim Griffin, Director

Jack Feinstein, Director  
Raphael Kraw, Director  
Sarah Mansergh, Clerk

**B. MEMBER COMMENTS**

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Matters under the jurisdiction of the Board and not on the posted agenda, may be addressed by members of the public before the Board for consideration. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined to be an emergency by the Board of PDGHAD. Any person wishing to address the Board during the Member Comment period shall be permitted to be heard for up to 3 minutes, A) individuals may speak only once and B) the Board is unable to address any owner comments in depth, but may choose to direct the Clerk to follow-up on the matter for a future meeting.

**C. PRESIDENT’S REMARKS**

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The President will use this opportunity to inform the public of issues affecting the District and other items of a general nature not otherwise provided for on this agenda.

**A. 2020 Regular Meeting Dates**

April 11<sup>th</sup>  
May 16<sup>th</sup>  
August 8<sup>th</sup>  
November 14<sup>th</sup>  
December 12<sup>th</sup>

**B. Reminder to submit yearly Form 700 to the County Clerk’s office-online preferred.**

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## **D. CONSENT CALENDAR**

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All matters listed on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion at the appropriate time. There will be no separate discussion on these items. If discussion is desired, that item will be removed from the Consent Calendar and will be considered separately.

1. Approval of minutes September 21<sup>st</sup>, 2019; November 9<sup>th</sup>, 2019 and December 14<sup>th</sup>, 2019

## **E. TREASURER'S REPORT**

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2. Financial Reports
  - Financial Report through January 31<sup>st</sup>, 2020
  - Warrant listing

## **F. MEETING reports**

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3. Meetings attended by Directors at District expense since the last meeting of the Board (per AB1234 requirements). Such reports may be made orally or in writing.

## **G. NEW BUSINESS**

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4. ITEM-Update from Cal Engineering and Geology on document preparation for permit submission and possible committee formation for review of draft documents.

- a. Board report
- b. Public comment
- c. Board discussion
- d. Board action /direction

5. ITEM – Review draft Investment Policy Statement

- a. Board report
- b. Public comment
- c. Board discussion
- d. Board action /direction

6. ITEM – Approval of Insurance Policy Renewals

- a. Board report
- b. Public comment
- c. Board discussion
- d. Board action /direction

## **H. DIRECTORS COMMENTS AND CONCERNS**

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Members of the Board of Directors may address items of concern at this time, and may request that items be placed on future agendas in accordance with the By-laws of the Board.

## **I. ADJOURNMENT**

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The next Meeting of the Board of Directors is scheduled for April 11th, 2020, at 9:00 a.m. at the offices of the Pajaro Dunes Geologic Hazard Abatement District, Board Room, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076. Individuals who require special accommodations are requested to contact the District Clerk by calling (831) 818-9253, no less than 72 hours prior to the meeting or in the case of a Special Meeting, as soon as possible after the Agenda is posted. Copies of the agenda will be available 72 hours prior to the meeting and may be obtained by contacting the District at (831) 761-7744. All meetings are noticed and conducted in accordance with the Ralph M. Brown Act.

# PDGHAD

**REGULAR MEETING AGENDA  
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT  
BOARD ROOM, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076**

**Director David Ferrari will be joining by phone from:**

W Seattle Hotel  
1112 4th Ave  
Seattle, WA  
98101

Please inquire at the front desk for the appropriate room number

**Saturday, September 21st, 2019 9:00 a.m.**

## **A. OPEN SESSION CALL TO ORDER – PLEDGE OF ALLEGIANCE**

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### **Roll Call**

John Cullen, Secretary  
David Ferrari, Community Liaison  
Jim Griffin, Director

Jack Feinstein, Director  
Sarah Mansergh, Clerk

**Dan Peluso and Mike Rodriguez**

## **B. MEMBER COMMENTS**

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## **C. PRESIDENT'S REMARKS**

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The President will use this opportunity to inform the public of issues affecting the District and other items of a general nature not otherwise provided for on this agenda.

- Tentative Meeting Calendar 2019  
November 9<sup>th</sup>  
December 14<sup>th</sup>

## D. CONSENT CALENDAR

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All matters listed on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion at the appropriate time. There will be no separate discussion on these items. If discussion is desired, that item will be removed from the Consent Calendar and will be considered separately.

1. Approval of minutes May 28<sup>th</sup>, 2019

**Jim moves to approve Jack second. All approve.**

## E. TREASURER'S REPORT

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2. Financial Reports
  - Financial Report through August 31<sup>st</sup>, 2019
  - Warrant listing
  -

**Reviewed financials. No major updates.**

## F. MEETING reports

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2. Meetings attended by Directors at District expense since the last meeting of the Board (per AB1234 requirements). Such reports may be made orally or in writing.

**No meetings attended by members.**

## G. NEW BUSINESS

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4. ITEM – Discuss approval of master contract for engineering services and resolution designating a new engineer of record.
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

**Mike reviewed the scope of work and contract.**

**Decided to make the contract be a nte amount each fiscal year, as decided at a Board meeting. For 2019/2020 will be nte \$55,000. Term of the contract to be 2 years with option to extend by Board motion of up to 2 years. David F. will be interface with CE&G.**

**David F. moves to approve with updates as discussed. Jack F. seconds. All approve.**

5. ITEM – Presentation and review of 2019 seawall inspection report and document review report from CE&G Engineering.
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

**First task order for CE&G-compile a succinct overview of the project and set up a meeting with the County with Dan Peluso, David Ferrari, John Cullen. Looking at end of October for a meeting with the County. Also put together a possible timeline for application process.**

6. ITEM-Appointment of new Board member
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

**Application was submitted from Raphael Kraw, she was interviewed by John C and Jack F. on Thursday by phone.**

**Jack F second David. All approve the appointment of Raphael.**

7. ITEM-Discuss continuation of the line of credit with Santa Cruz County Bank
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

**Jim G moves to approve the continuation of the line of credit. Jack F seconds. All approve.**

#### **H. DIRECTORS COMMENTS AND CONCERNS**

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Members of the Board of Directors may address items of concern at this time, and may request that items be placed on future agendas in accordance with the By-laws of the Board.

**Add review of the contact sheet and emergency flow chart to every meeting.**

**Add liquidity needs, and what can we do to earn some interest on our emergency funds.**

#### **I. ADJOURNMENT**

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The next Meeting of the Board of Directors is scheduled for November 9th, 2019, at 9:00 a.m. at the offices of the Pajaro Dunes Geologic Hazard Abatement District, Board Room, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076. Individuals who require special accommodations are requested to contact the District Clerk by calling (831) 818-9253, no less than 72 hours prior to the meeting or in the case of a Special Meeting, as soon as possible after the Agenda is posted. For copies of the agenda will be available 72 hours prior to the meeting and may be obtained by contacting the District agenda and board packet e-mail [pdghad@gmail.org](mailto:pdghad@gmail.org) or (831) 761-7744. All meetings are noticed and conducted in accordance with the Ralph M. Brown Act.

Adjourned at 10:48am

# PDGHAD

**REGULAR MEETING MINUTES  
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT  
MEADOW ROOM, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076**

Please note the change of venue to the Meadow Room  
**Saturday, November 9th, 2019 9:00 a.m.**

## **A. OPEN SESSION CALL TO ORDER – PLEDGE OF ALLEGIANCE**

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### **Roll Call**

John Cullen, Secretary-**present**

David Ferrari, Community Liaison-**present**

Jim Griffin, Director –**not present**

Jack Feinstein, Director-**not present**

Raphael Kraw, Director-**present**

Sarah Mansergh, Clerk-**present**

**Mike Rodriguez (attorney), Wendy Cumming (accountant) were also present.**

## **B. MEMBER COMMENTS**

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Matters under the jurisdiction of the Board and not on the posted agenda, may be addressed by members of the public before the Board for consideration. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined to be an emergency by the Board of PDGHAD. Any person wishing to address the Board during the Member Comment period shall be permitted to be heard for up to 3 minutes, A) individuals may speak only once and B) the Board is unable to address any owner comments in depth, but may choose to direct the Clerk to follow-up on the matter for a future meeting.

## **C. PRESIDENT'S REMARKS**

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The President will use this opportunity to inform the public of issues affecting the District and other items of a general nature not otherwise provided for on this agenda.

- **Meeting Calendar 2019**

December 14<sup>th</sup>

**2020 Regular Meeting Dates**

February 8<sup>th</sup>

April 11<sup>th</sup>

**May 9<sup>th</sup> Change to May 16<sup>th</sup>**

August 8<sup>th</sup>

November 14<sup>th</sup>

December 12<sup>th</sup>

## D. CONSENT CALENDAR

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All matters listed on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion at the appropriate time. There will be no separate discussion on these items. If discussion is desired, that item will be removed from the Consent Calendar and will be considered separately.

1. Approval of minutes September 21<sup>st</sup>, 2019-**Defer to next meeting to achieve a quorum**

## E. TREASURER'S REPORT

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2. Financial Reports
  - Financial Report through October 31<sup>st</sup>, 2019
  - Warrant listing
  - Asset Investments and Options

**Wendy Cumming gave an update on the Financial Report and a brief discussion on some investment options that may be reviewed in the future. Suggested that the Board review a draft investment policy statement before making any decisions (add to February meeting).**

**Raphael moves to approve the financial statements, David seconds. All approve**

## F. MEETING reports

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2. Meetings attended by Directors at District expense since the last meeting of the Board (per AB1234 requirements). Such reports may be made orally or in writing.

**John, David and Mike met with the County and Engineer of Record on October 22<sup>nd</sup> and Nov 7<sup>th</sup> with the Engineer of Record.**

## G. NEW BUSINESS

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4. ITEM – Designate officers for the Board-**Defer to next meeting. Provide job descriptions.**
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction
5. ITEM-Review Emergency Procedures and Contact Information Sheet
  - a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

**Reviewed the Emergency Procedures and Contact Information. Sarah was directed to review with Engineer of Record and bring back for finalization at the next meeting.**



6. ITEM-Designate a signee(s) for the emergency line of credit with Santa Cruz County Bank and discuss adequacy of current bank signatures lists
- a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

**Raphael moves to designate John Cullen and David Ferrari as signatories on the emergency line of credit as both are already signatories on our other SCCB accounts. John is authorized to sign the documents and both John and David are authorized to advance funds from the loan. David F. seconds. All approve.**

7. ITEM – Review FY 2018/19 audit report.
- a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

**Wendy presented the clean opinion from the auditors.**

**David F moves to approve the draft audit report and directs Wendy to send it for finalization. Raphael seconds. All approve.**

**John will present the audit findings at the homeowners meeting in December.**

8. ITEM – Review results of the County planning meeting and discuss next steps to be taken for submission of a maintenance plan for the seawall.
- a. Board report
  - b. Public comment
  - c. Board discussion
  - d. Board action /direction

**John provided an update on the County planning meeting on October 22<sup>nd</sup>, where they and introduced our new Engineer of Record (EofR) to County personnel and discussed the plan moving forward. EofR will develop a detailed construction methodology and documentation we have and advise on what is needed to move the plan forward for SC County to issue us a grading permit. SC County and GHAD will then approach the Coastal Commission with the plan for review.**

**November 7<sup>th</sup> follow up meeting: CE&G suggested a survey of the seawall to update information. Can do a drone survey of current conditions based on the ARUP information. \$6,000 for the critical areas and \$10,000 for the entire seawall. Will secure data from ARUP, put together report and at the December meeting provide updates. Set up with Dan for a call in to the December meeting.**

**David F. moves to hire CE&G for the survey of the entire wall and authorizes expenditure of \$10,000. Raphael seconds. All approve.**

**Raphael will research grant possibilities-including the Coastal Conservancy.**

## **H. DIRECTORS COMMENTS AND CONCERNS**

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Members of the Board of Directors may address items of concern at this time, and may request that items be placed on future agendas in accordance with the By-laws of the Board.

## **I. ADJOURNMENT**

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Adjourned at 10:36am.

Attest:

Sarah Mansergh  
Clerk of the Board  
Pajaro Dunes Geologic Hazard Abatement District

The next Meeting of the Board of Directors is scheduled for December 14th, 2019, at 9:00 a.m. at the offices of the Pajaro Dunes Geologic Hazard Abatement District, Board Room, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076. Individuals who require special accommodations are requested to contact the District Clerk by calling (831) 818-9253, no less than 72 hours prior to the meeting or in the case of a Special Meeting, as soon as possible after the Agenda is posted. For copies of the agenda will be available 72 hours prior to the meeting and may be obtained by contacting the District agenda and board packet e-mail [pdghad@gmail.org](mailto:pdghad@gmail.org) or (831) 761-7744. All meetings are noticed and conducted in accordance with the Ralph M. Brown Act.

# PDGHAD

**REGULAR MEETING MINUTES  
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT  
MEADOW ROOM, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076**

Please note the change of venue to the Meadow Room  
**Saturday, December 14th, 2019 9:00 a.m.**

## **A. OPEN SESSION CALL TO ORDER – PLEDGE OF ALLEGIANCE**

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### **Roll Call**

John Cullen, Secretary present  
David Ferrari, Community Liaison-not present  
Jim Griffin, Director –not present

Jack Feinstein, Director-present  
Raphael Shannon, Director-present  
Sarah Mansergh, Clerk-present

**Michael Rodriguez-attorney also present**

## **B. MEMBER COMMENTS**

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## **C. PRESIDENT’S REMARKS**

---

The President will use this opportunity to inform the public of issues affecting the District and other items of a general nature not otherwise provided for on this agenda.

### **2020 Regular Meeting Dates**

February 8<sup>th</sup>  
April 11<sup>th</sup>  
May 16<sup>th</sup>  
August 8<sup>th</sup>  
November 14<sup>th</sup>  
December 12<sup>th</sup>

## **D. CONSENT CALENDAR**

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All matters listed on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion at the appropriate time. There will be no separate discussion on these

items. If discussion is desired, that item will be removed from the Consent Calendar and will be considered separately.

1. Approval of minutes September 21<sup>st</sup>, 2019 and November 9<sup>th</sup>, Deferred for quoroms

#### **E. TREASURER'S REPORT**

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##### 2. Financial Reports

- Financial Report through November 30<sup>th</sup>, 2019

**The financial report through Nov. 30<sup>th</sup>, 2019 was reviewed by the Board-no major changes.**

#### **F. MEETING reports**

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3. Meetings attended by Directors at District expense since the last meeting of the Board (per AB1234 requirements). Such reports may be made orally or in writing.

No meetings attended

#### **G. NEW BUSINESS**

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##### 4. ITEM-Review Updated Emergency Procedures and Contact Information Sheet

- a. Board report
- b. Public comment
- c. Board discussion
- d. Board action /direction

**Updates to document: Larger disaster have a return arrow and make sure Dan shows up in the bubble of EOR. Add Mike as legal representation and Sarah as Clerk.**

##### 5. ITEM- Review officers job descriptions

- a. Board report
- b. Public comment
- c. Board discussion
- d. Board action /direction

**Question from John: What was the wording of the charge from the County Board of Supervisors. Sarah to look at docs from formation of GHAD and bring back at a future meeting.**

##### 6. ITEM – Receive an update on permitting documentation and drone survey from Dan Peluso.

- a. Board report
- b. Public comment
- c. Board discussion
- d. Board action /direction

**Dan called in to the meeting and provided an update on the drone survey and the transfer of documents from ARUP have been received. Jack brought up the point that this map may be**

used by PDA to address the flood designations from FEMA. Discussed some strategies for moving forward with the County. Dan will return a list of next steps in the process and a timeline as projected for end of January.

**Things Dan suggested be added to the grading permit request: Staging areas, title sheet, access route, cross sections and details on where the rocks will be staged during the process, specifications and cost estimates.**

## **H. DIRECTORS COMMENTS AND CONCERNS**

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Members of the Board of Directors may address items of concern at this time, and may request that items be placed on future agendas in accordance with the By-laws of the Board.

**To communicate at HOA meeting: Completed 18/19 fiscal year under budget. 19/20 budget updates with technical services, clean 2018/19 audit, met with SC County about the repairs, completed an inspection, updated EOR and is preparing a permit application, encourage Pelicans homeowner to join the Board.**

## **I. ADJOURNMENT**

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The next Meeting of the Board of Directors is scheduled for February 8th, 2020, at 9:00 a.m. at the offices of the Pajaro Dunes Geologic Hazard Abatement District, Board Room, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076. Individuals who require special accommodations are requested to contact the District Clerk by calling (831) 818-9253, no less than 72 hours prior to the meeting or in the case of a Special Meeting, as soon as possible after the Agenda is posted. For copies of the agenda will be available 72 hours prior to the meeting and may be obtained by contacting the District agenda and board packet e-mail [pdghad@gmail.org](mailto:pdghad@gmail.org) or (831) 761-7744. All meetings are noticed and conducted in accordance with the Ralph M. Brown Act.

The meeting was adjourned at 9:58am.

**Pajaro Dunes Geologic Hazard Abatement District**

**Balance Sheet**

As of January 31, 2020

Jan 31, 20

**ASSETS**

**Current Assets**

**Checking/Savings**

100000 · SCCB Zone 1 - 3957	21,318
100001 · SCCB Zone 2 - 3965	28,780
100002 · SCCB Z1 Emerg - 1877	173,056
100003 · SCCB LTD- 0208	49,131
100400 · Union Bank Bond Holding	<u>253,804</u>

**Total Checking/Savings** 526,089

**Accounts Receivable**

120000 · Assessments Receivable	<u>309,344</u>
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**Total Accounts Receivable** 309,344

**Other Current Assets**

121500 · Prepaid Insurance	2,667
121600 · Prepaid Expenses	<u>32,335</u>

**Total Other Current Assets** 35,002

**Total Current Assets** 870,435

**Fixed Assets**

150000 · Riverwall	3,000,000
160000 · Accumulated Depreciation	<u>-1,508,331</u>

**Total Fixed Assets** 1,491,669

**TOTAL ASSETS** 2,362,104

**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

**Accounts Payable**

200000 · Accounts Payable	<u>11,778</u>
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**Total Accounts Payable** 11,778

**Other Current Liabilities**

220000 · Accrued Interest	26,384
255000 · Unearned Revenue	<u>10,675</u>

**Total Other Current Liabilities** 37,059

**Total Current Liabilities** 48,837

**Long Term Liabilities**

285000 · Bonds Payable Z2	1,165,000
286000 · Bonds Payable Discount Z2	-52,250
286500 · Amort. Bond Discount Z2	<u>30,991</u>

**Total Long Term Liabilities** 1,143,741

**Total Liabilities** 1,192,578

**Equity**

30000 · Opening Balance Equity	608,448
32000 · Retained Earnings	450,480
Net Income	<u>110,597</u>

**Total Equity** 1,169,525

**TOTAL LIABILITIES & EQUITY** 2,362,103

Note ~ GHAD owns \$15k of rock that is stored at Granite Rock

**Pajaro Dunes Geologic Hazard Abatement District**  
**Profit & Loss Budget vs. Actual**  
 July 2019 through January 2020

	Zone 1				Zone 2			
	Jul '19 - Jan 20	Budget	\$ Over Budget	% of Budget	Jul '19 - Jan 20	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>								
<b>Income</b>								
410000 · Assessment Income	75,391	75,403	(12)	100%	136,732	136,732	-	100%
410020 · Emergency Reserve Fund	107,331	107,331	-	100%	-	-	-	-
410050 · Assess. Income PDA Stairs	3,930	3,930	-	100%	1,254	1,254	-	100%
<b>Total Income</b>	<b>186,652</b>	<b>186,664</b>	<b>(12)</b>	<b>100%</b>	<b>137,986</b>	<b>137,986</b>	<b>-</b>	<b>100%</b>
<b>Expense</b>								
610155 · Postage and Mailings	66	1,000	(934)	7%	-	-	-	-
61510 · Advertising	-	500	(500)	0%	-	-	-	-
615115 · Office Expense	-	300	(300)	0%	-	-	-	-
615140 · Audit Expense	7,500	10,000	(2,500)	75%	-	-	-	-
61518 · Clerk	1,564	4,900	(3,336)	32%	467	1,515	(1,048)	31%
615415 · Accounting	8,333	11,000	(2,667)	76%	-	-	-	-
615416 · Assessment Admin. Expense	2,519	8,000	(5,481)	31%	328	1,039	(711)	32%
615617 · Website Maintenance	-	1,000	(1,000)	0%	-	-	-	-
615650 · Officer Election	-	2,475	(2,475)	0%	-	-	-	-
615655 · Dues	-	500	(500)	0%	-	-	-	-
615656 · Board/Clerk Education	-	1,000	(1,000)	0%	-	-	-	-
616500 · Legal Fees	6,880	10,500	(3,620)	66%	-	-	-	-
617250 · Seawall Inspections	2,506	6,000	(3,494)	42%	-	-	-	-
619010 · Technical Consulting Costs	23,218	72,000	(48,782)	32%	-	-	-	-
628500 · Insurance Expense	8,750	8,750	-	100%	-	-	-	-
629030 · SBA Repayment to PHA Z2	-	-	-	-	54,166	54,166	-	100%
629900 · Bond Fee Expense	-	-	-	-	-	635	(635)	0%
650000 · Bank Service Charges	1,034	-	1,034	-	79	292	(213)	27%
750000 · Depreciation Expense Z2	-	-	-	-	58,331	58,335	(4)	100%
<b>Total Expense</b>	<b>62,370</b>	<b>137,925</b>	<b>(75,555)</b>	<b>45%</b>	<b>113,371</b>	<b>115,982</b>	<b>(2,611)</b>	<b>98%</b>
<b>Net Ordinary Income</b>	<b>124,282</b>	<b>48,739</b>	<b>75,543</b>	<b>255%</b>	<b>24,615</b>	<b>22,004</b>	<b>2,611</b>	<b>112%</b>
<b>Other Income/Expense</b>								
<b>Other Income</b>								
410070 · Interest & Penalty Income	154	25	129	616%	138	88	50	157%
<b>Total Other Income</b>	<b>154</b>	<b>25</b>	<b>129</b>	<b>616%</b>	<b>138</b>	<b>88</b>	<b>50</b>	<b>157%</b>
<b>Other Expense</b>								
855000 · Interest Expense	-	-	-	0%	37,375	37,375	-	100%
955500 · Interest Bond Discount	-	-	-	-	1,218	1,218	-	100%
<b>Total Other Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>38,593</b>	<b>38,593</b>	<b>-</b>	<b>100%</b>
<b>Net Other Income</b>	<b>154</b>	<b>25</b>	<b>129</b>	<b>616%</b>	<b>(38,455)</b>	<b>(38,505)</b>	<b>50</b>	<b>100%</b>
<b>Net Income</b>	<b>124,436</b>	<b>48,764</b>	<b>75,672</b>	<b>255%</b>	<b>(13,840)</b>	<b>(16,501)</b>	<b>2,661</b>	<b>84%</b>

**Pajaro Dunes Geologic Hazard Abatement District**  
**Profit & Loss Budget vs. Actual**  
July 2019 through January 2020

	TOTAL			
	Jul '19 - Jan 20	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
410000 · Assessment Income	212,123	212,135	(12)	100%
410020 · Emergency Reserve Fund	107,331	107,331	-	100%
410050 · Assess. Income PDA Stairs	5,184	5,184	-	100%
<b>Total Income</b>	<b>324,638</b>	<b>324,650</b>	<b>(12)</b>	<b>100%</b>
<b>Expense</b>				
610155 · Postage and Mailings	66	1,000	(934)	7%
61510 · Advertising	-	500	(500)	0%
615115 · Office Expense	-	300	(300)	0%
615140 · Audit Expense	7,500	10,000	(2,500)	75%
61518 · Clerk	2,031	6,415	(4,384)	32%
615415 · Accounting	8,333	11,000	(2,667)	76%
615416 · Assessment Admin. Expense	2,847	9,039	(6,192)	31%
615617 · Website Maintenance	-	1,000	(1,000)	0%
615650 · Officer Election	-	2,475	(2,475)	0%
615655 · Dues	-	500	(500)	0%
615656 · Board/Clerk Education	-	1,000	(1,000)	0%
616500 · Legal Fees	6,880	10,500	(3,620)	66%
617250 · Seawall Inspections	2,506	6,000	(3,494)	42%
619010 · Technical Consulting Costs	23,218	72,000	(48,782)	32%
628500 · Insurance Expense	8,750	8,750	-	100%
629030 · SBA Repayment to PHA Z2	54,166	54,166	-	100%
629900 · Bond Fee Expense	-	635	(635)	0%
650000 · Bank Service Charges	1,113	292	821	381%
750000 · Depreciation Expense Z2	58,331	58,335	(4)	100%
<b>Total Expense</b>	<b>175,741</b>	<b>253,907</b>	<b>(78,166)</b>	<b>69%</b>
<b>Net Ordinary Income</b>	<b>148,897</b>	<b>70,743</b>	<b>78,154</b>	<b>210%</b>
<b>Other Income/Expense</b>				
<b>Other Income</b>				
410070 · Interest & Penalty Income	292	113	179	258%
<b>Total Other Income</b>	<b>292</b>	<b>113</b>	<b>179</b>	<b>258%</b>
<b>Other Expense</b>				
855000 · Interest Expense	37,375	37,375	-	100%
955500 · Interest Bond Discount	1,218	1,218	-	100%
<b>Total Other Expense</b>	<b>38,593</b>	<b>38,593</b>	<b>-</b>	<b>100%</b>
<b>Net Other Income</b>	<b>(38,301)</b>	<b>(38,480)</b>	<b>179</b>	<b>100%</b>
<b>Net Income</b>	<b>110,596</b>	<b>32,263</b>	<b>78,333</b>	<b>343%</b>



**Pajaro Dunes Geologic Hazard Abatement District**  
**Bank Account Activity**  
As of January 31, 2020

<u>Type</u>	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
<b>100000 · SCCB Zone 1 - 3957</b>						<b>22,272.62</b>
Payment	12/03/2019		Pajaro Dunes Association-	3,929.63		26,202.25
Bill Pmt -Check	12/06/2019	1378	Jarvis, Fay, & Gibson, LLP	0.00		26,202.25
Bill Pmt -Check	12/06/2019	1379	Wendy L. Cumming, CPA		1,031.25	25,171.00
Bill Pmt -Check	12/06/2019	1380	Hutchinson & Bloodgood		2,500.00	22,671.00
Bill Pmt -Check	12/06/2019	1381	Sarah Mansergh		327.89	22,343.11
Check	12/06/2019	atm	Santa Cruz County Bank		25.00	22,318.11
Check	12/06/2019	atm	Santa Cruz County Bank		1,000.00	21,318.11
Total 100000 · SCCB Zone 1 - 3957				3,929.63	4,884.14	21,318.11
<b>100001 · SCCB Zone 2 - 3965</b>						<b>36,098.95</b>
Payment	12/03/2019		Pajaro Dunes Association-	1,253.70		37,352.65
Bill Pmt -Check	12/06/2019	1328	Pajaro Dunes Geologic Abatement District		737.08	36,615.57
Bill Pmt -Check	12/06/2019	1329	Pelican Home Owner's Association		7,738.00	28,877.57
Bill Pmt -Check	12/06/2019	1330	Sarah Mansergh		97.94	28,779.63
Total 100001 · SCCB Zone 2 - 3965				1,253.70	8,573.02	28,779.63
<b>100002 · SCCB Z1 Emerg - 1877</b>						<b>167,808.36</b>
Payment	12/03/2019		Pajaro Dunes Association-	5,247.75		173,056.11
Total 100002 · SCCB Z1 Emerg - 1877				5,247.75	0.00	173,056.11
<b>100003 · SCCB LTD- 0208</b>						<b>49,122.17</b>
Deposit	12/31/2019			4.17		49,126.34
Deposit	01/31/2020			4.16		49,130.50
Total 100003 · SCCB LTD- 0208				8.33	0.00	49,130.50
<b>100400 · Union Bank Bond Holding</b>						<b>253,803.87</b>
Total 100400 · Union Bank Bond Holding						253,803.87
<b>TOTAL</b>				<b>10,439.41</b>	<b>13,457.16</b>	<b>526,088.22</b>

**[ENTITY]**

**STATEMENT OF  
INVESTMENT POLICY**

**2017 - 2018**

**PREPARED BY THE CITY FINANCE DEPARTMENT**

**REVIEWED AND APPROVED BY**

**[Name]**

Adopted by the City Council on TBD

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## I. OVERVIEW

### Introduction

The purpose of this document is to provide guidelines for the prudent investment of the City's idle cash and to outline policies for investment transactions. The ultimate goal is to enhance the economic status of the City while protecting its pooled cash.

### Scope

The scope of the City's investment policy includes the criteria and practices to be followed in the process of realizing the City's primary investment objectives for the following categories:

- Authority and Responsibilities
- Eligible Financial Institutions
- Authorized Investments
- Investment Parameters
- Cash Management
- Evaluation of Investment Performance
- Investment Reporting
- Investment Policy Review and Adoption

This policy covers all funds and investment activities which are under direct authority of the City and accounted for in the Annual Financial Report.

Financial assets held and invested by trustees or fiscal agents are excluded from this policy, however, such assets are nevertheless subject to and governed according to the regulations established by the State of California pertaining to investments by local agencies as well as the relative bond indentures.

### General Objectives

In order of priority, the primary objectives of investment activities shall be:

#### 1. Safety

Safety of principal is the foremost objective of the investment program. Investments will be made in a manner that ensures the preservation of capital in the overall portfolio. The objective is to mitigate credit and interest rate risk.

##### a. Credit Risk

The City will minimize credit risk, which is defined as the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the safest types of securities and investments as outlined in Section IV.
- Evaluating the financial stability, of the financial institutions, broker/dealer with which the City will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

*b. Interest Rate Risk*

The City will minimize the fluctuations or market value risk of securities due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

**2. Liquidity**

The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio will consist largely of securities with an active secondary or resale market (dynamic liquidity). A portion of the portfolio will also be placed in money market mutual funds or local government investment pools, which offer same-day or next day liquidity for short-term funds.

**3. Yield**

The investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, while taking into account investment risk constraints and liquidity needs. Return on investment is secondary to safety and liquidity objectives. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. It is the City's policy to hold investments to maturity; however, securities may be sold prior to maturity under the following circumstances:

- When a security has declining credit and selling early will minimize loss of principal.
- When a security swap will improve the quality, yield, or target duration in the portfolio.
- When liquidity needs of the portfolio cause the security to be sold.

**Standards of Care**

The City operates its pooled idle cash investments under the "Prudent Person Rule" which obligates a fiduciary to ensure that:

*"In investing...property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstances then prevailing, which men or women of prudence, discretion and intelligence exercise in the management of their own affairs."*

## II. INVESTMENT AUTHORITY AND RESPONSIBILITIES

### Authorized Investment Officers

Idle cash management and investment transactions are the responsibility of the City Treasurer.

### Investment Procedures

The authorized investment officers, in accordance with the City of Entity Investment Policy, are responsible for administering an investment program which:

- Adheres to the Statement of Investment Policy.
- Prioritizes safety and liquidity.
- Determines risk and optimizes return.
- Meets anticipated cash needs.

## III. ELIGIBLE FINANCIAL INSTITUTIONS

### Selection of Eligible Financial Institutions

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements.
- Proof of National Association of Securities Dealers (NASD) certification.
- Proof of state registration.
- Completed broker/dealer questionnaire.
- Certification of having read, understood, and agreed to comply with the City's investment policy.

### Deposits

The City will only deposit funds with institutions that have been assigned an "A" rating by an established rating service that bases ratings on quarterly financial information provided by the Federal Reserve Board and the Federal Home Loan Bank Board (i.e., The Financial Directory). Ratings will be monitored on a quarterly basis.

### Broker/Dealers

Investments must be purchased directly from the issuer, from an institution licensed by the state as a broker-dealer, from a member of a federally regulated securities exchange, or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank. Broker/dealers shall be selected according to creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). Broker/Dealers may be either primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15c3-1 (uniform net capital rule).

The City of Entity will maintain a file of broker/dealers with which it is currently doing business to include the firm name, contact person, telephone number, and current audited financial statements.

**Safekeeping and Custody**

When applicable, all trades will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. A third-party custodian as evidenced by safekeeping receipts will hold securities.

**IV. AUTHORIZED INVESTMENTS****Investment Types**

The California Government Code Sections 16429.1 and 53601 govern investment of City funds. Investments are restricted to a maturity term no longer than what is authorized by Section 53601, or five years unless the City Council grants prior express authority.

It should be noted that while the Government Code specifies the maximum percentage of the portfolio, which may be held in each type of investment at any one time, fluctuations in the portfolio balance prevents strict adherence to such restrictions. Therefore, percentage limitations shall apply to investments at the time of purchase.

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy:

**1. State Treasurer's Local Agency Investment Fund (LAIF)**

*Government Code Section 16429.1:* The City may invest a maximum of \$50 million pursuant to LAIF policy. LAIF is a diversified investment pool administered by the California State Treasurer. Monies invested with LAIF are pooled with State monies in order to earn the maximum rate of return consistent with safe and prudent treasury management.

The LAIF handbook including LAIF policies and restrictions shall be available in the City's Finance Department.

**2. U.S. Government Issues**

*Government Code Sections 53601 (b) and (e):* The California Government Code does not legislate a maximum for government issues. U.S. government agency obligations and U.S. government instrumentality obligations have a liquid market with a readily determinable market value. The State Code restricts the maturity limits for government obligations for Cities in California to a maximum of five years unless the legislative body has granted express authority to make an individual investment either specifically or as part of an investment program approved by the legislative body no less than three months prior.

**3. Bankers Acceptances**

*Government Code Section 53601 (f):* Up to forty percent (40%) of the City's portfolio may be invested in Bankers Acceptances which are defined as bills of exchange or time drafts, drawn on and accepted by a commercial bank, which are eligible for purchase by the Federal Reserve System. No more than 30% of the portfolio may be invested in Bankers Acceptances with any one commercial bank and the maturity periods cannot

exceed 180 days.

**4. Commercial Paper**

*Government Code Section 53635 (a) & 53601 (g)*: A maximum of forty (40%) of the City's portfolio may be invested in commercial paper that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO). Issuing corporations must be organized and operating in the United States, have \$500 million in total assets, and have at least an "A" rating (by a nationally recognized statistical-rating organization) on debt other than commercial paper. The maturity period cannot exceed 270 days. No more than 10% of the total investments held by a local agency may be invested in any one issuer's commercial paper.

**5. Certificates of Deposit and Passbook Savings Accounts**

*Government Code Section 53601*: There is no limit as to the amount of the investment portfolio that may be deposited in certificates of deposit or passbook savings account.

California law requires that public funds be collateralized. The depository must secure its public fund accounts by maintaining at least one hundred ten percent (110%) of the value of the public fund accounts. If a depository uses mortgage-backed securities (i.e., promissory notes secured by first mortgages or first deeds of trust) as collateral for public deposits, the market value of the mortgage-backed securities must be at least one hundred fifty percent (150%) of the value of the public fund accounts. Certificates of Deposit maturities cannot exceed 5 years.

The collateralization requirement may be waived if funds are federally insured (currently up to \$100,000 per institution). For deposits equivalent to the maximum insured amount, security may also be waived for interest accrued on the deposit provided the interest is computed by the depository on the average daily balance of the deposits, paid monthly, and computed on a 360-day basis.

**6. Money Market Mutual Funds**

*Government Code Section 53601 (k)*: Money market funds that are shares of beneficial interest issued by diversified management companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec 80a-1 et seq.) No more than 10% of the local agency's funds may be invested in shares of beneficial interest of any one mutual fund.

An investment in shares issued pursuant to the previous paragraph requires that the company shall have met either of the following criteria:

- a) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.
- b) Retained an investment adviser who is registered or exempt from registration with the Securities and Exchange Commission, has at least five years experience managing money market mutual funds with assets in excess of five hundred million dollars (\$500,000,000).

The purchase price of shares of beneficial interest purchased pursuant to this section shall not include any commission that the companies may charge and shall not exceed twenty percent



(20%) of the agency's surplus money that may be invested pursuant to this section.

**7. Medium Term Notes**

*Government Code Section 53601 (j)*: Medium-term notes with a maximum five year maturity issued by corporations organized and operating within the United States, or by depository institutions licensed by the United States or any individual state and operating within the United States. Notes eligible for investment under this section shall be rated in a rating category of "A", or its equivalent or better, by a nationally recognized rating service. Purchases of medium-term notes may be exceed thirty percent (30%) percent of the agency's surplus money, which may be invested pursuant to this section.

**8. Negotiable Certificates of Deposit**

*Government Code Section 53601 (h)*: Negotiable certificates of deposits issued by a nationally or state-chartered bank, or a state of federal associations (as defined by Section 5102 of the Financial Code), or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed thirty percent (30%) of the agency's surplus money, which may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit are not subject to Article 2 requirements commencing with Section 53630, except that the amount so invested shall be subject to the limitations of 53638.

**9. Repurchase Agreements**

*Government Code Section 53601 (i.2)*: Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at a minimum of 102 percent of the funds borrowed against those securities and the value shall be adjusted no less than quarterly.

**Prohibited Investments**

The City of Entity shall not invest in any investment instrument/pool/fund unless it is specifically allowed under the "Investment Types" section of this policy.

The City of Entity shall comply with Government Code Section 53601.6, which states "A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes, or mortgage-derived, interest-only. A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in any security that could result in zero interest accrual if held to maturity."

In addition, the City of Entity will not invest in:

- Financial Futures and Financial Options.
- Guaranteed Small Business Administration (SBA) Notes.
- Reverse Repurchase Agreements.
- County Pooled Funds.

**Legislative Changes**

Any State of California legislative action that further restricts allowable maturities, investment types, or percentage allocations will be incorporated into the City of Entity Investment Policy. 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 if it is deemed prudent to do so.

**V. INVESTMENT PARAMETERS****Diversification**

The investments shall be diversified by:

- Limiting investments in securities from a specific issuer or business sector (excluding Local Agency Investment Fund and U.S. Treasury securities) in order to avoid over concentration.
- Limiting investment in securities that have high credit risks.
- Investing in securities with varying maturities.
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LAIF) or money market funds in order to ensure that appropriate liquidity is maintained to meet ongoing obligations.

**Maximum Maturities**

In order to minimize the impact of market risk, it is intended that all investments will be held to maturity.

The City shall attempt to match its investments with anticipated cash flow requirements. The City will not directly invest in securities maturing more than five (5) years from the date of purchase.

Investments may be sold prior to maturity for cash flow or appreciation purposes, or in order to limit losses.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds.

**VI. CASH MANAGEMENT**

In order to obtain a reasonable return on public funds, the following cash management practice will be followed:

- Maximum investment of all City funds not required to meet immediate cash flow

needs will be maintained.

- Except for cash in certain restricted and special funds, the City will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds on a quarterly basis based on participation and in accordance with generally accepted accounting principles.
- The City's cash flow will be maximized through immediate deposit of all receipts, use of direct deposit when available, and appropriate timing of payment to vendors.

## VII. EVALUATION OF INVESTMENT PERFORMANCE

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs.

### Benchmark Comparison

The investment portfolio shall be structured to optimize the return given the risk constraints and cash flow needs.

In evaluation of the performance of the City's portfolio and compliance with this policy, it is expected that yields on City investments will regularly meet or exceed the average return on a two-year U.S. Treasury Note, however, a variance of .5% positive or negative from the benchmark is considered reasonable.

## VIII. INVESTMENT REPORTING

Investment performance statistics and activity reports shall be generated on a monthly basis. The City Treasurer shall prepare and submit a monthly investment report to the City Manager for distribution to the City Council.

This report will include the following elements relative to the investments held at month-end.

- Par value.
- Security description.
- Coupon rate.
- Maturity date.
- Investment type.
- Purchase date.
- Cost of security.

- Purchase yield.
- Estimated market value.
- Statement of portfolio compliance with Investment Policy.
- Statement of sufficient funds to meet the next six months' obligations.

#### **IX. INVESTMENT POLICY REVIEW AND ADOPTION**

The Statement of 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.

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## APPENDIX A

### DEPOSITORY SERVICES

**Active Deposits** are demand or checking accounts, which receive revenues and pay disbursements.

**Interest-Bearing Active Deposits** are money market accounts at a financial institution (i.e., bank, savings and loan, credit union). These accounts are demand accounts (i.e., checking accounts) with restricted transaction activity.

**Inactive Deposits** are certificates of deposit issued in any amount for periods of time as short as 14 days and as long as several years. Interest must be calculated on a 360-day basis, actual number of days.

**Passbook Savings Account** is similar to an inactive deposit except there is not a fixed term. The interest rate is much lower than CD's but the savings account allows greater flexibility as funds can be deposited and withdrawn according to our daily needs.

### INVESTMENT SECURITIES

**U.S. Treasury Issues** are direct obligations of the United States Government. These issues are called bills, notes, and bonds. The maturity range of new issues is from 13 weeks (T-bills) to 30-year (T-bonds). These are highly liquid and considered the safest investment security.

**Federal Agency Securities** are issued by U.S. Government agencies or quasi- government agencies and are guaranteed either directly or indirectly by the United States Government. Federal Home Loan Bank (FHLB) notes, Federal National Mortgage Association (FNMA) notes, Federal Farm Credit Bank (FFCB) notes, Federal Intermediate Credit Bank (FICB) debentures, Small Business Administration (SBA) notes (as a matter of policy the City of Entity does NOT invest in SBA notes), Government National Mortgage Association (GNMA) notes, Federal Home Loan Mortgage Corporation (FHLMC) notes, and Student Loan Association (SALLIEMAE) notes are examples of these securities.

**Certificates of Deposit** are investments for inactive funds issued by banks, savings and loans, and credit unions. Investments up to \$100,000 are insured by the Federal Deposit Insurance Corporation (FDIC), Savings Association Insurance Fund (SAIF) which is managed by the FDIC, or the National Credit Union Share Insurance Fund (NCUSIF) according to issuance. Certificates of Deposit can be issued for a maturity period of 14 days to several years which allows for better matching of investments to cash flow needs. For deposits exceeding \$100,000, it is required that the financial institution collateralize with 110% government securities collateral, 150% First Trust Deeds collateral, or 105% Letters of Credit (L.C.) collateral.

**Negotiable Certificates of Deposit** are unsecured obligations of the financial institution. These securities are generally issued in bearer form and pay interest at maturity. Although negotiable, a strong secondary market exists only in the NCD's issued by the largest United States banks such as Bank of America, Citibank, Chase Manhattan, Manufacturers Hanover, etc.

**Bankers Acceptances** are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument and is purchased in various denominations for 30, 60, 90, or 180 days. The interest is calculated on a 360-day discount basis similar to Treasury Bills. Local agencies cannot invest more than 40% of their surplus money in banker's acceptances.

**Commercial Paper** is a short-term unsecured promissory note issued by a corporation to raise working capital. These negotiable instruments are purchased at a discount but mature at par value. Commercial paper is issued by corporations such as General Motors Acceptance Corporation (GMAC), Shearson-American Express, Bank of America, Wells Fargo Bank, etc.

Local agencies are permitted by state law to invest in commercial paper of "prime" quality of the highest ranking, or of the highest letter and numerical rating as provided by Moody's Investor's Service, Inc., or Standard and Poor's Corporation. Purchases of eligible commercial paper may not exceed 270 days maturity nor exceed 25% of the local agency's surplus funds.

**Medium Term Corporate Notes** are unsecured promissory notes issued by a corporation operating in the United States. These are negotiable instruments and are actively traded in the secondary market. Medium Term Corporate Notes (MTN) can be defined as extended maturity commercial paper. Corporations such as General Electric, GMAC, Citibank, and Wells Fargo Bank use MTN's to raise capital.

Local agencies are restricted by the Government Code to investments in corporations that are rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Further restrictions are a maximum term of five years to maturity and total investments in Medium Term Corporate Notes may not exceed 30% of the local agency's surplus money.

**Repurchase Agreements and Reverse Repurchase Agreements** are short-term investment transactions. Banks buy temporarily idle funds from a customer by selling U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date. Repurchase agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the REPO. Some banks will execute repurchase agreements for a minimum of \$100,000, but most banks have a minimum of \$500,000. Investment in repurchase agreements may be made only if the term of the agreement does not exceed one year and if it is collateralized at a minimum of 102 percent.

A reverse-repurchase agreement (reverse-repo) is exactly what the name implies, which is borrowing to increase the rate of return on investments-also known as leveraging. The agency

invests periodically in repurchase agreements, but as a matter of policy the City of Entity does NOT invest in reverse-repurchasing agreements.

**Local Agency Investment Fund (L.A.I.F.)** is a special fund in the State Treasury that local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, and in multiples of \$1,000 above that, with a maximum of \$50 million for any agency. It offers high liquidity because deposits can be converted to cash in 24 hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via check, warrant, or direct deposit to the agency's State Pooled Fund account.

The State keeps an amount not to exceed 1/2 of a percent of the earnings for reasonable costs of making the investments.

**County Pooled Funds** is similar to the State of California Local Agency Investment Fund (L.A.I.F.). The County Treasurer manages this pooled fund and interest is competitive with money market rates. There are no restrictions regarding the number of transactions or dollar amount of deposits. The County cannot attach the funds deposited by a local agency in the County Pooled Fund.

All interest is distributed to the participating agencies on a proportionate share basis which is determined according to the amount deposited and the time length of the deposit. Interest is paid quarterly via check, warrant or direct deposit to the agency's County Pooled Fund account. The County keeps an amount for reasonable administrative costs. The Orange County Investment Pool is excluded from the City of Entity's allowable investment list.

**Mutual Funds** are referred to in the Government Code, Section 53601 as "shares of beneficial interest issued by diversified management companies." The Mutual Fund by-laws must be consistent with Government Code which allows Treasury issues, Federal Agency issues, State of California and city (within California) debt obligations, Bankers Acceptances, Commercial Paper, Certificates of Deposit, Negotiable Certificates of Deposit, Repurchase Agreements, Reverse Repurchase Agreements, Financial Futures and Financial Options and Medium Term Corporate Notes. The purchase price of shares of the mutual funds shall not include any sales commission and investments in mutual funds shall not exceed 20% of the local agency's surplus money. Companies in this category must have the highest rating provided by not less than two of the three largest nationally recognized rating services.

**Financial Futures and Financial Options** are forward contracts for securities. The Government Code States that a local agency may incur future contracts/options in any of the investment securities enumerated in Section 53601, a-m. Due to the volatility of trading in financial futures, the City of Entity does NOT invest in financial futures or financial options.

**Derivatives** are financial contracts that derive their value from some underlying asset such as mortgages, commodities, or stocks and bonds. Financial derivative products are more risky than other types of investments due to their complexity and the volatility of their market values. State

Legislation has limited this type of investment for local agencies by excluding the more risky derivatives. As a matter of policy, the City of Entity does NOT invest in derivative-type investments that do NOT conform to the requirements set forth in California Government Code Section 53635.

**Money Market Funds** are shares of beneficial interest issued by diversified management companies that are registered with the Securities and Exchange Commission. Money market funds are only authorized to invest in highly-rated, short-term debt instruments with defined maturities. They must have an average weighted maturity of 90 days or less and abide by SEC regulations. Only money market funds holding U.S. Treasury or government agency obligations are to be utilized. Funds must receive the highest ranking by 2 of the 3 largest nationally recognized rating agencies.

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## APPENDIX B

### INVESTMENT CRITERIA FOR FINANCIAL INSTITUTIONS

- The institution must have been in business for at least three years.
- The institution must submit audited financial statements.
- The institution must have assets of at least \$50 million and a net worth to liability ratio of 3.5% to 1 or 3.0% to 1 net worth to asset ratio if less than 180 days to maturity.
- Investments in Credit Unions require Equity (net worth) to Asset Value of 5.0%. The loan balance to share draft ratio is comparable to industry standards, but should not exceed 90%. The City may invest funds for a period of up to 120 days in institutions with a Regular Reserve to Loan Balance ratio of at least 3.25%. For longer periods of time, the ratio must be at least 4.0%.
- The institution will certify as to the adequacy of the Reserve Loan Losses category and to the level of non-performing assets (i.e., loans no longer paying interest and/or principal in the amount called for in the original contract agreement). Comparison is made of institution ratio values to the industry averages.
- Under deposits, if data is available, we will request information regarding the ratio of \$100,000 certificates of deposit (brokered money) to the total deposit base. A percent greater than 50% is an area of concern.

**EXHIBIT A**

**BROKER/DEALER QUESTIONNAIRE**

1. Name of Firm:
2. Local Address: National Address:
3. Telephone:
4. PRIMARY REPRESENTATIVE/MANAGER/PARTNER-IN-CHARGE:  
Secondary representative/manager/partner-in-charge:
5. Are you a Primary Dealer in U.S. Government Securities?
6. Are you a member of NASD?
7. What is the date of your firm's fiscal year-end?
8. Attach certified documentation of your capital adequacy and financial solvency. In addition, an audited financial statement must be provided within 120 days of your fiscal year-end.
9. Has your Firm consistently complied with the Federal Reserve Bank's Capital adequacy guidelines?
10. Is your firm owned by a holding company? If so, what is its name and net capitalization?
11. Identify the principal who will be trading with or quoting securities to our employees (attach current resumes of all persons listed).
12. Please identify your most directly comparable clients in our geographical area. (include address, contact phone #, length of relationship)
13. Please indicate a percentage breakdown of your client base by portfolio size.

14. Have any of your public-sector clients ever sustained or claimed a loss on a securities transaction or loss of principal arising from a misunderstanding or misrepresentation of the risk characteristics of a recommended instrument purchased through your firm? If yes, please explain.
15. Does your firm have any pending litigation with public sector clients or have you been subject to any within the last five years? If yes, please explain.
16. Has your firm ever been subject to a regulatory, state, or federal agency investigation for alleged improper, fraudulent, disreputable or unfair activities related to the sale of government securities or money market instruments? If yes, please explain.
17. Please provide your wiring and delivery instructions.
18. Which instruments does your local desk offer regularly?
19. Which of the above does your firm specialize in marketing?
20. What reports, transaction confirmations, and paper trail will we receive?
21. What precautions are taken by your firm to protect the interest of the public when dealing with government agencies as investors?
22. What training would you provide for your employees and investment officers?
23. Do you participate in the SIPC Insurance program? If not, please explain.
24. What portfolio information do you prefer from your clients?
25. Please include samples of research reports or market information that your firm regularly provides to clients.
26. Are you, or is your institution, licensed by the State of California as a broker-dealer, as defined in Section 25004 of the California Corporations Code, or a member of a federally-regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association (as defined by Section 5102 of the California Finance Code) or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank?

## APPENDIX C GLOSSARY

The following is a glossary\* of key investing terms, many of which appear in GFOA'S Sample Investment Policy.

**Accrued Interest** - The accumulated interest due on a bond as of the last interest payment made by the issuer.

**Agency** - A debt security that is issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of an FSA is the Federal National Mortgage Association (FNMA).

**Amortization** - The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

**Average Life** - The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

**Basis Point** - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, for example 1/4 of 1 percent is equal to 25 basis points.

**Bid** - The indicated price at which a buyer is willing to purchase a security or commodity.

**Book Value** - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

**Callable Bond** - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

**Call Price** - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

**Call Risk** - The risk to a bondholder that a bond may be redeemed prior to maturity.

**Cash Sale/Purchase** - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

**Collateralization** - Process by which a borrower pledges securities, property, or other deposits

for the purpose of securing the repayment of a loan and/or security.

**Commercial Paper** - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 365 days.

**Convexity** - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

**Coupon Rate** - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities, also known as the "interest rate".

**Credit Quality** - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

**Credit Risk** - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**Current Yield (Current Return)** - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

**Delivery Versus Payment (DVP)** - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

**Derivative Security** - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

**Discount** - The amount by which the par value of a security exceeds the price paid for the security.

**Diversification** - A process of investing assets among a range of security types by sector, maturity, and quality rating.

**Duration** - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**Fair Value** - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Federal Funds (Fed Funds)** - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

**Federal Funds Rate** - Interest rate charged by one institution lending federal funds to the other.

**Government Securities** - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

**Interest Rate** - See "Coupon Rate".

**Interest Rate Risk** - The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

**Internal Controls** - A structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. 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 should address the following points:

- Control of collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employers.
- Separation of transaction authority from accounting and record keeping - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
- Custodial safekeeping - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
- Avoidance of physical delivery securities - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
- Clear delegation of authority to subordinate staff members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their responsibilities.
- Written confirmation of transactions for investments and wire transfers - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
- Development of a wire transfer agreement with the lead bank and third-party custodian - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

**Inverted Yield Curve** - Chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

**Investment Company Act of 1940** - Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

**Investment Policy** - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager to manage a portfolio of investment securities.

**Investment-grade Obligations** - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

**Liquidity** – The ability to convert an asset easily and quickly into cash.

**Local Government Investment Pool (LGIP)** - An investment by local governments in which their money is pooled as a method for managing local funds.

**Mark-to-market** - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

**Market Risk** - The risk that the value of a security will raise or decline as a result of changes in market conditions.

**Market Value** - Current market price of a security.

**Maturity** - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See “Weighted Average Maturity.”

**Money Market Mutual Funds** - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers’ acceptances, repos and federal funds).

**Mutual Fund** – Pooled money that an investment company invests in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund’s holdings, performance, management and general investment policy.
3. Supervise the fund’s investment policies and activities by a board of trustees, that is independent of the adviser, administrator, or other vendor of the fund.

4. Maintain the daily liquidity of the fund's shares.
5. Value the funds' portfolios on a daily basis.
6. Allow only individuals who are licensed with a self-regulating organization (SRO) such as National Association of Securities Dealers (NASD) to sell SEC-registered products.
7. Maintain an investment policy governed by a prospectus and update and file with the SEC annually.

**Mutual Fund Statistical Services** - Companies that track and rate mutual funds, such as IBC/Donoghue, Lipper Analytical Services, and Morningstar.

**National Association of Securities Dealers (NASD)** - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

**Net Asset Value** - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets including securities, cash, and any accrued earnings, subtracting that amount from the fund's liabilities, and then dividing the result by the number of shares outstanding [ (Total assets) - (Liabilities) ] / (Number of shares outstanding), Net asset value is calculated once a day based on the closing price for each security in the fund's portfolio.

**No Load Fund** - A mutual fund, which does not levy a sales charge on the purchase of its shares.

**Nominal Yield** - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

**Offer** - An indicated price at which market participants are willing to sell a security or commodity, also referred to as the "ask price."

**Par** - Face value or principal value of a bond, typically \$1,000 per bond.

**Positive Yield Curve** - A chart formation that illustrates short-term securities having lower yields than long-term securities.

**Premium** - The amount by which the price paid for a security exceeds the security's par value.

**Prime Rate** - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

**Principal** - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

**Prospectus** - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include 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.

**Prudent Person Rule** - An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

**Regular Way Delivery** - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

**Reinvestment Risk** - The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

**Repurchase Agreement (Repo or RP)** - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

**Reverse Repurchase Agreement (Reverse Repo)** - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

**Rule 2a-7 of the Investment Company Act** - Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

**Safekeeping** - Holding of assets (e.g., securities) by a financial institution.

**Serial Bond** - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

**Sinking Fund** - Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

**Swap** - Trading one asset for another.

**Term Bond** - Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

**Total Return** - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. (Price appreciation) + (Dividends paid) + (Capital gains) = Total Return

**Treasury Bills** - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000.

Auctions of three and six month bills are held weekly, while auctions of one year bills are held monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

**Treasury Notes** - Intermediate U.S. government debt securities with maturities of one to ten years and issued in denominations ranging from \$1,000 to \$1,000,000 or more.

**Treasury Bonds** – Long term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

**Uniform Net Capital Rule** - SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

**Volatility** - A degree of fluctuation in the price and valuation of securities.

**“Volatility Risk” Rating** - A rating system that indicates the level of volatility and other non-credit risks associated with securities and certain bond funds. The rating for bond funds range from extremely low sensitivity to changing market conditions (“aaa” by S&P; “V-1” by Fitch) to those that are highly sensitive with currently identifiable market volatility risk (“ccc-” by S&P, “V-10” by Fitch).

**Weighted Average Maturity (WAM)** - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

**When Issued (WI)** - A conditional transaction in which an authorized new security has not been issued. All “when issued” transactions are settled when the actual security is issued.

**Yield** - The current rate of return on an investment security generally expressed as a percentage of the security’s current price.

**Yield-to-call (YTC)** - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

**Yield-to-maturity** - The rate of return yielded by a debt security held to maturity when both interest payments and the investor’s potential capital gain or loss are included in the calculation of return.

**Zero-coupon Securities** - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

**APPENDIX D: RELATED GOVERNMENT CODES**

The following references to Government Code are not intended to be a comprehensive statement of the code. To view the full context of the referenced Government Codes please visit [www.leginfo.ca.gov](http://www.leginfo.ca.gov) and select California Law.

**Government Code \ TITLE 2. GOVERNMENT OF THE STATE OF CALIFORNIA \ DIVISION 4. FISCAL AFFAIRS \ PART 2. STATE FUNDS \ CHAPTER 2. SPECIAL FUNDS \ Article 11. Local Agency Investment Fund**

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GOV §16429.1 There is in trust in the custody of the State Treasurer the Local Agency Investment Fund, which fund is hereby created. Notwithstanding Section 13340, all money in the fund is hereby appropriated without regard to fiscal years to carry out the purpose of this section. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.

Notwithstanding any other provisions of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment. The local governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.

Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units in direct proportion to the respective amounts deposited in the Local Agency Investment Fund and the length of time the amounts remained therein. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of ½ of 1% of the earnings of this fund, shall be deducted from the earnings prior to distribution.

GOV § 16429.4 The right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdrawal its deposited moneys from the Local Agency Investment Fund, upon demand, may not be altered, impaired, or denied, in any way, by and state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year.

**Government Code \ TITLE 5. LOCAL AGENCIES \ DIVISION 2. CITIES, COUNTIES, AND OTHER AGENCIES \ PART 1. POWERS AND DUTIES COMMON TO CITIES, COUNTIES, AND OTHER AGENCIES \ CHAPTER 4. FINANCIAL AFFAIRS \ Article 2. Deposit of Funds**

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GOV § 53601. The legislative body of a local agency having money in a sinking fund of, or

surplus money in, its treasury not required for immediate needs of the local agency may invest any portion of the money that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered or non-registered format shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisors, consultants, or managers using the agency's fund, by book entry, physical delivery, or by third party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery. For purposes of this section "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section does not specify the limitation on the term or remaining maturity at the time of the investment, no investment may be made in any security other than a security underlying a repurchase or reverse repurchase agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as part of an investment program approved by the legislative body no less than three months prior to the investment:

- (a) Bonds issued by the local agency, 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.
- (b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- (c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.
- (d) Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of revenues from revenue-producing property owned, controlled, or operated by a state or a department, board, agency, or authority of any of the other 49 United States, in addition to California.
- (e) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, 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.
- (f) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- (g) Bankers acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers acceptances may not exceed 180 days' maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in the bankers acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing any surplus money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

- (h) Commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2);
  - (1) The entity meets the following criteria:
    - (a) Is organized and operating in the United States as a general corporation.
    - (b) Has total assets in excess of five hundred million dollars (\$500,000,000).
    - (c) Has debt other than commercial paper, if any, that is rated “A” or higher by a nationally recognized statistical-rating organization (NRSRO).
  - (2) The entity meets the following criteria:
    - (a) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
    - (b) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
    - (c) Has commercial paper that is rated “A-1” or higher, or the equivalent, by a Nationally recognized statistical rating organization (NRSRO).

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than a city or county, may invest no more than 25% of their money in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10% of the outstanding commercial paper of any single issuer. Counties or a city may invest in commercial paper pursuant to the concentration limits in subdivision (a) of section 53635

- (i) Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the Financial Code) or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency’s surplus money which may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630) except that the amount so invested shall be subject to the limitations of Section 53638. *The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision making authority in the administrative office manager’s office, budget office, or treasurers office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.*
- (j) (1) Investments in repurchase agreements or reverse repurchase agreements of any

securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

- (2) Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchased agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly.
- (3) *Omitted*: Pertains to reverse repurchase agreements, as the City does not allow this type of investment it is not pertinent to us.
- (4) *Omitted*: Pertains to reverse repurchase agreements, as the City does not allow this type of investment it is not pertinent to us.
- (5)
  - (A) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.
  - (B) "Securities," for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.
- (k) Medium-term notes, defined as all corporate and depository institution debt securities with a of a maximum remaining maturity of five years or less, 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 under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Purchases of medium-term notes shall note include other instruments authorized by this section and may not exceed 30 percent of the agency's surplus money which may be invested pursuant to this section.
- (l)
  - (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (j), inclusive, or subdivision (m) or (n) and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement may be 100 percent of the sales price if the securities are marked to market daily.
  - (2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).
  - (3) If investment is in shares issued pursuant to paragraph (1), the company shall have

met either of the following criteria:

- (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.
  - (B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (j), inclusive, or subdivision (m) or (n) and with assets under management in excess of five hundred million dollars (\$500,000,000).
- (4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:
- (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.
  - (B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).
- (5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's money that may be invested pursuant to this section. However, no more than 10 percent of the agency's surplus funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).
- (m) Moneys held by trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
- (n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. 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.
- (o) Any mortgage pass-through security, collateralized mortgage obligation, mortgage-

backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section. [As affected by 1996 legislation]

- (p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment advisor that meets all of the following criteria:
- (1) The advisor is registered or exempt from registration with the Securities and Exchange Commission.
  - (2) The advisor has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.
  - (3) The advisor has assets under management in excess of five hundred million dollars (\$500,000,000).

**Government Code \ TITLE 5. LOCAL AGENCIES \ DIVISION 2. CITIES, COUNTIES, AND OTHER AGENCIES \ PART 1. POWERS AND DUTIES COMMON TO CITIES, COUNTIES, AND OTHER AGENCIES \ CHAPTER 4. FINANCIAL AFFAIRS \ Article 2. Deposit of Funds**

GOV § 53601.6. (a) A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with section 53630) in inverse floaters, range notes, or mortgage-derived, interest only strips.

(b) A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S. SEC. 80a-1, and following) that are authorized for investment pursuant to subdivision (k) of Section 53601.[As affected by 1995 legislation]



DRAFT



SINCE 1908

**INSURANCE**  
1006 Freedom Blvd - PO Box 310  
Watsonville, CA 95077

PHONE (831) 724-1085  
FAX (831) 724-1089  
CA LIC # 0426333

January 31, 2020

Pajaro Dunes Geologic Hazard Abatement District  
c/o Sarah Mansergh  
134 Landis Ave.  
Freedom, CA 95019

Re: Package through Scottsdale Indemnity Co.  
Policy No: CPS2971863

Dear Board of Directors:

Scottsdale Indemnity Co. has offered you a **Package** policy for an annual premium of **\$3,114.38**. This amount includes our broker fee of \$100. A detailed copy of the renewal offer is enclosed for your review. Terrorism coverage is also available for an additional premium.

Please review this proposal, including exclusions and limitations. If there are changes to be made, please contact our office. Optional coverage and endorsements may be available, some for an additional charge, should insurance needs change. Higher limits may also be available. All coverages are subject to the insurance company's underwriting requirements and the placement of additional protection must be approved.

**It is required that you notify us of any additional entities or changes in your operations or exposures. Failure to do so could jeopardize your coverage.**

Enclosed, please find the Terrorism disclosure, D-1 form, Brokerage Fee Disclosure and Application that you need to review, sign and return to our office if you would like to accept this offer. Please mark the terrorism form either accepting or rejecting the offer for coverage. Should you wish to accept the offer for terrorism coverage please contact me for the additional premium due.

In order to bind the above coverage, please issue a check payable to KBK Insurance Agency for the full-payment in the amount of **\$3,114.38** and mail it to our office along with the signed forms prior to 03/26/2019. **Please be advised, this quote and/or policy expire on 3/29/2020. If we do not hear back from you before then, we will close our file.**

Please do not hesitate to call if you have any questions.

Sincerely,

A handwritten signature in black ink that reads 'Sondra Carter'.

Sondra Carter  
Customer Service Representative

## Commercial Insurance Quote Proposal

**To:** KBK Insurance Agency  
**Contact Name:** Sondra Carter  
**Contact Email:**  
**Contact Phone:** 831-724-1085

**From:** MJ Hall & Company Inc (Napa, CA)  
**Address:** 3270 Silverado Trl Napa CA 94558-1424  
**Contact Name:** Myah Waldvogel  
**Contact Email:** myah@mjhollandcompany.com  
**Contact Phone:** 707-226-5354  
**License #:** 0488901

**Underwritten By:** SCOTTSDALE INSURANCE COMPANY

**A.M. Best rated A+ (Superior), FSC XV**

**Commission:** 10%

**Minimum Earned:** 25%

**Minimum and Advance  
Premium:**

100%

These terms are valid for 60 days from JANUARY 31,2020. Our quote may differ from the terms requested. Please review the quote carefully.

If the policy is cancelled at the insured's request, including non-payment of premium, there will be a minimum earned premium retained by us. If a policy or inspection fee is applicable to this policy, the fees are fully earned. No flat cancellations.

At the close of each audit period, we will compute the earned premium for that period. If the earned premium is greater than the advance premium paid, an audit premium will be due. There will be no returned premium upon Audit if the estimated exposure is less than shown, unless the Minimum and Advance Premium is less than 100%.

<b>Applicant Name:</b>	PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DIST
<b>Proposed Policy Period:</b>	03/29/2020 To 03/29/2021
<b>Quote Number:</b>	QT-00103241
<b>Agent Reference Number:</b>	59844.05
<b>Renewal of #:</b>	CPS2971863

### Premium Summary

LIABILITY	\$2,250 MP
PROPERTY	\$500 MP
<b>Sub Total Premium:</b>	<b>\$2,750</b>
Broker Fee	\$175.00
Surplus Lines Tax	\$82.50
Stamp Fee	\$6.88
<b>Grand Total:</b>	<b>\$3,014.38</b> +\$100 KBK Fee Total Cost \$3,114.38

**Terrorism:** Terrorism coverage can be purchased for an additional premium of \$138.00 plus applicable taxes and fees. Signed acceptance/rejection required at binding.

#### Subject to following terms and conditions:

- Completed, signed and dated ACORD application.
- Signed TRIA form at time of binding, rejecting or accepting coverage.
- D1 and SL2

## Commercial Liability Coverage

	Limits
General Aggregate	\$3,000,000
Products/Completed Operations Aggregate	EXCLUDED
Personal and Advertising Injury	EXCLUDED
Per Occurrence	\$3,000,000
Damage to Premises Rented to You	\$100,000
Medical Payments	\$5,000
Deductible	\$0 BI/PD/PA PER CLAIMANT

### Liability Rating Classifications and Premium

Loc #/ Bldg #	Program / ISO	Class Code	Description	Exposure	Prem / Prod Rate	Prem / Prod Premium
<b>2661 BEACH RD WATSONVILLE CA 95076</b>						
1 / 1	IF	49451	VACANT LAND - OTHER THAN NOT-FOR-PROFIT+	1 / PER ACRE/EACH	\$4.63 INCL	\$5 INCL
1 / 2	A1	61225	BUILDINGS OR PREMISES - OFFICE - PREMISES OCCUPIED BY EMPLOYEES OF THE INSURED - NOT-FOR-PROFIT ONLY+	500 / PER 1000 SQ FT/AREA	\$142.50 INCL	\$71 INCL

† + PRODUCTS/COMPLETED OPERATIONS ARE SUBJECT TO THE GENERAL AGGREGATE LIMIT

### Commercial Liability Additional Insureds

Coverage Description	Form	Premium Basis	Number of AI's	Premium
ADDITIONAL INSURED - MANAGERS OR LESSORS OF PREMISES	CG 20 11	NO CHARGE	1	INCLUDED

Final Liability Premium:

\$2,250

## Commercial Property Coverage

### Property Rating Classifications and Premium

<b>2661 BEACH RD WATSONVILLE CA 95076 SANTA CRUZ</b>							
Loc #/ Bldg #	Program / ISO / Class Code / Description	Construction	PC	Year Built	Wind / Hail	Wind / Hail Ded	
1 / 1	A1 – 0702 – OFFICES	FRAME	04	1978	WITH WIND		
Coverage	Cause of Loss	Valuation	Coinsurance	AOP Ded	Limit	Rate	Premium
BPP	SPECIAL EX-THEFT	RC	90%	\$1,000	\$10,000	0.29	\$29

**Commercial Property Additional Interests**

Loc # / Bldg #	Coverage Description	Form
1	ADDITIONAL INSURED - BUILDING OWNER	CP1219
	1. SANTA CRUZ COUNTY BANK 720 FRONT ST SANTA CRUZ CA 95060 UNITED STATES	

**Final Property Premium:****\$500**

## Forms and Endorsements

### Common Policy

NOTS0021CA 04-16 NOTICE TO CALIFORNIA INSURED  
NOTX0178CW 03-16 CLAIM REPORTING INFORMATION  
UTS-COVPG 06-19 COVER PAGE  
OPS-D-1 01-17 COMMON POLICY DECLARATIONS  
UTS-SP-2 12-95 SCHEDULE OF FORMS AND ENDORSEMENTS  
UTS-SP-3 08-96 SCHEDULE OF LOCATIONS  
IL 00 17 11-98 COMMON POLICY CONDITIONS  
IL 01 02 05-05 CALIFORNIA CHANGES-ACTUAL CASH VALUE  
IL 09 53 01-15 EXCLUSION OF CERTIFIED ACTS OF TERRORISM  
UTS-253-CA 01-97 AMENDATORY ENDORSEMENT-CALIFORNIA  
UTS-496 06-19 MINIMUM EARNED CANCELLATION PREMIUM  
UTS-9g 05-96 SERVICE OF SUIT CLAUSE

### Commercial Liability

CLS-SD-1L 08-01 COMMERCIAL GENERAL LIABILITY COVERAGE PART SUPPLEMENTAL DECLARATIONS  
CLS-SP-1L 10-93 COMMERCIAL GENERAL LIABILITY COVERAGE PART EXTENSION OF SUPPLEMENTAL DECLARATIONS  
CG 00 01 04-13 COMMERCIAL GENERAL LIABILITY COVERAGE FORM  
CG 20 11 04-13 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES  
CG 21 06 05-14 EXCLUSION-ACCESS OR DISCLOSURE OF CONFIDENTIAL OR PERSONAL INFORMATION AND DATA-RELATED LIABILITY-WITH LIMITED BODILY INJURY EXCEPTION  
CG 21 38 11-85 EXCLUSION-PERSONAL AND ADVERTISING INJURY  
CG 21 39 10-93 CONTRACTUAL LIABILITY LIMITATION  
CG 21 47 12-07 EMPLOYMENT-RELATED PRACTICES EXCLUSION  
CG 21 49 09-99 TOTAL POLLUTION EXCLUSION ENDORSEMENT  
CG 21 67 12-04 FUNGI OR BACTERIA EXCLUSION  
CG 21 73 01-15 EXCLUSION OF CERTIFIED ACTS OF TERRORISM  
CG 32 34 01-05 CALIFORNIA CHANGES  
GLS-100s 06-13 EXCLUSION-CONTRACTORS AND SUBCONTRACTORS  
GLS-152s 08-16 AMENDMENT TO OTHER INSURANCE CONDITION  
GLS-284s 05-17 LOGGING AND LUMBERING OPERATIONS EXCLUSION  
GLS-341s 08-12 HYDRAULIC FRACTURING EXCLUSION  
GLS-455s 05-19 MARIJUANA/CANNABIS LIABILITY EXCLUSION  
GLS-457s 10-14 AIRCRAFT EXCLUSION  
GLS-475 08-17 TOTAL PRODUCTS EXCLUSION WITH DESIGNATED PREMISES LIMITATION  
GLS-47s 10-07 MINIMUM AND ADVANCE PREMIUM ENDORSEMENT

## **Forms and Endorsements**

GLS-74s 09-05 AMENDMENT OF CONDITIONS

IL 00 21 09-08 NUCLEAR ENERGY LIABILITY EXCLUSION ENDORSEMENT

UTS-266g 05-98 ASBESTOS EXCLUSION

UTS-267g 05-98 LEAD CONTAMINATION EXCLUSION

UTS-301g 11-05 EARTH OR LAND MOVEMENT EXCLUSION

UTS-365s 02-09 AMENDMENT OF NONPAYMENT CANCELLATION CONDITION

UTS-421s 02-12 LANDOWNER RESIDENTIAL PROJECT EXCLUSION

UTS-428g 11-12 PREMIUM AUDIT

UTS-74g 08-95 PUNITIVE OR EXEMPLARY DAMAGE EXCLUSION

### **Commercial Property**

CPS-SD-1 02-19 COMMERCIAL PROPERTY COVERAGE PART SUPPLEMENTAL DECLARATIONS

CP 00 10 10-12 BUILDING AND PERSONAL PROPERTY COVERAGE FORM

CP 00 90 07-88 COMMERCIAL PROPERTY CONDITIONS

CP 01 40 07-06 EXCLUSION OF LOSS DUE TO VIRUS OR BACTERIA

CP 02 99 06-07 CANCELLATION CHANGES

CP 04 11 09-17 PROTECTIVE SAFEGUARDS

CP 04 49 12-05 CALIFORNIA CHANGES-REPLACEMENT COST

CP 10 30 09-17 CAUSES OF LOSS-SPECIAL FORM

CP 10 33 10-12 THEFT EXCLUSION

CP 12 19 06-07 ADDITIONAL INSURED-BUILDING OWNER

**Scottsdale Insurance Company  
Scottsdale Indemnity Company  
Scottsdale Surplus Lines Insurance Company**

**POLICYHOLDER DISCLOSURE  
NOTICE OF TERRORISM INSURANCE COVERAGE**

**TERRORISM RISK INSURANCE ACT**

Under the Terrorism Risk Insurance Act of 2002, as amended pursuant to the Terrorism Risk Insurance Program Reauthorization Act of 2015, effective January 1, 2015 (the "Act"), you have a right to purchase insurance coverage for losses arising out of acts of terrorism, as defined in Section 102(1) of the Act: The term "certified acts of terrorism" means any act that is certified by the Secretary of the Treasury—in consultation with the Secretary of Homeland Security, and the Attorney General of the United States—to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

You should know that where coverage is provided by this policy for losses resulting from "certified acts of terrorism," such losses may be partially reimbursed by the United States Government under a formula established by federal law. However, your policy may contain other exclusions which might affect your coverage, such as an exclusion for nuclear events. Under the formula, the United States Government agrees to reimburse eighty-five percent (85%) of covered terrorism losses in calendar year 2015 that exceed the statutorily established deductible paid by the insurance company providing the coverage. This percentage of United States Government reimbursement decreases by one percent (1%) every calendar year beginning in 2016 until it equals eighty percent (80%) in 2020. The premium charged for this coverage is provided below and does not include any charges for the portion of loss that may be covered by the Federal Government under the Act.

You should also know that the Act, as amended, contains a \$100 billion cap that limits United States Government reimbursement as well as insurers' liability for losses resulting from "certified acts of terrorism" when the amount of such losses in any one calendar year exceeds \$100 billion. If the aggregate insured losses for all insurers exceed \$100 billion, your coverage may be reduced.

**CONDITIONAL TERRORISM COVERAGE**

The federal Terrorism Risk Insurance Program Reauthorization Act of 2015 is scheduled to terminate at the end of December 31, 2020, unless renewed, extended or otherwise continued by the federal government. Should you select Terrorism Coverage provided under the Act and the Act is terminated December 31, 2020, any terrorism coverage as defined by the Act provided in the policy will also terminate.



**IN ACCORDANCE WITH THE ACT, YOU MUST CHOOSE TO SELECT OR REJECT COVERAGE FOR “CERTIFIED ACTS OF TERRORISM” BELOW:**

**The Note below applies for risks in these states:** California, Connecticut, Georgia, Hawaii, Illinois, Iowa, Maine, Missouri, New Jersey, New York, North Carolina, Oregon, Rhode Island, Washington, West Virginia, Wisconsin.

**NOTE:** In these states, a terrorism exclusion makes an exception for (and thereby provides coverage for) fire losses resulting from an act of terrorism. Therefore, if you reject the offer of terrorism coverage, that rejection does not apply to fire losses resulting from an act of terrorism coverage for such fire losses will be provided in your policy.

**If you do not respond to our offer and do not return this notice to the Company, you will have no Terrorism Coverage under this policy.**

<input type="checkbox"/>	I hereby elect to purchase certified terrorism coverage for a premium of \$ <u>138.00</u> . I understand that the federal Terrorism Risk Insurance Program Reauthorization Act of 2015 may terminate on December 31, 2020. Should that occur my coverage for terrorism, as defined by the Act, will also terminate.
<input checked="" type="checkbox"/>	I hereby reject the purchase of certified terrorism coverage.



\_\_\_\_\_  
Policyholder/Applicant's Signature

\_\_\_\_\_  
Named Insured/Firm

\_\_\_\_\_  
Print Name

QT-00103241  
\_\_\_\_\_  
Policy Number, if available

\_\_\_\_\_  
Date





SINCE 1908

**INSURANCE**  
1006 Freedom Blvd - PO Box 310  
Watsonville, CA 95077

PHONE (831) 724-1085  
FAX (831) 724-1089  
CA LIC # 0426333

February 4, 2020

Pajaro Dunes Geologic Hazard Abatement District  
c/o Sarah Mansergh  
134 Landis Ave.  
Freedom, CA 95019

Re: Directors and Officers through Indian Harbor Insurance Co.  
Policy No: POL0952899

Dear Board of Directors:

Indian Harbor Insurance Co. has offered you a **Directors and Officers** policy for an annual premium of **\$11,991.73**. This amount includes our broker fee of \$250. A detailed copy of the renewal offer is enclosed for your review.

Please review this proposal, including exclusions and limitations. If there are changes to be made, please contact our office. Optional coverage and endorsements may be available, some for an additional charge, should insurance needs change. Higher limits may also be available. All coverages are subject to the insurance company's underwriting requirements and the placement of additional protection must be approved.

**It is required that you notify us of any additional entities or changes in your operations or exposures including any claims or potential claims. Failure to do so could jeopardize your coverage.**

Enclosed, please find the D-1 form, Brokerage Fee Disclosure and Application that you need to review, sign and return to our office if you would like to accept this offer.

In order to bind the above coverage, please issue a check payable to KBK Insurance Agency for the full-payment in the amount of **\$11,991.73** and mail it to our office along with the signed forms prior to 03/10/2020. **Please be advised, this quote and/or policy expire on 3/12/2020. If we do not hear back from you before then, we will close our file.**

Please do not hesitate to call if you have any questions.

Sincerely,

A handwritten signature in black ink that reads 'Sondra Carter'.

Sondra Carter  
Customer Service Representative



Feb 04, 2020

Sondra Carter  
KBK Insurance Agency  
1006 Freedom Boulevard  
Watsonville, CA 95076

Re: Pajaro Dunes Geologic Hazard Abatement District, Ref# 7893887-A  
Proposed Effective 3/12/2020 to 3/12/2021

Dear Sondra:

We are pleased to confirm the attached quotation for **Public Officials Management & Employment Practices Liability** being offered with **Indian Harbor Insurance Company**. This carrier is **Non-Admitted** in the state of **CA**. Please note that this quotation is based on the coverage, terms and conditions as stated in the attached quotation, which may be different from those requested in your original submission. As you are the representative of the Insured, it is incumbent upon you to review the terms of this quotation carefully with your Insured, and reconcile any differences from the terms requested in the original submission. CRC Insurance Services, Inc. disclaims any responsibility for your failure to reconcile with the Insured any differences between the terms quoted as per the attached and those terms originally requested. The attached quotation may not be bound without a fully executed CRC brokerage agreement.

**NOTE: If insured is located outside your resident state, we must receive a copy of your non-resident license prior to binding.**

**The Insurance Carrier indicated in this quotation reserves the right, at its sole discretion, to amend or withdraw this quotation if it becomes aware of any new, corrected or updated information that is believed to be a material change and consequently would change the original underwriting decision.**

**Home State: California**

The Home State was determined based on the information provided in your submission and the completed Declaration of Home State form. Please ensure the correct Home State is listed. Incorrect information could result in additional or return taxes, fees, surcharges, penalties, interest, and assessments at a later date, and in addition to what is shown. Additionally, please note that this is the current tax calculation based on the Home State but there could be changes that result in additional or return tax - due at a later date - based on future enactments of surplus lines laws by any of the various states.

Should coverage be elected as quoted per the attached, Premium and Commission are as follows:

<b>Premium:</b>	\$10,885.00	
Broker Fee	\$250.00	
Policy Fee	\$245.00	
Surplus Lines Tax	\$333.90	
Stamping Office Fee	\$27.83	
<b>Total:</b>	<b>\$11,741.73</b>	+ \$250 KBK Fee total Cost \$11,991.73

**Tax Filings are the responsibility of: ( ) Your Agency (X ) CRC ( ) Not Applicable**

**Commission: 10%**

**Broker Fees & Policy Fees are Fully Earned at Binding**

Should **Pajaro Dunes Geologic Hazard Abatement District** elect to bind coverage as per the attached, simply complete the Request to Bind box below and return to our office prior to the requested effective date of coverage. Should you have any questions, please feel free to contact our office.

CRC is compensated in a variety of ways, including commissions and fees paid by insurance companies and fees paid by clients. Some insurance companies pay brokers supplemental commissions (sometimes referred to as “contingent commissions” or “incentive commissions”), which is compensation that is based on a broker's performance with that carrier. These supplemental commissions may be based on volume, profitability, retention, growth or other measures. Even if a contingent commission agreement exists with a carrier, we recognize that our responsibility is to promote the best interests of the policyholder in the selection of an insurance company. For more information on CRC's compensation, please contact your CRC broker.

**Financing Insurance Premiums**

Premium financing budgets insurance payments and improves liquidity for other business objectives: working capital, business growth, building expansion.

If your clients choose to pay their insurance in monthly installments, it's fast and easy with AFCO & Prime Rate Insurance Premium Finance Companies, which are affiliates of CRC. AFCO provides premium financing solutions for large and mid-size corporate accounts; Prime Rate offers solutions for smaller commercial and personal lines.

Find out how premium financing works and how it can expand your relationship with your clients by e-mailing [premiumfinance@afco.com](mailto:premiumfinance@afco.com); or call toll- free [866-669-0937](tel:866-669-0937) and press **81**. Additional information is available at [www.afco.com](http://www.afco.com) and [www.primeratepfc.com](http://www.primeratepfc.com).

Sincerely,

Yolanda Hernandez  
Account Executive  
415 9518463  
Yhernandez@crcgroup.com  
7893887

**REQUEST TO BIND COVERAGE**

Complete and return to Yolanda Hernandez via email at [Yhernandez@crcgroup.com](mailto:Yhernandez@crcgroup.com) .

Submission #: 7893887-A Pajaro Dunes Geologic Hazard Abatement District

**Agency Response:** [  ] Yes, please bind as quoted, effective: \_\_\_\_\_

**PREMIUM IS BEING FINANCED BY** \_\_\_\_\_ **ACCOUNT #** \_\_\_\_\_  
Name of Premium Finance Company

Signed by: \_\_\_\_\_ Date: \_\_\_\_\_  
**Representative of KBK Insurance Agency**

**CONFIDENTIAL**

## **IMPORTANT NOTICE:**

- 1. The insurance policy that you are applying to purchase is being issued by an insurer that is not licensed by the State of California. These companies are called "nonadmitted" or "surplus line" insurers.**
- 2. The insurer is not subject to the financial solvency regulation and enforcement that apply to California licensed insurers.**
- 3. The insurer does not participate in any of the insurance guarantee funds created by California law. Therefore, these funds will not pay your claims or protect your assets if the insurer becomes insolvent and is unable to make payments as promised.**
- 4. The insurer should be licensed either as a foreign insurer in another state in the United States or as a non-United States (alien) insurer. You should ask questions of your insurance agent, broker, or "surplus line" broker or contact the California Department of Insurance at the toll-free number 1-800-927-4357 or internet website [www.insurance.ca.gov](http://www.insurance.ca.gov). Ask whether or not the insurer is licensed as a foreign or non-United States (alien) insurer and for additional information about the insurer. You may also visit the NAIC's internet website at [www.naic.org](http://www.naic.org). The NAIC—the National Association of Insurance Commissioners—is the regulatory support organization created and governed by the chief insurance regulators in the United States.**
- 5. Foreign insurers should be licensed by a state in the United States and you may contact that state's department of insurance to obtain more information about that insurer. You can find a link to each state from this NAIC internet website: [https://naic.org/state\\_web\\_map.htm](https://naic.org/state_web_map.htm).**

6. **For non-United States (alien) insurers, the insurer should be licensed by a country outside of the United States and should be on the NAIC's International Insurers Department (IID) listing of approved nonadmitted non-United States insurers. Ask your agent, broker, or "surplus line" broker to obtain more information about that insurer.**
  
7. **California maintains a "List of Approved Surplus Line Insurers (LASLI)." Ask your agent or broker if the insurer is on that list, or view that list at the internet website of the California Department of Insurance: [www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm](http://www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm).**
  
8. **If you, as the applicant, required that the insurance policy you have purchased be effective immediately, either because existing coverage was going to lapse within two business days or because you were required to have coverage within two business days, and you did not receive this disclosure form and a request for your signature until after coverage became effective, you have the right to cancel this policy within five days of receiving this disclosure. If you cancel coverage, the premium will be prorated and any broker's fee charged for this insurance will be returned to you.**

**Date:** \_\_\_\_\_

**Insured:** \_\_\_\_\_

**D-1 (Effective January 1, 2020)**

**IMPORTANT NOTICE:**



**The insurance policy that you have purchased is being issued by an insurer that is not licensed by the State of California. These companies are called “nonadmitted” or “surplus line” insurers.**

**The insurer is not subject to the financial solvency regulation and enforcement that apply to California licensed insurers.**

**The insurer does not participate in any of the insurance guarantee funds created by California law. Therefore, these funds will not pay your claims or protect your assets if the insurer becomes insolvent and is unable to make payments as promised.**

**The insurer should be licensed either as a foreign insurer in another state in the United States or as a non-United States (alien) insurer. You should ask questions of your insurance agent, broker, or “surplus line” broker or contact the California Department of Insurance at the toll-free number 1-800-927-4357 or internet website [www.insurance.ca.gov](http://www.insurance.ca.gov). Ask whether or not the insurer is licensed as a foreign or non-United States (alien) insurer and for additional information about the insurer. You may also visit the NAIC's internet website at [www.naic.org](http://www.naic.org). The NAIC—the National Association of Insurance Commissioners—is the regulatory support organization created and governed by the chief insurance regulators in the United States.**

**Foreign insurers should be licensed by a state in the United States and you may contact that state's department of insurance to obtain more information about that insurer. You can find a link to each state from this NAIC internet website: [https://naic.org/state\\_web\\_map.htm](https://naic.org/state_web_map.htm).**

**For non-United States (alien) insurers, the insurer should be licensed by a country outside of the United States and should be on**

**the NAIC's International Insurers Department (IID) listing of approved nonadmitted non-United States insurers. Ask your agent, broker, or “surplus line” broker to obtain more information about that insurer.**

**California maintains a “List of Approved Surplus Line Insurers (LASLI).” Ask your agent or broker if the insurer is on that list, or view that list at the internet website of the California Department of Insurance: [www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm](http://www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm).**

**If you, as the applicant, required that the insurance policy you have purchased be effective immediately, either because existing coverage was going to lapse within two business days or because you were required to have coverage within two business days, and you did not receive this disclosure form and a request for your signature until after coverage became effective, you have the right to cancel this policy within five days of receiving this disclosure. If you cancel coverage, the premium will be prorated and any broker's fee charged for this insurance will be returned to you.**

**D-2 (Effective January 1, 2020)**





**Professional  
Governmental  
Underwriters, Inc.**

**The Authority.**

DBA: PGB Insurance Agency CA License #: 0F65220

9020 Stony Point Parkway, Suite 455

P.O. Box 35471

Richmond, VA 23235

www.pgui.com

Toll Free: 800-586-6502

Fax: 804-272-7852

## Public Officials Management & Employment Practices Liability

DBA: PGB Insurance Agency CA license #: 0F65220

**Date:** 02/3/2020

**To:** Yolanda P. Hernandez

CRC - San Francisco

**Email:** yhernandez@crcswett.com

**Proposed Insured:** Pajaro Dunes Geologic Hazard Abatement District

c/o Sarah Mansergh 134 Landis Avenue

Freedom, CA 95019

**Application #:** POL0952899-01-REN

Thank you very much for your submission. Based upon the information received and subject to the limitations outlined below, we are pleased to offer the following:

### QUOTATION

**Coverage:** See coverage form PGU POL 2001 (04/2017) for terms, conditions and limitations

**Form:** Claims Made

**Retro Date:** None - Full Prior Acts

**Insurer Information:** Indian Harbor Insurance Company

A member of the AXA XL Group of Companies

Best Rating: A XV

Surplus Lines Insurer

**Filings / Taxes:** PGU Not Responsible For Tax Filings

**Commission:** 10%

**Quotation / Indication valid until:** 3/12/2020

If we are offering coverage on a surplus lines basis, the agent is responsible for handling of filings unless we note otherwise on this quotation. If we have provided terms using bid specifications or an application other than ours, the quote is subject to change pending review of a completed and signed PGU application.

# Public Officials Management & Employment Practices Liability

**Proposed Insured:** Pajaro Dunes Geologic Hazard Abatement District

<b>Terms</b>	<b>Limits</b>	<b>Retentions</b> each claim including LAE	<b>Premium</b>
Public Officials Management	\$1,000,000	\$10,000	\$4,825.00
Employment Practices Liability	\$1,000,000	\$25,000	Included
Policy Aggregate	\$1,000,000		
Non-Monetary Coverage - Defense Only	\$50,000	\$10,000	Included
Non-Monetary Coverage - Defense Only Aggregate	\$100,000		
Crisis Management	\$25,000	\$5,000	Included
<b>Features/Enhancements</b>			
Punitive Damages		See Retentions Above	Included
Personal Injury		See Retentions Above	Included
Third Party Wrongful Acts		See Retentions Above	Included
Back Pay / Front Pay		See Retentions Above	Included
Loss of Earnings		See Retentions Above	Included
<b>Optional Increased Limits</b>			<b>Additional Premium</b>
	2,000,000 CSL		\$1,560.00
	3,000,000 CSL		\$1,500.00
	4,000,000 CSL		\$1,500.00
	5,000,000 CSL		\$1,500.00
<b>Premium, Fees and Taxes</b>			
	<b>Total Premium:</b>		\$10,885.00
	<b>Policy Fee :</b>		\$245.00
	<b>Total Cost:</b>		\$11,130.00
<b>Comments:</b>			
By purchasing this coverage, you will have the opportunity to register for our PGU Employer Resource Center that provides unlimited, specific, documented, and confidential advice from employment law attorneys. It also provides on-line training courses, including sexual harassment prevention, available for both supervisors and employees. As well as, on-line tools; a state-specific employee handbook builder, forms, posters, news, and more.			

Premium is subject to 3.25% taxes/fees. Premium is 25% fully earned and payable within 20 days of the effective date. CRC Insurance Broker Fee: \$250.00

**Proposed Insured:** Pajaro Dunes Geologic Hazard Abatement District

**SUBJECTIVITIES - WE MUST BE PROVIDED WITH THESE ITEMS BEFORE COVERAGE CAN BE BOUND:**

Deadly Weapon Protection Insurance is available through Professional Governmental Underwriters, Inc. Please contact your underwriter if you are interested in additional information about this new product.

**Reminders:**

A written request is required to bind coverage.

We will not cancel flat after inception date.

Backdating of coverage is not allowed.

Engineering Fee is non-refundable.

See attached Coverage Features attachment for additional information.

Limits, retentions, terms and conditions quoted do not necessarily match those requested.

This proposal contains a brief outline of coverages to be included in any policy that may be issued in the future.

This is only a summary and the Terms and Conditions of any policy will take precedence over any proposal.

Minimum Earned Premium is the GREATER of \$1,500 or 25% of annual premium.

**Applicable Forms:** (Other forms may apply. Consult Underwriter for details.)

PN CA 02 01 17	Import Information to Policyholders - California
PN CA 05 01 17	Notice to Policyholder - California Surplus Lines Notice
PGU POL 2000 04 17	Public Officials and Employment Practices Liability Declarations
IL MP 9104 0314 IHIC 03 14	In Witness
PGU 2002 04 17	Schedule of Policy Forms and Endorsements
PGU POL 2001 04 17	Public Officials and Employment Practices Liability Insurance Policy
PGU 1052 (POL) 04 17	Minimum Earned Premium Upon Cancellation
XL-CASOP 11 10	Service of Process
PN CW 01 09 15	Notice to Policyholders - Fraud Notice
PN CW 02 10 15	Notice to Policyholders - Privacy Policy
PN CW 05 09 14	Notice to Policyholders - U.S. Treasury Department's Office of Foreign Assets Control ("OFAC")



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## **Public Officials Management & Employment Practices Liability**

<b>Coverage Features</b>	<b>We welcome a comparison!</b>	
	<b>PGU - The Authority</b>	<b>The Others</b>
Defense in Addition to Limit	Yes, unless endorsed otherwise	
Covers D&O, E&O and EPL	X	
Sublimit for Defense for Non-Monetary claims	X	
Modified Consent to Settle Clause with only 40% co-insurance requirement for insured	X	
Business Invitee (Third Party) Liability covering Harrassment, Discrimination and Invasion of Privacy	X	
Broad definition of Loss including Back and Front Pay and Punitive Damages with a most favorable venue	X	
Broad definition of Wrongful Act including Personal Injury	X	
Broad definition of Claim including coverage for regulatory proceedings, arbitration hearings and EEOC hearings, subject to exclusions	X	
Severability of the Application for all individual insureds for all exclusions (not just personal profit and fraud exclusions)	X	
75-day free mini-tail	X	
Bi-Lateral ERP options of 1, 2 and 3 years	X	
Policy Non-Cancelable mid-term by carrier, except for non-payment of premium	X	
True Worldwide Coverage	X	
Sub-limit for Wage & Hour (FLSA)	Optional	
Sub-limit for Crisis Management	X	
PGU Employer Resource Center for employment law attorneys access and on-line tools	X	

***This document is intended to summarize key coverage features generally available.  
It does not summarize your quotation / indication.***

***Please review the entire quotation / indication and policy form and endorsements for specific details.***