



**CLAYTON CITY COUNCIL
REGULAR MEETING AGENDA**

**Tuesday, March 5, 2024
6:30 p.m.**

**Hoyer Hall, Clayton Community Library
6125 Clayton Road, Clayton, CA 94517**

Zoom Videoconference and Call-in:

Webinar: <https://us02web.zoom.us/j/81342918951>

Telephone: 1 + (669) 900 - 9128 **Webinar ID:** 813 4291 8951

Jim Diaz, Mayor

Kim Trupiano, Vice Mayor

Peter Cloven, Councilmember

Holly Tillman, Councilmember

Jeff Wan, Councilmember

1. CALL TO ORDER AND ROLL CALL

2. PLEDGE OF ALLEGIANCE

3. PUBLIC COMMENT ON NON - AGENDA ITEMS

Members of the public may address the City Council on non-agendized items within the Council's jurisdiction. To ensure an orderly meeting and an equal opportunity for everyone, each speaker is limited to three (3) minutes, or the time established by the Mayor. In accordance with State Law, no action may take place on any item not appearing on the posted agenda. The Council may respond to statements made or questions asked or may at its discretion request Staff to report back at a future meeting concerning the matter.

Public comment and input on other agenda items will be allowed when each item is considered by the Council.

4. **CONSENT CALENDAR**

Consent Calendar items are typically routine in nature and are considered for approval by one single motion. Members of the Council, audience, or Staff wishing an item removed from the Consent Calendar for purpose of public comment, question, discussion, or alternative action may request so through the Mayor.

- a. Approval of the February 6, 2024, meeting Minutes.
(City Clerk)
[\(View\)](#)
- b. Direct the Clerk to prepare a Certificate of Appreciation for the Contra Costa Water District crew for restoring water service after the February 2024 outage.
- c. Accept the City Investment Portfolio Report for the second quarter of Fiscal Year 2023-2024 ending December 31, 2023. (Finance Director)
[\(View\)](#)
- d. Adopt Juneteenth as a City of Clayton holiday, recognizing the federal holiday adopted in 2021. (Executive Assistant to the City Manager/HR Manager)
[\(View\)](#)

5. **RECOGNITIONS AND PRESENTATIONS**

- a. City of Clayton's Incorporation 60th Anniversary proclamation
[\(view\)](#)

6. **REPORTS**

- a. City Manager / Staff
 - Link to ClearGov Transparency Portal:
<https://cleargov.com/california/contra-costa/city/clayton/checkbook>

7. **PUBLIC HEARINGS**

(There are no Public Hearings scheduled for this meeting.)

8. ACTION ITEMS

- a. Review the Five-Year Financial Forecast for FY 2024-2028; Approve the Revised Reserve Policy; Approve a Resolution outlining the adjustment to Reserve Fund assignments and amounts; and Provide staff direction on moving forward with a 2024 revenue measure to be placed on the November 2024 ballot or move to austerity measures to balance the budget. (City Manager)
[\(View\)](#)

- b. Discussion on possible revisions to the Purchasing Policy as requested at the February 6, 2024 meeting. (City Manager)
[\(View\)](#)

9. COUNCIL ITEMS – Limited to Council requests and directives for future meetings.

10. COUNCIL REPORTS

11. CLOSED SESSION

(There is no Closed Session scheduled for this meeting.)

12. ADJOURNMENT

The next regularly scheduled meeting of the City Council will be March 19, 2024.

Meeting Information and Access

- A complete packet of information containing staff reports and exhibits related to each public item is available for public review in City Hall located at 6000 Heritage Trail and on the City's website at www.claytonca.gov
- Agendas are posted at: 1) City Hall, 6000 Heritage Trail; 2) Library, 6125 Clayton Road; 3) Ohm's Bulletin Board, 1028 Diablo Street, Clayton; and 4) City Website at www.claytonca.gov
- Any writings or documents provided to a majority of the City Council after distribution of the agenda packet and regarding any public item on this agenda will be made available for public inspection in the City Clerk's office located at 6000 Heritage Trail during normal business hours and is available for review on the City's website at www.claytonca.gov
- If you have a physical impairment requiring special accommodation to participate, please call the City Clerk's office at least 72 hours (about 3 days) before the meeting at (925) 673-7300.

Remote Access

The public may attend City Council meetings in-person or remotely via livestream on the City's website and through Zoom. As a courtesy, and technology permitting, members of the public may continue to provide live remote oral comment via the Zoom video conferencing platform. However, the City cannot guarantee that the public's access to teleconferencing technology will be uninterrupted, and technical difficulties may occur from time to time. Unless required by the Brown Act, the meeting will continue despite technical difficulties for participants using the teleconferencing option.

1. **Videoconference:** Click or visit the link on the front page of the meeting agenda. To access the webinar, you may download the Zoom client application or connect to the meeting in the web browser. You will be asked to enter your email address and name.

When the Mayor calls your item of interest, click the "raise hand" icon to be added to the speaker queue. The Clerk will identify you by name and you will hear "you have been unmuted" when it is your turn to provide public comment.

2. **Phone-in:** Dial the telephone number provided on the front page of the agenda. When prompted, enter the meeting ID. Once connected you will hear the meeting discussions but will remain muted. When your item of interest is called, please dial *9 to "raise hand" and be added to the speaker queue. The Clerk will identify you by the last 4-digits of your phone number and you will hear "you have been unmuted" when it is your turn to provide public comment. To toggle between mute/unmute on your device, please dial *6.

3. **E-mail Public Comments:** Public comment may also be sent to the City Clerk at cityclerk@claytonca.gov by 5:00 p.m. on the day of the meeting. All e-mailed public comments will be forwarded to the entire City Council and made part of the official meeting file.

Each person attending the meeting in-person, via videoconference, or call-in and who wishes to speak on an agendized or non-agendized matter (within the council's jurisdiction), shall have a set amount of time to speak as determined by the Mayor.

**MINUTES
OF THE
REGULAR MEETING
CLAYTON CITY COUNCIL**

TUESDAY, February 20, 2024

1. **CALL TO ORDER AND ROLL CALL** – The meeting was called to order at 7:00 p.m. by Mayor Diaz held via a hybrid meeting format live in-person and Zoom videoconference and broadcast from Hoyer Hall, Clayton Community Library, 6125 Clayton Road, Clayton, California. Councilmembers present: Mayor Diaz, Vice Mayor Trupiano, and Councilmembers Cloven, Tillman, and Wan. Staff present: City Manager, Bret Prebula; Police Chief Richard McEachin; City Attorney Mala Subramanian; and City Clerk Stephanie Cabrera-Brown.

2. **PLEDGE OF ALLEGIANCE** – Led by Mayor Diaz.

3. **PUBLIC COMMENT ON NON - AGENDA ITEMS**

Allison Snow - spoke regarding Autism awareness and advocacy.

Mayor Diaz closed public comment.

4. **CONSENT CALENDAR**

It was moved by Councilmember Wan, seconded by Councilmember Cloven, to approve the Consent Calendar items 4(a) – 4(f) as submitted. (Passed; 5-0).

Vice Mayor Trupiano requested item 4d be opened for discussion. Item 4d was discussed and voted on as part of the Consent Calendar.

- a. Approval of the February 6, 2024, meeting Minutes. (City Clerk)
- b. Approve and submit a letter of support for Contra Costa County's Employment and Human Services Department's Community Services Bureau Head Start and Early Head Start state grant application, to fund early child development and family support services; and direct staff to submit the letter for inclusion in the County's application packet. (City Manager)
- c. Adopt a Resolution designating management titles authorized to execute reimbursement and other grant related forms on behalf of the City related to Federal Emergency Management (FEMA) Grants. (City Engineer)

Resolution 4-2024

- d. Adopt a Stormwater Utility Assessment Resolution establishing the Rate per Equivalent Runoff Unit (ERU) for FY 2024/2025 and requesting the Contra Costa Flood Control and Water Conservation District to adopt an Annual Parcel Assessment for Drainage and Maintenance and the National Pollutant Discharge Elimination System (NPDES), maintaining the current maximum ERU Rate at \$29 per single-family parcel. (City Engineer)
Resolution 5-2024
- e. Approve the Stormwater Operations and Maintenance Agreement for 500 Douglas Road (MS 01-22); and authorize the Mayor to sign the agreement. (City Engineer)
- f. Adopt a Resolution authorizing the City Manager to execute program supplement agreements on behalf of the City of Clayton for federal transportation funding through Caltrans Local Assistance under previously approved Agency-State Master Agreement No. 04-5386F15. (City Engineer)
Resolution 6-2024

5. **RECOGNITIONS AND PRESENTATIONS**

(There were no Recognitions or Presentations scheduled for this meeting.)

6. **REPORTS**

- a. City Manager / Staff
- Link to ClearGov Transparency Portal:
<https://cleargov.com/california/contra-costa/city/clayton/checkbook>

7. **PUBLIC HEARINGS**

(There are no Public Hearings scheduled for this meeting.)

8. **ACTION ITEMS**

- a. Provide direction to staff on reducing the strategic goals from the nine (9) outlined at the February 6, 2024, strategic planning discussion to no more than five (5), inclusive of the strategic objectives related to those strategic goals. (City Manager)
**Note: The slides presented during the meeting do not accurately represent the work or opinions of the ad hoc committee members. Please refer to the meeting video for accurate information. **

City Manager Bret Prebula provided a brief review of previous actions and

provided an overview of what information staff was seeking.

Following discussion by the City Council, Mayor Diaz opened the item to public comment:

Jim Whitfield – spoke regarding the senior population of Clayton’s need for a senior center and supportive programs. Mr. Whitfield also spoke regarding the youth population and similar needs.

James Sikay – Spoke in support of the public Safety/infrastructure and the need for better ADA Accessibility.

Roy Correa – Spoke regarding the objectives presented and concerns with how they are being addressed.

The Council recessed at 8:30 p.m. and reconvened the meeting at 8:40 p.m.

No Action Taken: Staff provided with direction regarding strategic goal priorities:

- 1. Public Safety**
- 2. Community Parks and Recreation**
- 3. Economic Development**
- 4. Balancing the budget**
- 5. Landscape Maintenance District**

- b. Create and appoint two (2) City Council members to an Ad Hoc committee to gather information on downtown parking and potential options. (City Manager)

It was moved by Mayor Diaz, seconded by Councilmember Wan, to assigned Mayor Diaz and Councilmember Wan to the ad hoc committee.

A Substitute motion was offered by Councilmember Tillman, seconded by Councilmember Cloven, to assign Councilmember Tillman and Councilmember Wan to the ad hoc committee.

Mayor Diaz withdrew his motion.

**It was moved by Councilmember Tillman, seconded by Councilmember Cloven, to assign Councilmember Tillman and Councilmember Wan to the ad hoc committee
(Passed; 5- 0).**

9. **COUNCIL ITEMS** – Limited to Council requests and directives for future meetings.

Councilmember Tillman requested a future agenda item to discuss the censure of councilmembers and requesting to the City Attorney review concerns.

Vice Mayor Trupiano reminded those present of the 3/5/24 60th Anniversary celebration and proclamation, - Celebrating 60 Years of Community. The event will take place during the City Council meeting beginning at 6:30 p.m.

10. **COUNCIL REPORTS**

Councilmember Wan attended: The CSSE committee meeting.

Councilmember Tillman attended meetings for: Mt. Diablo Education Board; Firewise; and attended the East Bay Park's 90th Anniversary hike.

Councilmember Cloven attended: TRANSPAC meeting and a CCTA Presentation.

Vice Mayor Trupiano attended: CSSE committee meeting; and shared 2024 Sponsorship.

Mayor Diaz attended: County Connect meeting; 100 Club – Contra Costa County; The Clayton Chili Cook-off; Historic Society Camelia Tea; and various strategic goal Ad hoc committee meetings.

11. **CLOSED SESSION**

(There was no Closed Session schedule for this meeting)

12. **ADJOURNMENT** - on a call by Mayor Diaz, the City Council adjourned its meeting at 9:13 p.m. in Honor of Former Mayor Robert Hoyer (3/11/1921 – 2/20/2024)

Please note the Minutes of this meeting set forth all actions taken by the City Council on the matters stated, but not necessarily in the chronological sequence in which the matters were taken up.

Respectfully submitted,

Stephanie Cabrera-Brown, City Clerk

APPROVED BY THE CLAYTON CITY COUNCIL

Jim Diaz, Mayor



STAFF REPORT

TO: Honorable Mayor and Councilmembers

FROM: Prapti Aryal, Finance Director

DATE: March 5, 2024

SUBJECT: Quarterly Financial Reports on The City's Investment Portfolio for the period ending December 31, 2023

RECOMMENDATION

Accept the City Investment Portfolio Report for the second quarter of the fiscal year 2023-2024 ending December 31, 2023.

BACKGROUND

Local agencies are mandated to submit regular financial reports to their legislative bodies regarding the status of their investment portfolios. The Finance Department of the City is tasked with managing investments in the City's Funds to ensure the fulfillment of cash flow requirements.

The report encompasses:

1. Details on the type of investment, issuer, maturity date, par and dollar amount invested in all securities, investments, and funds held by the City.
2. Current market value as of the report date.
3. A statement confirming compliance of the portfolio with the City's adopted investment policy or specifying any non-compliance.
4. An indication of the local agency's ability to meet its pool's expenditure requirements for the next six months or an explanation of why sufficient funds may or may not be available.

The attached quarterly reports were prepared by UBS Financial Services, featuring an updated format with enhanced reporting, including more analysis, improved graphics, and an expanded examination of the City's Investment Portfolio. UBS Financial Services, based in Warren, New Jersey, serves municipal clients across California and the United States.

DISCUSSION

The quarterly financial reports outline the status of pooled treasury investments as of December 31, 2023. As of the most recent quarter, the City-held treasury investments amounted to \$14.5 million in book value. The predominant components of the City's portfolio remain CDs, followed by government securities and 100% liquid investments such as money markets and pooled investment funds. Staff prioritizes portfolio diversification by investing in US Treasury Bills, and municipal bonds to achieve balance.

The City's investments are held in the Local Agency Investment Fund (LAIF), the California Asset Management Program (CAMP), and the financial broker firm UBS. The total portfolio of LAIF and CAMP stands at 14.82%. Staff endeavors to enhance portfolio returns through higher-yielding investments in adherence to the City's adopted Investment Policy.

The following is a summary of performance by investment type.

Investment Type	Par value	Rate	Current Yield	Market Value	Percentage of Portfolio
California Asset Management Program	\$ 2,069,061.47	5.53%	5.53%	\$ 2,069,061.47	14.60%
Local Agency Investment Fund	\$ 30,660.35	3.93%	3.93%	\$ 30,660.35	0.22%
US Federal Agency Bonds	\$ 1,047,462.00	n/a	n/a	\$ 1,117,455.27	7.89%
CDs (Insured)	\$ 8,288,817.50	varies by holding	varies by holding	\$ 7,947,203.55	56.08%
US Treasury Notes	\$ 2,632,042.50	varies by holding	varies by holding	\$ 2,561,285.54	18.07%
UBS Accrued Interest	\$ -			\$ 23,628.81	0.17%
BoA Operating Account	\$ 422,205.98			\$ 422,205.98	2.98%
Total Investment	\$ 14,490,249.80			\$ 14,171,500.97	

The quarterly investment portfolio review provided by UBS Financial Services highlights several key points for the quarter ending December 31, 2023. The return on the City's portfolio stood at 2.28%, marking an increase of 0.19% compared to the previous quarter ending September 30, 2023. Additionally, the average investment duration decreased by 0.12 years since the last quarterly financial investment review, now standing at 1.58 years.

The composition of the portfolio includes \$7.95 million of Insured CDs, \$2.56 million of US Treasuries, and \$1.11 million of US Federal Agency Bonds. The expected Annual Cash Flow is \$251,979, reflecting a \$23,964 increase from the previous quarter. This upward trend is expected to continue as lower investment rates mature and funds are reinvested into higher-yielding investments.

It is important to note that gains or losses within a quarter are unrealized since the City intends to hold the securities to maturity. The distinction between "Book Value" and "Market Value" is crucial, with the former representing the City's purchase price for the security and the latter being subject to constant fluctuations based on current market conditions. Market values are influenced by changes in interest rates, with an inverse relationship between price and interest rates. Despite market value fluctuations, at maturity, the investment will achieve the stated

"Yield to Maturity" based on the Book Value. Notably, the book value of the portfolio exceeds market value by \$397,881 for the quarter ending December 31, 2023.

In the current quarter, staff will persist in assessing liquidity requirements and, whenever feasible, maintain the investment in higher-yielding securities, with a primary emphasis on ensuring the stability of the investment.

FISCAL IMPACTS

The investment portfolio yielded an interest return of \$88,994 for the quarter ending December 31, 2023, with the total interest earned for all funds reaching \$141,030 as of that date. This signifies a consistent increase in portfolio yield over the past six months, expected to continue as staff reinvest lower-yielding investments into higher-yielding options.

ATTACHMENTS

1. Investment Portfolio Review from UBS
2. Consolidated Investment Summary July 2023 through December 2023
3. Quarterly Investment Report as of December 31, 2023
4. UBS Holdings as of February 6, 2024

February 6th 2024

Investment Portfolio Review

Prepared for:
City of Clayton

Market Overview – 2023 was a historic year for markets. Bond yields reached their highest levels in more than 15 years. The first trillion-dollar artificial intelligence company was crowned. The robust health of the US economy, despite major rate rises, confounded expectations. Looking to the year ahead, we look forward to what we call “a new world,” one characterized by economic uncertainty and geopolitical instability, but also profound technological change.

We think it will pay to focus on quality in 2024. As interest rates fall, we expect quality bonds to deliver both attractive income and capital appreciation. And we believe it will be quality stocks, including many in the technology sector, that will be best positioned to grow earnings in a slowing global economy.

Growth has remained above-trend since 3Q22. However, other data have been less impressive, including the ISM PMIs, which point toward much more modest growth. Payroll growth has been on a slowing trend, and consumers have been using their credit cards to help sustain spending. High borrowing costs are weighing on both consumers and businesses. Our base case remains a soft landing, but the Fed will likely have to start trimming rates in 2024 to avoid a recession.

Core inflation has surprised to the downside in recent months. Supply chain issues have mostly been resolved, helping to bring goods inflation toward zero. However, services inflation is still elevated, led by shelter, and wage growth is too high for the Fed to sustainably hit its 2% target over the medium term. Additional softening of the labor market will be needed for the Fed to declare victory over inflation.

Current Portfolio Observations - Current Yield is 2.28%, this is up +0.19% from 3 months ago, the average duration is 1.58 years, this is 0.12 years shorter than 3 months ago. The Portfolio consists of \$7.95 million of Insured CDs, \$2.56 million of US Treasuries and \$1.11 million of US Federal Agency Bonds. Expected Annual Cash Flow is \$251,979 this is \$23,964 higher than last quarter, should be expected to move higher as lower investment rates mature and funds are reinvested into higher yielding investments.

Portfolio Considerations

1. Breakeven Analysis on selling some lower yielding investments and reinvesting the funds into higher yielding options. Thus far losses have been too high to breakeven.
2. Consider Insured CDs, High Grade Corporate Bonds, and MBS Bonds. Yields are 4.50% to 5.50% and spreads over US Treasuries are attractive based on historical averages.
3. 70% of the portfolio is maturing on the next two years. Consider locking in some of these historically high interest rates.

Investment Account	Investment Type	Institution	Cost Basis	Rate	Current Yield	Market Value	Percentage of Portfolio
CAMP	Local Agency Pool	California Asset Management Program	\$ 2,069,061.47	5.53%	5.53%	\$ 2,069,061.47	14.60%
LAIF	Local Agency Pool	Local Agency Investment Fund	\$ 30,660.35	3.93%	3.93%	\$ 30,660.35	0.22%
UBS Financial Services Inc.	Cash	UBS Cash Holding/ Alternatives	\$ 1,047,462.00	n/a	n/a	\$ 1,117,455.27	
	Fixed Income	UBS - Certificates of Deposit	\$ 8,288,817.50	varies by holding	varies by holding	\$ 7,947,203.55	
	Fixed Income	UBS - Government Securities	\$ 2,632,042.50	varies by holding	varies by holding	\$ 2,561,285.54	
	Fixed Income	UBS- Accrued Interest for the quarter				\$ 23,628.81	
		Total UBS Financial Services	\$ 11,968,322.00			\$ 11,649,573.17	82.20%
Bank of America	Checking	(General Ledger - book value)	422,205.98	0.00%	0.00%	422,205.98	2.98%
Total Investment Portfolio			14,490,249.80			14,171,500.97	

Budget to Actual Analysis of Interest Revenue
7/1/2023-6/30/2024

		Budgeted	as of 12/31/2023 Actual
General Fund	\$	133,795	\$ 67,273
All Other Funds	\$	2,300	\$ 73,757
Total	\$	136,095	\$ 141,030



UBS Client Review

As of December 31, 2023

Report Prepared for: City of Clayton

Account Number	Account Name	Type
EX XX244	City of Clayton	Business Service Account
Risk profile:	Conservative	
Return Objective:	Current Income and Capital Appreciation	

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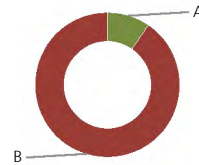


Executive Summary

as of December 31, 2023

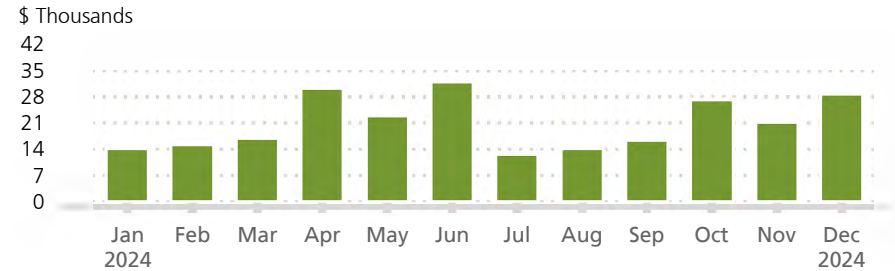
Asset Allocation Review

	Value on 12/31/2023 (\$)	% of Portfolio
A Cash	1,123,096.01	9.63
Cash	1,123,096.01	9.63
B Fixed Income	10,533,395.55	90.37
US	10,533,395.55	90.37
C Equity	0.00	0.00
D Commodities	0.00	0.00
E Non-Traditional	0.00	0.00
F Other	0.00	0.00
Total Portfolio	\$11,656,491.56	100%



Balanced mutual funds and Insurance & Annuity products are allocated in the 'Other' category

Expected Cash Flow



■ Taxable income

Total taxable income: \$251,979.58

Total expected cash flow: \$251,979.58

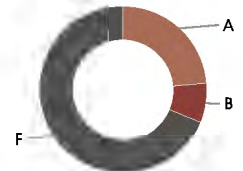
Cash flows displayed account for known events such as maturities and mandatory puts.

Equity Sector Analysis

Portfolio does not contain applicable holdings - exhibit intentionally left blank.

Credit Quality of Bond Holdings

Effective credit rating	Issues	Value on 12/31/2023 (\$)	% of port.
A Aaa/AAA/AAA	10	2,733,438.85	23.63
B Aa/AA/AA	6	876,475.04	7.56
C A/A/A	0	0.00	0.00
D Baa/BBB/BBB	0	0.00	0.00
E Non-investment grade	0	0.00	0.00
F Certificate of deposit	41	7,964,242.15	68.81
G Not rated	0	0.00	0.00
Total	57	\$11,574,156.05	100%



Accrued interest, if any, has been included in the total market value.



Bond Summary

as of December 31, 2023

Bond Overview

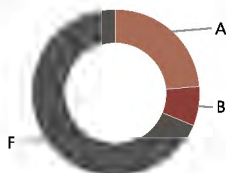
Total quantity	11,991,000
Total market value	\$11,549,249.59
Total accrued interest	\$24,906.46
Total market value plus accrued interest	\$11,574,156.05
Total estimated annual bond interest	\$263,424.50
Average coupon	2.46%
Average current yield	2.28%
Average yield to maturity	4.79%
Average yield to worst	4.79%
Average modified duration	1.58
Average effective maturity	1.67

Investment Type Allocation

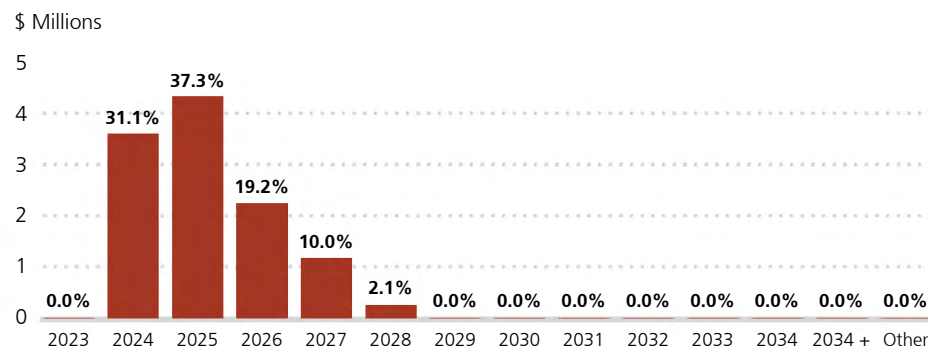
Investment type	Taxable (\$)	Tax-exempt / deferred (\$)	Total (\$)	% of bond port.
Certificates of deposit	7,964,242.15	0.00	7,964,242.15	68.81
U.S. federal agencies	722,043.00	0.00	722,043.00	6.24
U.S. treasuries	2,887,870.90	0.00	2,887,870.90	24.95
Total	\$11,574,156.05	\$0.00	\$11,574,156.05	100%

Credit Quality of Bond Holdings

Effective credit rating	Issues	Value on 12/31/2023 (\$)	% of port.
A Aaa/AAA/AAA	10	2,733,438.85	23.63
B Aa/AA/AA	6	876,475.04	7.56
C A/A/A	0	0.00	0.00
D Baa/BBB/BBB	0	0.00	0.00
E Non-investment grade	0	0.00	0.00
F Certificate of deposit	41	7,964,242.15	68.81
G Not rated	0	0.00	0.00
Total	57	\$11,574,156.05	100%



Bond Maturity Schedule



Effective maturity schedule

Cash, mutual funds and some preferred securities are not included.

Includes all fixed income securities in the selected portfolio. Average yields and durations exclude Structured Product, Pass-Through, Perpetual Preferred, and Foreign securities. Accrued interest, if any, has been included in the total market value.



Bond Holdings

as of December 31, 2023

Summary of Bond Holdings

Maturity Year	Issues	Quantity	Est. annual income (\$)	Current yield (%)	Yield to maturity (%)	Yield to worst (%)	Modified duration	Adjusted cost basis (\$)	Unrealized gain/loss (\$)	Mkt. value (\$)	% of bond portfolio maturing
2023	0	0			N/A	N/A	N/A				
2024	17	3,642,000	68,656.00	1.91%	4.96%	4.96%	0.51	3,612,247.45	-16,466.26	3,601,953.85	31.13%
2025	21	4,485,000	104,949.00	2.43%	4.75%	4.75%	1.54	4,473,582.8	-160,199.43	4,324,932.92	37.35%
2026	12	2,387,000	43,884.50	1.97%	4.70%	4.70%	2.43	2,384,300	-155,999.94	2,232,956.35	19.29%
2027	6	1,227,000	34,560.00	2.97%	4.57%	4.57%	3.14	1,227,000	-64,860.03	1,164,574.43	10.06%
2028	1	250,000	11,375.00	4.56%	4.59%	4.59%	3.92	250,000	-355.00	249,738.49	2.16%
2029	0	0			N/A	N/A	N/A				
2030	0	0			N/A	N/A	N/A				
2031	0	0			N/A	N/A	N/A				
2032	0	0			N/A	N/A	N/A				
2033	0	0			N/A	N/A	N/A				
2034	0	0			N/A	N/A	N/A				
2035	0	0			N/A	N/A	N/A				
2036	0	0			N/A	N/A	N/A				
2037	0	0			N/A	N/A	N/A				
2038	0	0			N/A	N/A	N/A				
2039	0	0			N/A	N/A	N/A				
2040	0	0			N/A	N/A	N/A				
2041	0	0			N/A	N/A	N/A				
2042	0	0			N/A	N/A	N/A				
2043	0	0			N/A	N/A	N/A				
2044	0	0			N/A	N/A	N/A				
2045	0	0			N/A	N/A	N/A				
2046	0	0			N/A	N/A	N/A				
2047	0	0			N/A	N/A	N/A				
2048	0	0			N/A	N/A	N/A				
2048 +	0	0			N/A	N/A	N/A				
Other	0	0			N/A	N/A	N/A				
Total	57	11,991,000	\$263,424.50	2.28%	4.79%	4.79%	1.58	\$11,947,130.25	-\$397,880.66	\$11,574,156.05	

Includes all fixed-rate securities in the selected portfolio. Average yields and durations exclude Structured Product, Pass-Through, Perpetual Preferred, and Foreign securities. Accrued interest, if any, has been included in the total market value.



Bond Holdings

as of December 31, 2023 (continued)

Details of Bond Holdings

	Effective rating/ Underlying rating (Mdy/Fitch/S&P)	Quantity	Coupon	Effective maturity	Call date/ Call price (\$)	Est. annual income (\$)/ Curr. yield (%)	YTM (%)/ YTW (%)	Modified duration	Adjusted cost basis (\$)/ Unreal. g/l (\$)	Market price (\$)	Mkt. value (\$)/ Accr. interest (\$)	% of bond port.
Total Bond Portfolio		11,991,000	2.46%	09/01/2025	N/A	\$263,424.50 2.28%	4.79% 4.79%	1.58	\$11,947,130.25 \$-397,880.66	N/A	\$11,549,249.59 \$24,906.46 \$11,574,156.05	100%
Maturing 2024												
UNITED STATES TREAS BILL DUE 01/11/24	Aaa/NR/AA+ NR/NR/NR	350,000		01/11/2024			3.63% 3.63%	0.03	345,752.25 3,789.25	99.869	349,541.50 0.00	3.03%
CITY & CNTY CREDIT MN US RT 03.2500% MAT 02/26/24 CREDIT UNION SHARE CERT /MN	CD	115,000	3.25%	02/26/2024		3,737.50 3.26%	5.20% 5.20%	0.16	115,000.00 -359.95	99.687	114,640.05 51.20	0.99%
UNITED STATES TREAS BILL DUE 03/21/24	Aaa/NR/AA+ NR/NR/NR	500,000		03/21/2024			5.00% 5.00%	0.22	487,300.00 7,005.00	98.861	494,305.00 0.00	4.28%
UNITED STATES TREAS BILL DUE 04/18/24	Aaa/NR/AA+ NR/NR/NR	200,000		04/18/2024			5.08% 5.08%	0.30	193,218.00 3,696.00	98.457	196,914.00 0.00	1.70%
US TSY NOTE 02.500 % DUE 04/30/24 DTD 04/30/22 FC 10/31/22	Aaa/AA+/NR NR/NR/NR	120,000	2.50%	04/30/2024		3,000.00 2.52%	5.23% 5.23%	0.69	116,509.20 2,394.00	99.086	118,903.20 502.75	1.03%
WELLS FARGO BK NA SD US RT 02.7500% MAT 05/03/24 FIXED RATE CD /SD	CD	197,000	2.75%	05/03/2024		5,417.50 2.77%	5.21% 5.21%	0.34	197,000.00 -1,650.86	99.162	195,349.14 415.59	1.69%
BMW BANK NORTH AME UT US RT 00.2500% MAT 06/11/24 FIXED RATE CD /UT	CD	198,000	0.25%	06/11/2024		495.00 0.26%	5.16% 5.16%	0.44	198,000.00 -4,284.72	97.836	193,715.28 27.12	1.68%
OKLAHOMA FED CREDI OK US RT 05.7000% MAT 06/14/24 CREDIT UNION SHARE CERT /OK	CD	100,000	5.70%	06/14/2024		5,700.00 5.68%	5.08% 5.08%	0.45	100,000.00 279.00	100.279	100,279.00 265.48	0.87%
BMO HARRIS BK NA IL US RT 00.5500% MAT 07/29/24 FIXED RATE CD /IL	CD	250,000	0.55%	07/29/2024	01/29/2024 100.00	1,375.00 0.56%	5.20% 5.20%	0.57	250,000.00 -6,632.50	97.347	243,367.50 237.33	2.11%

Includes all fixed-rate securities in the selected portfolio. Average yields and durations exclude Structured Product, Pass-Through, Perpetual Preferred, and Foreign securities. Accrued interest, if any, has been included in the total market value.



Bond Holdings

as of December 31, 2023 (continued)

	Effective rating/ Underlying rating (Mdy/Fitch/S&P)	Quantity	Coupon	Effective maturity	Call date/ Call price (\$)	Est. annual income (\$)/ Curr. yield (%)	YTM (%)/ YTW (%)	Modified duration	Adjusted cost basis (\$)/ Unreal. g/l (\$)	Market price (\$)	Mkt. value (\$)/ Accr. interest (\$)	% of bond port.
Maturing 2024												
TOYOTA FINL SVGS B NV US RT 00.6000% MAT 08/12/24 FIXED RATE CD /NV	CD	250,000	0.60%	08/12/2024		1,500.00 0.62%	5.11% 5.11%	0.60	250,000.00 -6,817.50	97.273	243,182.50 579.45	2.11%
UBS BANK UT US RT 00.5500% MAT 08/12/24 FIXED RATE CD /UT	CD	250,000	0.55%	08/12/2024		1,375.00 0.57%	5.08% 5.08%	0.61	250,000.00 -6,915.00	97.234	243,085.00 75.34	2.10%
US TSY NOTE 04.250 % DUE 09/30/24 DTD 09/30/22 FC 03/31/23	Aaa/AA+/AA+ NR/NR/NR	120,000	4.25%	09/30/2024		5,100.00 4.27%	4.94% 4.94%	0.72	118,621.20 764.40	99.488	119,385.60 1,281.97	1.03%
FREEDOM FIRST FED VA US RT 04.9000% MAT 10/28/24 LICU SHARE CERTIFICATE /VA	CD	250,000	4.90%	10/28/2024		12,250.00 4.91%	5.13% 5.13%	0.81	250,000.00 -477.50	99.809	249,522.50 100.69	2.16%
US TSY NOTE 04.375 % DUE 10/31/24 DTD 10/31/22 FC 04/30/23	Aaa/AA+/AA+ NR/NR/NR	120,000	4.38%	10/31/2024		5,250.00 4.39%	4.89% 4.89%	0.80	118,846.80 642.00	99.574	119,488.80 879.81	1.03%
AMERICAN EXP NATL UT US RT 04.6500% MAT 11/04/24 FIXED RATE CD /UT	CD	174,000	4.65%	11/04/2024		8,091.00 4.67%	5.09% 5.09%	0.82	174,000.00 -645.54	99.629	173,354.46 1,307.86	1.50%
BLUPEAK CREDIT UNI CA US RT 05.7500% MAT 11/20/24 CREDIT UNION SHARE CERT /CA	CD	250,000	5.75%	11/20/2024		14,375.00 5.72%	5.16% 5.16%	0.86	250,000.00 1,277.50	100.511	251,277.50 393.84	2.18%
TEXAS EXCHANGE BK TX US RT 00.5000% MAT 12/11/24 FIXED RATE CD /TX	CD	198,000	0.50%	12/11/2024	01/11/2024 100.00	990.00 0.52%	5.14% 5.14%	0.94	198,000.00 -8,529.84	95.692	189,470.16 54.25	1.64%
Total 2024		3,642,000	2.68%	07/03/2024		\$68,656.00 1.91%	4.96% 4.96%	0.51	\$3,612,247.45 \$-16,466.26		\$3,595,781.19 \$6,172.66	31.13%

Includes all fixed-rate securities in the selected portfolio. Average yields and durations exclude Structured Product, Pass-Through, Perpetual Preferred, and Foreign securities. Accrued interest, if any, has been included in the total market value.



Bond Holdings

as of December 31, 2023 (continued)

	Effective rating/ Underlying rating (Mdy/Fitch/S&P)	Quantity	Coupon	Effective maturity	Call date/ Call price (\$)	Est. annual income (\$)/ Curr. yield (%)	YTM (%)/ YTW (%)	Modified duration	Adjusted cost basis (\$)/ Unreal. g/l (\$)	Market price (\$)	Mkt. value (\$)/ Accr. interest (\$)	% of bond port.
Maturing 2025												
TECHNOLOGY CREDIT CA US RT 05.0000% MAT 01/21/25 CREDIT UNION SHARE CERT /CA	CD	248,000	5.00%	01/21/2025		12,400.00 5.01%	5.12% 5.12%	1.03	248,000.00 -319.92	99.871	247,680.08 407.67	2.14%
MOUNTAIN AMERICA C UT US RT 03.4500% MAT 02/28/25 LICU SHARE CERTIFICATE /UT	CD	250,000	3.45%	02/28/2025		8,625.00 3.52%	5.11% 5.11%	1.14	250,000.00 -4,710.00	98.116	245,290.00 708.90	2.12%
US TSY NOTE 02.625 % DUE 03/31/25 DTD 03/31/18 FC 09/30/18	Aaa/AA+/NR NR/NR/NR	110,000	2.63%	03/31/2025		2,887.50 2.69%	4.58% 4.58%	1.20	105,374.50 2,035.00	97.645	107,409.50 725.82	0.93%
CPTL ONE NATL ASSN VA US RT 01.4500% MAT 04/22/25 FIXED RATE CD /VA	CD	250,000	1.45%	04/22/2025		3,625.00 1.52%	5.05% 5.05%	1.27	259,817.50 -21,142.50	95.470	238,675.00 695.21	2.07%
MORGAN STANLEY PRV NY US RT 04.7000% MAT 04/28/25 FIXED RATE CD /NY	CD	236,000	4.70%	04/28/2025		11,092.00 4.72%	5.03% 5.03%	1.26	236,000.00 -1,026.60	99.565	234,973.40 1,975.29	2.03%
FLAGSTAR BANK, FSB MI US RT 01.1500% MAT 04/29/25 FIXED RATE CD /MI	CD	250,000	1.15%	04/29/2025		2,875.00 1.21%	5.04% 5.04%	1.29	250,000.00 -12,415.00	95.034	237,585.00 496.23	2.06%
US TSY NOTE 02.750 % DUE 05/15/25 DTD 05/15/22 FC 11/15/22	Aaa/AA+/NR NR/NR/NR	100,000	2.75%	05/15/2025		2,750.00 2.82%	4.53% 4.53%	1.32	95,835.00 1,810.00	97.645	97,645.00 347.53	0.85%
US TSY NOTE 02.875 % DUE 06/15/25 DTD 06/15/22 FC 12/15/22	Aaa/AA+/AA+ NR/NR/NR	100,000	2.88%	06/15/2025		2,875.00 2.94%	4.48% 4.48%	1.40	96,075.00 1,675.00	97.750	97,750.00 125.68	0.85%
DELTA NATL B&T CO NY US RT 00.5500% MAT 07/21/25 FIXED RATE CD /NY	CD	250,000	0.55%	07/21/2025		1,375.00 0.59%	4.95% 4.95%	1.51	250,000.00 -16,327.50	93.469	233,672.50 576.37	2.02%
CHARTWAY FED CREDI VA US RT 05.4500% MAT 07/31/25 LICU SHARE CERTIFICATE /VA	CD	250,000	5.45%	07/31/2025		13,625.00 5.41%	N/A N/A	N/A	250,000.00 1,960.00	100.784	251,960.00 1,157.19	2.18%
LIVE OAK BKG CO NC US RT 00.6000% MAT 08/13/25 FIXED RATE CD /NC	CD	150,000	0.60%	08/13/2025		900.00 0.64%	4.91% 4.91%	1.60	150,000.00 -10,078.50	93.281	139,921.50 73.97	1.21%

Includes all fixed-rate securities in the selected portfolio. Average yields and durations exclude Structured Product, Pass-Through, Perpetual Preferred, and Foreign securities. Accrued interest, if any, has been included in the total market value.



Bond Holdings

as of December 31, 2023 (continued)

	Effective rating/ Underlying rating (Mdy/Fitch/S&P)	Quantity	Coupon	Effective maturity	Call date/ Call price (\$)	Est. annual income (\$)/ Curr. yield (%)	YTM (%)/ YTW (%)	Modified duration	Adjusted cost basis (\$)/ Unreal. g/l (\$)	Market price (\$)	Mkt. value (\$)/ Accr. interest (\$)	% of bond port.
Maturing 2025												
CONNEXUS CREDIT UN WI US RT 03.4000% MAT 08/15/25 LICU SHARE CERTIFICATE /WI	CD	250,000	3.40%	08/15/2025		8,500.00 3.48%	N/A N/A	N/A	250,000.00 -5,915.00	97.634	244,085.00 721.92	2.11%
USALLIANCE FED CRE NY US RT 00.5500% MAT 08/28/25 FIXED RATE CD /NY	CD	149,000	0.55%	08/28/2025	02/28/2024 100.00	819.50 0.59%	4.90% 4.90%	1.65	149,000.00 -10,348.05	93.055	138,651.95 6.74	1.20%
KEMBA FINL CREDIT OH US RT 04.0000% MAT 09/22/25 FIXED RATE CD /OH	CD	250,000	4.00%	09/22/2025	01/21/2024 100.00	10,000.00 4.06%	4.88% 4.88%	1.66	250,000.00 -3,640.00	98.544	246,360.00 821.92	2.13%
STATE BK IL US RT 00.5000% MAT 09/22/25 FIXED RATE CD /IL	CD	200,000	0.50%	09/22/2025		1,000.00 0.54%	4.87% 4.87%	1.68	200,000.00 -14,370.00	92.815	185,630.00 273.97	1.61%
JPMORGAN CHASE BK DE US RT 00.4000% MAT 10/30/25 STEP RATE CD /DE	CD	250,000	0.40%	10/30/2025	04/30/2024 100.00	1,000.00 0.43%	N/A N/A	N/A	250,000.00 -17,340.00	93.064	232,660.00 0.00	2.01%
US TSY NOTE 04.500 % DUE 11/15/25 DTD 11/15/22 FC 05/15/23	Aaa/AA+/AA+ NR/NR/NR	148,000	4.50%	11/15/2025		6,660.00 4.48%	4.30% 4.30%	1.77	147,852.00 674.88	100.356	148,526.88 841.65	1.29%
FFCB BOND 00.600 % DUE 11/24/25 DTD 11/24/20 FC 05/24/2021	Aaa/AA+/AA+ NR/NR/NR	150,000	0.60%	11/24/2025		900.00 0.65%	4.69% 4.69%	1.84	150,000.00 -11,055.00	92.630	138,945.00 92.50	1.20%
BARCLAYS BK DE US RT 01.0000% MAT 12/15/25 FIXED RATE CD /DE	CD	100,000	1.00%	12/15/2025		1,000.00 1.08%	4.80% 4.80%	1.90	100,000.00 -7,040.00	92.960	92,960.00 43.84	0.80%
US TSY NOTE 04.000 % DUE 12/15/25 DTD 12/15/22 FC 06/15/23	Aaa/AA+/AA+ NR/NR/NR	250,000	4.00%	12/15/2025		10,000.00 4.02%	4.27% 4.27%	1.86	249,000.00 -280.00	99.488	248,720.00 437.16	2.15%
US TSY NOTE 00.375 % DUE 12/31/25 DTD 12/31/20 FC 06/30/21	Aaa/AA+/NR NR/NR/NR	544,000	0.38%	12/31/2025		2,040.00 0.40%	4.21% 4.21%	1.95	536,628.80 -32,346.24	92.699	504,282.56 1,020.00	4.37%
Total 2025		4,485,000	2.40%	08/07/2025		\$104,949.00 2.43%	4.75% 4.75%	1.54	\$4,473,582.80 \$-160,199.43		\$4,313,383.37 \$11,549.55	37.35%

Includes all fixed-rate securities in the selected portfolio. Average yields and durations exclude Structured Product, Pass-Through, Perpetual Preferred, and Foreign securities. Accrued interest, if any, has been included in the total market value.



Bond Holdings

as of December 31, 2023 (continued)

	Effective rating/ Underlying rating (Mdy/Fitch/S&P)	Quantity	Coupon	Effective maturity	Call date/ Call price (\$)	Est. annual income (\$)/ Curr. yield (%)	YTM (%)/ YTW (%)	Modified duration	Adjusted cost basis (\$)/ Unreal. g/l (\$)	Market price (\$)	Mkt. value (\$)/ Accr. interest (\$)	% of bond port.
Maturing 2026												
MERRICK BK UT US RT 00.5000% MAT 01/29/26 FIXED RATE CD /UT	CD	245,000	0.50%	01/29/2026		1,225.00 0.55%	4.77% 4.77%	2.06	245,000.00 -20,763.75	91.525	224,236.25 104.04	1.94%
FHLB NTS 00.520 % DUE 021226 DTD 021221 FC 08122021	Aaa/NR/AA+ NR/NR/NR	100,000	0.52%	02/12/2026		520.00 0.56%	4.35% 4.35%	2.06	100,000.00 -7,675.00	92.325	92,325.00 200.78	0.80%
BANKUNITED NA FLOR FL US RT 00.6500% MAT 03/05/26 FIXED RATE CD /FL	CD	94,000	0.65%	03/05/2026	03/05/2024 100.00	611.00 0.71%	4.80% 4.80%	2.14	94,000.00 -8,040.76	91.446	85,959.24 43.52	0.74%
BANKUNITED NA FLOR FL US RT 00.9500% MAT 03/31/26 FIXED RATE CD /FL	CD	135,000	0.95%	03/31/2026	12/31/2023 100.00	1,282.50 1.04%	N/A N/A	N/A	135,000.00 -11,102.40	91.776	123,897.60 108.92	1.07%
COMENITY CAP BK UT US RT 02.6000% MAT 04/14/26 FIXED RATE CD /UT	CD	215,000	2.60%	04/14/2026		5,590.00 2.73%	4.81% 4.81%	2.21	215,000.00 -10,309.25	95.205	204,690.75 260.36	1.77%
STATE BANK OF INDI NY US RT 00.9500% MAT 05/19/26 FIXED RATE CD /NY	CD	248,000	0.95%	05/19/2026		2,356.00 1.04%	4.83% 4.83%	2.30	248,000.00 -21,479.28	91.339	226,520.72 271.10	1.96%
US TSY NOTE 00.875 % DUE 06/30/26 DTD 06/30/21 FC 12/31/21	Aaa/AA+/NR NR/NR/NR	300,000	0.88%	06/30/2026		2,625.00 0.95%	4.05% 4.05%	2.42	297,300.00 -19,776.00	92.508	277,524.00 1,312.50	2.40%
GESA CREDIT UNION WA US RT 05.2500% MAT 07/31/26 LICU SHARE CERTIFICATE /WA	CD	250,000	5.25%	07/31/2026		13,125.00 5.20%	N/A N/A	N/A	250,000.00 2,412.50	100.965	252,412.50 1,114.73	2.19%
GREENSTATE CREDIT IA US RT 00.9500% MAT 08/18/26 LICU SHARE CERTIFICATE /IA	CD	250,000	0.95%	08/18/2026		2,375.00 1.05%	4.85% 4.85%	2.59	250,000.00 -24,112.50	90.355	225,887.50 195.21	1.96%
NUMERICA CREDIT UN WA US RT 04.9000% MAT 11/04/26 LICU SHARE CERTIFICATE /WA	CD	200,000	4.90%	11/04/2026		9,800.00 4.90%	4.89% 4.89%	2.64	200,000.00 74.00	100.037	200,074.00 724.93	1.73%
SYNCHRONY BANK UT US RT 01.2500% MAT 12/10/26 FIXED RATE CD /UT	CD	150,000	1.25%	12/10/2026		1,875.00 1.39%	4.90% 4.90%	2.83	150,000.00 -14,887.50	90.075	135,112.50 107.88	1.17%

Includes all fixed-rate securities in the selected portfolio. Average yields and durations exclude Structured Product, Pass-Through, Perpetual Preferred, and Foreign securities. Accrued interest, if any, has been included in the total market value.



Bond Holdings

as of December 31, 2023 (continued)

	Effective rating/ Underlying rating (Mdy/Fitch/S&P)	Quantity	Coupon	Effective maturity	Call date/ Call price (\$)	Est. annual income (\$)/ Curr. yield (%)	YTM (%)/ YTW (%)	Modified duration	Adjusted cost basis (\$)/ Unreal. g/l (\$)	Market price (\$)	Mkt. value (\$)/ Accr. interest (\$)	% of bond port.
Maturing 2026												
MEDALLION BK UT US RT 01.2500% MAT 12/30/26 FIXED RATE CD /UT	CD	200,000	1.25%	12/30/2026		2,500.00 1.39%	4.90% 4.90%	2.93	200,000.00 -20,340.00	89.830	179,660.00 212.33	1.56%
Total 2026		2,387,000	1.90%	07/03/2026		\$43,884.50 1.97%	4.70% 4.70%	2.43	\$2,384,300.00 -\$155,999.94		\$2,228,300.06 \$4,656.29	19.29%
Maturing 2027												
NELNET BK UT US RT 01.7500% MAT 02/16/27 FIXED RATE CD /UT	CD	80,000	1.75%	02/16/2027		1,400.00 1.92%	4.88% 4.88%	2.96	80,000.00 -7,201.60	90.998	72,798.40 525.48	0.63%
SALLIE MAE BANK UT US RT 01.9000% MAT 02/16/27 FIXED RATE CD /UT	CD	50,000	1.90%	02/16/2027		950.00 2.08%	4.88% 4.88%	2.96	50,000.00 -4,286.00	91.428	45,714.00 356.58	0.40%
HARDIN CNTY SVGS B IA US RT 01.6000% MAT 02/18/27 FIXED RATE CD /IA	CD	250,000	1.60%	02/18/2027	01/18/2024 100.00	4,000.00 1.77%	4.87% 4.87%	3.04	250,000.00 -23,772.50	90.491	226,227.50 142.47	1.96%
USALLIANCE FED CRE NY US RT 02.8500% MAT 04/27/27 FIXED RATE CD /NY	CD	100,000	2.85%	04/27/2027	01/27/2024 100.00	2,850.00 3.04%	4.84% 4.84%	3.15	100,000.00 -6,101.00	93.899	93,899.00 31.23	0.81%
MORGAN STANLEY BK UT US RT 03.0000% MAT 04/29/27 FIXED RATE CD /UT	CD	247,000	3.00%	04/29/2027	04/29/2024 100.00	7,410.00 3.18%	4.84% 4.84%	3.10	247,000.00 -13,878.93	94.381	233,121.07 1,278.99	2.02%
FHLB BOND 03.590 % DUE 062927 DTD 062922 FC 12292022	Aaa/NR/AA+ NR/NR/NR	500,000	3.59%	06/29/2027		17,950.00 3.66%	4.19% 4.19%	3.25	500,000.00 -9,620.00	98.076	490,380.00 99.72	4.25%
Total 2027		1,227,000	2.84%	05/04/2027		\$34,560.00 2.97%	4.57% 4.57%	3.14	\$1,227,000.00 -\$64,860.03		\$1,162,139.97 \$2,434.46	10.06%

Includes all fixed-rate securities in the selected portfolio. Average yields and durations exclude Structured Product, Pass-Through, Perpetual Preferred, and Foreign securities. Accrued interest, if any, has been included in the total market value.



Bond Holdings

as of December 31, 2023 (continued)

	Effective rating/ Underlying rating (Mdy/Fitch/S&P)	Quantity	Coupon	Effective maturity	Call date/ Call price (\$)	Est. annual income (\$)/ Curr. yield (%)	YTM (%)/ YTW (%)	Modified duration	Adjusted cost basis (\$)/ Unreal. g/l (\$)	Market price (\$)	Mkt. value (\$)/ Accr. interest (\$)	% of bond port.
Maturing 2028												
A PLUS FED CREDIT TX US RT 04.5500% MAT 04/28/28 LICU SHARE CERTIFICATE /TX	CD	250,000	4.55%	04/28/2028		11,375.00 4.56%	4.59% 4.59%	3.92	250,000.00 -355.00	99.858	249,645.00 93.49	2.16%
Total 2028		250,000	4.55%	04/28/2028		\$11,375.00 4.56%	4.59% 4.59%	3.92	\$250,000.00 \$-355.00		\$249,645.00 \$93.49	2.16%
	Effective rating/ Underlying rating (Mdy/Fitch/S&P)	Quantity	Coupon	Effective maturity	Call date/ Call price (\$)	Est. annual income (\$)/ Curr. yield (%)	YTM (%)/ YTW (%)	Modified duration	Adjusted cost basis (\$)/ Unreal. g/l (\$)	Market price (\$)	Mkt. value (\$)/ Accr. interest (\$)	% of bond port.
Total Bond Portfolio		11,991,000	2.46%	09/01/2025	N/A	\$263,424.50 2.28%	4.79% 4.79%	1.58	\$11,947,130.25 \$-397,880.66	N/A	\$11,549,249.59 \$24,906.46 \$11,574,156.05	100%

Includes all fixed-rate securities in the selected portfolio. Average yields and durations exclude Structured Product, Pass-Through, Perpetual Preferred, and Foreign securities. Accrued interest, if any, has been included in the total market value.

House View: Executive summary

Market outlook

- 2023 was a historic year for markets. Bond yields reached their highest levels in more than 15 years. The first trillion-dollar artificial intelligence company was crowned. The robust health of the US economy, despite major rate rises, confounded expectations.
- Looking to the year ahead, we look forward to what we call “a new world,” one characterized by economic uncertainty and geopolitical instability, but also profound technological change.
- We think it will pay to focus on quality in 2024. As interest rates fall, we expect quality bonds to deliver both attractive income and capital appreciation. And we believe it will be quality stocks, including many in the technology sector, that will be best positioned to grow earnings in a slowing global economy.

US economic outlook

- Growth has remained above-trend since 3Q22. However, other data have been less impressive, including the ISM PMIs, which point toward much more modest growth. Payroll growth has been on a slowing trend, and consumers have been using their credit cards to help sustain spending. High borrowing costs are weighing on both consumers and businesses. Our base case remains a soft landing, but the Fed will likely have to start trimming rates in 2024 to avoid a recession.
- Core inflation has surprised to the downside in recent months. Supply chain issues have mostly been resolved, helping to bring goods inflation toward zero. However, services inflation is still elevated, led by shelter, and wage growth is too high for the Fed to sustainably hit its 2% target over the medium term. Additional softening of the labor market will be needed for the Fed to declare victory over inflation.

Tactical preferences

Preferred Investment Views

Asset Classes	Most Preferred +	Least Preferred -
Equities	<ul style="list-style-type: none"> • US small-caps • Emerging market equity 	<ul style="list-style-type: none"> • US large-caps • UK equities
Fixed income	<ul style="list-style-type: none"> • Fixed income • TIPS • Agency MBS • IG corporate bonds • CMBS 	
Foreign exchange	<ul style="list-style-type: none"> • AUD 	
Real assets	<ul style="list-style-type: none"> • Oil 	
US sectors	<ul style="list-style-type: none"> • Information technology • Energy • Consumer staples 	<ul style="list-style-type: none"> • Real estate • Utilities

Economic forecasts (real GDP, in %)

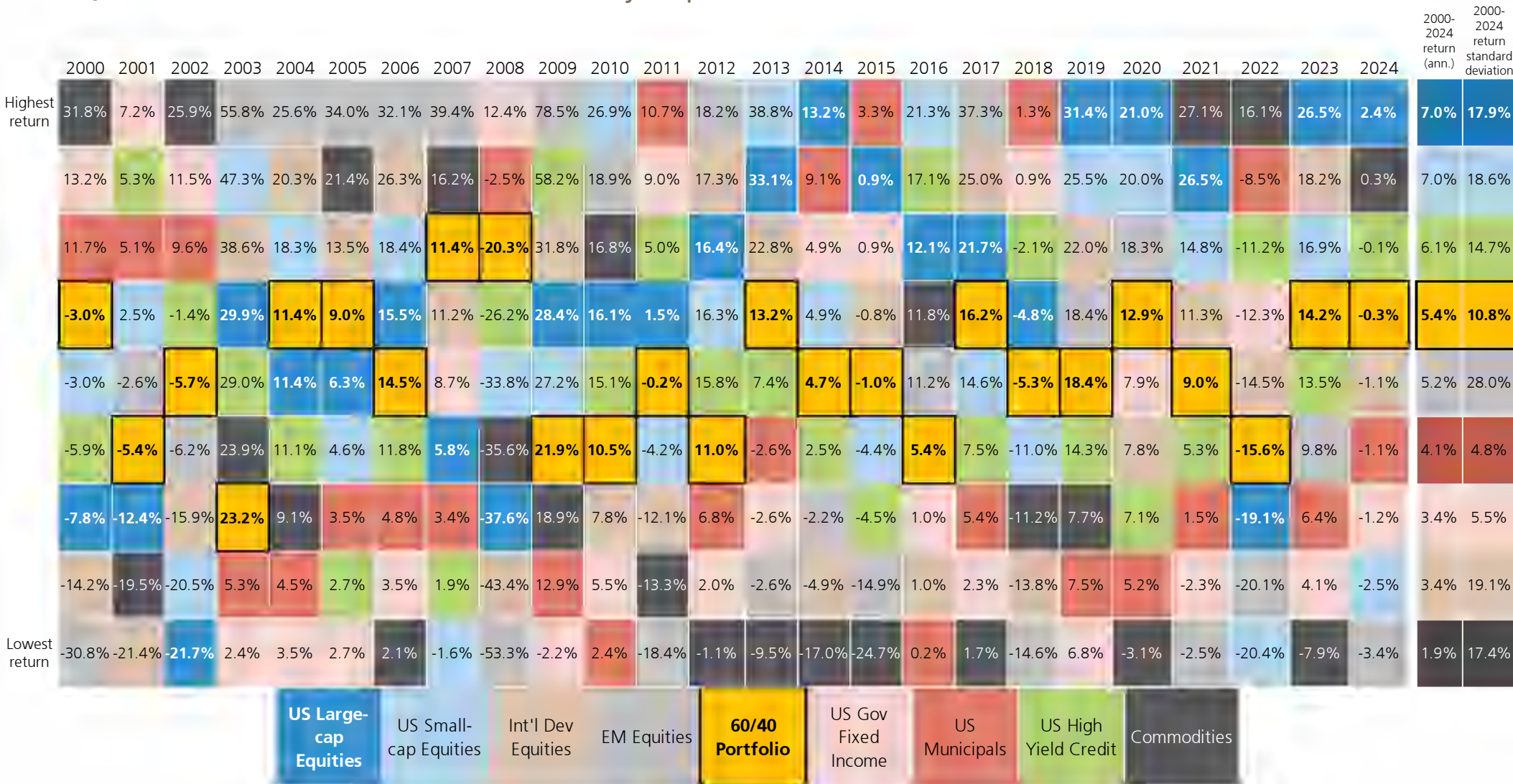
	2022	2023E	2024E
US	1.9	2.4	1.2
Eurozone	3.4	0.5	0.6
China	3.0	5.2	4.6
Latin America	3.9	2.0	1.6
World	3.4	3.2	2.7

House View: Overview

- The S&P 500 has reached a new high as markets have rallied on soft-landing hopes. Yields have fallen, with the 10-year yield back down near 4.1%. Markets have begun to price in rate cuts this year despite inflation remaining above Fed targets. **Volatility** due to geopolitical tensions and downside risk events remains a threat, while positive economic developments or earnings beats could propel further rallies. With a stronger outlook on the US economy, we recommend investors maintain a balanced portfolio. Equities look attractive as earnings begin to rebound and rates appear to be falling, while bonds offer attractive yields and strong potential price return.
- **Policy has become more restrictive** as the Fed has committed to maintaining **price stability**. The Fed's intention is to keep financial conditions tight until inflation is under control. They've backed that up with action, delivering 525 bps of hikes since March 2022, a pace not seen since the 1970s. Rates markets have begun to price in cuts this year. Credit conditions are tighter, but the Fed will want to see further evidence of slowing inflation before cutting rates. We see rates near their cycle peak and therefore maintain fixed income at most preferred.
- In our base case, we expect elevated levels of core PCE inflation to continue drifting lower. Economic growth may slow, as fiscal impulse fades and consumer spending slows.
- **Asset class preferences:** We maintain equities at neutral and fixed income at most preferred.
 - We maintain **US equities** at neutral, with the earnings outlook brightening. Within US stocks, we **prefer small caps to large caps**, as valuations are attractive, and the return outlook is bolstered in a soft-landing scenario. Our most preferred sectors are **information technology, energy, and consumer staples**, and our least preferred sectors are utilities and real estate. We like technology due to the sector's high-quality balance sheets.
 - We maintain **emerging market equities** as **most preferred**, as many economies are proving resilient, and valuations look appealing. We maintain UK equities at least preferred, as the country's earnings outlook looks dimmer than the rest of developed markets.
 - Within fixed income, we keep **US investment grade bonds, TIPS** and **agency MBS most preferred**. We upgrade **CMBS** to **most preferred** as a high-quality credit with attractive spreads.
 - We remain positive on **oil** as supplies remain tight amid solid demand.

Large cap stocks are leading the way

"Quilt chart" of select asset classes' calendar year performance



Source: Bloomberg, UBS, as of 25 January 2024

Note: The 60/40 portfolio is comprised of 40% US government bonds, 30% large cap US equities, 20% developed market international equities, and 10% emerging market equities. For periods prior to 2009, this illustration assumes that the Bloomberg Barclays EM Local Currency Government Total Return Index allocation (inception date of 4 July 2008) was invested fully in the Bloomberg Barclays EM USD Aggregate Total Return Index.

Report created on: February 06, 2024

Disclosures Applicable to Accounts at UBS Financial Services Inc.

This section contains important disclosures regarding the information and valuations presented here. All information presented is subject to change at any time and is provided only as of the date indicated. The information in this report is for informational purposes only and should not be relied upon as the basis of an investment or liquidation decision. UBS FS account statements and official tax documents are the only official record of your accounts and are not replaced, amended or superseded by any of the information presented in these reports. You should not rely on this information in making purchase or sell decisions, for tax purposes or otherwise.

UBS FS offers a number of investment advisory programs to clients, acting in our capacity as an investment adviser, including fee-based financial planning, discretionary account management, non-discretionary investment advisory programs, and advice on the selection of investment managers and mutual funds offered through our investment advisory programs. When we act as your investment adviser, we will have a written agreement with you expressly acknowledging our investment advisory relationship with you and describing our obligations to you. At the beginning of our advisory relationship, we will give you our Form ADV brochure(s) for the program(s) you selected that provides detailed information about, among other things, the advisory services we provide, our fees, our personnel, our other business activities and financial industry affiliations and conflicts between our interests and your interests.

In our attempt to provide you with the highest quality information available, we have compiled this report using data obtained from recognized statistical sources and authorities in the financial industry. While we believe this information to be reliable, we cannot make any representations regarding its accuracy or completeness. Please keep this guide as your Advisory Review.

Please keep in mind that most investment objectives are long term. Although it is important to evaluate your portfolio's performance over multiple time periods, we believe the greatest emphasis should be placed on the longer period returns.

Please review the report content carefully and contact your Financial Advisor with any questions.

Portfolio: For purposes of this report "portfolio" is defined as all of the accounts presented on the cover page or the header of this report and does not necessarily include all of the client's accounts held at UBS FS or elsewhere.

Percentage: Portfolio (in the "% Portfolio / Total" column) includes all holdings held in the account(s) selected when this report was generated. Broad asset class (in the "% broad asset class" column) includes all holdings held in that broad asset class in the account(s) selected when this report was generated.

Tax lots: This report displays security tax lots as either one line item (i.e., lumped tax lots) or as separate tax lot level information. If you choose to display security tax lots as one line item, the total cost equals the total value of all tax lots. The unit cost is an average of the total cost divided by the total number of shares. If the shares were purchased in different lots, the unit price listed does not represent the actual cost paid for each lot. The unrealized gain/loss value is calculated by combining the total value of all tax lots plus or minus the total market value of the security.

If you choose to display tax lot level information as separate line items on the Portfolio Holdings report, the tax lot information may include information from sources other than UBS FS. The Firm does not independently verify or guarantee the accuracy or validity of any information provided by sources other than UBS FS. As a result this information may not be accurate and is provided for informational purposes only. Clients should not rely on this

information in making purchase or sell decisions, for tax purposes or otherwise. See your monthly statement for additional information.

Pricing: All securities are priced using the closing price reported on the last business day preceding the date of this report. Every reasonable attempt has been made to accurately price securities; however, we make no warranty with respect to any security's price. Please refer to the back of the first page of your UBS FS account statement for important information regarding the pricing used for certain types of securities, the sources of pricing data and other qualifications concerning the pricing of securities. To determine the value of securities in your account, we generally rely on third party quotation services. If a price is unavailable or believed to be unreliable, we may determine the price in good faith and may use other sources such as the last recorded transaction. When securities are held at another custodian or if you hold illiquid or restricted securities for which there is no published price, we will generally rely on the value provided by the custodian or issuer of that security.

Cash: Cash on deposit at UBS Bank USA is protected by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in principal and accrued interest per depositor for each ownership type. Deposits made in an individual's own name, joint name, or individual retirement account are each held in a separate type of ownership. Such deposits are not guaranteed by UBS FS. More information is available upon request.

Mutual Fund Asset Allocation: If the option to unbundle balanced mutual funds is selected and if a fund's holdings data is available, mutual funds will be classified by the asset class, subclass, and style breakdown of their underlying holdings. Where a mutual fund or ETF contains equity holdings from multiple equity sectors, this report will proportionately allocate the underlying holdings of the fund to those sectors measured as a percentage of the total fund's asset value as of the date shown.

This information is supplied by Morningstar, Inc. on a daily basis to UBS FS based on data supplied by the fund which may not be current. Mutual funds change their portfolio holdings on a regular (often daily) basis. Accordingly, any analysis that includes mutual funds may not accurately reflect the current composition of these funds. If a fund's underlying holding data is not available, it will be classified based on its corresponding overall Morningstar classification. All data is as of the date indicated in the report.

All pooled investment vehicles (such as mutual funds, closed end mutual funds, and exchange traded funds) incorporate internal management and operation expenses, which are reflected in the performance returns. Please see relevant fund prospectus for more information. Please note, performance for mutual funds is inclusive of multiple share classes.

Variable Annuity Asset Allocation: If the option to unbundle a variable annuity is selected and if a variable annuity's holdings data is available, variable annuities will be classified by the asset class, subclass, and style breakdown for their underlying holdings. Where a variable annuity contains equity holdings from multiple equity sectors, this report will proportionately allocate the underlying holdings of the variable annuity to those sectors measured as a percentage of the total variable annuity's asset value as of the date shown.

This information is supplied by Morningstar, Inc. on a weekly basis to UBS FS based on data supplied by the variable annuity which may not be current. Portfolio holdings of variable annuities change on a regular (often daily) basis. Accordingly, any analysis that includes variable annuities may not accurately reflect the current composition of these variable annuities. If a variable annuity's underlying holding data is not available, it will remain classified as an annuity. All data is as of the date indicated in the report.

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Equity Style: The Growth, Value and Core labels are determined by Morningstar. If an Equity Style is unclassified, it is due to non-availability of data required by Morningstar to assign it a particular style.

Equity Capitalization: Market Capitalization is determined by Morningstar. Equity securities are classified as Large Cap, Mid Cap or Small Cap by Morningstar. Unclassified securities are those for which no capitalization is available on Morningstar.

Equity Sectors: The Equity sector analysis may include a variety of accounts, each with different investment and risk parameters. As a result, the overweighting or underweighting in a particular sector or asset class should not be viewed as an isolated factor in making investment/liquidation decisions; but should be assessed on an account by account basis to determine the overall impact on the account's portfolio.

Classified Equity: Classified equities are defined as those equities for which the firm can confirm the specific industry and sector of the underlying equity instrument.

Estimated Annual Income: The Estimated Annual Income is the dividend/interest rate paid by the investment solely as of the date of this report, annualized yearly per share and multiplied by the quantity of shares held in the selected account(s). For Expected Cash Flow and Portfolio Holdings reports prior to June 23, 2023, savings products & sweep funds do not display such calculations and instead, values are displayed as N/A. For all other reports, Estimated Annual Income for savings products & sweep funds is not calculated or factored into aggregate calculations and will be displayed as 0.

Current Yield: Current yield calculations display the current yield of the investment solely as of the date of this report, is defined as the estimated annual income divided by the total market value. For Portfolio Holdings report generated prior to June 23, 2023, savings products & sweep funds do not include such information and instead, values are displayed as N/A. For all other reports, Current Yield for savings products & sweep funds is not calculated or factored into aggregate calculations and will be displayed as 0.

Bond Rating: These ratings are obtained from independent industry sources and are not verified by UBS FS. Securities without rating information are left blank. Rating agencies may discontinue ratings on high yield securities.

NR: When NR is displayed under bond rating column, no ratings are currently available from that rating agency.

High Yield: This report may designate a security as a high yield fixed income security even though one or more rating agencies rate the security as an investment grade security. Further, this report may incorporate a rating that is no longer current with the rating agency. For more information about the rating for any high yield fixed income security, or to consider whether to hold or sell a high yield fixed income security, please contact your financial advisor or representative and do not make any investment decision based on this report.

Credit/Event Risk: Investments are subject to event risk and changes in credit quality of the issuer. Issuers can experience economic situations that may have adverse effects on the market value of their securities.

Interest Rate Risk: Bonds are subject to market value fluctuations as interest rates rise and fall. If sold prior to maturity, the price received for an issue may be less than the original purchase price.

Reinvestment Risk: Since most corporate issues pay interest semiannually, the coupon payments over the life of the bond can have a major impact on the bond's total return.

Call Provisions: When evaluating the purchase of a corporate bond, one should be aware of any features that may allow the issuer to call the security. This is particularly important when considering an issue that is trading at a premium to its call price, since the return may be negatively impacted if the issue is redeemed. Should an issue be called, investors may be faced with an earlier than anticipated reinvestment decision, and may be unable to reinvest their principal at equally favorable rates.

Effective Maturity: Effective maturity is the expected redemption due to pre-refunding, puts, or maturity and does not reflect any sinking fund activity, optional or extraordinary calls. Securities without a maturity date are left blank and typically include Preferred Securities, Mutual Funds and Fixed Income UITs.

Yields: Yield to Maturity and Yield to Worst are calculated to the worst call.

Accrued Interest: Interest that has accumulated between the most recent payment and the report date may be reflected in market values for interest bearing securities.

Bond Averages: All averages are weighted averages calculated based on market value of the holding, not including accrued interest.

Tax Status: "Taxable" includes all securities held in a taxable account that are subject to federal and/or state or local taxation. "Tax-exempt" includes all securities held in a taxable account that are exempt from federal, state and local taxation. "Tax-deferred" includes all securities held in a tax-deferred account, regardless of the status of the security.

Cash Flow: This Cash Flow analysis is based on the historical dividend, coupon and interest payments you have received as of the Record Date in connection with the securities listed and assumes that you will continue to hold the securities for the periods for which cash flows are projected. The attached may or may not include principal paybacks for the securities listed. These potential cash flows are subject to change due to a variety of reasons, including but not limited to, contractual provisions, changes in corporate policies, changes in the value of the underlying securities and interest rate fluctuations. The effect of a call on any security(s) and the consequential impact on its potential cash flow(s) is not reflected in this report. Payments that occur in the same month in which the report is generated -- but prior to the report run ("As of") date -- are not reflected in this report. In determining the potential cash flows, UBS FS relies on information obtained from third party services it believes to be reliable. UBS FS does not independently verify or guarantee the accuracy or validity of any information provided by third parties. Although UBS FS generally updates this information as it is received, the Firm does not provide any assurances that the information listed is accurate as of the Record Date. Cash flows for mortgage-backed, asset-backed, factored, and other pass-through securities are based on the assumptions that the current face amount, principal pay-down, interest payment and payment frequency remain constant. Calculations may include principal payments, are intended to be an estimate of future projected interest cash flows and do not in any way guarantee accuracy.

Expected Cash Flow reporting for Puerto Rico Income Tax Purposes: Expected Cash Flow reporting may be prepared solely for Puerto Rico income tax purposes only. If you have received expected cash flow reporting for Puerto Rico income tax purposes only and are NOT subject to Puerto Rico income taxes, you have received this reporting in error and you should contact your Financial Advisor immediately. Both the Firm and your Financial Advisor will rely solely upon your representations and will not make the determination of whether you are subject to Puerto Rico income taxes. If you have received this reporting and you are NOT subject to Puerto Rico income taxes, the information provided in this reporting is inaccurate and should not be relied upon by you or



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Bond sensitivity analysis: This analysis uses Modified Duration which approximates the percentage price change of a security for a given change in yield. The higher the modified duration of a security, the higher its risk. For callable securities, modified duration does not address the impact of changing interest rates on a bond's expected cash flow as a result of a call or prepayment.

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Accounts Included in this Report: The account listing may or may not include all of your accounts with UBS FS. The accounts included in this report are listed under the "Accounts included in this review" shown on the first page or listed at the top of each page. If the account is a donor advised fund account, the assets in those accounts are owned by the Sponsoring Charitable Organization, and not the donor. You and your financial advisor have procured the appropriate authorization to view the assets in the donor advised fund account. If an account number begins with "@" this denotes assets or liabilities held at other financial institutions. Information about these assets, including valuation, account type and cost basis, is based on the information you provided to us, or provided to us by third party data aggregators or custodians at your direction. We have not verified, and are not responsible for, the accuracy or completeness of this information.

Account name(s) displayed in this report and labels used for groupings of accounts can be customizable "nicknames" chosen by you to assist you with your recordkeeping or may have been included by your financial advisor for reference purposes only. The names used have no legal effect, are not intended to reflect any strategy, product, recommendation, investment objective or risk profile associated with your accounts or any group of accounts, and are not a promise or guarantee that wealth, or any financial results, can or will be achieved. All investments involve the risk of loss, including the risk of loss of the entire investment.

For more information about account or group names, or to make changes, contact your Financial Advisor.

Account changes: At UBS, we are committed to helping you work toward your financial goals. So that we may continue providing you with financial advice that is consistent with your investment objectives, please consider the following two questions:

- 1) Have there been any changes to your financial situation or investment objectives?
 - 2) Would you like to implement or modify any restrictions regarding the management of your account?
- If the answer to either question is "yes," it is important that you contact your Financial Advisor as soon as possible to discuss these changes. For MAC advisory accounts, please contact your investment manager directly if you would like to impose or change any investment restrictions on your account.

ADV disclosure: A complimentary copy of our current Form ADV Disclosure Brochure that describes the advisory program and related fees is available through your Financial Advisor. Please contact your Financial Advisor if you have any questions.

Important information for former Piper Jaffray and McDonald Investments clients: As an accommodation to former Piper Jaffray and McDonald Investments clients, these reports include performance history for their Piper Jaffray accounts prior to August 12, 2006 and McDonald Investments accounts prior to February 9, 2007, the date the respective accounts were converted to UBS FS. UBS FS has not independently verified this information nor do we make any representations or warranties as to the accuracy or completeness of that information and will not be liable to you if any such information is unavailable, delayed or inaccurate.

For insurance, annuities, and 529 Plans, UBS FS relies on information obtained from third party services it believes to be reliable. UBS FS does not independently verify or guarantee the accuracy or validity of any information provided by third parties. Information for insurance, annuities, and 529 Plans that has been provided by a third party service may not reflect the quantity and market value as of the previous business day. When available, an "as of" date is included in the description.

Investors outside the U.S. are subject to securities and tax regulations within their applicable jurisdiction that are not addressed in this report. Nothing in this report shall be construed to be a solicitation to buy or offer to sell any security, product or service to any non-U.S. investor, nor shall any such security, product or service be solicited, offered or sold in any jurisdiction where such activity would be contrary to the securities laws or other local laws and regulations or would subject UBS to any registration requirement within such jurisdiction.

Performance History prior to the account's inception at UBS Financial Services, Inc. may have been included in this report and is based on data provided by third party sources. UBS Financial Services Inc. has not independently verified this information nor does UBS Financial Services Inc. guarantee the accuracy or validity of the information.

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UBS Financial Services account protection

The Firm is a member of the Securities Investor Protection Corporation (SIPC), which protects securities customers of its members up to \$500,000 (including \$250,000 for claims for cash). Explanatory brochure available upon request or at www.sipc.org. The SIPC asset protection limits apply to all accounts that you hold in a particular capacity.

The Firm, together with certain affiliates, has also purchased supplemental insurance. The maximum amount payable to all eligible clients, collectively under this protection is \$500 million as of December 10, 2019. Subject to the policy conditions and limitations, cash at the Firm is further protected for up to \$1.9 million in the aggregate for all your accounts held in a particular capacity. A full copy of the policy wording is available upon request.

Neither the SIPC protection nor the supplemental protection apply to:

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- Certain financial assets controlled by (and included in your account value) but held away from UBS Financial Services. For example certain (i) insurance products, including variable annuities, and (ii) shares of mutual funds registered in the name of the account holder on the books of the issuer or transfer agent);
- Investment contracts or investment interests (e.g., limited partnerships and private placements) that are not registered under the Securities Act of 1933;
- Commodities contracts (e.g., foreign exchange and precious metal contracts), including futures contracts and commodity option contracts;
- Securities on loan to UBS Financial Services; and
- Deposit accounts (except certificates of deposit) at UBS Bank USA, UBS AG U.S. branches and banks in the FDIC Insured Deposit Program.

The SIPC protection and the supplemental protection do not apply to these assets even if they otherwise appear on your statements. The SIPC protection and the supplemental protection do not protect against changes in the market value of your investments (whether as a result of market movement, issuer bankruptcy or otherwise).

ACCOUNT NUMBER	DESCRIPTION	PURCHASE DATE	EFFECTIVE MATURITY	CUSIP	RATING: MOODY'S/ FITCH/ S&P	QUANTITY	COUPON	NEXT CALL DATE	NEXT CALL PRICE	EST ANNUAL INCOME	YIELD	PRICE	AS OF	FACTOR	VALUE	PERCENT FIXED INCOME
(EY 13244)	CITY & CNTY CREDIT MN US RATE 03.2500% MAT 02/26/2024 CREDIT UNION SHARE CERT (Cusip:177517AB5)	08/16/2022	02/26/2024	177517AB5	NR/NR/NR	115,000.000	3.250	N/A	\$0.00	\$3,737.50	3.25%	\$99.89	02/05	1.000000000000	\$114,867.75	1.05%
(EY 13244)	FREEDOM FIRST FED VA US RATE 04.9000% MAT 10/28/2024 LICU SHARE CERTIFICATE (Cusip:35638CAG4)	04/18/2023	10/28/2024	35638CAG4	NR/NR/NR	250,000.000	4.900	N/A	\$0.00	\$12,250.00	4.90%	\$99.98	02/05	1.000000000000	\$249,950.00	2.27%
(EY 13244)	OKLAHOMA FED CREDI OK US RATE 05.7000% MAT 06/14/2024 CREDIT UNION SHARE CERT (Cusip:67886WAJ6)	11/16/2023	06/14/2024	67886WAJ6	NR/NR/NR	100,000.000	5.700	N/A	\$0.00	\$5,700.00	5.69%	\$100.20	02/05	1.000000000000	\$100,204.00	0.91%
(EY 13244)	TEXAS EXCHANGE BK TX US RATE 00.5000% MAT 12/11/2024 FIXED RATE CD CALLABLE 02/11/2024 @ 100.0000 (Cusip:88241TJG6)	09/02/2020	12/11/2024	88241TJG6	NR/NR/NR	198,000.000	0.500	02/11/24	\$100.00	\$990.00	0.52%	\$96.38	02/05	1.000000000000	\$190,826.46	1.74%
(EY 13244)	TOYOTA FINL SVGS B NV US RATE 00.6000% MAT 08/12/2024 FIXED RATE CD (Cusip:89235MLG4)	08/04/2021	08/12/2024	89235MLG4	NR/NR/NR	250,000.000	0.600	N/A	\$0.00	\$1,500.00	0.61%	\$97.77	02/05	1.000000000000	\$244,422.50	2.22%
(EY 13244)	U S TREASURY NOTE RATE 2.5000% MATURES 04/30/24 (Cusip:91282CEK3)	03/01/2023	04/30/2024	91282CEK3	Aaa/Aaa/NR	120,000.000	2.500	N/A	\$0.00	\$3,000.00	2.52%	\$99.34	02/05	1.000000000000	\$119,208.00	1.08%
(EY 13244)	U S TREASURY NOTE RATE 4.2500% MATURES 09/30/24 (Cusip:91282CFN6)	03/01/2023	09/30/2024	91282CFN6	Aaa/Aaa/AA+	120,000.000	4.250	N/A	\$0.00	\$5,100.00	4.27%	\$99.42	02/05	1.000000000000	\$119,306.40	1.09%
(EY 13244)	U S TREASURY NOTE RATE 4.3750% MATURES 10/31/24 (Cusip:91282CFQ9)	03/01/2023	10/31/2024	91282CFQ9	Aaa/Aaa/AA+	120,000.000	4.375	N/A	\$0.00	\$5,250.00	4.40%	\$99.49	02/05	1.000000000000	\$119,390.40	1.09%
(EY 13244)	UBS BANK UT US RATE 00.5500% MAT 08/12/2024 FIXED RATE CD (Cusip:90348JR85)	07/29/2021	08/12/2024	90348JR85	NR/NR/NR	250,000.000	0.550	N/A	\$0.00	\$1,375.00	0.56%	\$97.73	02/05	1.000000000000	\$244,320.00	2.22%
(EY 13244)	WELLS FARGO BK NA SD US RATE 02.7500% MAT 05/03/2024 FIXED RATE CD (Cusip:949763A48)	04/25/2019	05/03/2024	949763A48	NR/NR/NR	197,000.000	2.750	N/A	\$0.00	\$5,417.50	2.77%	\$99.43	02/05	1.000000000000	\$195,883.01	1.78%



City Council Agenda Item 4d

STAFF REPORT

TO: Honorable Mayor and Councilmembers

FROM: Amy Walcker, Executive Assistant to the City Manager/HR Manager

DATE: February 20, 2024

SUBJECT: Approval of Juneteenth as a Holiday Recognized by the City

RECOMMENDATION

Adopt Juneteenth as a City of Clayton holiday, recognizing the federal holiday adopted in 2021.

BACKGROUND

On June 17, 2021, President Joe Biden signed a bill making Juneteenth a federally recognized holiday in the United States. Juneteenth is one of eleven federal holidays. Local municipalities often adopt holidays recognized by the federal government.

DISCUSSION

Juneteenth, also known as Emancipation Day or Freedom Day, commemorates the emancipation of enslaved African Americans in the United States. The holiday traces its origins to June 19, 1865, when Union General Gordon Granger arrived in Galveston, Texas, and announced General Order No. 3, proclaiming the freedom of all enslaved people in Texas, over two years after the Emancipation Proclamation had been issued by President Abraham Lincoln. Juneteenth holds deep significance as a celebration of liberation and resilience within the Black community, marking the end of the institution of slavery in the United States.

Since its inception, Juneteenth has evolved into a day of reflection, education, and celebration of African American culture and history. Across the nation, communities observe Juneteenth with various events, including parades, festivals, cookouts, and educational activities. It serves as a time for individuals to honor the struggles and triumphs of their ancestors, while also advocating for continued progress towards racial equality and social

justice. In recent years, there has been a growing movement to recognize Juneteenth as a federal holiday in the United States, reflecting its importance in acknowledging and confronting the legacy of slavery and advancing the cause of civil rights.

FISCAL IMPACT

There is no fiscal impact for incorporating Juneteenth as a holiday as the cost is included in each employee's annual salary. Acceptance of the holiday will grant all employees one additional holiday per year.

CEQA IMPACT

None

ATTACHMENTS

None



STAFF REPORT

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: Bret Prebula, City Manager

DATE: March 5, 2024

SUBJECT: Review of the Five-Year Financial Forecast, Approve Update to the Reserve Fund Policy, Resolution approving Reserve Fund Direction on Moving Forward with a Revenue Measure for the November 2024 Ballot or Austerity Measures to Balance the Budget

RECOMMENDATION

Review and Approve the following recommendations:

1. Review the Five-Year Financial Forecast for FY 2024-2028;
2. Approve the Revised Reserve Policy;
3. Approve a Resolution outlining the adjustment to Reserve Fund assignments and amounts; and
4. Provide staff direction on moving forward with a 2024 revenue measure to be placed on the November 2024 ballot or move to austerity measures to balance the budget.

BACKGROUND

The City Council has gone through a strategic planning session over the past two plus months to reach the decision-making point of today's agenda item. The City Council completed the following steps to obtain community input and a majority around key strategic goals.

1. Community Survey- City Council engaged in a community survey allowing the citizens of the city to provide input on priorities and related topics for the City Council consideration (the PowerPoint of the survey results is attached to this item as a reference).

2. City Council then went through two strategic planning sessions to identify their top five (5) strategic goals. The list of all nine (9) strategic goals is attached for reference (the top five (5) are highlighted within the document in yellow). These top five (5) strategic goals will be the basis for our decision making over the coming years.
3. Today, City Council will be addressing the last piece of the strategic planning process through reviewing the Five-Year Financial Forecast, revising the reserve policy, and providing direction to staff on moving forward with a revenue measure on the November 2024 ballot or austerity measures to balance the budget.

DISCUSSION

Please see the attached Five-Year Forecast memo.

FISCAL IMPACT

Please see the attached Five-Year Forecast memo.

CEQA IMPACT

None.

ATTACHMENT(S)

1. Five Year-Forecast Memo
2. Resolution
3. Reserve Policy- Tracked
4. Reserve Policy Clean
5. Community Survey PowerPoint
6. Strategic Planning Goals

Long Term Financial Forecast

FY 2024-FY 2028

I. Introduction

This document is the City of Clayton's Long-Term Financial Forecast (LTFF). This forecast will be updated annually to assist in the planning for a successful future for the City of Clayton. The entire city organization is committed to doing all that is necessary to develop and stabilize our financial base, which is essential to the provision of service to the community. Regardless of whether the economy is expanding, contracting, or remaining stable, financial planning is a prudent activity, and maintenance of the LTFF is essential to sound fiscal management. In general, budgetary problems will result when revenues do not keep pace with expenditures (from an annual growth perspective). That said, there is more to financial planning than just keeping the budget balanced. The LTFF provides the strategic foundation to understanding the various trends to allow a comprehensive review of programs and services provided to the community and how these needs may change both in the near-term and the long-term.

Purpose of the Long-Term Financial Forecast

The LTFF takes a forward look at the city's General Fund and Landscape Maintenance District (LMD) Fund revenues and expenditures. Its purpose is to identify financial trends, shortfalls, opportunities, and issues so the city can proactively address them. It does so by projecting the future fiscal results of continuing the city's current service levels, policies, and identifying any unmet structural needs such as vehicle, technology, or capital replacement, significant staffing shortages, etc. The LTFF lays the foundation for the budget, aiding both the City Manager and Council in establishing priorities and allocating resources appropriately.

Components of the Long-Term Financial Forecast

The city's forecast is focused on emerging issues and has been documented for public review to encourage input and feedback from various stakeholders. This forecast includes FY 2023/24 through FY 2027/28. The LTFF is not a "crystal ball", but rather it serves as a tool to highlight significant trends or issues that must be addressed if the city's goals are to be achieved. Although both the General Fund and Landscape Maintenance District (LMD) Fund are being reviewed, the major focus of the memo this year will be on the General Fund, as the timing to make a decision on a possible revenue solution must occur much quicker than a possible decision around revenue with the LMD.

II. Financial Forecast

An updated financial forecast for the General Fund and LMD fund has been prepared to reflect economic projections of the City's future financial condition. The General Fund provides the resources to pay for most city services such as (but not limited to) police services, street maintenance, park maintenance including ball fields, right-of-way maintenance, and administrative functions.

Revenue and Expenditure Assumptions

The assumptions for the major revenue and expenditure categories are identified below. That said, in both scenarios the pace of expenditures increases is larger than the pace of revenue increases, thus leading to an overall structural imbalance in both scenarios.

Revenue

<u>Category</u>	<u>Assumptions</u>
Property Tax (all secured types except supplemental and transfer tax)	4% per year growth; slightly above the past few fiscal year increases
Unsecured Property Tax	3% per year; discussion with HdL
Supplemental Property Tax	\$40k per year
Transfer Tax	\$100k per year
Sales Tax	3% per year growth

Franchise Fees	Based on Trends; reflecting contract increases in PGE and Garbage fees
Interest	Maintains a 2% rate of return; assumes fund balance usage lowering total assets available
Other Revenue Sources	Based on trends/future current information

Expenses

<u>Category</u>	<u>Assumptions</u>
Salaries	Contracted step increases and COLAs. 3% annual increase for years not currently contracted.
Retirement	Based on actuarial estimates
Health/Dental Vision	Assumes a 6% annual increase
Services and Supplies	4% annual increase

Although there can be variability in the assumed expense increases, staff believe the current assumptions within the table provide a reasonable baseline scenario for the forecast. Retirement and healthcare costs have the most risk for larger increases than the assumption due to the level of volatility in those cost categories. That said, increases in those areas would only further reflect the cost pressures on the General Fund, thus the current baseline assumptions are a more reasonable and conservative approach.

Forecast Summary

Operating position refers to the city's ability to match revenues to expenditure levels, i.e., if revenues exceed expenditures, the city will have an operating surplus, if revenues fall below expenditures, the result is an operating deficit. Over the forecast period, the city projects, in both the General Fund and the Landscape Maintenance Fund, will have a negative operating position.

General Fund

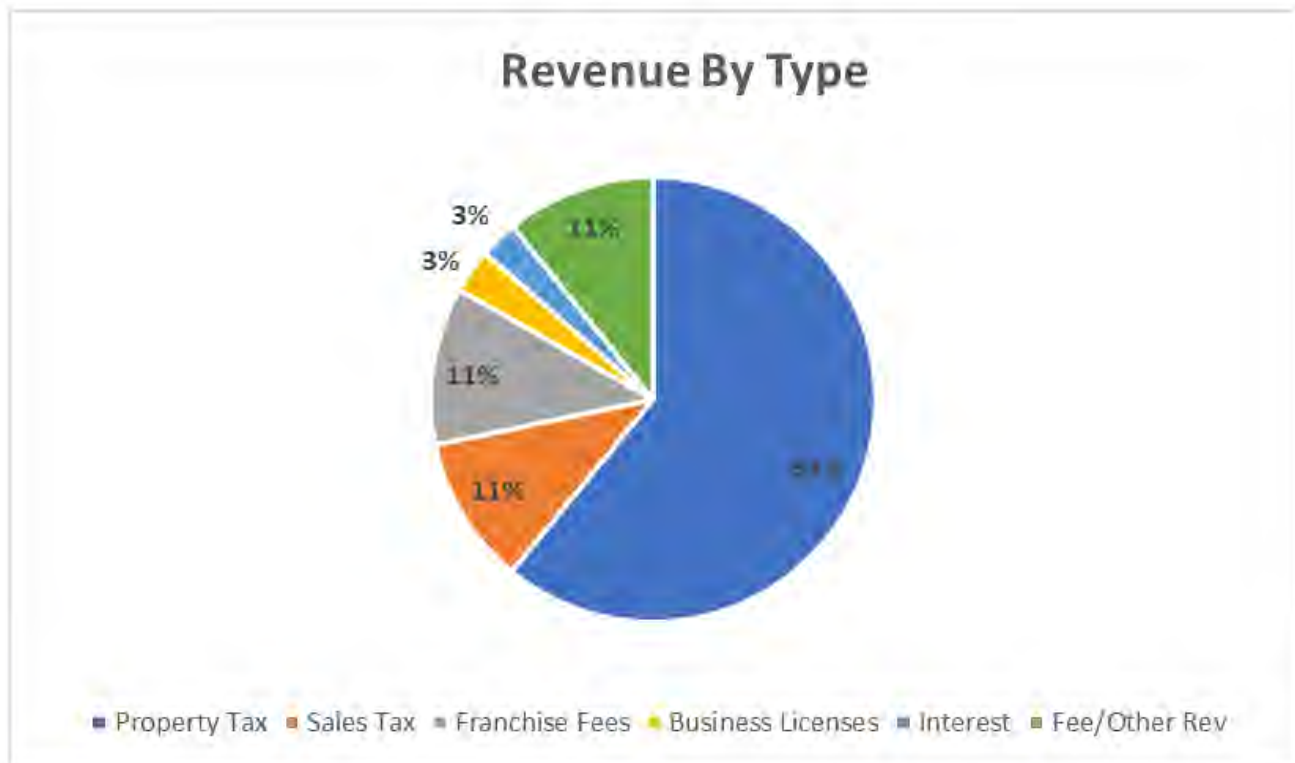
	FY 24	FY25	FY 26	FY 27	FY 28
Revenue	5,411,412	5,467,530	5,619,336	5,776,321	5,939,209
Expense	5,651,412	6,028,710	6,191,647	6,572,344	6,815,079
Net Surplus/ (Deficit)	(240,000)	(561,181)	(572,311)	(796,023)	(875,870)

General Fund Revenues

General Fund revenue is projected to grow at a rate of 2.5% over the forecasted period. Staff anticipate property tax and sales tax growth flatten out during that time. With the net property tax rate of the City of Clayton (determined during incorporation) at slightly more than \$.06 per every property tax dollar, current policy to have modest Commercial properties, and limited areas to add new commercial properties, the ability to grow existing revenue beyond the current trends is extremely limited. This also does not factor in from time to time the stagnation of revenue growth due to “normal recessions.” It will be important that the fund balance policy considers a smoothing fund (designation for fiscal uncertainty) to assist during those economic time periods.

Property Tax continues to be the largest part of the city’s revenue, at 61% of total revenue (all property tax sources) followed by sales tax and franchise fees, each at 11% respectively. The pie chart below illustrates the various revenue sources, by type, for the City.

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General Fund Expenses

The General Fund expenses are projected to grow at an average rate of 5% per year, with the majority of that occurring between FY 24 and FY 25 due to contracted Memorandum of Understanding (MOU) with our police and miscellaneous employee groups as well as the debt service on the Climatec project starting in FY 2027. These contracts, especially with our police union, are vital to creating a competitive environment for recruitment and retention. Clayton has had a recent history of significant turnover and has made progress in the past 12 months in this area. These contracts lessen the gap between Clayton staff and the other cities within the County. Since staff are such a vital piece of our service delivery it is important to ensure the city can recruit and retain the quality level of employee to deliver the same level of service expected by the community. Since salaries and benefits are the largest part of any municipal government, it does, however, put strain on the General Fund.

What is not included in the forecast?

It is important to identify the assumptions within any forecast, but it is also as important to understand what is not included in the forecast. The City of Clayton has fundamental annual operating expenses that were not a part of previous financial plans. These areas are:

- Vehicle Replacement Reserve
- Technology/Equipment Replacement Reserve
- Capital/Maintenance/Special Projects Reserve

In a typical approach, replacement schedules are created on a rolling 5-to-10-year basis and the operating budget allocates an annual amount to these “sinking” funds to prepare for future costs. These costs must be covered through annual revenue to fund these items as well as normal day-to-day operations. The combination of these two elements is what allows a budget to be structurally balanced.

Since there has not been time to create specific replacement schedules for each of these funds, we will use conservative estimates for the annual allocation that would be required from the General Fund operating budget. These amounts may be lower than what would ultimately be required but it will give an order of magnitude view of the impact the costs will have on an already structurally imbalanced General Fund.

The estimated annual amounts are as follows:

- Vehicle Replacement Reserve- \$60,000 per year
- Technology/Equipment Replacement Reserve- \$20,000 per year
- Capital/Maintenance/Special Projects Reserve- \$75,000 per year

This \$155,000 annual cost is a conservative estimate of the allocation which should be occurring but is not included in the current forecast. The city can, with relative confidence, not include it within its budget over the forecasted period as the significant amount of current General Fund reserves, approximately \$7.7 million, can be utilized to “catch up” on some but not all of these needs over the next five (5) years. That said, in FY 2028 and

beyond, if specific allocations are not created to match actual replacement schedules the city will continue to fall behind and create significant repairs on aging vehicles, equipment, and infrastructure, as well as be forced into the current “pay as you go” approach, which will be extremely difficult in a General Fund budget with a structural deficit. Additionally, the future cost of repairs and replacements are likely to be at a higher amount than current year cost estimates.

The structural deficit with or without the capital allocations identified above is projected to exist over the life of the forecast. The inclusion of the allocations would only grow the projected deficit to over \$1 million in 2028. The City, through its recent efforts, has continued to minimize any unneeded expenses, or float in the operational budget. If additional revenues are not achieved, the city would need to look to austerity measures to bring the budget back to structural balance. These austerity measures would not be removing any excess from the budget but rather a wholesale change in portions of the service delivery to the community. In the next section of this memo, the example of the level of reductions will be identified to allow City Council an understanding of the impact of service delivery to the community.

Landscape Maintenance District

The Landscape Maintenance District (LMD) receives its revenue from a parcel tax, which is scheduled to expire in 2027. In short, the district funds are used to conduct landscape maintenance/vegetation management throughout the city’s medians, right of ways, creeks, and other non-park areas, including maintenance and capital work related to the city’s thirteen (13) trails, and various pathways and sections that are throughout the incorporated city. The fund has been increasingly under pressure in recent years as the cost to maintain such a large amount of vegetation/landscape continues to increase. Additionally, the fund has not been structured to allocate funding for capital reserves to address larger capital and maintenance projects related to landscape throughout the city and trails. The breakdown of revenues and expenses projected over the next five (5) years is outlined in the table below.

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Landscape Maintenance District

	FY 24	FY 25	FY 26	FY 27	FY 28
Revenue	1,288,285	1,333,025	1,379,330	1,427,257	1,476,861
Expenses	1,267,797	1,403,284	1,455,286	1,488,967	1,542,400
Surplus/(Deficit)	20,488	(70,260)	(75,955)	(61,710)	(65,540)

Unlike the General Fund, the LMD is somewhat closer to being balanced. Below are the assumptions within the forecast.

- Parcel Tax revenue grows by 3.5% each year and continues through 2028 (for illustrative purposes) even though it expires in 2027.
- Expenses include an assumed contract for landscape services for medians, right of ways, and other non-park portions of the City at \$400,000 per year increase by 4% annually.
- Due to the assumed contract in the bullet above, the expenses for temporary staff and the charges from city staff to the fund for work conducted dropped by 65% and 60% respectively. There still would be some city staff and temporary staff work needed beyond the contracted areas.
- Services and supplies grow at a 4% rate per year. This might be too conservative as the cost for these types of services are increasing but this may be due to short-term inflation factors.
- \$100,000 per year Capital Improvement Allocation is added starting in FY 2025 to begin to build reserves for larger projects related to our landscaping and trails.

As with the General Fund, the LMD is also not in structural balance. That said, staff believes a small increase to the parcel tax of \$30 to \$40 dollars per year per parcel should be sufficient to bring the fund into balance including allowing for the capital reserves to grow over time. \$30 to \$40 more per year per parcel would generate \$150,000 to \$200,000 per year in additional revenue. As discussed at the beginning of the memo, due to the timing of the decision the primary focus of this analysis is the General Fund, but any decision on how to address the General Fund's structural deficit must also consider the needs of the LMD. If the City Council decides an increased revenue option is desired for the General Fund, the timing of such a vote of the people should not overlap with the timing of the need to renew/increase the parcel tax for the LMD as two revenue measures on the same ballot is not usually a plan for success.

The decision on the LMD does not have to be made today, but the awareness of what decision may need to be made in the somewhat near future is an important data point in looking at the totality of all the possible taxes facing Clayton residence in the coming two (2) years.

III. Solutions for the Structural Deficit of the General Fund

We will be reviewing two options for addressing the structural deficit: one is revenue based and the other is austerity (service delivery changes). One might ask the question, "why not do both austerity and revenue thus requiring less revenue/taxes to add"? The issue with that approach is that the city does not have any significant expense reductions that can occur while not changing the service delivery to the community. The city has made adjustments to become more efficient and effective in the last 12 months, identifying areas where reductions can take place and where technology can assist in operations. Thus, the city is at its foundational level to run operations under the current service delivery model, and one could argue that the city is still a few staff members short in certain areas to achieve a typical staff level for the overall service delivery currently being provided.

Revenue Generation

Staff is recommending a Transaction Use Tax (TUT) which is essentially an additional sales tax percentage that does not go through the normal County pool as the Bradley Burns 1% sales tax. Many cities add this sales tax piece to improve their revenue, thus the ability to fund operations. Staff are recommending this approach over a parcel tax for general operations for two reasons 1.) a sales tax is shared by more individuals than a parcel tax. A parcel tax only impacts homeowners where a sales tax impacts homeowner, renters, visitors to the city, as they all contribute to the revenue increase. 2.) the city already has a parcel tax for the Landscape Maintenance District which expires in 2027, thus the city will need to ask voters to approve the tax (and a possible increase in said parcel tax) in 2026.

A TUT addition to the sales tax would add the following annual revenue:

- ½ cent TUT=\$350K-\$450K per year
- 1 cent TUT+ \$700L-\$900K per year

If you recall the table in the earlier section of this memo, the structural deficit is estimated to grow above the ½ cent TUT revenue increase in the middle of the forecasting period. If City Council were to elect to move forward with this approach, the success would be short lived and would require an additional revenue increase somewhat in the near future and it may not stop some levels of significant service delivery reductions. A 1 cent TUT would provide a longer runway for the city to be within structural balance, and although years 6-10 may still only be finely balanced with the 1 cent revenue increase it has the ability to act as more of a longer-term assistance to the General Fund.

For illustrative purposes, below is a table showing a variety of cities sales tax rates within Contra Costa County.

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City	Sales Tax Rate	1/2 cent increase	1 cent increase
Clayton	8.75%	9.25	9.75
Concord	9.75%		
Walnut Creek	9.25%		
Pleasant Hill	9.25%		
Moraga	9.75%		
Lafayette	8.75%		
Orinda	9.75%		
Richmond	9.75%		
Antioch	9.75%		
Oakley	8.75%		

An increase of either ½ cent or 1 cent would put the city within a reasonable range of the majority of Contra Costa cities. If the City Council desires to move forward with a sales tax, staff recommend putting it on the November 2024 ballot so as to not create an issue in 2026 in which two revenue measures would be presented to the residents at one time. History has shown in other agencies and through discussions with experts who lead this work that having two revenue related measures for one city on the

same ballot can make it difficult to pass either ballot measure. Placing a sales tax measure on the November 2024 ballot will require expediency and focus from key city staff who may need to delay other priorities to make this happen. Additionally, staff would need to come back to City Council quickly identifying the assistance that would be required, including the funding for the education campaign and other related functions for the ballot measure process.

Austerity Measures

If revenue is not the desired option of the City Council, staff would need to move to austerity measures. Since reducing service delivery will have an impact on the community and city staff, it is the recommendation of staff that it occur over two budget cycles (FY 2025 and FY 2026). There is sufficient reserves to allow the austerity to occur over that period without drastically impacting the required reserve levels.

The following service level reductions are potential actions that would be taken but may not be the final actions chosen. The reductions below provide an example of the impact the reductions would have on service delivery.

- Reduce staff within the planning/code enforcement division- **\$200,000 annual savings (net code enforcement contract required and contracted facility rental costs).**
 - City Hall would only be open to the public one (1) day per week as the city would no longer have front counter staff available to receive and assist the public.
 - Code Enforcement would be conducted on a contracted basis and only for significant life/health safety immanent issues.
 - Permits and city planning would see significant time delays in assisting in any development projects and any permits requiring city attention. If any additional support for the Community

Development Director is required, it would lessen the savings identified above.

- It would make recruiting for a Community Development Director, when vacant, very difficult as it would not be desirable for most qualified candidates to be the only person for this purpose.
- HCD could interpret the lack of planning and development staff as a barrier to housing which would run afoul of our Housing Element.
- Elimination of 1-FTE non-sworn police position- **\$100,000 to \$130,000 annual savings**
 - The remaining non-sworn staff member would have to handle the public counter as well as records and additional police non-sworn related administrative support. This would make the timing to assist the public delayed and could create some timeliness issue with records and other related tasks.
 - When the remaining staff person is on vacation or not in the office, it would put pressure on the Admin Sergeant to cover some of these functions, not allowing that person to be available for operations and impacting daily sworn police functions.
- Reduce Park Maintenance including tree trimming, grounds maintenance (inclusive of lawn care, and ball field maintenance)- **\$150,000 annual savings**
 - The city may have to eliminate the use of one ballfield as well as limit any ground maintenance work in any park outside of Clayton Community Park, which may also see reductions in quality and upkeep.
- Reduce the Maintenance staff by 1-FTE and Reduction of \$75K of temporary workers- **\$150K total annual savings**
 - As outlined in the late fall presentation to the City Council, the maintenance team was already understaffed by thousands of hours per year. Elimination of 1-FTE along with most of the temporary works will reduce city parks' landscape and trimming. The city would omit non-core areas to make this possible, thus resulting in significant weeds, overgrown areas

throughout the city, adding to potential fire risk, and large mainline breaks would take significantly longer to fix.

- The city would also be limiting the amount of annual preventative work on creeks, storm drains, and v-ditches throughout the city that are supported by the General Fund. This may make the city more subjectable to storm damage as well as possible regulatory issues with our storm drain plan.
- Eliminate all training and travel that is not related to legal certifications- **\$25K annual savings**

The above reductions would allow the General Fund to move into structural balance through FY 2026, and depending on contract negotiations with city employees in the years currently not under contract, it may remain imbalanced through the forecasted period if those negotiations are above the estimates within the forecast. That said, the culture and compensation these changes would create will make retention and recruitment of staff very difficult. These changes would erode the current progress made within the city over the past 12 months and ultimately would make it harder and more expensive if the city ever achieved a revenue measure in the future that would allow these and other services to be restored.

IV. Fund Balance

The city's fund balance has been generally unmanaged over the past decade, especially in the past few fiscal years. The current fund balance policy does not align with future projected needs. Historically, the city has recognized various levels of ending year fund balance but has not addressed the systemic reason why unassigned fund balance has been larger, at times, than one would assume.

In reviewing the history, in many cases the fund balance was created from a combination of slightly overly conservative revenue estimates when creating fiscal year budgets but more significantly consistently being unable to fill vacancies across a variety of departments. This systemic problem of being understaffed, or ineffectively staffed in some cases, has led to poor business decisions, creating ongoing liabilities or lack of revenue generation (or a combination of both). As part of the forecast, staff has

identified opportunities to revise the fund balance policy (revised fund balance policy is Attachment A of this memo). The city has significant amounts of deferred facility maintenance, limited specific roads funding, and a “pay go” model for many other capital and maintenance expenses which will soon require funding sources.

Breaking down the fund balance into “assignments” or “commitments” will allow for the funding to have specific purposes. Although the City Council can adjust these assignments and amounts if needed, having a clear fund balance policy that can utilize the funding sources for needed projects is an important piece of strong fiscal management and use of taxpayer funds. In summary, staff is recommending the following breakdown of the \$7.7 million dollar General Fund fund balance.

General Reserve Commitment	2,720,000	Per revised recommended policy= 40% of General Fund operating expenses. Pre-fund at estimated FY 2028 level
Assignment for Budget Stabilization	680,000	Per revised recommended policy- 10% of General Fund operating expenses. Pre-fund at estimated FY 2028 level
Assignment for Capital Projects/Maintenance/Special Projects	3,200,000	
Assignment for Technology/Equipment	300,000	
Assignment for Vehicle Replacement	500,000	
Assignment for Pension Stabilization	300,000	

The reserve levels identified in the table allow the General Fund to delay the annual allocation for the technology/equipment, vehicle, and capital/maintenance/special projects using these reserves over the next five years and provide funding for continuing to complete needed capital improvements on roads, park, and facilities including ongoing capital programs around ADA, street stripping, and other related infrastructure improvements, including economic development studies, and park

feasibility studies, as identified as three (3) of the City Council's top five (5) strategic goals.

V. Conclusion

A structural imbalance exists in both the General Fund and Landscape Maintenance District Fund. There is limited ability to "trim budget fat" to address these structural imbalances. The decision in front of the City Council is to take a revenue focused approach or an austerity focused approach to address the issue. Each has its impact on the community and staff. A revenue focused approach has an added variable requiring voter approval. A failed tax measure vote would leave the city with no choice but to begin some version of the austerity measures outlined in this memo. In either instance, whatever is decided by the City Council, staff will put forth its best efforts to limit the impact on service to the community.

Attachment “A”

Reserve Policy of the City of Clayton

Effective March 5, 2024

1. Overview

One of the key components of a financially stable municipality is the adherence to a policy of maintaining an appropriate level of reserves. Establishing a target minimum General Fund reserve is a mechanism that governments can implement to help ensure adequate levels of fund balance are available to help mitigate current and future risks. A minimum General Fund reserve is generally considered a prudent and conservative fiscal policy to deal with unforeseen situations. Some examples of unforeseen situations include, but are not limited to extreme events, economic downturns, reduced revenues, Federal/State/County Budget Cuts, unfunded legislative or judicial mandates, capital obligations, one-time City Council approved expenditures, and innovative opportunities for the betterment of the community.

The Government Finance Officers Association (GFOA), an international organization that promotes the professional management of governments for the public interest, recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their General Fund of no less than two months of operating revenues or operating expenditures or a minimum of approximately 16.67% of General Fund operating expenditures. The GFOA further recommends that reserve levels be directly related to the degree of uncertainty the local government faces, specifically, the greater the uncertainty, the greater the financial resources necessary. Given the fact that the City of Clayton budget is overall relatively limited, the City should plan for a catastrophic reserve in excess of the minimum two months of expenses, except in years in which the reserve is being re-built due to the need to use the reserve to manage an emergency. In cases of extreme emergencies, the Federal Emergency Management Agency (FEMA) would be utilized, and it becomes less about funding the entire emergency and more about cash flow. Thus, the General Reserve level is not just for emergency but acts as a cash flow “buffer” during revenue dry periods i.e. in between property tax installments (January and May).

Most cities choose General Fund Operating Expenditures as the basis for reserve. Typically, there is less fluctuation and risk in forecasting future expenditures. The General Fund Operating Expenditures methodology is also typically considered the more conservative basis for establishing a General Fund reserve. There are additional benefits to establishing a minimum General Fund reserve. Credit rating agencies carefully monitor levels of fund balance and unreserved fund balance in a government’s General Fund to evaluate a government’s continued creditworthiness. Finally, fund balance levels are a crucial consideration in long-term financial planning.

2. Policy Guidelines

This policy is intended to provide guidelines for establishing, maintaining, and reviewing a minimum target level of General Fund reserves for the City of Clayton in order to:

- Maintain creditworthiness.
- Ensure cash availability during times of economic uncertainties and other financial hardships or downturns in the local or national economy or extreme events.
- Provide for long-range planning, especially around future debt or capital obligations.
- Decide when to use reserve funds, define what the minimum level is and how to replenish this if it should fall below the defined minimum threshold.

For purposes of this policy, the term “reserve” includes unrestricted fund balance as well as certain designated reserves. For purposes of this policy document, cash reserves refer to the sum of the Committed, Assigned, and Unassigned portions of the fund balance in the General Fund. The Governmental Accounting Standards Board Statement No. 54 (GASB 54) defines five distinct classifications of fund balances, applicable to governmental funds only, as follows:

CLASSIFICATION	NATURE OF RESERVATION
Non-spendable	Cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to remain intact.
Restricted	Restricted either externally imposed or imposed by law through constitutional provisions or enabling legislation.
Committed	Reserved for specific purposes pursuant to constraints imposed by formal action of the City Council.
Assigned	Reserved by the City Council or City Manager for specific purposes, but neither restricted nor committed.
Unassigned	Residual balance not classified in any of the above categories and has not been restricted, committed, nor assigned to specific purposes.

The City of Clayton defines four distinct reserve funds:

- I. *General Reserve Commitment*
- II. *Assignment for Budget Stabilization*
- III. *Assignment for Capital/Maintenance/Special Projects*
- IV. *Assignment for Technology Replacement*
- V. *Assignment for Vehicle Replacement*
- VI. *Assignment Pension Stabilization*

3. Reserve Funds (defined):

I. General Reserve

It shall be the policy of the City of Clayton to maintain a minimum target reserve for unforeseen situations that impact on the City, and whenever fiscally possible and financially prudent to maintain a greater target reserve. This reserve will be referred to as the General Reserve. The City will continue to maintain the General Reserve to stabilize the fiscal base by anticipating fluctuations in revenues and expenditures and provide for non-recurring, unanticipated expenditures, including those potentially associated with a natural disaster. This reserve will also serve to assist in cash flow management during lean periods in between major property tax allocations (January and May

The minimum target reserve of the General Reserve will be maintained at forty percent (40%) of General Fund Operating Expenditures.

The minimum General Reserve level will be calculated annually using the prior fiscal year's estimated General Fund Operating Expenditures, excluding any major one-time transfers. General Reserve levels will be evaluated as part of the annual budget process or more often if needed. Staff recommendations will be made to City Council on the available funds and the appropriate reserve levels at those times. In the event the General Reserve must be used, the balance must be restored to the 40% amount within the next five fiscal years.

The General Reserve is intended to be a prudent and conservative fiscal policy, which should help contribute to the fiscal security of the City. Nothing in this policy shall prohibit the City Council from maintaining a higher level of reserves than the established minimum reserve target of forty percent (40%). Use of the General Reserve requires a 4/5th majority vote of the City Council.

II. Budget Stabilization Reserve

Budget Stabilization Reserve is equal to ten percent (10%) of General Fund Operating Expenditures. These funds are held in case of smaller budget-related needs, unanticipated expenses or reduced revenues. Any use of the Budget Stabilization Reserve in a given fiscal year shall be replenished the following fiscal year. Any use of the Budget Stabilization Reserve requires a majority vote of the City Council for appropriation.

III. Capital/Maintenance/Special Projects Reserve

The Capital/Maintenance/Special Projects Reserve is established/replenished to meet anticipated capital project, large maintenance project, and special project needs. Any use of the Capital/Maintenance/Special Projects Reserve requires a simple majority vote of the City Council for appropriation. If the General Fund ends a fiscal year with an operating surplus, revenues are more than expenses, once the General Reserve and Budget Stabilization Reserve are at policy levels, any operating surplus shall be moved to the Capital/Maintenance/Special Projects Reserve.

IV. *Technology Replacement Reserve*

The Technology Replacement Reserve shall be used to plan for ongoing replacement of technology equipment throughout the organization. This may be but is not limited to personal computers, monitors, servers, network infrastructure, smart boards, one-time software implementations or replacement of larger software systems like an Enterprise Resource Program. Funds should be allocated to this reserve as needed to meet replacement schedules. Any use of the Technology Replacement Reserve requires a majority vote of the City Council for appropriation.

V. *Vehicle Replacement Reserve*

The Vehicle Replacement Reserve shall be used to plan for ongoing replacement of city vehicles. Funds should be allocated to this reserve as needed to meet replacement schedules. Any use of the Vehicle Replacement Reserve requires a majority vote of the City Council for appropriation.

VI. *Pension Stabilization Reserve*

The Pension Stabilization Reserve was established by the City Council in 2017 to provide a prudent and necessary local financial planning tool to aid in the City's mitigation of its monetary risks via CalPERS' hikes in future public employer pension contribution requirements. This reserve does not directly result in a decrease to the City's annual pension Unfunded Accrued Liabilities (UAL) as calculated by the CalPERS Board of Directors. The sole purpose of this fund is to provide a defined bucket to pull from for pension UAL or normal cost increases during years in which the operating budget may not be in a place to absorb them. Any use of the Pension Stabilization Reserve requires a majority vote of the City Council for appropriation.

RESOLUTION NO. XX-2024**A RESOLUTION APPROVING CHANGES TO THE AMOUNTS AND ASSIGNMENTS WITHIN THE GENERAL FUND RESERVES****THE CITY COUNCIL
City of Clayton, California**

WHEREAS, the City has General Fund Reserves which are one-time funds that can be used for any government purpose; and

WHEREAS, currently the city has no funding plan that puts the reserve funds into assignments for specific purposes; and

WHEREAS, the city desires to create assignments within the General Fund Reserve to more accurately reflect the planning of the reserve funds; and

WHEREAS, the breakdown of the reserves shall be adjusted to the following:

General Reserve Commitment	2,720,000	Per revised recommended policy= 40% of General Fund operating expenses. Pre-fund at estimated FY 2028 level
Assignment for Budget Stabilization	680,000	Per revised recommended policy- 10% of General Fund operating expenses. Pre-fund at estimated FY 2028 level
Assignment for Capital Projects/Maintenance/Special Projects	3,200,000	
Assignment for Technology/Equipment	300,000	
Assignment for Vehicle Replacement	500,000	
Assignment for Pension Stabilization	300,000	

NOW, THEREFORE, BE IT RESOLVED that the City Council of Clayton, California does hereby approve the abovementioned reserve fund adjustments.

PASSED, APPROVED AND ADOPTED by the City Council of Clayton, California at a regular public meeting thereof held on the 5th day of March 2024 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

THE CITY COUNCIL OF CLAYTON, CA

Jim Diaz, Mayor

ATTEST:

Stephanie Cabrera-Brown, City Clerk

Reserve Policy of the City of Clayton**Effective March 5, 2024**

1. Overview

One of the key components of a financially stable municipality is the adherence to a policy of maintaining an appropriate level of reserves. Establishing a target minimum General Fund reserve is a mechanism that governments can implement to help ensure adequate levels of fund balance are available to help mitigate current and future risks. A minimum General Fund reserve is generally considered a prudent and conservative fiscal policy to deal with unforeseen situations. Some examples of unforeseen situations include, but are not limited to extreme events, economic downturns, reduced revenues, Federal/State/County Budget Cuts, unfunded legislative or judicial mandates, capital obligations, one-time City Council approved expenditures, and innovative opportunities for the betterment of the community.

The Government Finance Officers Association (GFOA), an international organization that promotes the professional management of governments for the public interest, recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their General Fund of no less than two months of operating revenues or operating expenditures or a minimum of approximately 16.67% of General Fund operating expenditures. The GFOA further recommends that reserve levels be directly related to the degree of uncertainty the local government faces, specifically, the greater the uncertainty, the greater the financial resources necessary. Given the fact that the City of Clayton budget is overall relatively limited, the City should plan for a catastrophic reserve in excess of the minimum two months of expenses, except in years in which the reserve is being re-built due to the need to use the reserve to manage an emergency. In cases of extreme emergencies, the Federal Emergency Management Agency (FEMA) would be utilized, and it becomes less about funding the entire emergency and more about cash flow. Thus, the General Reserve level is not just for emergency but acts as a cash flow “buffer” during revenue dry periods i.e. in between property tax installments (January and May).

Most cities choose General Fund Operating Expenditures as the basis for reserve. Typically, there is less fluctuation and risk in forecasting future expenditures. The General Fund Operating Expenditures methodology is also typically considered the more conservative basis for establishing a General Fund reserve. There are additional benefits to establishing a minimum General Fund reserve. Credit rating agencies carefully monitor levels of fund balance and unreserved fund balance in a government’s General Fund to evaluate a government’s continued creditworthiness. Finally, fund balance levels are a crucial consideration in long-term financial planning.

2. Policy Guidelines

This policy is intended to provide guidelines for establishing, maintaining, and reviewing a minimum target level of General Fund reserves for the City of Clayton in order to:

- Maintain creditworthiness.
- Ensure cash availability during times of economic uncertainties and other financial hardships or downturns in the local or national economy or extreme events.

Approved by City Council Resolution No.

Reserve Policy of the City of Clayton

- Provide for long-range planning, especially around future debt or capital obligations.
- Decide when to use reserve funds, define what the minimum level is and how to replenish this if it should fall below the defined minimum threshold.

For purposes of this policy, the term “reserve” includes unrestricted fund balance as well as certain designated reserves. For purposes of this policy document, cash reserves refer to the sum of the Committed, Assigned, and Unassigned portions of the fund balance in the General Fund. The Governmental Accounting Standards Board Statement No. 54 (GASB 54) defines five distinct classifications of fund balances, applicable to governmental funds only, as follows:

CLASSIFICATION	NATURE OF RESERVATION
Non-spendable	Cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to remain intact.
Restricted	Restricted either externally imposed or imposed by law through constitutional provisions or enabling legislation.
Committed	Reserved for specific purposes pursuant to constraints imposed by formal action of the City Council.
Assigned	Reserved by the City Council or City Manager for specific purposes, but neither restricted nor committed.
Unassigned	Residual balance not classified in any of the above categories and has not been restricted, committed, nor assigned to specific purposes.

The City of Clayton defines four distinct reserve funds:

- I. General Reserve Commitment*
- II. Assignment for Budget Stabilization Reserve*
- III. Assignment for Capital/Maintenance/Special Projects*
- IV. Assignment for Technology Replacement*
- V. Assignment for Vehicle Replacement*
- VI. Assignment Pension Stabilization*

3. Reserve Funds (defined):

- I. General Reserve*

It shall be the policy of the City of Clayton to maintain a minimum target reserve for unforeseen situations that impact on the City, and whenever fiscally possible and financially prudent to

Approved by City Council Resolution No.

Reserve Policy of the City of Clayton

maintain a greater target reserve. This reserve will be referred to as the General Reserve. The City will continue to maintain the General Reserve to stabilize the fiscal base by anticipating fluctuations in revenues and expenditures and provide for non-recurring, unanticipated expenditures, including those potentially associated with a natural disaster. This reserve will also serve to assist in cash flow management during lean periods in between major property tax allocations (January and May

The minimum target reserve of the General Reserve will be maintained at forty percent (40%) of General Fund Operating Expenditures.

The minimum General Reserve level will be calculated annually using the prior fiscal year's estimated General Fund Operating Expenditures, excluding any major one-time transfers. General Reserve levels will be evaluated as part of the annual budget process or more often if needed. Staff recommendations will be made to City Council on the available funds and the appropriate reserve levels at those times. In the event the General Reserve must be used, the balance must be restored to the 40% amount within the next five fiscal years.

The General Reserve is intended to be a prudent and conservative fiscal policy, which should help contribute to the fiscal security of the City. Nothing in this policy shall prohibit the City Council from maintaining a higher level of reserves than the established minimum reserve target of forty percent (40%). Use of the General Reserve requires a 4/5th majority vote of the City Council.

II. Budget Stabilization Reserve

Budget Stabilization Reserve is equal to ten percent (10%) of General Fund Operating Expenditures. These funds are held in case of smaller budget-related needs, unanticipated expenses or reduced revenues. Any use of the Budget Stabilization Reserve in a given fiscal year shall be replenished the following fiscal year. Any use of the Budget Stabilization Reserve requires a majority vote of the City Council for appropriation.

III. Capital/Maintenance/Special Projects Reserve

The Capital/Maintenance/Special Projects Reserve is established/replenished to meet anticipated capital project, large maintenance project, and special project needs. Any use of the Capital/Maintenance/Special Projects Reserve requires a simple majority vote of the City Council for appropriation. If the General Fund ends a fiscal year with an operating surplus, revenues are more than expenses, once the General Reserve and Budget Stabilization Reserve are at policy levels, any operating surplus shall be moved to the Capital/Maintenance/Special Projects Reserve.

IV. Technology Replacement Reserve

The Technology Replacement Reserve shall be used to plan for ongoing replacement of technology equipment throughout the organization. This may be but is not limited to personal computers, monitors, servers, network infrastructure, smart boards, one-time software implementations or replacement of larger software systems like an Enterprise Resource Program. Funds should be allocated to this reserve as needed to meet replacement schedules. Any use of the Technology Replacement Reserve requires a majority vote of the City Council for appropriation.

*Reserve Policy of the City of Clayton**V. Vehicle Replacement Reserve*

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VI. Pension Stabilization Reserve

The Pension Stabilization Reserve was established by the City Council in 2017 to provide a prudent and necessary local financial planning tool to aid in the City's mitigation of its monetary risks via CalPERS' hikes in future public employer pension contribution requirements. This reserve does not directly result in a decrease to the City's annual pension Unfunded Accrued Liabilities (UAL) as calculated by the CalPERS Board of Directors. The sole purpose of this fund is to provide a defined bucket to pull from for pension UAL or normal cost increases during years in which the operating budget may not be in a place to absorb them. Any use of the Pension Stabilization Reserve requires a majority vote of the City Council for appropriation.

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Reserve Policy of the City of Clayton

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4. Maintaining a Minimum Level of Reserves (defined):

General Fund Reserve Levels will be monitored annually at the time of budget preparation or more often if needed. For the budget process, projected ending reserve levels shall be measured against the Reserve Policy thresholds.

If, at the time of the budget, total ending reserves actually fall below, or are estimated to fall below forty percent (40%), the City Manager shall prepare an action plan to restore reserves to the forty percent (40%) level. This action plan shall be presented to the City Council within sixty (60) days of determining that the reserve level will fall below the target percentage. The City Council will consider the City Manager's recommended corrective actions. The City Council and the public will always be made aware of the level of reserves and appropriations of funds.

An aerial photograph of Clayton, California, showing a mix of green trees and residential buildings. In the background, there are several mountain peaks under a clear blue sky. The text is overlaid on the center of the image.

Strategic Planning Survey

Clayton, CA

February 2024

Background

Why did we conduct this survey?

To Hear Everyone: We wanted to make sure everyone in Clayton could share their thoughts about what's important for Clayton's future.

Your Voice Matters: By asking for residents' opinions on city services and what they expect from city leaders, we aimed to make sure their ideas shape the decisions our city makes.

Better Planning with Your Help: Residents' feedback helped us understand what matters most, guiding our plans for the next five years to make Clayton even better.

Transparent and Open: We're committed to transparency, so we made sure residents' have a say before we decide anything. Our planning session is open to everyone who wants to be a part of shaping Clayton's future.

Methodology

How did we do it?

Sample Size

n ~ 500 adults completed the Survey

Contact and Collection Methods:

Online survey via Anonymous Link

Distributed by email and displayed on city website

Survey Dates

December 7, 2023 - January 3, 2024

Margin of Error

±4% at the 95% Confidence Level

Key Findings

What are the key takeaways?

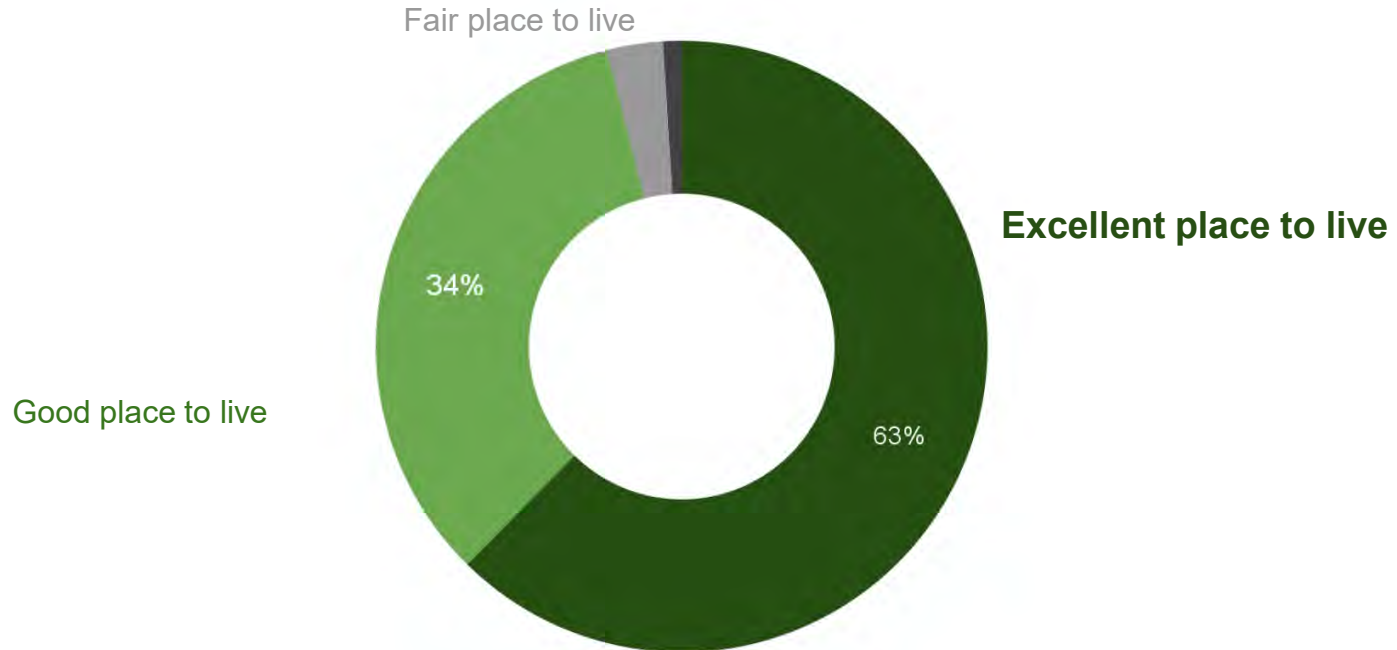
- Clayton residents **overwhelmingly cherish their town for its safety**, close-knit community, and proximity to nature, fostering a family-friendly environment.
- Residents express a **strong desire to maintain the small-town atmosphere** and limit excessive development. They emphasize the need to balance growth while preserving the city's unique identity.
- **Prioritizing safety concerns** like traffic management, pedestrian safety, and bolstering community development initiatives emerges as the top agenda.
- There's a strong **desire among residents for attracting businesses aligned with the town's character**, emphasizing family-oriented eateries, specialty shops, and recreational spaces.
- **Public safety, vegetation management, and fostering economic growth are identified as primary spending areas**, alongside a readiness to trim non-urgent expenses for critical priorities.
- Residents seek **transparent, neutral reporting and efficient city services**, emphasizing the need for civic unity and continued communication channels from city officials.

**What makes
Clayton a great
place to live?**



Most residents regard Clayton as an excellent place to live!

Is Clayton a good place to live?

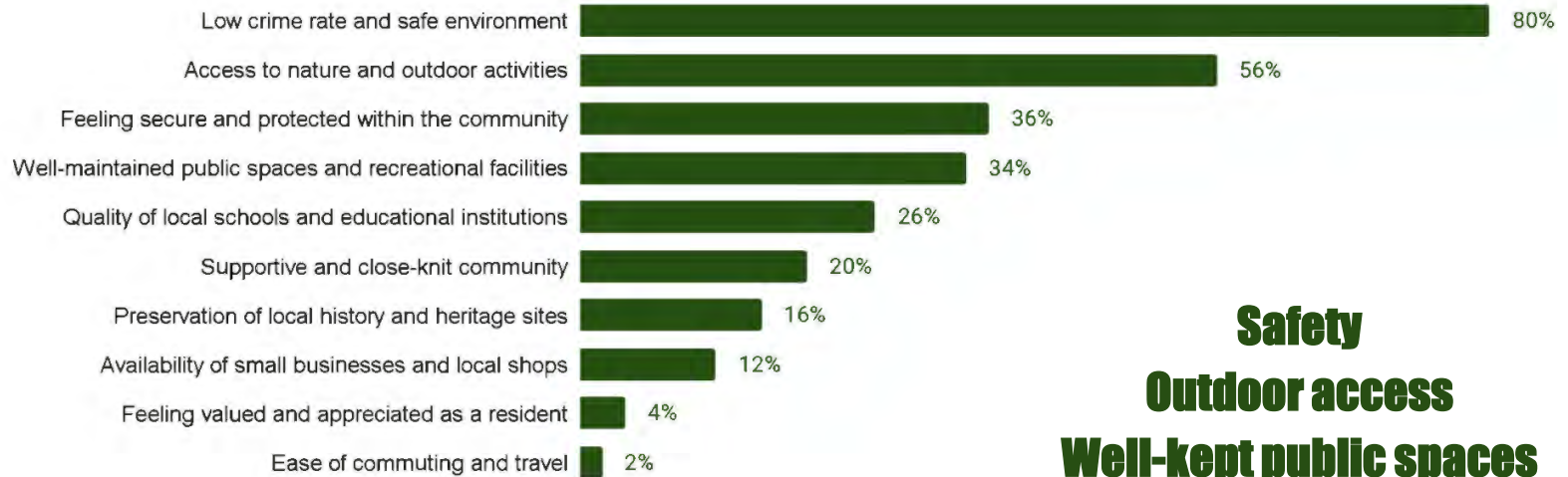


Base: Total respondents (n=576)
OVERALL_EVAL - How would you rate Clayton as a place to live: Is it ...



The most valued aspects are safety, outdoor access, and well-kept public spaces, highlighting priorities for city government

What residents value about living in Clayton most



Base: Total respondents (n=487)

Q VALUE - What do you value most about living in Clayton? Select up to 3 that are most important -



The Citizens of Clayton most appreciate it safety and low crime rate, as well as its setting and the emotional environment created

Most mentioned

[Link to full list of comments](#)



Least mentioned

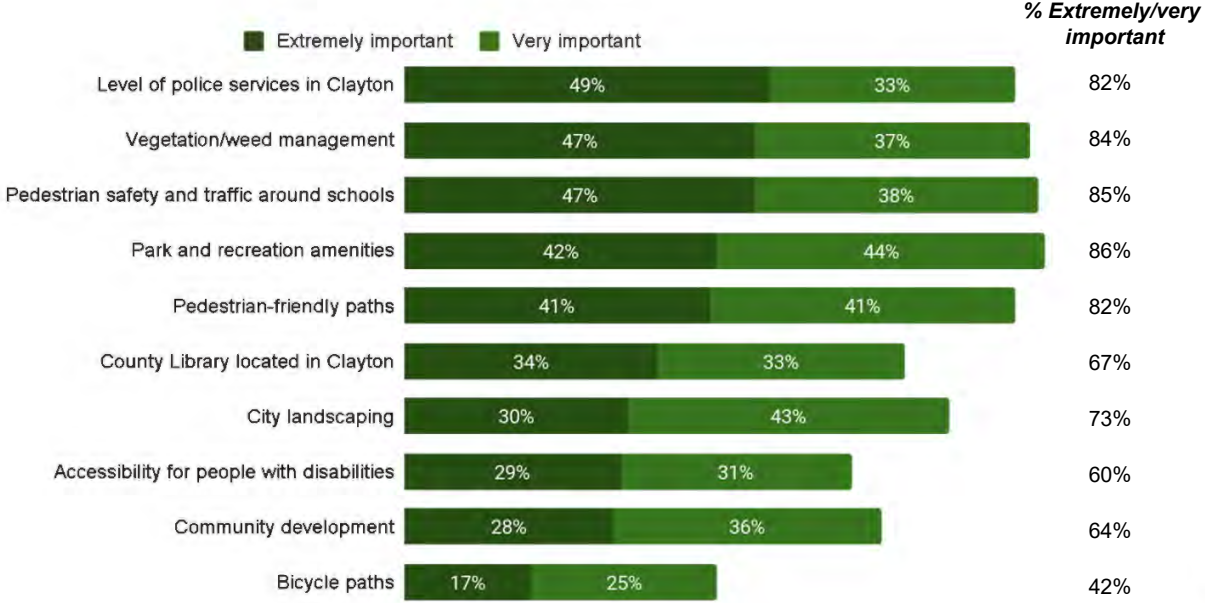
- **Safety and Low Crime Rate:** Residents appreciate feeling safe in the community and value the low crime rates.
- **Community and Small Town Feel:** The sense of community, friendly neighbors, and small-town atmosphere which contribute to a positive living experience.
- **Proximity to Nature:** Access to nature, hiking trails, open spaces, and being close to Mt. Diablo State Park are major attraction for residents.
- **Cleanliness and Well-Maintained Environment:** Residents appreciate the cleanliness of the town and efforts to maintain its appeal.
- **Quiet and Peaceful:** The quiet, serene environment is highly valued by many.
- **Local Events and Activities:** Enjoyment of local events, festivals, community gatherings, and activities contribute to the overall satisfaction of living in Clayton.
- **Good Schools:** The presence of decent or great schools is another significant factor for families.
- **Family-Friendly Environment:** Many residents highlight the family-oriented nature of Clayton, feeling it's a safe and suitable place to raise children.
- **Access to Amenities without Urban Congestion:** Access to nearby cities and amenities while maintaining a distinct separation from urban congestion is appreciated.

**Which resources
are most
important?**



Pedestrian safety around schools, level of police services and vegetation management are deemed extremely important

Which resources are most important to residents

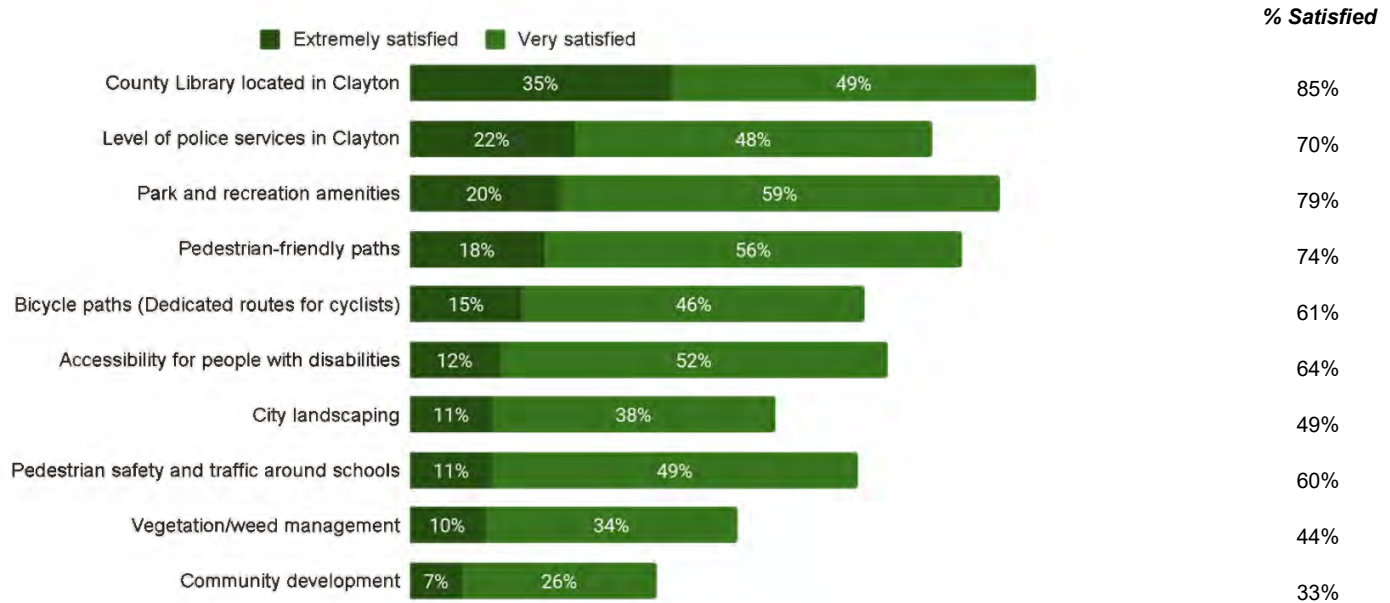


Base: Total respondents (n=478)
Q: How important, in your opinion, are these resources in our community?



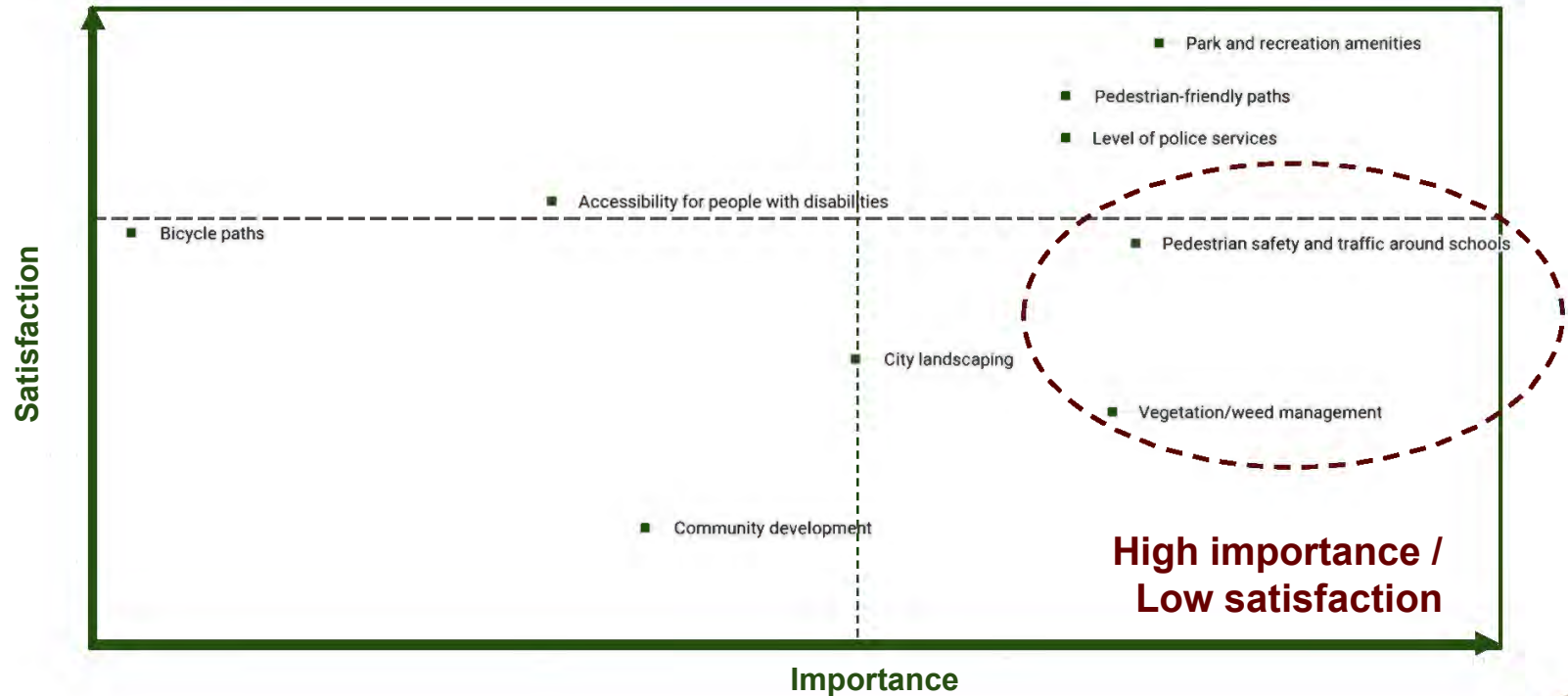
Clayton residents are most happy with county library, level of police services, park and recreation amenities and pedestrian-friendly paths

How satisfied residents are with community resources



Base: Total respondents (n=472)
How satisfied are you with each of these in Clayton?

The important things to focus on would be pedestrian safety and traffic around schools as well as vegetation/weed management due to a relatively low level of satisfaction and high level of importance

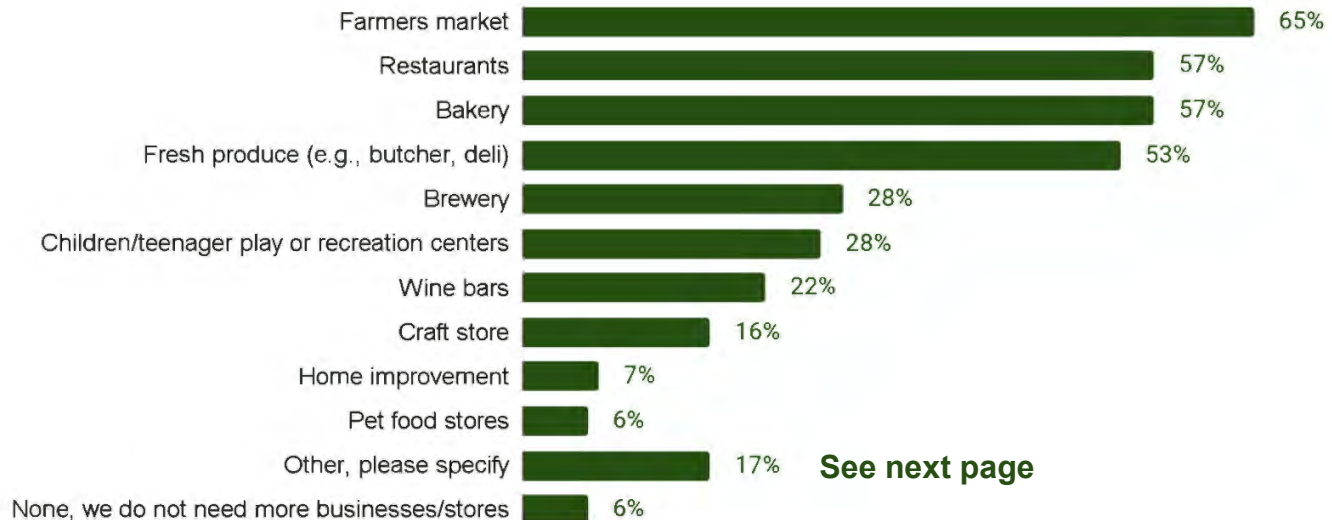


**What businesses
do residents
want?**



Residents are most interested in having farmers market, bakery, restaurants and fresh produce businesses

What kind of businesses Clayton needs



Besides the farmers market, bakery, restaurants and fresh produce businesses, Clayton's residents seem to desire more places to take their families to enjoy themselves

[Link to full list of comments](#)

What other types of businesses residents dream about?

Most mentioned



Least mentioned

- **Family-Friendly Restaurants:** Desiring options with excellent food and drinks for families, especially breakfast places
- **Gas Stations:** A consistent need for more accessible gas stations within the area.
- **Retail and Specialty Shops:** Including groceries like Trader Joe's, boutique stores, gift shops, and other retail options.
- **Community Spaces:** Desire for a community center offering classes for various age groups.
- **Recreational Facilities:** This includes skate parks, adventure playgrounds, sports-related areas for kids, and potentially an ice skating/hockey rink.

**What are the
community and
budget
priorities?**



Citizens would like for city government to focus on economic development - this is the long-term vision

Community aspirations - what they want for us to prioritize (Selected top 3)



See next page

Base: Total respondents (n=465)
NEXT FIVE YEARS - Looking ahead to the next five years, what are the top three areas you'd most want us to prioritize and improve?



Many Residents included the choice– “Other, please Specify”– in order to mention prioritizing Traffic Management and Safety as well as Community Development to support a growing population.

[Link to full list of comments](#)

What other types for priorities for residents?

Most mentioned

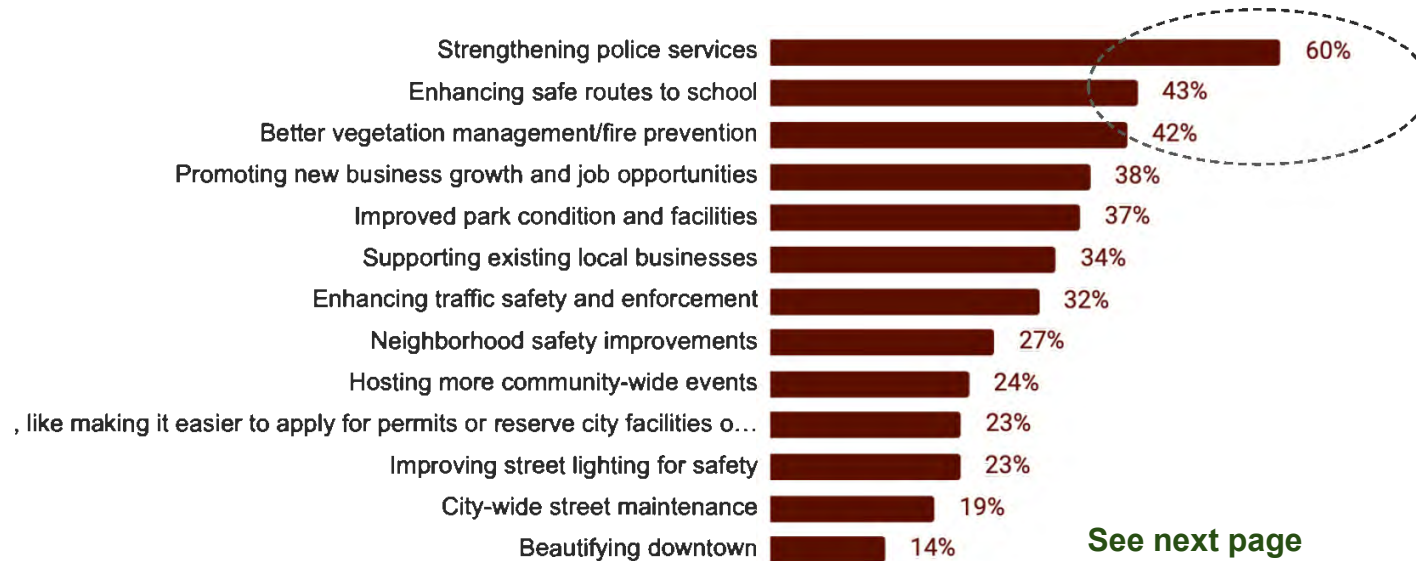


Least mentioned

- **Traffic Management and Safety:** This includes concerns about speeding, enforcing speed laws, traffic patrols, maintaining roads, pedestrian safety, and measures to slow down traffic for the safety of all residents.
- **Community Development and Amenities:** Residents want the preservation of the small-town feel, maintaining green spaces, improving infrastructure (such as sidewalks, trails, parks), promoting community events (like festivals), and fostering a family-friendly atmosphere through recreational activities.
- **Growth and Housing Concerns:** There's a recurring theme about managing growth, concerns about new housing projects, encouraging specific types of housing (low-cost, age-friendly, diverse), and even suggestions to limit or cease new housing developments.
- **City Governance and Services:** Residents want better city services, improved communication from city employees, efficient handling of applications, simplification of ordinances, fair compensation for city staff, and better unity within the city council for effective decision-making.
- **Business and Retail:** There's a desire for specific businesses to be attracted to the area (cafes, bakeries, restaurants), support for small, local, family-owned shops, and encouragement to draw more businesses that align with the town's charm and community spirit.

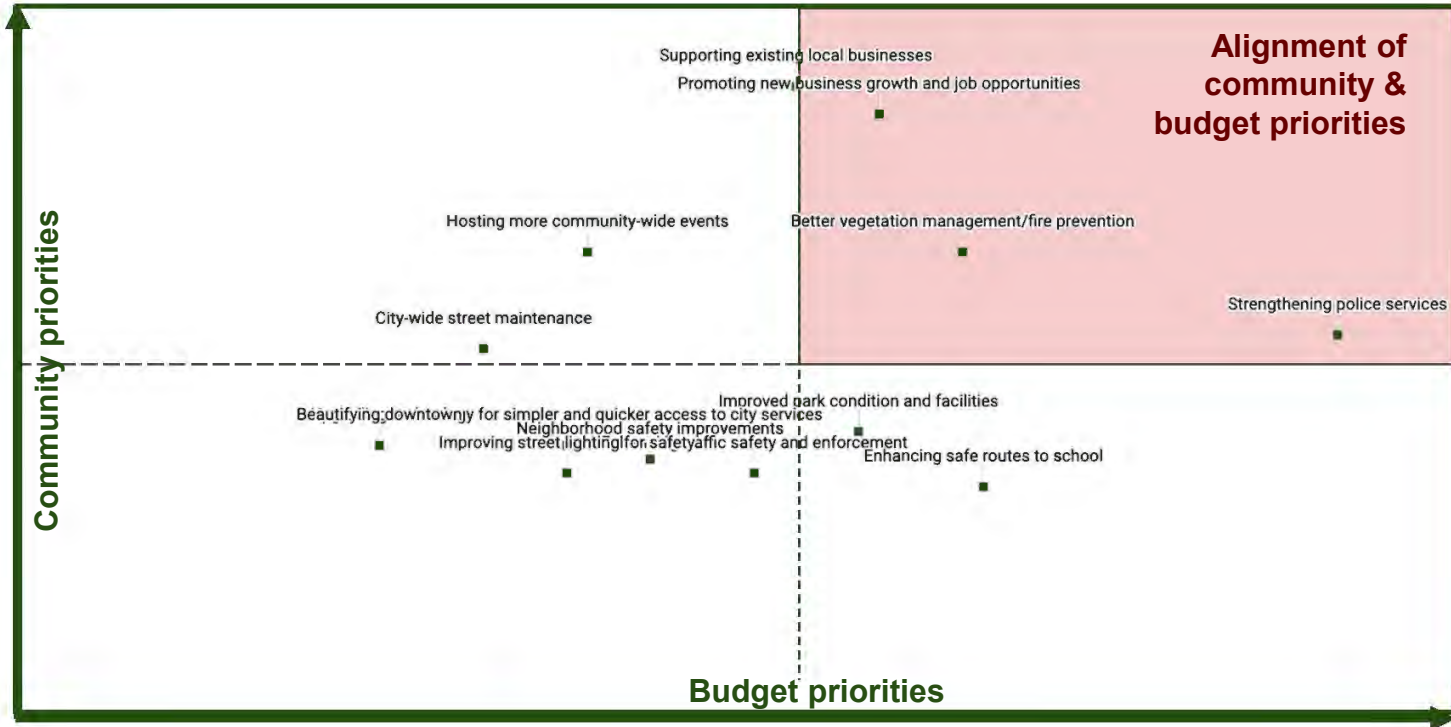
Discrepancy between residents community aspirations and fiscal priorities might reflect a contrast between the long-term vision for the city and the immediate needs based on current circumstances

Community fiscal priorities - Ranked 1st



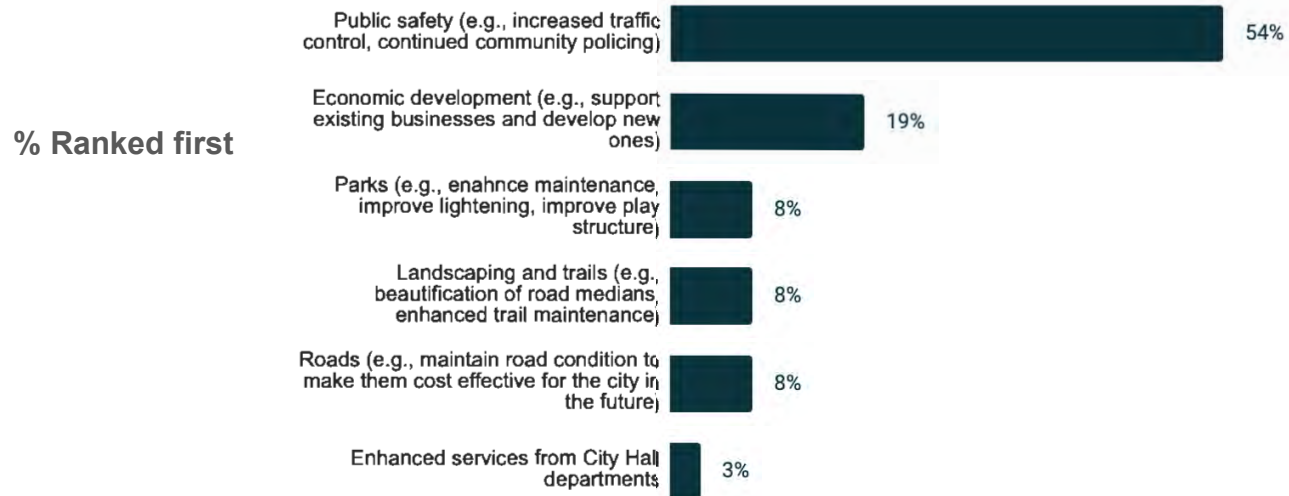
See next page

Police services, vegetation management and economic growth are clear community priorities



Public Safety is the #1 choice for spending according to the respondents, economic development is priority #2

If you were in charge of the city budget, how would you prioritize city's spending? *Rank from 1 to 6*

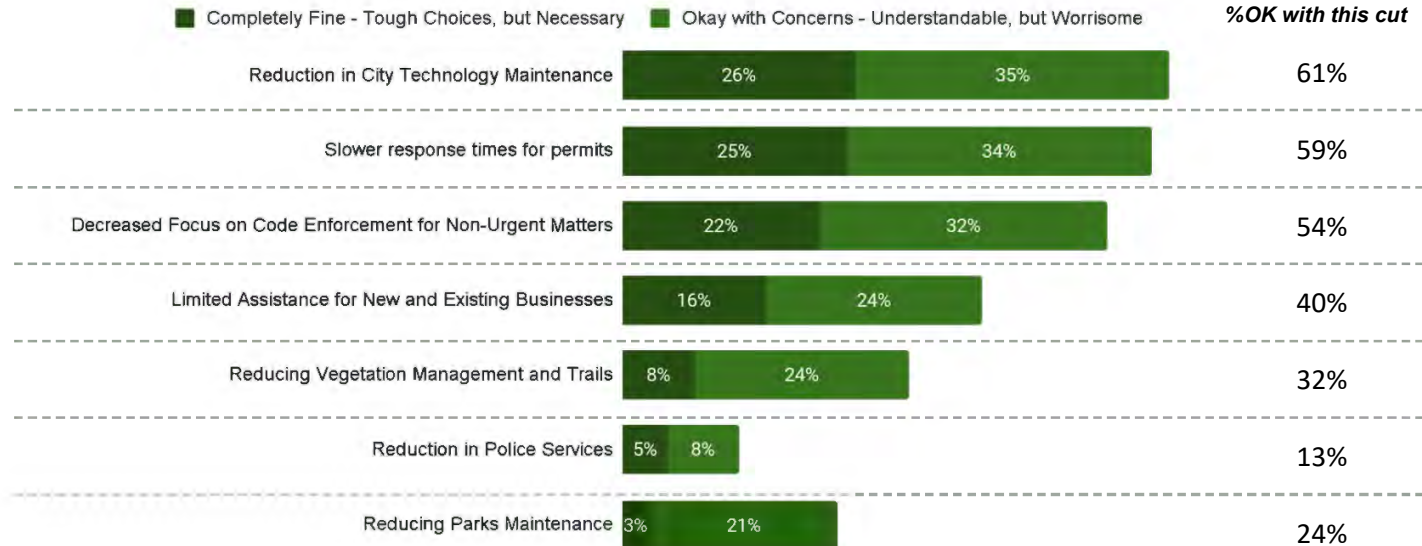


Base: Total respondents (n=412)

If you were in charge of the city budget, how would you prioritize city's spending?

Most of the respondents are OK with cutting some spending on the City's technology, maintenance, response times for permits, and the enforcement of code regarding non-urgent matters

Potential cuts



Base: Total respondents (n=430)

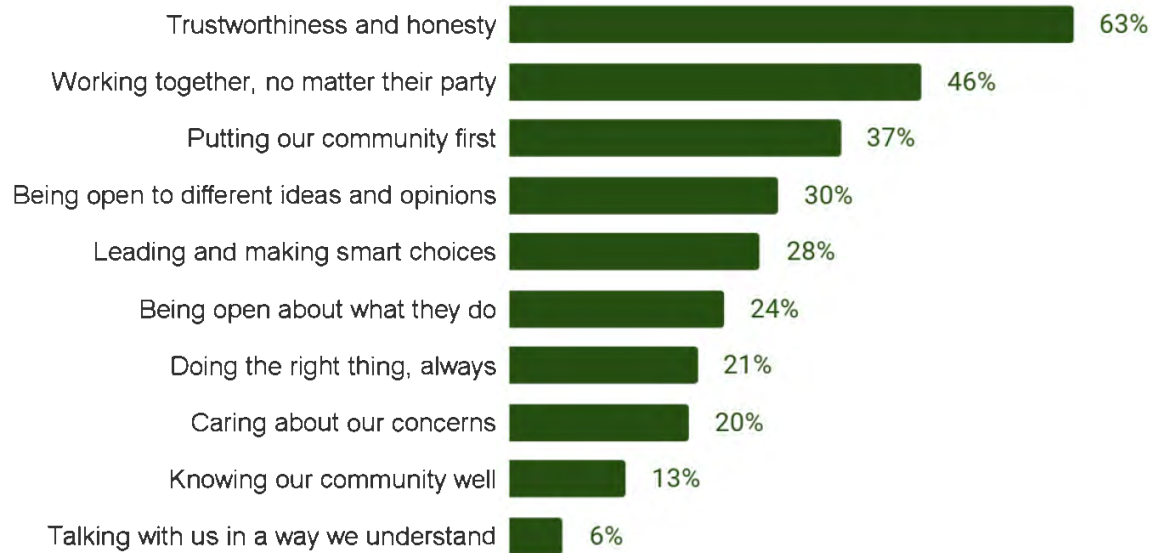
If the City of Clayton needed to manage a budget shortfall, how would you feel about the following potential cuts aimed at balancing the city's budget?

**What residents
look for in our
city government?**



Our residents look for **trustworthiness and unity** in elected officials

Top qualities valued in elected officials

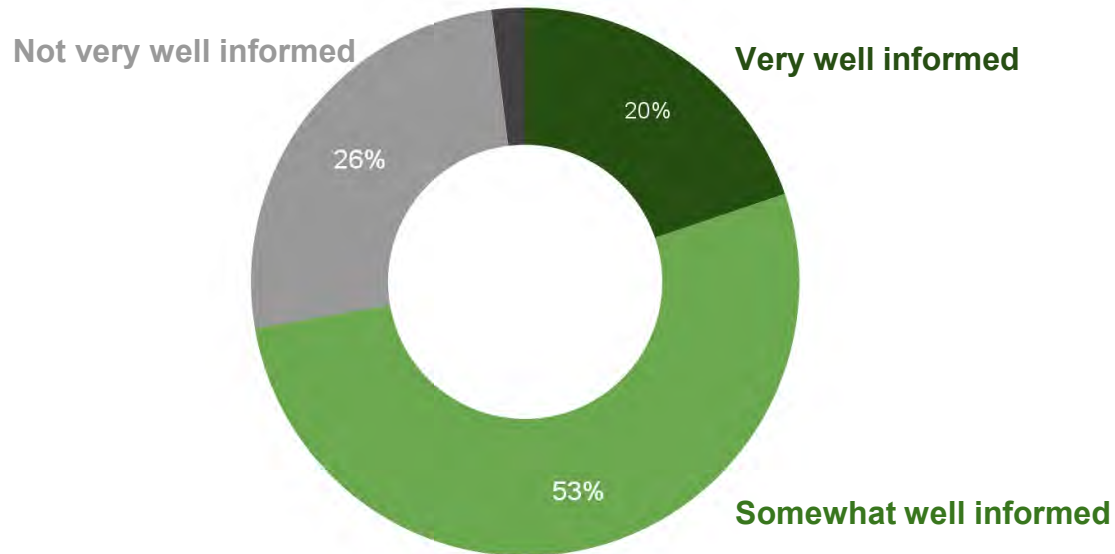


Base: Total respondents (n=430)

Question: What are the top 3 qualities you value in elected officials representing our community?

Although 73% of residents are somewhat or very well informed there is still 1/4th of residents who feel they are not well informed. This is an area we can continue to improve.

How well-informed residents are about Clayton's government



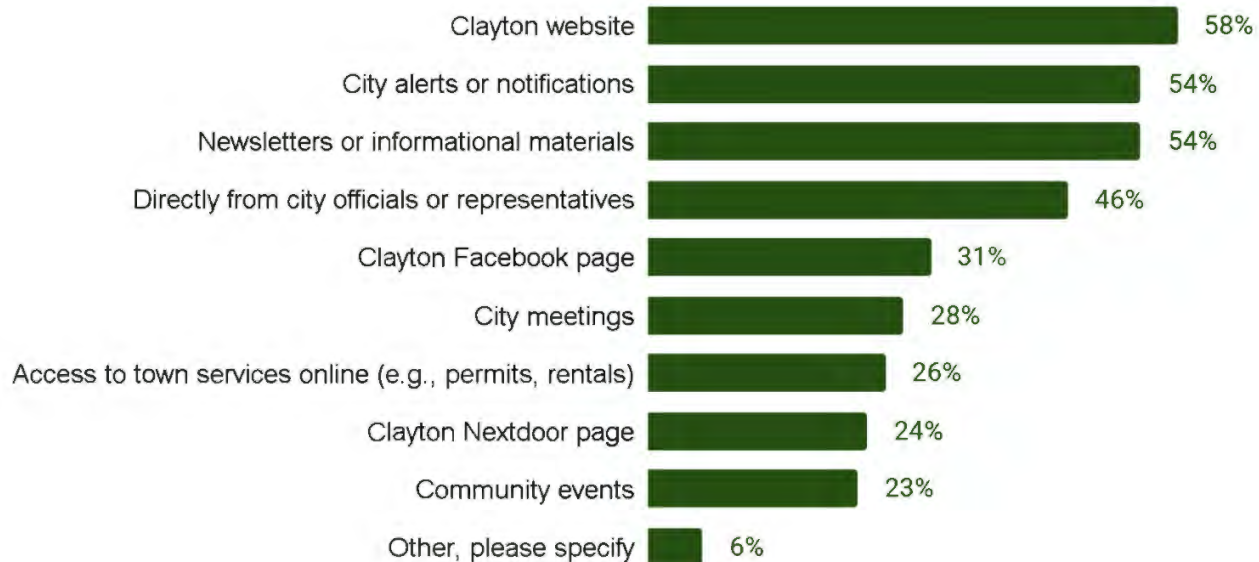
Base: Total respondents (n=429)

Question: INFORMED - How well-informed are you about Clayton's government and what it is doing to provide services to the people who live here?



City website, newsletters, city notifications are preferred ways to stay informed

Preferred communication methods



Base: Total respondents (n=430)

Question: How would you like to stay informed and updated by the city government? Which communication channels do you prefer?

The most suggested way of improving communication by the citizens was increasing the outlets of news through newsletters, email, and social media

Suggestions for improving communication

[Link to full list of comments](#)

Most mentioned



Least mentioned

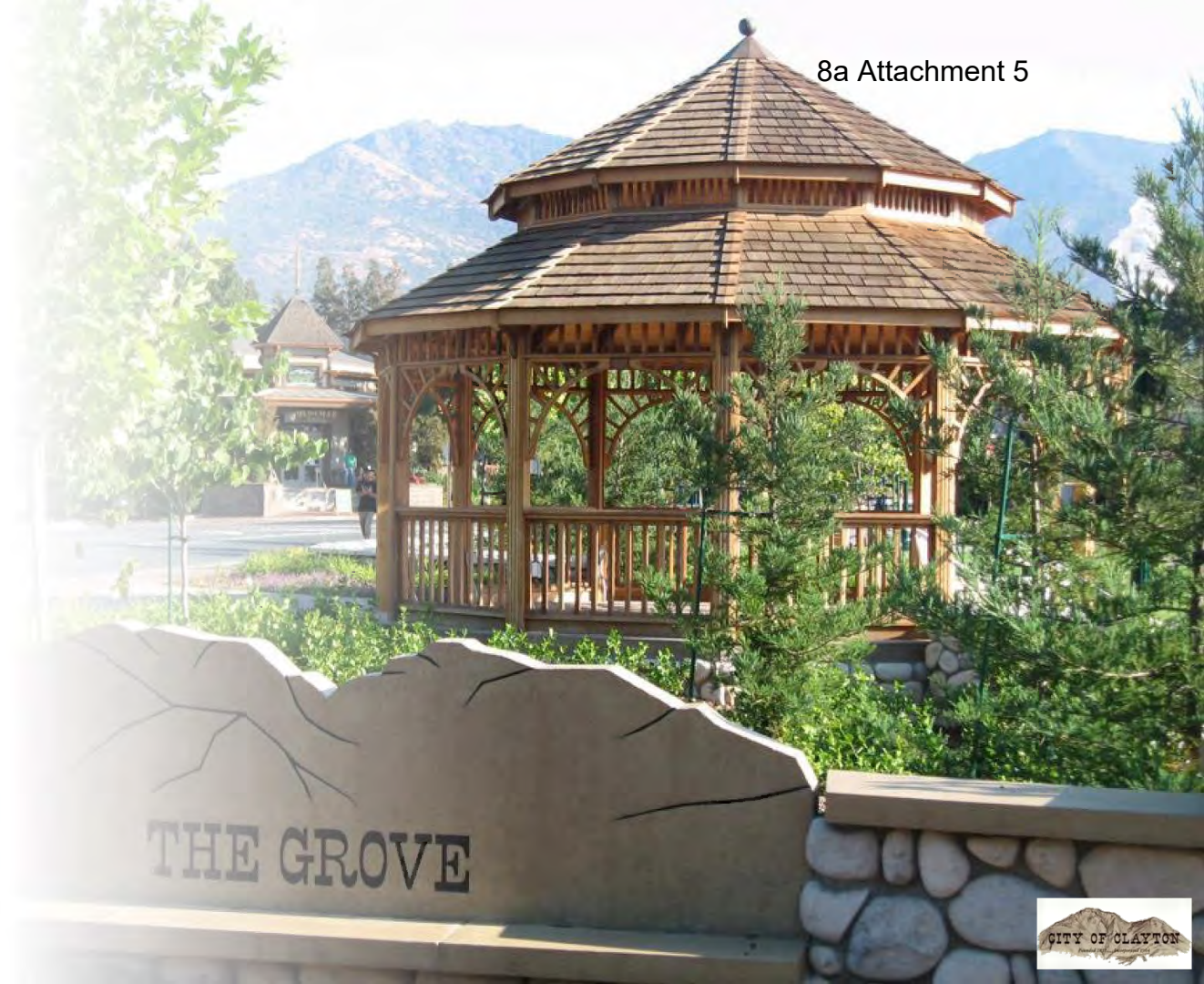
- **Enhanced Information Distribution:** Utilizing newsletters, email, social media, city signs, mailers, and a Facebook page.
- **Neutral Reporting and Transparency:** Minimizing biased reporting by council members, Using newsletters, emails, and social media for neutral city updates, and considering city manager reports in the local newspaper.
- **Efficiency and Accountability:** Improving the permitting process, providing timely updates on code enforcement, and ensuring transparency in decision-making.
- **Civility and Unity:** Addressing conflicts within the city council and promoting cooperation, discouraging public bashing and divisive behavior.
- **Community Engagement:** Encouraging community involvement through in-person workshops and town halls, establishing monthly meetings for different community topics.

Question: : Are there any specific suggestions you have for improving communication between the community and the city government?

What else is important to our residents?

At the end of the survey, we asked:

Is there anything else that you would like to communicate to the City Government for us focus on in the next five years?



Preservation of Small Town Charm

Limiting Growth: Many residents express a desire to maintain the small-town feel and limit excessive development.

Protecting Downtown and Trails: Prioritizing the preservation of cultural elements like downtown and trails is important.

Balancing Growth: Balancing growth and maintaining the city's character is crucial.

Q: Is there anything else that you would like to communicate to the City Government for us focus on in the next five years?



Fiscal Responsibility

Budgetary Concerns: Emphasis on a sound budget, decreasing deficits, and prioritizing basic needs over wants.

Q: Is there anything else that you would like to communicate to the City Government for us focus on in the next five years?



Community Harmony and Inclusivity

Reducing Divisiveness: Addressing extreme divisiveness, encouraging unity, and fostering a more cooperative atmosphere.

Inclusivity: Encouraging inclusivity, understanding diversity, and catering to the needs of all demographics.

Q: Is there anything else that you would like to communicate to the City Government for us focus on in the next five years?



Public Safety and Infrastructure

Traffic and Safety: Concerns about traffic, road safety, enforcement of laws (like leash laws), and managing increased commuter traffic.

Environmental Impact: Addressing environmental concerns caused by development, such as neglect of creeks and environmental degradation.

Q: Is there anything else that you would like to communicate to the City Government for us focus on in the next five years?



Housing and Development

Affordable Housing: Balancing the need for housing growth with the preservation of the city's character and small-town feel.

Controlling Development: Residents want control over housing development, expressing concerns about high-density housing and its impact.

Q: Is there anything else that you would like to communicate to the City Government for us focus on in the next five years?



Government Operations and Leadership

Efficient Governance: Residents want effective governance and collaboration among elected leaders.

Community Engagement: Encouraging more community involvement in decision-making processes.

Q: Is there anything else that you would like to communicate to the City Government for us focus on in the next five years?



Q & A



Strategic Goals

City of Clayton

- 1. Public Safety (preventative fire and related maintenance) , Infrastructure, and accessibility (roads, sidewalks, and ADA)**
- 2. Community Parks and Recreation**
- 3. Economic Development- promoting available spaces, growing number of families into community, improved downtown activity**
4. Maintain vibrant police force, maintaining community policing model
- 5. Balancing the budget**
- 6. Maintain the aesthetic of the City of Clayton, continued funding of the Landscape Maintenance District (LMD)**
7. Disaster Preparedness and Fire Prevention
8. Preserving the historical nature of the town
9. Environmental Sustainability

[\(Back to Agenda\)](#)



City Council Agenda Item 8b

STAFF REPORT

TO: Honorable Mayor and Councilmembers

FROM: Bret Prebula, City Manager

DATE: March 5, 2024

SUBJECT: Future Agenda Item- Discussion of Possible Changes to the Purchasing Policy

RECOMMENDATION

Discussion on possible revisions to the Purchasing Policy as requested at the February 6, 2024 meeting.

BACKGROUND

At the February 6, 2024, City Council meeting, Councilmember Wan requested a future agenda item to review certain aspects of the Purchasing Policy.

DISCUSSION

The City Council reviewed the Purchasing Policy approximately two years ago, making changes to the signing authority of the City Manager. Currently, the City Manager can sign, without City Council approval, goods up to \$60,000 and service contracts up to \$30,000.

These levels allow the city operations to run smoothly and one of the reasons for the Council-Manager form of government. Staff believes lowering the signing authority of the City Manager below these current levels will only add unneeded layers of inefficiency and create additional staff work as more items would require agenda preparation to be brought to City Council for approval. Staff does not believe there is a need for more control as the oversight is through the City Manager for which works directly for the City Council.

FISCAL IMPACT

There is no financial impact for the City Council to review the Purchasing Policy.

CEQA IMPACT

None.

ATTACHMENT(S)

1. Purchasing Policy

**PURCHASING GUIDELINES POLICY
AS ESTABLISHED BY RESOLUTION 2-2024 AND
PURSUANT TO CLAYTON MUNICIPAL CODE CHAPTER 3.10.020**

PURPOSE

The purpose of this Purchasing Guidelines Policy is to establish internal controls, responsibilities and authorization levels and other requirements related to purchasing goods and services for the City. This policy:

- establishes controls that identify clear authority and responsibility for purchasing activities;
- secures goods and services at the lowest cost commensurate with quality and other qualitative factors;
- ensures appropriate levels of competition and provides equal opportunity for all qualified vendors; and
- outlines the guidelines and principles that the City will follow to make environmentally preferable purchasing decisions.

This policy is adopted in accordance with Section 3.10.020 of the Clayton Municipal Code, as it may be amended from time to time.

PURCHASING OFFICER

The City Manager, or the City Manager's designee, is the City's purchasing officer, with the authority and the responsibility to:

1. Carry out the purchasing policies of the City,
2. Prepare or revise, in cooperation with each department, written standard specifications for purchases of goods, supplies, equipment, and services,
3. Purchase or contract for goods, supplies, equipment, and services required by City departments according to these purchasing procedures and such administrative regulations as the City Manager shall prescribe,
4. Obtain full and open a competition where required herein when purchasing or contracting for goods, supplies, equipment, and services,
5. Keep informed of current developments in the field of purchasing, prices, contracting for goods, supplies, equipment, and services,
6. Ensure the inspection of all supplies and equipment purchases to guarantee quality and conformance with City specifications,

7. Recommend the transfer of unused supplies and equipment between departments as needed,
8. Sell supplies and equipment that cannot be used by any department or that have become unsuitable for City use,
9. Maintain a contractor list in accordance with the procedures specified for Public Projects,
10. Maintain any and all necessary records for the efficient operation of the purchasing function.

PURCHASING AUTHORITY

There are three (3) levels of authority applicable for the purchase of goods, supplies, equipment, materials, professional and non-professional services, and public projects, which shall be delegated as follows:

- The City Manager is authorized to award or reject professional services agreements in an amount not to exceed thirty thousand dollars (\$30,000.00). The City Manager may approve amendments or change orders to existing professional services agreements so long as the cumulative total of the agreement does not exceed thirty thousand dollars (\$30,000.00).
- Other than for Professional Services, the City Manager is authorized to award or reject purchases, agreements, contracts, bids, proposals, statements of qualifications, purchase orders, and public projects, in an amount not to exceed sixty thousand dollars (\$60,000.00). The City Manager may approve amendments or change orders to existing purchases, agreements, contracts, purchase orders, other than for professional services agreements and public projects, so long as the cumulative total of the contract (change order(s)/amendment(s) plus original contract amount) does not exceed sixty thousand dollars (\$60,000.00). The City Manager is authorized to award or reject change orders to contracts for public projects in an amount up to ten (10) percent of the original contract amount subject to City Council appropriation of funds.
- The City Council must award or reject purchases, agreements, contracts, bids, proposals, statements of qualifications, purchase orders, and public projects, in any amount that exceeds the City Manager's approval authority specified above.

MAINTENANCE AND GENERAL SERVICES

Maintenance services are routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes. Maintenance services also includes the types of work set forth in Public Contract Code section 22002(d), as it may be amended from time to time.

General services are any services that are typically physical or manual in nature and do not ordinarily require specialized higher education or equivalent credentials to perform.

Contracts for maintenance services and general services shall be procured pursuant to the following processes.

- Price checking is encouraged and should be documented: \$10,000.00 or less.
- Informal quote: \$10,000.01—\$60,000.00.
- Formal RFP/RFQ or Formal Bid: Over \$60,000.00.

GOODS, MATERIALS, SUPPLIES AND EQUIPMENT

Contracts for goods, materials, supplies and equipment shall be procured pursuant to the following processes:

- Price checking is encouraged and should be documented: \$10,000.00 or less.
- Informal quote: \$10,000.01—\$60,000.00.
- Formal RFP/RFQ or Formal Bid: Over \$60,000.00.

PROFESSIONAL SERVICES

Professional services include services provided to the City by specially trained and experienced individuals related to economic, financial, engineering, planning, architectural, environmental, legal, administrative, or other similar services. Contracts for professional services shall be procured pursuant to the following processes:

- Assess best value/qualifications: \$10,000.00 or less.
- Informal quote: \$10,000.01—\$60,000.00.
- Formal RFP/RFQ: Over \$60,000.00.

PUBLIC PROJECTS

Public Projects shall be procured in accordance with Section 3.10.060 of the Clayton Municipal Code, as it may be amended from time to time. For ease of reference, those procedures are restated herein, but will be superseded by any future update of the Clayton Municipal Code that creates a conflict with the provisions specified hereunder.

A. Definitions. For the purposes of this section, the following words and phrases shall have the following meanings:

1. "Act" means the Uniform Public Construction Cost Accounting Act (California Public Contracts Code Section 22000 *et seq.*).

2. "City" means the City of Clayton.
 3. "Commission" means the California Uniform Construction Cost Accounting Commission. "Public project" has the meaning assigned to it under Public Contract Code Section 22002, as it may be amended from time to time.
- B. Public Project Contracting Procedures. The City shall follow the contracting procedures set forth in Article 3 of the Act (Public Contract Code Section 22030 *et seq.*).
- C. Contractors List. The City Manager, or his or her designee, shall compile and maintain a list of qualified contractors identified according to categories of work. This list shall comply with the requirements of the Act and the criteria promulgated, from time to time, by the Commission.
- D. Informal Bidding.
1. When a public project is to be performed which qualifies for informal bidding, notice of such project shall be given as follows except where the product or service is proprietary:
 - a. Notice shall be sent to all contractors on the contractors list for the category of work being bid or notice shall be given to all construction trade journals specified by the Commission for the receipt of such notice for Contra Costa County; and
 - b. Additional notice to other contractors and/or trade journals may, in the discretion of the City, be given.
 2. If the product or service to be acquired is proprietary in nature such that it can only be obtained from a certain contractor or contractors, notice inviting bids may be sent only to such contractor or contractors in accordance with Public Contract Code section 3400 *et seq.*
 3. All mailing of notices to contractors and/or construction trade journals shall be completed not less than ten days before bids are due.
 4. The notice shall describe the project in general terms, how to obtain more detailed information about the project and shall state the time and place for submission of bids.
- E. Formal Bidding.

1. When a public project is to be performed which qualifies for formal bidding, notice of such project shall be given as follows except where the product or service is proprietary:
 - a. Notice shall be given to all construction trade journals specified by the Commission for the receipt of such notice for Contra Costa County and notice shall be published in a newspaper of general circulation printed and published or circulated in the City; and
 - b. Additional notice to other contractors and/or trade journals may, in the discretion of the City, be given.
 2. If the product or service to be acquired is proprietary in nature such that it can only be obtained from a certain contractor or contractors, notice inviting bids may be sent only to such contractor or contractors in accordance with Public Contract Code section 3400 *et seq.*
 3. All notices to construction trade journals shall be completed not less than fifteen days before bids are due. All notices shall be published in a newspaper of general circulation not less than fourteen days before bids are due.
 4. The notice shall describe the project in general terms, how to obtain more detailed information about the project and shall state the time and place for submission of bids.
- F. Award of Contracts. The City Manager is authorized to award contracts for public projects up to the amount specified in this policy. The City Council shall award all contracts in excess of the foregoing amount.
- G. Rejection of Bids. The City Manager or the City Council, as the case may be, may, in the City Manager's or City Council's discretion, reject all bids and proceed as authorized by the Act.
- H. Emergencies. Emergency work shall be contracted for in accordance with Public Contract Code Sections 22035 and 22050.

INFORMAL QUOTE PROCESS

The informal quote process shall follow, at a minimum, the following guidelines.

- A. Minimum Number of Quotes. Selection of a vendor based on the informal quote process shall, whenever possible, be based on at least three (3) quotes.
- B. Soliciting Quotes. The originating department shall solicit quotes from prospective vendors by written or verbal requests.

- C. Award of Contract. Informal quote-based purchases shall be awarded to the vendor presenting a quote that is in the City's best interests as determined by the purchasing officer. Contracts for professional services shall be awarded on the basis of demonstrated competence and professional qualifications. The purchasing officer may reject all quotes received in its discretion.
- D. Additional Procurement Requirements. In circumstances where more restrictive requirements apply (e.g., grant funding requirements), the City will follow the more restrictive requirements to the extent required by the external source of procurement requirements.

FORMAL REQUEST FOR PROPOSAL OR REQUEST FOR QUALIFICATIONS PROCESS

The formal RFP or RFQ process shall follow, at a minimum, the following guidelines.

- A. Preparing RFP or RFQ. The originating department shall prepare the RFP or RFQ, which shall contain, among other details, scope of the problem or objective, a general description of the goods or services to be purchased, anticipated schedule, proposal or SOQ evaluation factors, City expectations, limitations, contractual requirements, types of experience and qualifications considered in the evaluation, and other requirements specific to the procurement scope.
- B. Solicitation Requirements. In issuing the RFP or RFQ, the originating department shall prepare a list of at least three (3) potential vendors to receive the RFP or RFQ, and where deemed appropriate by the purchasing officer, advertise the RFP or RFQ in a local newspaper of general circulation or other forums. The City shall allow a reasonable length of time, based on the complexity and size of the project, between solicitation and closing dates to provide potential respondents time to respond.
- C. Distribution of Responses. All proposals or SOQs received by the City in response to an RFP or RFQ shall be time stamped either manually or electronically and submitted to the originating department for review.
- D. Evaluation. Proposals or SOQs shall be evaluated by a selection committee, appointed by the department head of the originating department, subject to the approval of the purchasing officer, based upon the evaluation criteria specified in the RFP or RFQ.
- E. Award of Contract. Contract award, if made, shall be made based upon the terms of the RFP or RFQ. The City Council, or its designee, may award a contract and reject all or any proposals or SOQs in its discretion.
- F. Specified Professional Services. If the RFP or RFQ is for the procurement of professional services of an architectural, landscape architectural, engineering, environmental, or land surveying nature, the evaluation factors must address the

demonstrated competence and professional qualifications of the respondents and ensure the cost is reasonable.

- G. Additional Procurement Requirements. In circumstances where more restrictive requirements apply (e.g., grant funding requirements), the City will follow the more restrictive requirements to the extent required by the external source of procurement requirements.

FORMAL BIDDING PROCESS

The formal bidding process shall follow, at a minimum, the following guidelines.

- A. Notice Inviting Bids. Notice inviting bids shall include: (i) a general description of the goods or services to be procured; (ii) where bid forms and specifications may be obtained; and (iii) the date, time, and place for opening of the bids. The publication or posting of the notice inviting bids either electronically or in hard copy shall be conducted at least ten (10) days before the date of opening bids unless the purchasing officer deems a shorter or longer period of solicitation is necessary based on applicable circumstances.
- B. Bid Security. When deemed necessary by the purchasing officer, bid security may be prescribed in the notice inviting bids. Bidders shall be entitled to the return of bid security; provided, however, a successful bidder shall forfeit his or her bid security upon his refusal or failure to execute the contract within the time specified in the bid documents following award of the contract, unless the City is solely responsible for the delay in executing the contract. The Purchasing Officer or originating department, on the refusal or failure of the successful bidder to execute the contract, may award it to the next lowest responsible bidder submitting a responsive bid.
- C. Bid Opening. Sealed bids shall be submitted in accordance with the requirements of the notice inviting bids and shall be clearly identified as a response to a particular bid solicitation. Upon receipt, the City shall date and time stamp the bid package either electronically or manually. Bids shall be opened in public either in a physical or electronic setting at the time and place stated in the notice inviting bids.
- D. Rejection of Bids. In its discretion, the City Council, or its designee, may reject any and all bids, accept or reject any one or more items of a bid, or waive any irregularities or informalities in the bids or the bidding process if to do so is deemed to best serve the interests of the City. If, after the first invitation of bids, all bids are rejected, the City may elect to re-advertise for bids pursuant to the procedure prescribed in this section or have the project done by any alternative means.
- E. Award of Contract. Contract award, if made, shall be made by the City Council to the lowest responsible bidder submitting a responsive bid.

- F. Tie Bids. If two (2) or more bids received are for the same total amount, with quality being equal, the City Council may accept the bid it chooses or accept the lowest bid made after negotiation with the tied bidders.
- G. Additional Procurement Requirements. In circumstances where more restrictive requirements apply (e.g., grant funding requirements), the City will follow the more restrictive requirements to the extent required by the external source of procurement requirements.

EXCEPTIONS TO COMPETITIVE PROCUREMENT REQUIREMENTS

As an exception to the procurement procedures in these guidelines, purchases may be made without engaging in the competitive procurement procedures set forth herein, except for Public Projects, when the City Manager or City Council (subject to the dollar limits in these guidelines) approve of such non-competitive procurement under any of the following circumstances:

- A. Where the procurement of goods, supplies, equipment, materials, or services is necessitated by reason of emergency circumstances where the procurement is required to prevent the immediate interruption or cessation of necessary City services or to safeguard life, property, or the public health and welfare.
- B. Where (1) it is in the City's best interests to rely upon a contract procured by another public agency; (2) a competitive procurement procedure has been conducted for that contract by the public agency (i.e., another local agency, the State through the California Multiple Award Schedule (CMAS), the federal government through the General Services Administration (GSA), or a joint powers agency, authority or alliance that procures competitive contracts); and (3) the price and terms to the City are equal to or better than the price and terms to that public agency.
- C. When only one known source of the goods, supplies, equipment, materials, or services is available. For example, where a particular piece of equipment is of a specialized nature and may only be obtained from one known vendor.
- D. When the procurement is for (1) utility services; (2) services necessary to conduct City meetings or events; (3) IT related services; (4) banking services; (5) the acquisition, lease or rental of real property; (6) services and equipment necessary to maintain standardization with existing services or equipment utilized by the City or 7) services that are paid through a developer deposit on private development projects or other pass-through services.
- E. If competitive procurement would not produce an advantage, or it is impracticable to obtain what is required because of the unique nature of the procurement.
- F. Where it is in the best interests of the City to do so as otherwise permitted by applicable law.

Prior to award of a contract under any of the foregoing exceptions, the City Manager shall certify that the contract is exempt from competitive procurement and shall set forth in the certification reasons for that determination.

ENVIRONMENTALLY PREFERRED PURCHASING (EPP) POLICY

- A. Definitions. For the purposes of this section, the following words and phrases shall have the following meanings:
1. "Agricultural Bio-Based Products" means commercial or industrial products (other than food or feed) that utilize agricultural crops or residues but does not include products made from forestry materials.
 2. "Annual Recovered Organic Waste Product Procurement Target" means the amount of Organic Waste in the form of a Recovered Organic Waste Product that the City is required to procure annually, based on population.
 3. "Buyer" means anyone authorized to purchase or contract for purchases on behalf of this jurisdiction or its subdivisions.
 4. "Chlorine free" means products processed without chlorine or chlorine derivatives.
 5. "Compost (SB 1383 Eligible)" means the product resulting from the controlled biological decomposition of organic solid wastes that are source separated from the municipal solid waste stream or which are separated at a centralized facility or as otherwise defined in 14 CCR Section 17896.2(a)(4).
 6. "Compostable" means material that is biodegradable during composting to yield carbon dioxide, water and inorganic compounds, and biomass at a rate consistent with other known compostable materials and leaves no visually distinguishable or toxic residues.
 7. "Contractor" means any person, group of persons, business, consultant, designing architect, association, partnership, corporation, supplier, vendor, or other entity that has a contract with the City or serves in a subcontracting capacity with an entity having a contract with the City for the provision of goods or services.
 8. "Direct Service Provider" means a person, company, agency, contractor, or other entity that provides a service or services to the City through a contractual or other written agreement or as otherwise defined in 14 CCR Section 18982(a)(17).
 9. "Dioxins and furans" are a group of chemical compounds that are classified as persistent, bioaccumulative, and toxic by the Environmental Protection Agency.

10. "Electricity Procured from Biomass Conversion" means electricity generated from biomass facilities that convert recovered Organic Waste, such as landscaping waste from the municipal stream, into electricity, and is therefore eligible to meet the City's Annual Recovered Organic Waste Product Procurement Target.
11. "Energy Star" means the U.S. EPA's energy efficiency product labeling program.
12. "Energy Efficient Product" means a product that is in the upper 25% of energy efficiency for all similar products, or that is at least 10% more efficient than the minimum level that meets Federal standards.
13. "Federal Energy Management Program" is a program of the Department of Energy that issues a series of Product Energy Efficiency Recommendations that identify recommended efficiency levels for energy-using products.
14. The "Forest Stewardship Council" is a global organization that certifies responsible, on- the-ground forest management according to rigorous standards developed by a broad variety of stakeholder groups.
15. "Integrated Pest Management (IPM)" is an ecosystem-based strategy that focuses on long-term prevention of pests or their damage through a combination of techniques such as biological control, habitat manipulation, modification of cultural practices, and use of resistant varieties. Pesticides are used only after monitoring indicates they are needed according to established guidelines, and treatments are made with the goal of removing only the target organism. Pest control materials are selected and applied in a manner that minimizes risks to human health, beneficial and nontarget organisms, and the environment.
16. "LEED™ Rating System" means the most recent version of the Leadership in Energy and Environmental Design (LEED) Rating System, approved by the U.S. Green Building Council, and designed for rating new and existing commercial, institutional, and residential buildings.
17. "Organic Pest Management" prohibits the use and application of toxic chemical pesticides and strives to prevent pest problems through the application of natural, organic horticultural and maintenance practices. All pest control products shall be in keeping with, but not limited to, those products on the approved list of California Certified Organic Foods (CCOF).
18. "Organic Waste" means solid waste containing material originated from living organisms and their metabolic waste products including, but not limited to, food, yard trimmings, organic textiles and carpets, lumber, wood, Paper Products, Printing and Writing Paper, manure, biosolids, digestate, and sludges, or as

- otherwise defined in 14 CCR Section 18982(a)(46). Biosolids and digestate are as defined in 14 CCR Section 18982(a)(4) and 14 CCR Section 18982(a)(16.5), respectively.
19. "Paper Products" include, but are not limited to, paper janitorial supplies, cartons, wrapping, packaging, file folders, hanging files, corrugated boxes, tissue, and toweling; or as otherwise defined in 14 CCR Section 18982(a)(51).
 20. "Postconsumer Material" means a finished material which would normally be disposed of as a solid waste, having reached its intended end-use and completed its life cycle as a consumer item, and does not include manufacturing or converting wastes.
 21. "Practical" and "Practicable" mean whenever possible and compatible with local, state, and federal law, without reducing safety, quality, or effectiveness and where the product or service is available at a reasonable cost in a reasonable period of time.
 22. "Preconsumer Material" means material or by-products generated after manufacture of a product is completed but before the product reaches the end-use consumer. Preconsumer material does not include mill and manufacturing trim, scrap, or broke which is generated at a manufacturing site and commonly reused on-site in the same or another manufacturing process.
 23. "Printing and Writing Papers" include, but are not limited to, copy, xerographic, watermark, cotton fiber, offset, forms, computer printout paper, white wove envelopes, manila envelopes, book paper, note pads, writing tablets, newsprint, reports, magazines, and publications; or as otherwise defined in 14 CCR Section 18982(a)(54).
 24. "Procurement of Recovered Organic Waste Products" shall mean purchase or acquisition of (e.g., free delivery or free distribution from a hauler or other entity via a written agreement or contract) Organic Waste Products and end use by the City. The City's Annual Recovered Organic Waste Product Procurement Target can be fulfilled directly by the City or by Direct Service Providers through written contracts or agreements for Procurement of Recovered Organic Waste Products at the City's behest.
 25. "Proposition 65" means a list of chemicals that are known to the State of California to cause cancer, birth defects or other reproductive harm.
 26. "Recordkeeping" means the system established by this policy and the General Services and Administrative Services departments used to track procurement and maintain records that includes Recovered Organic Waste Product procurement efforts by the City.

27. "Recovered Material" means fragments of products or finished products of a manufacturing process, which has converted a resource into a commodity of real economic value and includes preconsumer and postconsumer material but does not include excess resources of the manufacturing process.
28. "Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper" means such products that consist of at least thirty percent (30%) recycled materials, by fiber weight, post-consumer fiber, or as-much as one hundred percent (100%) post-consumer fiber by fiber weight, consistent with the requirements of Sections 22150 to 22154 and Sections 12200 and 12209 of the Public Contract Code, as they may be amended from time to time; and:
- a. Printing and writing paper shall consist of at least 30 percent, by fiber weight, postconsumer fiber
 - b. Other paper products shall consist of at least 30 percent, by fiber weight, of postconsumer recycled content fiber, except as specified below:
 - c. Toilet paper shall consist of at least 45 percent, by fiber weight, postconsumer recycled content fiber
 - d. Paper towels shall consist of at least 40 percent, by fiber weight, postconsumer recycled content fiber
 - e. Facial tissue shall consist of at least 10 percent, by fiber weight, postconsumer recycled content fiber
 - f. Toilet seat covers shall consist of at least 20 percent, by fiber weight, postconsumer recycled content fiber
 - g. General purpose paper wipers shall consist of at least 40 percent, by fiber weight, postconsumer recycled content fiber
 - h. Food serviceware, including but not limited to, napkins, plates, bowls, food trays, takeout boxes, placemats, etc. shall consist of at least 40 percent, by fiber weight, postconsumer recycled content fiber.
29. "Recycled Content" means the percentage of recovered material, including preconsumer and postconsumer materials, in a product.
30. "Recycled Content Standard" means the minimum level of recovered material and/or postconsumer material necessary for products to qualify as "recycled products."
31. "Recycled Material" means material and byproducts that have been recovered or diverted from solid waste and have been utilized in place of raw or virgin material in manufacturing a product. It is derived from post-consumer recycled material, manufacturing waste, industrial scrap, agricultural waste, and other waste material, but does not include material or byproducts generated from, and commonly reused within, an original manufacturing process.
32. "Recycled Product" means a product that meets the City's recycled content policy objectives for postconsumer and recovered material.

33. "Remanufactured Product" means any product diverted from the supply of discarded materials by refurbishing and marketing said product without substantial change to its original form.
34. "Renewable Gas" means gas derived from Organic Waste that has been diverted from a landfill and processed at an in-vessel digestion facility that is permitted or otherwise authorized by the State, or as otherwise defined in 14 CCR Section 18982(a)(62).
35. "Reused Product" means any product designed to be used many times for the same or other purposes without additional processing except for specific requirements such as cleaning, painting or minor repairs.
36. "SB 1383" means Senate Bill 1383 approved by the Governor on September 19, 2016, which establishes methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants, as amended, supplemented, superseded, and replaced.
37. "SB 1383 Eligible Compost" means the product resulting from the controlled biological decomposition of organic solid wastes that is produced at an approved facility and in such a way that makes it eligible to meet the Annual Recovered Organic Waste Product Procurement Target, as defined by CalRecycle.
38. "SB 1383 Eligible Mulch" means mulch eligible to meet the Annual Recovered Organic Waste Product Procurement Target, pursuant to 14 CCR Chapter 12 of Division 7. This SB 1383 Eligible Mulch shall meet the following conditions for the duration of the applicable procurement compliance year, as specified by 14 CCR Section 18993.1(f)(4): Must meet or exceed the physical contamination, maximum metal concentration, and pathogen density standards for land application specified in 14 CCR 17852(a)(24.5)(A) 1 through 3 and must be produced at one of the following facilities:
- a. A compostable material handling operation or facility as defined in 14 CCR Section 17852(a)(12), that is permitted or authorized under 14 CCR Division 7, other than a chipping and grinding operation or facility as defined in 14 CCR 17852(a)(10);
 - b. A transfer/processing facility or transfer/processing operation as defined in 14 CCR 17402(a)(30) and (31), respectively, that is permitted or authorized under 14 CCR Division 7; or,
 - c. A solid waste landfill as defined in Public Resources Code Section 40195.1 that is permitted under 27 CCR Division 2.
39. "SB 1383 Regulations" or "SB 1383 Regulatory" means or refers to the Short-Lived Climate Pollutants (SLCP): Organic Waste Reductions regulations

developed by CalRecycle and adopted in 2020 that created Chapter 12 of 14 CCR, Division 7 and amended portions of regulations of 14 CCR and 27 CCR.

40. "Source Reduction" refers to products that result in a net reduction in the generation of waste compared to their previous or alternate version and includes durable, reusable, and remanufactured products; products with no, or reduced, toxic constituents; and products marketed with no, or reduced, packaging.
41. The "Toxics Release Inventory" (TRI) is a publicly available U.S. EPA database that contains information on toxic chemical releases and other waste management activities reported annually by certain covered industry groups as well as federal facilities.
42. "U.S. EPA Guidelines" means the Comprehensive Procurement Guidelines established by the U.S. Environmental Protection Agency for federal agency purchases as of May 2002 and any subsequent versions adopted.
43. "Vendor" means a person or company who provides goods or services. A vendor can also be referred to as a supplier or direct service provider.
44. "Water-Saving Products" are those that are in the upper 25% of water conservation for all similar products, or at least 10% more water-conserving than the minimum level that meets the Federal standards.

EPP POLICY ELEMENTS

The City of Clayton is committed to responsible and sustainable procurement practices. This provision of the Purchasing Guidelines Policy is established to ensure that all procurement activities undertaken by the City are conducted in accordance with the guidelines provided by CalRecycle and the California Department of General Services (DGS) Environmental Purchasing Program (EPP) and comply with State requirements as contained in 14 CCR Division 7, Chapter 12, Article 12 (SB 1383 procurement regulations (14 CCR § 18992 et seq.)) to procure a specified amount of Recovered Organic Waste Products, to purchase Recycled-Content Paper Products, and Recycled-Content Printing and Writing Paper.

The City's goal is to create a model for successfully purchasing environmentally preferable products that encourages other purchasers in our community to adopt similar goals. This policy aims to promote environmentally preferable purchasing (EPP) of goods and services while maintaining cost-effectiveness, transparency, and compliance with all applicable laws and regulations.

SCOPE

This policy applies to all City of Clayton departments, employees, and contractors involved in procurement activities, including the acquisition of goods and services.

EPP PRINCIPLES

The City of Clayton shall adhere to the following EPP principles as outlined by the DGS:

- A. **Sustainable Sourcing:** The city shall prioritize the procurement of goods and services that are produced, manufactured, and sourced in a sustainable and environmentally responsible manner.
- B. **Energy Efficiency:** The city shall give preference to products and services that are energy-efficient and contribute to the reduction of greenhouse gas emissions.
- C. **Resource Conservation:** The city shall seek products and services that promote resource conservation, including the use of recycled, reused, or remanufactured materials whenever possible.
- D. **Pollution Prevention:** The city shall prioritize goods and services that minimize or eliminate the release of hazardous substances and pollutants into the environment.
- E. **Local Sourcing:** Whenever feasible and cost-effective, the City shall support local businesses and communities by procuring goods and services from local suppliers.

PROCUREMENT PROCESS

- A. **Needs Assessment:** Prior to initiating any procurement, departments shall assess their needs and consider if environmentally preferable options are available.
- B. **Vendor Selection:** Departments shall evaluate potential vendors based on their commitment to EPP principles and their ability to provide environmentally preferable products and services.
- C. **Cost-Effectiveness:** While promoting EPP, departments must ensure that the selected goods and services remain cost-effective and meet the City's budgetary constraints.
- D. **Documentation:** All procurement decisions and justifications for selecting vendors and products based on EPP principles shall be documented and maintained for auditing purposes and will follow the Record Keeping practices as outlined in this Policy.

COMPLIANCE AND MONITORING

- A. Reporting and Record Keeping: Departments shall report their EPP efforts regularly to the City Manager's Office.
- B. Auditing: The City shall periodically conduct audits to ensure compliance with this policy and make improvements where necessary.

EDUCATION AND TRAINING

The City of Clayton shall provide education and training opportunities to employees involved in the procurement process to ensure a comprehensive understanding of EPP principles and their application.

EXCEPTIONS

Exceptions to this policy may be granted on a case-by-case basis by the City Manager, or his or her designee, when compliance is not feasible due to specific circumstances.

REVIEW AND REVISION

This Purchasing Policy shall be reviewed periodically to assess its effectiveness and relevance. The policy shall be revised as necessary to align with evolving EPP guidelines and best practices.

IMPLEMENTATION

This policy shall take effect immediately upon approval and shall be communicated to all staff of the City of Clayton.

SPECIFICATIONS

A. Source Reduction

1. The City of Clayton shall institute practices that reduce waste and result in the purchase of fewer products whenever practicable and cost-effective, but without reducing safety or workplace quality.
2. The City of Clayton shall purchase remanufactured products such as laser toner cartridges, tires, furniture, equipment and automotive parts whenever practicable, but without reducing safety, quality or effectiveness.
3. The City of Clayton shall require all equipment bought after the adoption of this policy to be compatible with source reduction goals as referred to in this section, when practicable.

4. All purchasers shall consider short-term and long-term costs in comparing product alternatives, when feasible. This includes evaluation of total costs expected during the time a product is owned, including, but not limited to, acquisition, extended warranties, operation, supplies, maintenance, disposal costs and expected lifetime compared to other alternatives.
5. Products that are durable, long lasting, reusable or refillable are preferred whenever feasible.
6. The City requests vendors to eliminate packaging or use the minimum amount necessary for product protection, to the greatest extent practicable.
7. Packaging that is reusable, recyclable or compostable is preferred, when suitable uses and programs exist.
8. Vendors shall be encouraged to take back and reuse pallets and packaging materials.
9. Suppliers of electronic equipment, including but not limited to computers, monitors, printers, and copiers, shall be required to take back equipment for reuse or environmentally safe recycling when the City discards or replaces such equipment, whenever possible.

B. Recycled Content Products

1. All products for which the United States Environmental Protection Agency (U.S. EPA) has established minimum recycled content standard guidelines, such as those for printing paper, office paper, janitorial paper, construction, landscaping, parks and recreation, transportation, vehicles, miscellaneous, and non-paper office products, shall contain the highest postconsumer content practicable, but no less than the minimum recycled content standards established by the U.S. EPA Guidelines.
2. Consistent with Public Contracting Code 22150, if fitness, quality, and price of Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper are equal to that of non-recycled items, all departments and divisions of the City shall purchase Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper, as defined in the Definitions section of this Policy, whenever available at the same or a lesser total cost than non-recycled items, consistent with the requirements of the Public Contracts Code, Sections 22150 through 22154 and Sections 12200 and 12209, as they may be amended from time to time.

3. All Paper Products and Printing and Writing Paper shall be eligible to be labeled with an unqualified recyclable label as defined in Title 16 Code of Federal Regulations Section 260.12 (2013).
4. Records must be maintained by the City of all Paper Products and Printing and Writing Paper purchases on a schedule to be determined by the City Manager, or his or her designee, and not less than annually (both recycled-content and non-recycled content, if any is purchased) for all purchases made by a division or department or employee of the City.
5. All vendors that provide Paper Products (including janitorial Paper Products) and Printing and Writing Paper to the City shall:
 - a. Provide Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper, as defined in the Definitions section of this Policy, if fitness and quality are equal to that of non-recycled item, and the product is available at equal or lesser price.
 - b. Certify in writing the minimum percentage of postconsumer material in the Paper Products and Printing and Writing Paper offered or sold to the City. This certification requirement may be waived if the percentage of postconsumer material in the Paper Products and/or Printing and Writing Paper can be verified by a product label, catalog, invoice, or a manufacturer or vendor internet website.
 - c. Only provide Paper Products and Printing and Writing Papers that meet Federal Trade Commission Recyclability standard as defined in Title 16 Code of Federal Regulations Section 260.12 (2013) (relating to correct labeling and marketing of products).
 - d. Provide records to the Purchaser for all Paper Products and Printing and Writing Paper on a schedule to be determined by the City Manager, or his or her designee.
 - e. All vendors providing printing services to the City via a printing contract or written agreement, shall use Printing and Writing Paper that consists of at least thirty percent (30%), by fiber weight, postconsumer fiber, if fitness and quality are equal to that of non-recycled item, and the product is available at equal or lesser price, or as amended by Public Contract Code Section 12209.
6. Copiers and printers bought shall be compatible with the use of recycled content products.

7. When specifying asphalt concrete, aggregate base or portland cement concrete for road construction projects, the City shall use recycled, reusable, or reground materials when practicable.
8. The City shall specify and purchase recycled content transportation products, including signs, cones, parking stops, delineators, and barricades when practicable.

C. Gas and Oil Procurement

1. For Renewable Gas procurement (used for fuel for transportation, electricity, or heating applications), the City shall:
 - a. Procure Renewable Gas made from recovered Organic Waste for transportation fuel, electricity, and heating applications to the degree that it is appropriate and available for the City.
 - b. Keep records in the same manner indicated in the Record Keeping section of this Policy for the amount of Renewable Gas procured and used by the City, including the general procurement record information specified in the Record Keeping section of this Policy, and ensure documentation is on file in the central filing location and on a schedule as determined by the City Manager, or his or her designee, and not less than annually.
2. Per California Public Contract Code, Section. 10409, the City shall purchase re-refined lubricating and industrial oil for use in its vehicles and other equipment, as long as it is certified by the American Petroleum Institute (API) as appropriate for use in such equipment.

D. Energy and Water Savings

1. Where applicable and practicable, energy-efficient equipment shall be purchased with the most up-to-date energy efficiency functions. This includes, but is not limited to, high efficiency space heating systems and high efficiency space cooling equipment.
2. When practicable, the City shall replace inefficient lighting with energy- efficient equipment.
3. All products purchased by the City and for which the U. S. EPA Energy Star certification is available shall meet Energy Star certification, when practicable. When Energy Star labels are not available, purchasing agents shall choose energy-efficient products that are in the upper 25% of energy efficiency as designated by the Federal Energy Management Program (FEMA).

4. The City shall purchase water-saving products whenever practicable.

E. Green Building - Construction and Renovations

1. All building and renovations undertaken by the City shall follow Green Building Practices for design, construction, and operation, where appropriate, as described in the LEED™ Rating System, meet California Green Building Standards Code, Part 11, Title 24, California Code of Regulations (CalGreen) and California's Model Water Efficient Landscape Ordinance (MWELO) requirements. Building and landscaping products, purchases, and use by the City shall be consistent with CalGreen and MWELO requirements.

F. Landscaping

1. All landscape renovations, construction and maintenance by the City, including workers and contractors providing landscaping services for the City, shall employ sustainable landscape management techniques for design, construction, and maintenance whenever possible, including, but not limited to, integrated pest management, grasscycling, drip irrigation, composting, and procurement and use of mulch and compost.

2. The City, including through its Direct Service Providers, will make every effort to meet its annual procurement target for Recovered Organic Waste Products as determined by the State. Periodically, the City shall distribute information to City Staff on the Procurement target and specific products that meet SB 1383 procurement requirements. Divisions and departments responsible for landscaping maintenance, compost giveaways or other types of compost distribution shall:

a. Use SB 1383 Eligible Compost and SB 1383 Eligible Mulch produced from recovered Organic Waste, as defined in the Definitions section of this Policy, for landscaping maintenance as practicable, whenever available, and capable of meeting quality standards and criteria specified.

b. Ensure that SB 1383 Eligible Mulch producers annually certify that the mulch meets the definition contained in the Definitions section of this Policy through the following:

- i. Copy of operation or facility permit or authorization; and
- ii. Copy of laboratory results confirming the mulch meets or exceeds the physical contamination, maximum metal concentration, and pathogen density standards for land application specified in 14 CCR Section 17852(a)(24.5)(A) 1 through 3.

Failure to provide the applicable certification documents on an annual basis or at the request of the City will result in the mulch no longer being eligible as a recovered organic waste product under this procurement policy.

3. Keep records, including invoices or proof of Recovered Organic Waste Product procurement (either through purchase or acquisition), and submit records to the City Manager, or his or her designee, either directly or via a centralized file location on a schedule to be determined by City Manager, or his or her designee, and not less than annually. General Procurement Records shall include:
 - a. General description of how and where the product was used and applied, if applicable;
 - b. Source of product, including name, physical location, and contact information for each entity, operation, or facility from whom the Recovered Organic Waste Products were procured;
 - c. Type of product;
 - d. Quantity of each product; and,
 - e. Invoice or other record demonstrating purchase or procurement.
4. For Compost and SB 1383 Eligible Mulch provided to residents through giveaway events or other types of distribution methods, keep records of the Compost and SB 1383 Eligible Mulch provided to residents. Records shall be maintained and submitted to the City Manager, or his or her designee, either directly or via a centralized file location in accordance with the requirements specified in the Record Keeping section of this Policy.
5. When a Direct Service Provider for the City procures compost or mulch, the City will enter into a written contract or agreement, or execute a purchase order between the City and Direct Service Provider with enforceable provisions that include:
 - a. Definitions and specifications for SB 1383 Eligible Mulch, Compost, Renewable Gas, and/or Electricity Procured from Biomass Conversion; and,
 - b. An enforcement mechanism (e.g., termination, liquidated damages) in the event the Direct Service Provider is not compliant with the requirements.
6. Ensure that projects subject to California's MWELO that will be used to meet the annual recovered organic waste product procurement target comply with CCR Title 23, Division 2, Chapter 2.7, Sections 492.6 (a)(3)(B), (C), (D), and (G).
7. Plants should be selected to minimize waste by choosing species for purchase that are appropriate to the microclimate, species that can grow to their natural

size in the space allotted them, and perennials rather than annuals for color when practicable. Native and drought-tolerant plants that require no or minimal watering once established are preferred.

8. Hardscapes and landscape structures constructed of recycled content materials are encouraged. The City shall limit the amount of impervious surfaces in the landscape, wherever practicable. Permeable substitutes, such as permeable asphalt or pavers, are encouraged for walkways, patios, and driveways.

G. Toxics and Pollution

1. To the extent practicable, no cleaning or disinfecting products (i.e., for janitorial or automotive use) shall contain ingredients that are carcinogens, mutagens, or teratogens. These include chemicals listed by the U.S. E.P.A. or the National Institute for Occupational Safety and Health on the Toxics Release Inventory and those listed under Proposition 65 by the California Office of Environmental Health Hazard Assessment.
2. The use of chlorofluorocarbon-containing refrigerants, solvents and other products shall be phased out and new purchases shall not contain them.
3. All surfactants and detergents shall be readily biodegradable and, where practicable, shall not contain phosphates.
4. When maintaining buildings and landscapes, the City shall manage pest problems through prevention and physical, mechanical and biological controls where practicable. The City may implement pest management practices using the least toxic pest control as a last resort.
5. When maintaining buildings, the City shall use products with the lowest amount of volatile organic compounds (VOCs), highest recycled content, and low or no formaldehyde when purchasing materials such as paint, carpeting, adhesives, furniture and casework as practicable.
6. The City shall reduce or eliminate its use of products that contribute to the formation of dioxins and furans. This includes, but is not limited to:
 - a. Purchasing paper, paper products, and janitorial paper products that are unbleached or that are processed without chlorine or chlorine derivatives, whenever possible.
 - b. Prohibiting purchase of products that use polyvinyl chloride (PVC) such as, but not limited to, office binders, furniture, flooring, and medical supplies whenever practicable.
7. The City shall purchase products and equipment with no lead or mercury whenever possible. For products that contain lead or mercury, the City shall

give preference to those products with lower quantities of these metals and to vendors with established lead and mercury recovery programs.

8. When replacing vehicles, the City shall consider less-polluting alternatives to diesel such as compressed natural gas, renewable natural gas (RNG), biobased fuels, hybrids, electric batteries, and fuel cells, as available.

H. Forest Conservation

1. To the greatest extent practicable, the City shall not procure wood products such as lumber and paper that originate from forests harvested in an environmentally unsustainable manner. When possible, the City shall give preference to wood products that are certified to be sustainably harvested by a comprehensive, performance-based certification system.

I. Agricultural Bio-Based Products

1. Vehicle fuels made from non-wood, plant-based contents such as vegetable oils are encouraged whenever practicable.
2. Paper, paper products and construction products made from non-wood, plant-based contents such as agricultural crops and residues are encouraged whenever practicable.

J. Record Keeping

1. Each purchasing agent is responsible to provide documentation required by SB 1383 directly to the City Manager, or his or her designee, or to file required documentation of purchases subject to SB 1383 in the centralized file location as designated by the City Manager, or his or her designee. The City Manager, or his or her designee, will be responsible for monitoring and reporting functions related to record-keeping pertaining to Procurement of Recovered Organic Waste Products, Recycled-Content Paper Products, and Recycled-Content Printing and Writing Paper. The City Manager, or his or her designee, will do the following to track Procurement of Recovered Organic Waste Products, Recycled-Content Paper Products, and Recycled-Content Printing and Writing Paper:
 - a. Ensure the centralized file location designated by the City Manager, or his or her designee, includes electronic copies of invoices or receipts (paper copies shall be scanned to the designated file location) or other proof of purchase that describe the procurement of Printing and Writing Paper and Paper Products, including the volume and type of all paper purchases; and, copies of certifications and other required verifications from all departments and/or divisions procuring Paper Products and Printing and Writing Paper (whether or not they contain recycled content)

and/or from the vendors providing Printing and Writing Paper and Paper Products. These records must be kept as part of the City's documentation of its compliance with 14 CCR Section 18993.3.

- i. If non-Recycled-Content Paper Products and/or non-Recycled-Content Printing and Writing Paper are provided, include a description of why Recycled-Content Paper Products and/or Recycled-Content Printing and Writing Paper were not purchased.
- b. Collect and collate copies of invoices or receipts or documentation evidencing procurement from all departments and divisions procuring Recovered Organic Waste Products and invoices or similar records from vendors/contractors/others procuring Recovered Organic Waste Products on behalf of the City to develop evidence of the City meeting its Annual Recovered Organic Waste Product Procurement Target. These records must be kept as part of the City's documentation of its compliance with 14 CCR Section 18993.1.
- c. Collect, collate, and maintain documentation submitted by the City's Direct Service Providers, and/or vendors.
- d. As required, compile data and report on the City's direct procurement, and vendor/other procurement on behalf of the City, of Recovered Organic Waste Products, Recycled-Content Paper Products, and Recycled-Content Printing and Writing Paper, consistent with the requirements for Recycled-Content Paper Products and Recycled-Content Printing and Writing Paper procurement.

**You Are Cordially Invited To Join Us
In Celebration Of
CITY OF CLAYTON'S 60TH ANNIVERSARY**



**March 5, 2024 - 6:30 p.m.
Clayton City Council Meeting**

Hoyer Hall, 6125 Clayton Road (Inside of Library)

A Proclamation will be read
Announcing our 60th Incorporation Anniversary

REFRESHMENTS WILL BE SERVED