



AGENDA

February 12, 2025

CITY OF CITRUS HEIGHTS CITY COUNCIL

6:00 PM REGULAR MEETING
City Hall Council Chambers

6360 Fountain Square Drive, Citrus Heights, CA

HOW TO PARTICIPATE:

The City of Citrus Heights welcomes your interest and involvement in the City's legislative process. The Council may take up any agenda item at any time, regardless of the order listed. If you wish to address the Council during the meeting, please fill out a Speaker Identification Sheet and give it to the City Clerk. When you are called upon to speak, step forward to the podium and state your name for the record. Normally speakers are limited to five minutes each with 30 minutes being allowed for all comments. Any public comments beyond the initial 30 minutes may be heard at the conclusion of the agenda. The Mayor has the discretion to lengthen or shorten the allotted times. Alternatively, you may submit your comment by 4:00 p.m. on the meeting day by completion of an online Speaker Card at <https://www.citrusheights.net/FormCenter/City-Council-Meetings-Speaker-Card-30>. Written public comments shall be limited to 250 words or less. Each comment will be read aloud by the City Clerk.

Any writings or documents provided to a majority of the City Council regarding any item on this agenda will be made available for public inspection during normal business hours at City Hall, located at 6360 Fountain Square Drive. Audio / Visual presentation material must be provided to the City Clerk's Office at least 48 hours prior to the meeting. Email subscriptions of the agenda are available online by signing up with the City's [Notify Me](#) service.

If you need a disability-related modification or accommodation, to participate in this meeting, please contact the City Clerk's Office 916-725-2448, cityclerk@citrusheights.net, or City Hall 6360 Fountain Square Drive at least 48 hours prior to the meeting. TDD: California Relay Service 7-1-1

February 12, 2025 City Council Agenda Packet

Documents:

02-12-25 REGULAR COUNCIL AGENDA PACKET.PDF

CALL REGULAR MEETING TO ORDER

1. Flag Salute

2. Roll Call: Council Members: Middleton, Nelson, Schaefer, Lopez - Taff, Karpinski- Costa

3. Video Statement

APPROVAL OF AGENDA

PRESENTATIONS

4. Proclamation Of The City Of Citrus Heights Recognizing February As Black History Month

PUBLIC COMMENT

Members of the public are entitled to address the City Council concerning any item within the City Council's subject matter jurisdiction. Pursuant to the Brown Act, the City Council is prohibited from discussing or acting on any item raised during "Public Comment" not appearing on the posted agenda.

COMMENTS BY COUNCIL MEMBERS AND REGIONAL BOARD UPDATES

CONSENT CALENDAR

It is recommended that all consent items be acted on simultaneously unless separate discussion and/or action are requested by a Council Member.

5. SUBJECT: Approval Of Minutes

RECOMMENDATION: Approve the Minutes of the Meeting of January 22, 2025

6. SUBJECT: Quarterly Treasurer's Report

STAFF REPORT: S. Talwar / A. Preciado

RECOMMENDATION: Receive and file the Quarterly Treasurer's Report for the quarter ending December 31, 2024

7. SUBJECT Approval Of Investment Policy Updates

STAFF REPORT: S. Talwar / A. Preciado

RECOMMENDATION: Adopt Resolution No. 2025- _____, A Resolution of the City Council of the City of Citrus Heights, California, Approving the Investment Policy and Delegating Authority to the Administrative Services Director to Invest Funds in Accordance with the Investment Policy

REGULAR CALENDAR

10. SUBJECT: Adoption Of The 2025-2027 Economic Development Work Plan As Policy And Approval Of The Business Attraction Incentive Program Guidelines And Small Business Design Support Program Guidelines

STAFF REPORT: M. Huber

RECOMMENDATION: Adopt Resolution No. 2025- _____, A Resolution of the City Council of the City of Citrus Heights, California, Adopting the 2025-2027 Economic Development Work Plan as Policy and Approving the Business Attraction Incentive Program Guidelines and the Small Business Design Support Program Guidelines

11. SUBJECT: Mediation Services To Resolve Neighbor To Neighbor Disputes

STAFF REPORT: K. Kompansar / N. Piva / A. Turcotte / K. Frey

RECOMMENDATION: Receive a staff presentation on mediation options and provide feedback and direction on using mediation services

DEPARTMENT REPORTS

CITY MANAGER ITEMS

ITEMS REQUESTED BY COUNCIL MEMBERS / FUTURE AGENDA ITEMS

ADJOURNMENT

**CITY OF CITRUS HEIGHTS
 CITY COUNCIL
 Regular Meeting of Wednesday, February 12, 2025
 City Hall Council Chambers, 6360 Fountain Square Dr., Citrus Heights, CA
 Regular Meeting 6:00 p.m.**

HOW TO PARTICIPATE:

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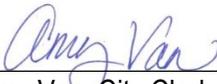
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The City provides three ways to watch a City Council meeting.

IN PERSON	ONLINE	ON TELEVISION
 City Council meetings take place in the City Hall Council Chambers.	 Watch the livestream and replay past meetings on the City website .	 Watch live and replays of meetings on Sac Metro Cable, Channel 14.

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February 7, 2025



 Amy Van, City Clerk

REGULAR CITY COUNCIL MEETING
6:00 PM

CALL REGULAR MEETING TO ORDER

1. Flag Salute
2. Roll Call: Council Members: Middleton, Nelson, Schaefer, Lopez-Taff, Karpinski-Costa
3. Video Statement

APPROVAL OF AGENDA

PRESENTATIONS

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STAFF REPORT: S. Talwar / A. Preciado
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DEPARTMENT REPORTS

CITY MANAGER ITEMS

ITEMS REQUESTED BY COUNCIL MEMBERS / FUTURE AGENDA ITEMS

ADJOURNMENT

**CITY OF CITRUS HEIGHTS
CITY COUNCIL
MINUTES
Regular Meeting of Wednesday, January 22, 2025
City Hall Council Chambers
6360 Fountain Square Dr., Citrus Heights, CA**

CALL REGULAR MEETING TO ORDER

The regular meeting was called to order at 6:00 p.m. by Mayor Karpinski-Costa.

1. The Flag Salute was led by Girl Scout Troop 559.
2. Roll Call: Council Members present: Middleton, Nelson, Schaefer, Lopez-Taff, Karpinski-Costa
Council Members absent: None
Staff Members present: Feeney, Jones, Van and department directors.
3. The video statement was read by City Clerk Van.

APPROVAL OF AGENDA

ACTION: On a motion by Council Member Schaefer, seconded by Vice Mayor Lopez-Taff, the City Council approved the agenda.

AYES: Middleton, Nelson, Schaefer, Lopez-Taff, Karpinski-Costa
NOES: None
ABSENT: None

PRESENTATIONS

4. Recognition of Girl Scout Troop 559

Girl Scout Troop 559 Leader Sarah Bloom introduced the troop explained their efforts to earn their government badge by attending the meeting.

5. Presentation by Republic Services - Poster Contest Winners

Annah Rulon with Republic Services recognized the following student winners who submitted artwork for the annual Republic Services Calendar in partnership with the San Juan Unified School District and Citrus Heights schools: Andres P., Allison A., Dana H., Anastasiia K., Daniil R., Amelia P., Lea P., Kate N., Harper B., Zavanna B., Valeriia P., and Juannahlyn F.

PUBLIC COMMENT

David Shelton spoke on Sunrise Mall redevelopment, neighborhood watch, and Problem Oriented Policing (POP) initiatives. He stated we need to have neighborhoods contribute to the planning of the new mall look and we do not need many fast-food kiosks. He said his Parkoaks Neighborhood Area 5 had 18 people attend the January 16 meeting with discussion of the Neighborhood Clean Up program.

Mellisa Hayden expressed concerns about 311 reporting issues related to stray animals.

David Warren spoke on fire hydrant maintenance and infrastructure concerns in the city.

Ethan Conrad provided an update on the Sunrise Tomorrow Specific Plan Amendment request. He stated based on the delays relative to meeting with the neighborhood associations, they have requested a postponement of the Sunrise Tomorrow Specific Plan Amendment. He is hopeful they will be ready to present at the February 26 Council meeting.

Debbie Naiman voiced concerns over the uncertain future of Sunrise Mall and the Macy's closure.

COMMENTS BY COUNCIL MEMBERS AND REGIONAL BOARD UPDATES

Council Member Nelson attended the CHANT neighborhood meeting. She previewed Kaiser's PACE Center in the Arden area. She attended the Sacramento Association of Realtor's installation event.

Council Member Schaefer provided a report from the Regional Transit Board meeting. He attended the Arcade Creek neighborhood meeting. He provided a report from the Sacramento Area Council of Government Board meeting.

Vice Mayor Lopez-Taff provided a report from the Sacramento Metropolitan Cable Commission meeting. She attended the CHASEN neighborhood meeting.

Mayor Karpinski-Costa attended the Sacramento Criminal Justice Cabinet meeting. She was in San Diego last week to accept an award on behalf of the Sacramento Area Sewer District for the Echo Water Project. She provided an update from the Sacramento-Yolo Mosquito & Vector Control District. She attended the Citrus Heights Chamber Luncheon.

CONSENT CALENDAR

6. **SUBJECT:** Approval of Minutes
RECOMMENDATION: Approve the Minutes of the Meeting of January 8, 2025
7. **SUBJECT:** Utility Locating and Marking Services Project GS 24-14 Professional Services Contract Award
STAFF REPORT: R. Cave / M. Poole
RECOMMENDATION: Adopt Resolution No. 2025-006 A Resolution of the City Council of the City of Citrus Heights, California, Authorizing the City Manager to Execute a Professional Services Agreement with National Utility Locators LLC for Utility Locating and Marking Services
8. **SUBJECT:** Transportation Development Act (TDA) Funding Claim Authorization
STAFF REPORT: R. Cave / M. Poole
RECOMMENDATION: Adopt Resolution No. 2025-007 A Resolution of the City Council of the City of Citrus Heights, California, Authorizing the City to Claim Its Transportation Development Act (TDA) Funds for Fiscal Years 23-24 and 24-25 and Any Revised Apportionments for Previous Years

ACTION: On a motion by Mayor Karpinski-Costa, seconded by Council Member Schaefer, the City Council adopted Consent Calendar Items 6, 7 and 8.

AYES: Middleton, Nelson, Schaefer, Lopez-Taff, Karpinski-Costa
NOES: None
ABSENT: None

DEPARTMENT REPORTS

None.

CITY MANAGER ITEMS

City Manager Feeney provided an update on the Auburn Boulevard Complete Streets Phase 2 project. He announced the Firefighter's Fill the Boot for Burns Safety Fair on February 8, 2025. He also provided an update on the demolition of a longstanding code enforcement issue on Cherry Glen.

ITEMS REQUESTED BY COUNCIL MEMBERS / FUTURE AGENDA ITEMS

None.

Mayor Karpinski-Costa adjourned to closed session.

CLOSED SESSION

9. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION
Initiation of Litigation Pursuant to Government Code 54956.9(d)(4) (1 case)

The City Council, City Manager Feeney and City Attorney Jones participated in closed session Item 9.

10. PUBLIC EMPLOYEE ANNUAL PERFORMANCE EVALUATION
Pursuant to California Government Code Section 54957
Title: City Manager

The City Council and City Attorney Jones participated in closed session Item 10.

REPORT OUT OF CLOSED SESSION

There was no reportable action from closed session.

ADJOURNMENT

Mayor Karpinski-Costa adjourned the regular meeting at 8:11 p.m.

Respectfully submitted,

Amy Van, City Clerk



CITY OF CITRUS HEIGHTS

CITY COUNCIL STAFF REPORT MEMORANDUM

DATE: February 12, 2025

TO: Mayor and City Council Members
Ashley J. Feeney, City Manager

FROM: Susan K. Talwar, Administrative Services Director
Alberto Preciado, Finance Manager

SUBJECT: **Quarterly Treasurer's Report**

Summary and Recommendation

Staff recommends the City Council receive and file the Quarterly Treasurer's Report for the quarter ending December 31, 2024. This report is a standard quarterly report submitted in accordance with the provisions of California Government Code Section 53646(b) whereas it states the treasurer or chief fiscal officer may render a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency.

Fiscal Impact

There is no fiscal impact associated with this action. The attached report is for informational purposes on the effects of current market conditions on the City's investment portfolio.

Background and Analysis

The market value of cash and investments for all City funds on December 31, 2024, was \$52,310,077, down from \$62,758,089 on September 30, 2024. The decrease is mainly due to large payments related to construction projects, including the Auburn Boulevard project, payment of the City's insurance premiums, and the purchase of the Old Auburn property.

Significant deposits for the FY 2024/25 second quarter (October through December 2024) included:

CalTrans Grant Reimbursements – Auburn Blvd, Arcade Creek, etc.	\$3,549,820
Sales Tax	\$3,176,488
STA – Measure A Allocation	\$1,125,737

The breakdown of the City's investment portfolio and current rate of return is as follows:

Subject: Quarterly Treasurer's Report

Date: February 12, 2025

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Description	As of 12/31/2024				
	Par Value	Cost Basis	Fair Value	Avg. Rate of Return	% of Total Portfolio
US Bank – General Account	\$2,788,110	\$2,788,110	\$2,788,110	0.00%	5.33%
Local Agency Investment Funds (LAIF)	\$8,451,740	\$8,451,740	\$8,448,545	4.48%	16.15%
California Asset Management Program (CAMP)	\$30,386,348	\$30,386,348	\$30,386,348	4.88%	58.09%
Investment Accounts	\$10,753,149	\$10,695,538	10,687,074	4.51%	20.43%
Total Portfolio	\$52,379,347	\$52,321,736	\$52,310,077	4.48%	

A portion of the City's investments are under management by Chandler Asset Management (Investment Manager) as of March 2023. For more information regarding the City's investments under management, see schedules included as Attachment 1.

The report includes all securities managed by the City and its Investment Manager (excluding bond proceeds) and provides information on the values (par, fair, and cost), term, and yield of each security. Of note, because the safe-keeping custodian and the Investment Manager may use different pricing sources to determine the market value of the securities, there can be minor differences in fair values shown on the custodian's monthly statement as compared to the Investment Manager's monthly statement.

Fair Value of individual securities has been provided by Chandler Asset Management. The City uses US Bank as its third-party custodian for safekeeping of all investments except for the Local Agency Investment Fund (LAIF) and the California Asset Management Program (CAMP). LAIF is a money market fund administered by the State Treasurer that has many governmental agency participants and holds securities through its own administrator.

In July 2024, the City joined the California Asset Management Program (CAMP). CAMP is a California Joint Powers Authority (JPA), a government agency that was established in 1989 to provide public agencies in California with professional investment services and options. CAMP is governed by a Board of Trustees comprised of experienced local government finance directors and treasurers. The City has invested funds in the CAMP Pool, a stable net asset value investment rated AAAM by S&P Global. The CAMP Pool offers same-day liquidity similar to LAIF. Investments in the CAMP Pool are permitted under California Government Code Section 53601(p) and the City's Investment Policy.

The value of fixed-income securities may fluctuate with changes in interest rates. As interest rates go up, the fair value of the securities may go down, and the reverse is true; when interest rates go down, the market value of the securities may go up. The difference between the book and fair market value is considered an unrealized gain or loss. The unrealized loss for this reporting period is \$11,659. It is important to note that a loss or gain is realized when an investment is redeemed or sold before its maturity date. The City's investments are typically retained until the maturity date, at which point the City's full investment is returned. Nonetheless, the City may elect to sell an investment before its maturity and record a capital gain

Subject: Quarterly Treasurer's Report

Date: February 12, 2025

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or loss to manage the portfolio's quality, liquidity or yield in response to market conditions or the City's risk preferences.

Compliance

All investment transactions were executed in accordance with the California Government Code and the City's Investment Policy. In accordance with California Government Code section 53646(b)(3), staff believes that the investments and budgeted revenues for the City will provide sufficient cash flow to meet the anticipated cash flow requirements of each entity for the next six months.

Pooled cash and investment book balances are adjusted annually to reflect fair value as required by Generally Accepted Accounting Principles (GAAP). The term fair value was formerly known as market value and became effective with the mandatory implementation of the Governmental Accounting Standards Board (GASB) Statement No. 31 in fiscal year 1998. The CAMP Pool complies with requirements outlined by GASB Statement No. 79, which allow the City to record its investment at amortized cost instead of fair value. The attached investment schedules meet all applicable GASB requirements.

American Rescue Plan Act Summary

Included in the City's investment portfolio are the American Rescue Plan Act (ARPA) funds. The City received an ARPA allocation of \$15.7 million of which the total funds used by end of December 2024 were \$11.2 million. As of December 31, 2024, all funds have been obligated and reported to the US Treasury. The remaining funds need to be expended by December 31, 2026.

At the August 14, 2024, City Council meeting, Council approved the allocation of the remaining funds towards general government services and critical projects. The remaining balance of uncommitted funds will be allocated pursuant to the Council action from August 14th. This will be reflected on the December 31, 2024 Treasurer's Report in accordance with the US Treasury guidelines. General government services and critical projects include but are not limited to necessary improvements to infrastructure such as sidewalks, pedestrian safety features like crosswalks, streetlights, neighborhood cleanup, and other projects to revitalize public spaces; replace and update technology tools to effectively develop, execute, and evaluate government programs; and general government services such as rehire public safety to pre-pandemic levels.

Subject: Quarterly Treasurer’s Report

Date: February 12, 2025

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				Total Award	\$ 15,676,972
Completed Projects					Actual
Small Business COVID Recovery Grant				\$	281,111
Block Party Trailer - Economic Development+				\$	27,794
Patriotic Event+				\$	68,438
Proposed Grant Strategy+				\$	60,000
Police Fleet Vehicles & Equipment				\$	1,800,000
Community Projects Grant Program**+				\$	72,400
Cares Community Pride and Cleanliness Campaign+				\$	38,607
Sound Wall Beautification+				\$	105,986
In Process Projects				Committed	Actual thru
				12/31/24	Remaining
				balance	
Beautification Crew Pilot Program +	\$	875,000	\$	427,962	\$ 447,038
Business Attraction Incentive Program**+	\$	87,363	\$	67,363	\$ 20,000
Public Safety Communications Center Critical Needs	\$	600,000	\$	284,292	\$ 315,708
I.T. Critical, Major Projects; Execute Contract Tyler Technologies+	\$	1,229,601	\$	1,179,825	\$ 49,776
Public Safety Positions to PrePandemic Levels	\$	7,749,590	\$	7,432,665	\$ 316,925
General Government Services & Critical Projects	\$	2,681,082	\$	852,117	\$ 1,828,965
				Committed funds	\$ 15,676,972
				Spent	\$ 12,698,560
				Remaining Committed	\$ 2,978,412
				Current Balance	\$ - Funds to allocate/reallocate
+ City Council Strategic Objective					
** dependent on program subscription					

Attachments

1. Chandler Asset Management Portfolio Summary, Statement of Compliance, and Holdings Report

Portfolio Summary

10/01/2024 - 12/31/2024

[Return to Table of Contents](#)
City of Citrus Heights (353053)

Dated: 02/05/2025

Portfolio Characteristics	
	<i>Portfolio</i>
Average Modified Duration	1.80
Average Coupon Rate*	4.183
Average Purchase YTM	4.50
Average Market YTM	4.43
Average Credit Quality	AA+
Average Final Maturity	2.22
Average Life	1.86

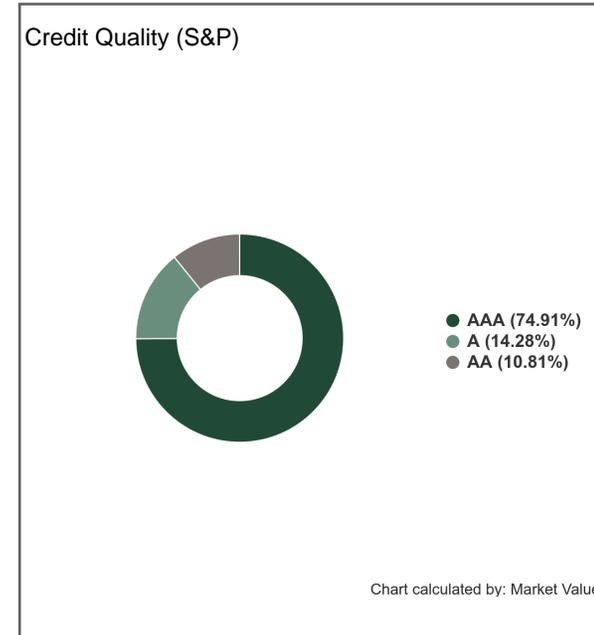
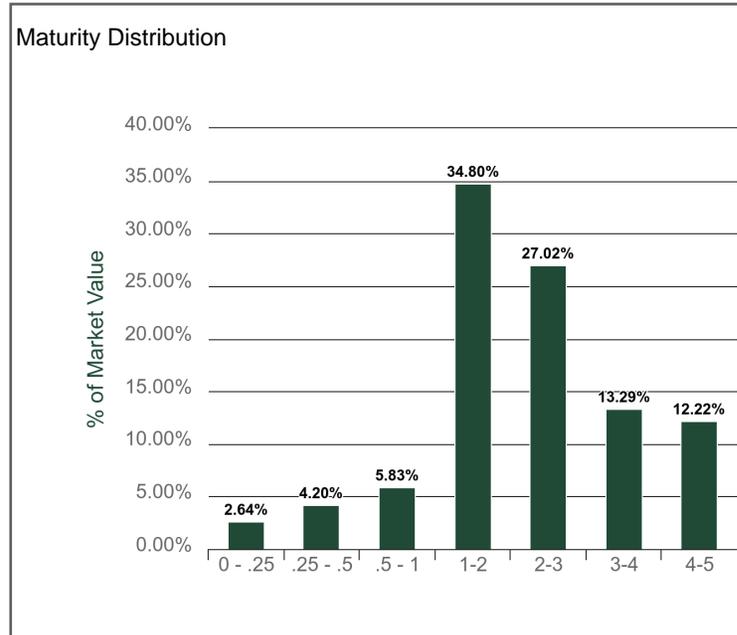
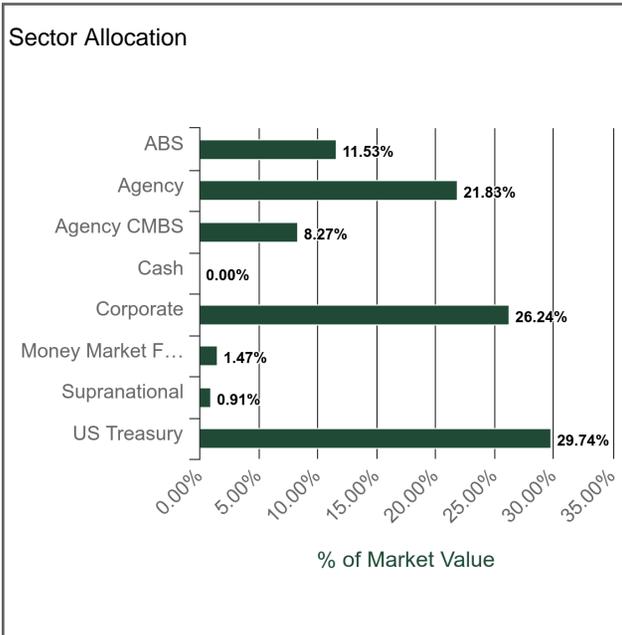
Footnote: 1

Account Summary	
	<i>Portfolio</i>
Beginning Market Value	10,686,167.42
Ending Market Value	10,687,074.21
Beginning Accrued Balance	93,821.59
Ending Accrued Balance	87,260.50
Beginning Total Market Value	10,779,989.01
Ending Total Market Value	10,774,334.71
Beginning Current Par	10,636,733.37
Ending Current Par	10,753,148.70
Beginning Book Value	10,572,347.88
Ending Book Value	10,695,538.47
Beginning Original Cost	10,535,601.26
Ending Original Cost	10,655,896.23

Footnotes: 2,3,4,5,6

Top Issuers	
<i>Issuer</i>	<i>% of Market Value</i>
Government of The United States	29.74%
Farm Credit System	12.44%
Federal Home Loan Banks	9.40%
FHLMC	8.27%
Chubb Limited	2.27%
John Deere Owner Trust	1.89%
Toyota Auto Receivables Owner Trust	1.88%
American Express Credit Master Trust	1.66%
First American Govt Oblig fund	1.47%
Bank of America Credit Card Trust	1.46%

Footnotes: 2,7,8



STATEMENT OF COMPLIANCE

City of Citrus Heights | Account #11026 | As of December 31, 2024

Rules Name	Limit	Actual	Compliance Status	Notes
AGENCY MORTGAGE SECURITIES (CMOS)				
Max % (MV)	100.0	8.3	Compliant	
Max % Issuer (MV)	30.0	8.2	Compliant	
Max Maturity (Years)	5.0	4.4	Compliant	
ASSET-BACKED SECURITIES (ABS)				
Max % (MV; Non Agency ABS & MBS)	20.0	11.5	Compliant	
Max % Issuer (MV)	5.0	1.9	Compliant	
Max Maturity (Years)	5	4	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
BANKERS' ACCEPTANCES				
Max % (MV)	40.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Days)	180	0.0	Compliant	
Min Rating (A-1 by 1 or A- by 1)	0.0	0.0	Compliant	
COLLATERALIZED TIME DEPOSITS (NON-NEGOTIABLE CD/TD)				
Max % (MV; FDIC & Collateralized CD)	20.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
COMMERCIAL PAPER				
Max % (MV)	25.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Days)	270	0.0	Compliant	
Min Rating (A-1 by 1 or A- by 1)	0.0	0.0	Compliant	
CORPORATE MEDIUM TERM NOTES				
Max % (MV)	30.0	26.2	Compliant	
Max % Issuer (MV)	5.0	2.3	Compliant	
Max Maturity (Years)	5	4	Compliant	
Min Rating (A- by 1)	0.0	0.0	Compliant	

STATEMENT OF COMPLIANCE

City of Citrus Heights | Account #11026 | As of December 31, 2024

Rules Name	Limit	Actual	Compliance Status	Notes
FDIC INSURED TIME DEPOSITS (NON-NEGOTIABLE CD/TD)				
Max % (MV; FDIC & Collateralized CD)	20.0	0.0	Compliant	
Max Maturity (Years)	5	0.0	Compliant	
FEDERAL AGENCIES				
Max % (MV)	100.0	21.8	Compliant	
Max % Issuer (MV)	30.0	12.5	Compliant	
Max Callables (MV)	20.0	0.0	Compliant	
Max Maturity (Years)	5	4	Compliant	
LOCAL AGENCY INVESTMENT FUND (LAIF)				
Max Concentration (MV)	75.0	0.0	Compliant	
LOCAL GOVERNMENT INVESTMENT POOL (LGIP)				
Max % (MV)	100.0	0.0	Compliant	
MONEY MARKET MUTUAL FUNDS				
Max % (MV)	20.0	1.5	Compliant	
Max % Issuer (MV)	20.0	1.5	Compliant	
Min Rating (AAA by 2)	0.0	0.0	Compliant	
MORTGAGE-BACKED SECURITIES (NON-AGENCY)				
Max % (MV)	20.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
Min Rating (AA by 1)	0.0	0.0	Compliant	
MUNICIPAL SECURITIES (CA, LOCAL AGENCY)				
Max % (MV)	30.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5	0.0	Compliant	
Min Rating (A- by 1)	0.0	0.0	Compliant	
MUNICIPAL SECURITIES (CA, OTHER STATES)				
Max % (MV)	30.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	

STATEMENT OF COMPLIANCE

City of Citrus Heights | Account #11026 | As of December 31, 2024

Rules Name	Limit	Actual	Compliance Status	Notes
Max Maturity (Years)	5	0.0	Compliant	
Min Rating (A- by 1)	0.0	0.0	Compliant	
MUTUAL FUNDS				
Max % (MV)	20.0	0.0	Compliant	
Max % Issuer (MV)	10.0	0.0	Compliant	
Min Rating (AAA by 2)	0.0	0.0	Compliant	
NEGOTIABLE CERTIFICATES OF DEPOSIT (NCD)				
Max % (MV)	30.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5	0.0	Compliant	
Min Rating (A-1 by 1 or A- by 1 if > FDIC Limit)	0.0	0.0	Compliant	
REPURCHASE AGREEMENTS				
Max Maturity (Years)	1.0	0.0	Compliant	
SUPRANATIONAL OBLIGATIONS				
Max % (MV)	30.0	0.9	Compliant	
Max % Issuer (MV)	10.0	0.9	Compliant	
Max Maturity (Years)	5	4	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
U.S. TREASURIES				
Max % (MV)	100.0	29.7	Compliant	
Max Maturity (Years)	5	4	Compliant	

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Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
ABS									
448979AD6	HART 2023-A A3 4.58 04/15/2027	46,932.23	04/04/2023 5.14%	46,927.64 46,929.66	100.03 4.57%	46,947.23 95.53	0.44% 17.57	NA/AAA AAA	2.29 0.57
36269WAD1	GMALT 2024-2 A3 5.39 07/20/2027	40,000.00	05/07/2024 5.85%	39,997.68 39,998.14	101.10 4.63%	40,440.02 65.88	0.38% 441.88	NA/AAA AAA	2.55 1.33
47800CAC0	JDOT 2023 A3 5.01 11/15/2027	100,000.00	04/17/2023 4.63%	101,019.53 100,534.27	100.45 4.51%	100,445.67 222.67	0.94% (88.60)	Aaa/NA AAA	2.87 0.81
58770JAD6	MBALT 2024-A A3 5.32 01/18/2028	25,000.00	05/17/2024 5.73%	24,997.08 24,997.57	101.19 4.64%	25,297.13 59.11	0.24% 299.56	Aaa/NA AAA	3.05 1.60
891941AD8	TAOT 2023-B A3 4.71 02/15/2028	200,000.00	10/03/2023 5.68%	196,039.06 197,176.46	100.31 4.46%	200,615.86 418.67	1.88% 3,439.40	Aaa/NA AAA	3.13 1.05
362583AD8	GMCAR 2023-2 A3 4.47 02/16/2028	35,000.00	04/04/2023 4.51%	34,999.04 34,999.39	100.00 4.51%	34,998.95 65.19	0.33% (0.43)	Aaa/AAA NA	3.13 0.81
05522RDF2	BACCT 2022-2 A 5.0 04/17/2028	100,000.00	04/18/2023 4.59%	101,093.75 100,413.56	100.51 4.44%	100,512.10 222.22	0.94% 98.54	Aaa/AAA NA	3.30 0.83
47787CAC7	JDOT 2023-C A3 5.48 05/15/2028	100,000.00	09/12/2023 5.40%	99,993.13 99,995.03	101.14 4.66%	101,140.00 243.56	0.95% 1,144.97	Aaa/NA AAA	3.37 1.28
438123AC5	HAROT 2023-4 A3 5.67 06/21/2028	150,000.00	12/07/2023 5.10%	152,244.13 151,618.21	101.59 4.55%	152,385.24 236.25	1.43% 767.03	Aaa/NA AAA	3.47 1.31
161571HT4	CHAIT 2023-1 A 5.16 09/15/2028	110,000.00	09/07/2023 5.17%	109,969.51 109,977.42	101.06 4.56%	111,165.89 252.27	1.04% 1,188.47	NR/AAA AAA	3.71 1.59
02582JKD1	AMXCA 2023-3 A 5.23 09/15/2028	175,000.00	09/12/2023 5.29%	174,992.18 174,994.20	101.28 4.49%	177,236.80 406.78	1.66% 2,242.60	NA/AAA AAA	3.71 1.59
448973AD9	HART 2024-A A3 4.99 02/15/2029	40,000.00	03/11/2024 5.05%	39,991.18 39,992.59	100.74 4.61%	40,296.92 88.71	0.38% 304.33	NA/AAA AAA	4.13 1.72
096919AD7	BMWOT 2024-A A3 5.18 02/26/2029	45,000.00	06/04/2024 5.24%	44,993.17 44,993.98	101.18 4.48%	45,530.93 38.85	0.43% 536.95	Aaa/AAA NA	4.16 1.55
05522RDJ4	BACCT 2024-1 A 4.93 05/15/2029	55,000.00	06/06/2024 4.93%	54,996.91 54,997.27	100.97 4.54%	55,531.55 120.51	0.52% 534.29	Aaa/AAA NA	4.37 2.19
Total ABS		1,221,932.23	5.19%	1,222,253.99 1,221,617.74	100.87 4.53%	1,232,544.29 2,536.19	11.53% 10,926.56	Aaa/AAA AAA	3.39 1.28

AGENCY

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Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
3130AWER7	FEDERAL HOME LOAN BANKS 4.625 06/06/2025	200,000.00	06/09/2023 4.67%	199,834.00 199,964.28	100.13 4.30%	200,261.97 642.36	1.87% 297.69	Aaa/AA+ AA+	0.43 0.42
3133EPW68	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.125 01/22/2026	200,000.00	01/24/2024 4.40%	198,980.00 199,459.18	99.77 4.35%	199,530.60 3,643.75	1.87% 71.42	Aaa/AA+ AA+	1.06 1.00
3133EPCR4	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.75 03/09/2026	375,000.00	-- 3.99%	382,886.25 378,150.63	100.52 4.29%	376,947.04 5,541.67	3.53% (1,203.59)	Aaa/AA+ AA+	1.19 1.13
3133EPHH1	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.0 04/28/2026	200,000.00	05/15/2023 3.85%	200,814.00 200,363.96	99.72 4.22%	199,437.46 1,400.00	1.87% (926.50)	Aaa/AA+ AA+	1.32 1.27
3133EPNG6	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.375 06/23/2026	250,000.00	06/22/2023 4.43%	249,630.00 249,818.38	100.14 4.28%	250,346.80 243.06	2.34% 528.42	Aaa/AA+ AA+	1.48 1.41
3130AXU63	FEDERAL HOME LOAN BANKS 4.625 11/17/2026	200,000.00	12/18/2023 4.23%	202,130.00 201,371.29	100.64 4.26%	201,282.90 1,130.56	1.88% (88.39)	Aaa/AA+ AA+	1.88 1.77
3130AXQL5	FEDERAL HOME LOAN BANKS 4.875 12/11/2026	200,000.00	02/05/2024 4.29%	203,068.00 202,093.56	101.13 4.26%	202,267.63 541.67	1.89% 174.07	Aaa/AA+ AA+	1.94 1.83
3130AVBC5	FEDERAL HOME LOAN BANKS 4.5 03/12/2027	200,000.00	04/04/2024 4.53%	199,826.00 199,870.03	100.41 4.30%	200,827.73 2,725.00	1.88% 957.70	Aaa/AA+ AA+	2.19 2.04
3133EP6K6	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.5 03/26/2027	100,000.00	03/25/2024 4.45%	100,145.00 100,107.79	100.50 4.26%	100,502.83 1,187.50	0.94% 395.04	Aaa/AA+ AA+	2.23 2.08
3130ATUS4	FEDERAL HOME LOAN BANKS 4.25 12/10/2027	200,000.00	05/15/2023 3.66%	204,924.00 203,165.64	99.86 4.30%	199,720.83 495.83	1.87% (3,444.81)	Aaa/AA+ AA+	2.94 2.73
3133ERDH1	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.75 04/30/2029	200,000.00	05/22/2024 4.50%	202,184.00 201,913.88	101.19 4.44%	202,382.80 1,609.72	1.89% 468.92	Aaa/AA+ AA+	4.33 3.85
Total Agency		2,325,000.00	4.25%	2,344,421.25 2,336,278.61	100.37 4.30%	2,333,508.57 19,161.11	21.83% (2,770.04)	Aaa/AA+ AA+	1.83 1.71

AGENCY CMBS									
3137BVZ82	FHMS K-063 A2 3.43 01/25/2027	150,000.00	06/07/2023 4.53%	144,544.92 146,934.40	97.83 4.53%	146,752.14 428.75	1.37% (182.26)	Aaa/AA+ AAA	2.07 1.82
3137FBBX3	FHMS K-068 A2 3.244 08/25/2027	100,000.00	06/08/2023 4.34%	95,808.59 97,385.23	96.67 4.57%	96,665.20 270.33	0.90% (720.03)	Aaa/AA+ AA+	2.65 2.42
3137FBU79	FHMS K-069 A2 3.187 09/25/2027	148,724.79	06/09/2023 4.41%	141,764.94 144,327.43	96.46 4.57%	143,458.03 394.99	1.34% (869.40)	Aaa/AAA AA+	2.73 2.48

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Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
3137FETNO	FHMS K-073 A2 3.35 01/25/2028	75,000.00	05/24/2023 4.27%	72,082.03 73,094.71	96.44 4.60%	72,332.98 209.38	0.68% (761.73)	Aaa/AA+ AAA	3.07 2.75
3137FG6X8	FHMS K-077 A2 3.85 05/25/2028	100,000.00	05/24/2023 4.24%	98,164.06 98,758.34	97.28 4.70%	97,281.30 320.83	0.91% (1,477.04)	Aaa/AA+ AAA	3.40 3.04
3137FKUP9	FHMS K-087 A2 3.771 12/25/2028	100,000.00	06/05/2024 4.70%	96,203.12 96,687.29	96.77 4.68%	96,765.09 314.25	0.91% 77.80	Aaa/AAA AA+	3.99 3.46
3137H5YC5	FHMS K-748 A2 2.26 01/25/2029	150,000.00	09/24/2024 3.79%	140,970.70 141,527.42	91.15 4.71%	136,731.33 282.50	1.28% (4,796.09)	Aaa/AA+ AAA	4.07 3.71
3137FMCR1	FHMS K-093 A2 2.982 05/25/2029	100,000.00	09/19/2024 3.82%	96,476.56 96,684.19	93.42 4.70%	93,415.27 248.50	0.87% (3,268.92)	Aaa/AA+ AAA	4.40 3.87
Total Agency CMBS		923,724.79	4.27%	886,014.92 895,399.01	95.69 4.63%	883,401.34 2,469.53	8.27% (11,997.67)	Aaa/AA+ AAA	3.23 2.89
CASH									
CCYUSD	Receivable	325.65	-- 0.00%	325.65 325.65	1.00 0.00%	325.65 0.00	0.00% 0.00	Aaa/AAA AAA	0.00 0.00
Total Cash		325.65	0.00%	325.65 325.65	1.00 0.00%	325.65 0.00	0.00% 0.00	Aaa/AAA AAA	0.00 0.00
CORPORATE									
89236TKF1	TOYOTA MOTOR CREDIT CORP 3.65 08/18/2025	125,000.00	06/12/2023 4.94%	121,710.00 124,053.51	99.47 4.50%	124,342.83 1,685.59	1.16% 289.33	A1/A+ A+	0.63 0.61
24422EWPO	JOHN DEERE CAPITAL CORP 4.8 01/09/2026	35,000.00	03/17/2023 4.45%	35,322.35 35,117.31	100.29 4.51%	35,099.97 802.67	0.33% (17.34)	A1/A A+	1.02 0.96
78016FZT4	ROYAL BANK OF CANADA 4.875 01/12/2026	150,000.00	06/28/2023 5.25%	148,672.50 149,461.55	100.27 4.60%	150,405.62 3,432.81	1.41% 944.06	A1/A AA-	1.03 0.97
756109BQ6	REALTY INCOME CORP 5.05 01/13/2026	100,000.00	06/12/2023 5.49%	98,941.00 99,577.07	99.94 5.11%	99,939.13 2,356.67	0.94% 362.06	A3/A- NA	1.04 0.97
037833BY5	APPLE INC 3.25 02/23/2026	125,000.00	03/23/2023 4.10%	122,103.75 123,862.19	98.79 4.34%	123,492.26 1,444.44	1.16% (369.93)	Aaa/AA+ NA	1.15 1.09
00440EAV9	CHUBB INA HOLDINGS LLC 3.35 05/03/2026	125,000.00	10/19/2023 5.85%	117,758.75 121,179.32	98.45 4.56%	123,056.78 674.65	1.15% 1,877.46	A2/A A	1.34 1.28

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Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
341081GR2	FLORIDA POWER & LIGHT CO 4.45 05/15/2026	125,000.00	05/18/2023 4.65%	124,325.00 124,690.70	100.01 4.44%	125,007.18 710.76	1.17% 316.48	A1/A A+	1.37 1.31
14913UAA8	CATERPILLAR FINANCIAL SERVICES CORP 4.35 05/15/2026	100,000.00	06/12/2023 4.71%	99,031.00 99,546.41	99.86 4.45%	99,862.30 555.83	0.93% 315.89	A2/A A+	1.37 1.31
24422EWX3	JOHN DEERE CAPITAL CORP 4.75 06/08/2026	100,000.00	06/05/2023 4.72%	100,094.00 100,044.86	100.42 4.44%	100,419.99 303.47	0.94% 375.13	A1/A A+	1.44 1.37
69371RS56	PACCAR FINANCIAL CORP 5.05 08/10/2026	75,000.00	08/03/2023 5.07%	74,962.50 74,979.95	100.92 4.45%	75,686.71 1,483.44	0.71% 706.76	A1/A+ NA	1.61 1.50
74340XBK6	PROLOGIS LP 3.25 10/01/2026	125,000.00	01/16/2024 4.53%	120,963.74 122,390.95	97.88 4.52%	122,347.89 1,015.63	1.14% (43.06)	A3/A WR	1.75 1.66
26442CAS3	DUKE ENERGY CAROLINAS LLC 2.95 12/01/2026	100,000.00	04/10/2023 4.43%	95,073.00 97,408.60	97.10 4.55%	97,102.18 245.83	0.91% (306.41)	Aa3/A WR	1.92 1.83
06051GLE7	BANK OF AMERICA CORP 5.08 01/20/2027	100,000.00	-- 5.60%	98,714.80 99,495.46	100.29 5.22%	100,289.52 2,271.89	0.94% 794.06	A1/A- AA-	2.05 0.99
17275RBQ4	CISCO SYSTEMS INC 4.8 02/26/2027	120,000.00	-- 4.98%	119,441.00 119,578.86	100.73 4.44%	120,876.00 2,000.00	1.13% 1,297.14	A1/AA- NA	2.16 1.92
857477CL5	STATE STREET CORP 4.993 03/18/2027	120,000.00	03/13/2024 4.99%	120,000.00 120,000.00	100.83 4.59%	120,998.75 1,714.26	1.13% 998.75	Aa3/A AA-	2.21 1.97
89115A2W1	TORONTO-DOMINION BANK 4.98 04/05/2027	90,000.00	03/26/2024 4.98%	90,000.00 90,000.00	100.33 4.82%	90,297.55 1,070.70	0.84% 297.55	A2/A- AA-	2.26 2.09
06406RBQ9	BANK OF NEW YORK MELLON CORP 4.947 04/26/2027	110,000.00	-- 5.13%	109,476.40 109,758.36	100.42 4.95%	110,458.86 982.53	1.03% 700.50	Aa3/A AA-	2.32 1.25
74456QBS4	PUBLIC SERVICE ELECTRIC AND GAS CO 3.0 05/15/2027	75,000.00	04/18/2023 4.48%	70,921.50 72,628.65	96.50 4.57%	72,378.29 287.50	0.68% (250.36)	A1/A WR	2.37 2.24
91324PEG3	UNITEDHEALTH GROUP INC 3.7 05/15/2027	100,000.00	03/23/2023 4.28%	97,802.00 98,742.34	98.03 4.59%	98,027.05 472.78	0.92% (715.29)	A2/A+ A	2.37 2.23
22160KAM7	COSTCO WHOLESALE CORP 3.0 05/18/2027	40,000.00	03/17/2023 4.28%	38,067.20 38,896.82	97.12 4.29%	38,847.69 143.33	0.36% (49.13)	Aa3/A+ WR	2.38 2.26
437076DB5	HOME DEPOT INC 4.875 06/25/2027	135,000.00	06/20/2024 4.92%	134,821.80 134,852.72	100.95 4.47%	136,279.13 109.69	1.28% 1,426.41	A2/A A	2.48 2.24
09290DAH4	BLACKROCK INC 4.6 07/26/2027	125,000.00	07/18/2024 4.57%	125,107.50 125,091.45	100.23 4.50%	125,284.43 2,475.69	1.17% 192.98	Aa3/AA- NA	2.57 2.28
532457CP1	ELI LILLY AND CO 4.15 08/14/2027	70,000.00	08/12/2024 4.18%	69,943.30 69,950.55	99.46 4.37%	69,620.96 1,105.51	0.65% (329.59)	A1/A+ NA	2.62 2.42

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06368LAQ9	BANK OF MONTREAL 4.7 09/14/2027	125,000.00	11/14/2023 5.56%	121,346.25 122,423.03	99.93 4.73%	124,909.51 1,746.18	1.17% 2,486.47	A2/A- AA-	2.70 2.47
46647PEAO	JPMORGAN CHASE & CO 5.04 01/23/2028	75,000.00	01/17/2024 4.99%	75,109.50 75,075.13	100.37 5.08%	75,277.87 1,659.00	0.70% 202.74	A1/A AA-	3.06 1.89
713448FX1	PEPSICO INC 4.5 07/17/2029	125,000.00	07/16/2024 4.52%	124,872.50 124,884.23	99.81 4.55%	124,761.88 2,562.50	1.17% (122.35)	A1/A+ NA	4.54 3.98
171239ALO	CHUBB INA HOLDINGS LLC 4.65 08/15/2029	120,000.00	08/22/2024 4.31%	121,780.80 121,650.25	99.48 4.78%	119,376.96 2,340.50	1.12% (2,273.29)	A2/A A	4.62 4.03
Total Corporate		2,815,000.00	4.85%	2,776,362.14 2,795,340.26	99.64 4.61%	2,804,447.26 35,653.87	26.24% 9,107.00	A1/A A+	2.09 1.83
MONEY MARKET FUND									
31846V203	FIRST AMER:GVT OBLG Y	157,166.03	-- 4.09%	157,166.03 157,166.03	1.00 4.09%	157,166.03 0.00	1.47% 0.00	Aaa/AAAm AAA	0.00 0.00
Total Money Market Fund		157,166.03	4.09%	157,166.03 157,166.03	1.00 4.09%	157,166.03 0.00	1.47% 0.00	Aaa/AAAm AAA	0.00 0.00
SUPRANATIONAL									
459058LN1	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM 3.875 10/16/2029	100,000.00	12/17/2024 4.32%	98,079.00 98,094.25	97.44 4.48%	97,436.64 807.29	0.91% (657.61)	Aaa/AAA NA	4.79 4.28
Total Supranational		100,000.00	4.32%	98,079.00 98,094.25	97.44 4.48%	97,436.64 807.29	0.91% (657.61)	Aaa/AAA NA	4.79 4.28
US TREASURY									
91282CGN5	UNITED STATES TREASURY 4.625 02/28/2025	125,000.00	04/12/2023 4.07%	126,230.47 125,103.88	100.03 4.38%	125,035.25 1,964.35	1.17% (68.63)	Aaa/AA+ AA+	0.16 0.16
91282CEU1	UNITED STATES TREASURY 2.875 06/15/2025	250,000.00	05/18/2023 4.19%	243,544.92 248,594.87	99.40 4.23%	248,490.43 335.68	2.33% (104.44)	Aaa/AA+ AA+	0.45 0.44
91282CFK2	UNITED STATES TREASURY 3.5 09/15/2025	250,000.00	06/08/2023 4.35%	245,439.45 248,586.17	99.47 4.27%	248,669.47 2,610.50	2.33% 83.30	Aaa/AA+ AA+	0.71 0.68

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91282CFW6	UNITED STATES TREASURY 4.5 11/15/2025	250,000.00	05/18/2023 4.05%	252,646.48 250,923.80	100.19 4.27%	250,464.50 1,460.64	2.34% (459.30)	Aaa/AA+ AA+	0.87 0.84
91282CGL9	UNITED STATES TREASURY 4.0 02/15/2026	250,000.00	06/08/2023 4.22%	248,613.28 249,421.02	99.74 4.24%	249,341.23 3,777.17	2.33% (79.80)	Aaa/AA+ AA+	1.13 1.07
91282CGV7	UNITED STATES TREASURY 3.75 04/15/2026	250,000.00	04/12/2023 3.75%	250,029.30 250,012.40	99.37 4.26%	248,415.59 2,008.93	2.32% (1,596.82)	Aaa/AA+ AA+	1.29 1.23
91282CHB0	UNITED STATES TREASURY 3.625 05/15/2026	250,000.00	06/08/2023 4.15%	246,435.55 248,339.25	99.18 4.25%	247,938.26 1,176.62	2.32% (400.99)	Aaa/AA+ AA+	1.37 1.31
91282CJC6	UNITED STATES TREASURY 4.625 10/15/2026	150,000.00	10/19/2023 5.05%	148,265.63 148,963.51	100.61 4.26%	150,917.85 1,486.61	1.41% 1,954.33	Aaa/AA+ AA+	1.79 1.68
912828U24	UNITED STATES TREASURY 2.0 11/15/2026	250,000.00	05/18/2023 3.83%	235,195.31 242,075.55	95.98 4.26%	239,939.17 649.17	2.25% (2,136.38)	Aaa/AA+ AA+	1.87 1.80
91282CEF4	UNITED STATES TREASURY 2.5 03/31/2027	250,000.00	03/24/2023 3.52%	240,556.64 244,720.74	96.29 4.25%	240,725.73 1,596.84	2.25% (3,995.01)	Aaa/AA+ AA+	2.25 2.13
91282CKJ9	UNITED STATES TREASURY 4.5 04/15/2027	200,000.00	04/24/2024 4.80%	198,351.56 198,732.90	100.50 4.26%	201,003.30 1,928.57	1.88% 2,270.39	Aaa/AA+ AA+	2.29 2.13
91282CKV2	UNITED STATES TREASURY 4.625 06/15/2027	160,000.00	06/20/2024 4.48%	160,637.50 160,523.93	100.84 4.26%	161,341.30 345.60	1.51% 817.37	Aaa/AA+ AA+	2.45 2.29
91282CHX2	UNITED STATES TREASURY 4.375 08/31/2028	175,000.00	12/11/2024 4.12%	176,497.07 176,475.02	100.08 4.35%	175,139.08 2,601.43	1.64% (1,335.94)	Aaa/AA+ AA+	3.67 3.30
91282CLK5	UNITED STATES TREASURY 3.625 08/31/2029	150,000.00	09/18/2024 3.48%	150,972.66 150,916.68	96.82 4.39%	145,237.47 1,847.55	1.36% (5,679.21)	Aaa/AA+ AA+	4.67 4.18
91282CFL0	UNITED STATES TREASURY 3.875 09/30/2029	150,000.00	10/23/2024 4.07%	148,705.08 148,754.66	97.82 4.39%	146,737.44 1,485.06	1.37% (2,017.22)	Aaa/AA+ AA+	4.75 4.24
91282CLR0	UNITED STATES TREASURY 4.125 10/31/2029	100,000.00	11/18/2024 4.38%	99,152.34 99,172.51	98.85 4.39%	98,848.36 706.49	0.92% (324.15)	Aaa/AA+ AA+	4.83 4.30
Total US Treasury		3,210,000.00	4.13%	3,171,273.24 3,191,316.92	99.03 4.28%	3,178,244.42 25,981.22	29.74% (13,072.50)	Aaa/AA+ AA+	1.91 1.77
Total Portfolio		10,753,148.70	4.48%	10,655,896.23 10,695,538.47	97.96 4.43%	10,687,074.21 86,609.20	100.00% (8,464.26)	Aa1/AA AA+	2.22 1.80
Total Market Value + Accrued						10,773,683.41			



CITY OF CITRUS HEIGHTS

CITY COUNCIL STAFF REPORT MEMORANDUM

DATE: February 12, 2025

TO: Mayor and City Council Members
Ashley Feeney, City Manager

FROM: Susan Talwar, Administrative Services Director
Alberto Preciado, Finance Manager

SUBJECT: **Approval of Investment Policy Updates**

Summary and Recommendation

Staff recommends that the City Council adopt Resolution No. 2025-___, a Resolution of the City Council of the City of Citrus Heights approving the Investment Policy and delegating authority to the Administrative Services Director to invest funds in accordance with the Investment Policy.

Fiscal Impact

There is no fiscal impact associated with this action.

Background and Analysis

The investment of City funds is governed by California Government Code (Code) sections 53600-53610 and 53646. The City Council periodically reviews the City's Investment Policy to ensure compliance with the provisions of the Code. The City's Investment Policy was last updated by the City Council on June 27, 2024. Staff, City Attorney and City investment services firm Chandler Asset Management completed an annual review of the City's Investment Policy and is recommending the following modifications:

Main changes to the investment policy with a focus on best practice and legal updates include:

- Delegation of Authority: Added language clarifying the referenced Code section. (BEST PRACTICE)
- Authorized Financial Dealers and Institutions: Added language further defining requirements from the California Corporations Code. (LEGAL)
- Suitable and Authorized Investments: Incorporated guidelines clarifying methods of mitigating risk in the City's portfolio. (BEST PRACTICE)
- Banker's Acceptance: Added language clarifying the ratings used for determining the quality of this investment type. (BEST PRACTICE)

Subject: Approval of Investment Policy for Fiscal Year 2024-25

Date: February 12, 2025

Page 2 of 2

- Municipal Securities (Registered Treasury Notes or Bonds): Inserted language further defining the ratings for allowed purchases of this investment type. (BEST PRACTICE)
- Investments Not Approved: Added language clarifying prohibited investments. (BEST PRACTICE)
- Performance Standards: Added language clarifying the potential change in comparison benchmarks where there are changes in market conditions or the City's cash flow needs. (BEST PRACTICE)

Attachments

1. Resolution Approving the Investment Policy
2. Proposed Investment Policy (final version)
3. Proposed Investment Policy (redline version)

RESOLUTION NO. 2025 - ____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CITRUS HEIGHTS, CALIFORNIA, APPROVING THE INVESTMENT POLICY AND DELEGATING AUTHORITY TO THE ADMINISTRATIVE SERVICES DIRECTOR TO INVEST FUNDS IN ACCORDANCE WITH THE INVESTMENT POLICY

WHEREAS, Government Code Section 53646 recommends that public agencies have their investment policy reviewed and approved annually by the local governing body;

WHEREAS, the last time the City Council approved the City’s Investment Policy was June 27, 2024; and

WHEREAS, consistent with legal compliance to the California Government Code the policy has been updated to reflect industry best practices.

NOW, THEREFORE, BE IT RESOLVED, the City Council finds that the City’s Investment Policy complies with California Government Code Sections 53600 et seq., which governs investment practices of local governments; and

BE IT FURTHER RESOLVED the City Council of the City of Citrus Heights adopts the attached City of Citrus Heights Investment Policy.

PASSED AND ADOPTED by the City Council of the City of Citrus Heights, California, this 12th day of February, 2025, by the following vote, to wit:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST:

Dr. Jayna Karpinski-Costa, Mayor

Amy Van, City Clerk



City of Citrus Heights

Investment Policy

February 12, 2025

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I. PURPOSE

The purpose of this Investment Policy is to provide guidance and direction for the prudent investment of the City of Citrus Heights (“City”) funds and to foster the creation of a systematic and controlled investment process. The ultimate goal of this Investment Policy is to maximize the efficiency of the City's cash management system and to enhance the economic status of the City while protecting its invested funds.

II. POLICY

It is the policy of the City to invest public funds in a prudent manner that will provide maximum security, adequate liquidity, and sufficient yield while meeting the daily cash flow demands of the City and conforming to all statutes and regulations governing the investment of public funds. This policy is written to incorporate industry best practices and recommendations from sources such as the Government Finance Officers Association (GFOA), California Municipal Treasurers Association (CMTA), California Debt and Investment Advisory Commission (CDIAC) and the Association of Public Treasurers (APT).

III. SCOPE

This investment policy applies to all funds and investment activities under the direct authority of the City, as set forth in the State Government Code, Sections 53600 et seq., These funds are accounted for in the City's Annual Comprehensive Financial Report and include: the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Fund, Internal Service Funds and Fiduciary Funds. The following are not governed by this policy:

- Funds excluded from this policy include the City's Retiree Healthcare Plan which is administered and managed separately by the California Employers' Retiree Benefit Trust (CERBT) Fund under the California Government Code Section 53620-53622 and bond proceeds which are subject to the conditions and restrictions of bond documents and are not governed by this policy.
- Any other funds specifically exempted by the City Council.

Pooling of Funds

Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

IV. GENERAL OBJECTIVES

The primary objectives, in priority order, of the City's investment activities are safety, liquidity, and yield.

A. Safety

Preservation of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective shall be to mitigate credit risk and market risk. To attain this objective, the City shall diversify its investments by investing funds among

several financial institutions and a variety of securities offering independent returns.

B. Liquidity

The City's investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated without requiring a sale of securities. Since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or LAIF, which offer same-day liquidity for short-term funds.

C. Yield (Return on Investment)

The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the liquidity characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed.

V. STANDARDS OF CARE

A. Prudence

The standard of prudence to be used by City investment officials in the management of City moneys shall be the Prudent Investor Standard as authorized under Section 53600.3 of the California Government Code, which shall be applied in the context of managing all aspects of the overall portfolio. Investments shall be made with the care, skill, prudence, and diligence, under circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims to safeguard the principal and maintain the liquidity needs of the City. This standard shall be applied in the context of managing the overall portfolio.

City investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

B. Ethics and Conflicts of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Officers and employees involved in the City investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or that could impair their ability to make impartial investment decisions. City employees and investment officials shall disclose any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to

the performance of the City immediately to the Citrus Heights City Manager and annually to the Fair Political Practices Commission. City employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

C. Delegation of Authority

Authority to manage the City's investment program is derived from California Government Code, Sections 41006 for City Treasurers and 53600 *et seq.* The City Council is responsible for the management of the City's funds, including the administration of this investment policy, and delegates to the Administrative Services Director the authority to invest or to reinvest funds, or to sell or exchange securities. The Administrative Services Director shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Finance Manager and Accounting Manager are authorized to conduct investment-related activities, under the supervision of the Administrative Services Director, on behalf of the City.

The City may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy. The City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the City.

D. Internal Controls

The Administrative Services Director is responsible for establishing and maintaining a system of written internal controls. The internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by City employees and officers. The internal structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address the following points:

- Segregation of Duties
- Custodial Safekeeping
- Delivery versus Payment (DVP)
- Delegation of Authority
- Documentation of Transactions

Periodically, as deemed appropriate by the Administrative Services Director and/or the City Council, an independent analysis by an external auditor shall be conducted to review internal controls, account activity, and compliance with policies and procedures.

E. Review of Investment Portfolio

The securities held by the City must be in compliance with Section VIII (Suitable and Authorized Investments) at the time of purchase. Because some securities may not comply with Section VIII subsequent to the date of purchase, the Administrative Services Director shall at least quarterly review the portfolio to identify those securities that do not comply. The Administrative Services Director shall establish procedures to report to the City Council, major and critical incidences of noncompliance identified through the review of the portfolio.

VI. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Administrative Services Director shall endeavor to complete investment transactions using a competitive bid process whenever possible. The City's Administrative Services Director will determine which financial institutions are authorized to provide investment services to the City. It shall be the City's policy to purchase securities only from authorized institutions and firms.

The Administrative Services Director shall maintain procedures for establishing a list of authorized brokers/dealers and financial institutions which are approved for investment purposes and are selected through a process of due diligence as determined by the City. Due inquiry shall determine whether such authorized brokers/dealers, and the individuals covering the City are reputable and trustworthy, knowledgeable and experienced in Public City investing, and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

In accordance with Section 53601.5, institutions eligible to transact investment business with the City include:

- Institutions licensed by the state and proof of FINRA certification as a broker-dealer as defined in Section 25004 of the Corporations Code.
- Institutions that are members of a federally regulated securities exchange.
- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the City, except where the City utilizes an external investment adviser in which case the City may rely on the adviser for selection.

All financial institutions that desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Administrative Services Director with audited financials and a statement certifying that the institution has reviewed the California Government Code, Section 53600 *et seq.* and the City's investment policy. The Administrative Services Director will conduct an annual review of the financial

condition and registrations of such qualified bidders.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

Selection of broker/dealers used by an external investment adviser retained by the City will be at the sole discretion of the adviser. Where possible, transactions with brokers/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

VII. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis, which will ensure that securities are deposited in an eligible financial institution prior to the release of funds. To protect against potential losses due to the failure of individual securities dealers, and to enhance access to securities, interest payments, and maturity proceeds, all cash and securities shall be held in safekeeping in the City's name by a third-party custodian designated by the Administrative Services Director, acting for the City under the terms of a custody agreement executed by the bank and the City. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the City from the custodian listing all securities held in safekeeping with current market data and other information. The only exception to the foregoing shall be depository accounts and securities purchases made with: State of California Local Agency Investment Fund (LAIF), time certificates of deposit, and mutual funds and money market mutual funds since the purchased securities are not deliverable. The Administrative Services Director shall be bonded to protect the public against possible embezzlement and malfeasance.

VIII. SUITABLE AND AUTHORIZED INVESTMENTS

The City's investments are governed by California Government Code, Sections 53600 et seq ("Code"). Within the investments permitted by the Code, the City seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy. Percentage limitations of surplus funds invested are noted for the various investment instruments. Where there is a specified percentage limitation or minimum credit quality requirement for a particular category of investments, these requirements are applicable only at the date of purchase. A later increase or decrease in a percentage resulting from a change in values or assets shall not constitute a violation of that restriction. The City's funds may not be invested in those prohibited funds described in

California Government Code 53601.6, but must only be invested in any of the following instruments as permitted by law (California Government Code Section 53601). An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution issuer to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

The City is empowered by statute to invest in the following types of securities:

A. Investment Types

1. **U.S. TREASURY BILLS, NOTES & BONDS.** Allowable along with other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the City may invest in U.S. Treasuries, provided that the maximum maturity is five (5) years.
2. **U.S. GOVERNMENT AGENCY ISSUES AND GOVERNMENT-SPONSORED ENTERPRISES.** This includes obligations, participations, or other instruments of, or issued by, a federal government agency or a United States government-sponsored enterprise. No more than 30% of the portfolio may be invested in any single Agency/Government Sponsored Enterprise and there shall be no more than 20% of callable agency securities in the portfolio. The maximum maturity shall not exceed five (5) years.
3. **LOCAL AGENCY INVESTMENT FUND (LAIF).** As authorized in Government Code Section 16429.1, local agencies may invest in the Local Agency Investment Fund (LAIF), a pooled investment money market fund established by the State of California, and overseen by the State Treasurer, which allows local agencies to pool their investment resources. Principal may be withdrawn on a one-day notice. Interest earned is paid quarterly. The fees charged are limited to one-quarter of one percent of the earnings of the fund. Current policies of LAIF set minimum and maximum amounts of monies that may be invested as well as maximum numbers of transactions that are allowed per month. The City may invest up to the maximum amount permitted by LAIF. LAIF is in trust in the custody of the State Treasurer. The City's right to withdraw its deposited monies from LAIF is not contingent upon the State's ability to adopt a State Budget by July 1st of each new fiscal year.
4. **BANKER'S ACCEPTANCE.** Otherwise known as bills of exchange or time drafts, are negotiable instruments with a maturity of six months or less drawn on and accepted by a commercial bank. These instruments must be rated "A-1" or its equivalent or better by at least one Nationally Recognized Statistical Rating Organization (NRSRO) for short-term debt obligations; or long-term debt obligations that are rated in a category of "A" or its equivalent or better by at least one NRSRO. Banker's Acceptances are usually created to finance the import or export of goods, or the shipment of goods within the United States. No more than 40% of the portfolio may be invested in Banker's Acceptances. No more than 5% of the portfolio may be invested in any single issuer. The maximum maturity may not exceed 180 days.

5. **NON-NEGOTIABLE CERTIFICATE OF DEPOSIT (CD).** As authorized in Government Code Section 53601.8, local agencies may invest in Certificates of Deposit. These instruments must comply with Government Code Sections 16500 or 16600. This is a receipt for funds deposited in a Bank or Savings and Loan Association for a specified period at a specified rate of interest. No more than 20% of the portfolio may be invested in certificates of deposit. Maturities may not exceed five (5) years.
6. **NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD).** Allowable certificates of deposits must be issued by a nationally or state-chartered bank or a state or federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. The amount of the NCD insured up to the FDIC limit does not require any credit ratings. Any amount above the FDIC-insured limit must be issued by institutions which has short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO. The maturity period for this investment vehicle may not exceed five (5) years unless approved by the Council. No more than 30% of the total portfolio may be invested in these securities. No more than 5% of the portfolio may be invested in any single issuer.
7. **COMMERCIAL PAPER.** As authorized in Government Code Section 53601(h), provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (a) or (b) and other requirements specified below:
 - Securities issued by corporations:
 - A corporation organized and operating in the United States with assets of more than \$500 million.
 - The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
 - If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
 - Securities issued by other entities:
 - The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - The securities must have program-wide credit enhancements including, but not limited to, over-collateralization, letters of credit, or a surety bond.
 - The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
 - No more than 10% of the outstanding commercial paper of any single issuer.
 - No more than 25% of the City's investment assets under management may be invested in Commercial Paper.
 - No more than 5% of the portfolio may be invested in any single issuer.
 - The maximum maturity does not exceed 270 days.
8. **REPURCHASE AGREEMENTS.** As authorized in Government Code Section 53601(j), repurchase agreements are agreements between the local agency and seller for the purchase of government securities to be resold at a specific date and for a

specific amount. Repurchase agreements are generally used for short-term investments for the City's daily automatic sweep account and will generally not exceed 30 days. Repurchase Agreements are subject to a Master Repurchase Agreement between the City and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA). The legal limitation on the maturity period for a repurchase agreement is for one (1) year with the required market value underlying the agreement at 102% of the funds borrowed with the value adjusted quarterly.

9. **MUNICIPAL SECURITIES OF THE CITY, STATE OF CALIFORNIA, OR LOCAL AGENCIES.** As authorized in Government Code Section 53601(e), local agencies may invest in Bonds of the State of California and any local government in the State of California, which are rated in the "A" category or better by one NRSRO at the time of investment. In no event shall this classification of investment exceed 30% of the value of the portfolio. No more than 5% of the portfolio may be invested in any single issuer and the maximum maturity does not exceed five (5) years.
10. **MUNICIPAL SECURITIES (REGISTERED TREASURY NOTES OR BONDS).** Any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California, which are rated in the "A" category or better by one NRSRO at the time of investment. In no event shall this classification of investment exceed 30% of the value of the portfolio. No more than 5% of the portfolio may be invested in any single issuer and the maximum maturity does not exceed five (5) years.
11. **COLLATERALIZED BANK DEPOSITS.** The City's deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651. There are no limits on the dollar amount or percentage that the City may invest in collateralized bank deposits.
12. **MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS.** Mutual Funds are referred to in California Government Code Section 53601(l)(1), as "shares of beneficial interest issued by diversified management companies." Mutual Funds and Money Market Mutual Funds that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940 are authorized investments for funds subject to the following provisions:
 - **Mutual Funds** that invest in the securities and obligations as authorized under California Government Code Section 53601(a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:
 - Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
 - Have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California

Government Code Section 53601 and with assets under management in excess of \$500 million.

- No more than 10% of the total portfolio may be invested in Mutual Funds.
 - **Money Market Mutual Funds** registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:
 - Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
 - Have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500 million.
 - No more than 20% of the total portfolio may be invested in Money Market Mutual Funds.
 - No more than 20% of the total portfolio may be invested in mutual funds and money market mutual funds combined.
13. **CORPORATE MEDIUM TERM NOTES.** As authorized in Government Code Section 53601(k), local agencies may invest in corporate medium-term notes issued by corporations organized and operating in the United States or by depository institutions licensed by the United States or any state and operating within the United States that are rated in the rating category of "A" or its equivalent or higher rating for the issuer's debt as provided by one NRSRO and having a maximum remaining maturity period of five (5) years or less in an amount not to exceed 30% of the City's portfolio. Furthermore, the maximum principal amount in any one issuer will not exceed 5% of the City's portfolio.
14. **ASSET-BACKED, MORTGAGE-BACKED, MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATION FROM ISSUERS NOT DEFINED IN SECTIONS 1 AND 2 OF THE SUITABLE AND AUTHORIZED INVESTMENTS SECTION OF THIS POLICY.** The securities must be rated in a rating category of "AA" or its equivalent or better by a NRSRO. No more than 20% of the total portfolio may be invested in these securities with no more than 5% of the portfolio may be invested in any single Asset-Backed or commercial Mortgage security issuer. The maximum legal final maturity does not exceed five (5) years.
15. **SUPRANATIONALS.** Allowable, provided that Issues are US dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO. No more than 30% of the total portfolio may be invested in these securities and no more than 10% of the portfolio may be invested in any single issuer. The maximum maturity does not exceed five (5) years.

16. **GOVERNMENT INVESTMENT POOLS.** Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment advisor that meets all of the following criteria:

- The advisor is registered or exempt from registration with the Securities and Exchange Commission.
- The advisor has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
- The advisor has assets under management in excess of five hundred million dollars (\$500,000,000).

While local government investment pools generally provide significant safety and liquidity, the Administrative Services Director shall complete a thorough investigation prior to making any such investment. Due diligence in investigations shall generally include a review of written statements of investment policies, objectives, fees schedules, and reporting schedules, as well as issues related to (1) eligible investors and securities, (2) the permitted frequencies and sizes of deposits and withdrawals, (3) security safeguards, including settlement processes, (4) the frequency with which securities are priced and the program audited, (5) the treatment of gains and losses, including interest calculations and distribution, (6) whether and, if so, how reserves, retained earnings, and similar funds are utilized by the investment pool, and (7) whether the investment pool is eligible for and, if so, accepts bond proceeds. In addition, only local government investment pools with at least five years' experience providing similar services to other California municipalities may be utilized.

B. Collateralization

This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds.

Certificates of Deposit (CDs). The City shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

Collateralization of Bank Deposits. The City shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

Repurchase Agreements. The City requires that Repurchase Agreements be

collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The City shall receive monthly statements of collateral.

C. Investments Not Approved

Any security type or structure not specifically approved by this policy is hereby prohibited, including, but not limited to futures and options. In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage-derived interest-only strips is prohibited. Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Under a provision sunseting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted. Trading securities for the sole purpose of speculating on the future direction of interest rates are prohibited. Purchasing or selling securities on margin is prohibited. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited. The purchase of foreign currency-denominated securities is prohibited. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

D. Risk Management and Diversification

Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The City will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the “Authorized Investments” section of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or City’s risk preferences.
- If a security owned by the City is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:
 - Any actions taken related to the downgrade by the investment manager will be communicated to the Administrative Services Director in a timely manner.
 - If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.

Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general

level of interest rates. The City recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The City will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The City further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The City, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The City will maintain a minimum of six months of budgeted operating expenditures in short-term investments to provide sufficient liquidity for expected disbursements.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the City based on the City's investment objectives, constraints, and risk tolerances.

IX. INVESTING PARAMETERS

Maximum Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements and known future liabilities. Where there is no specified maturity limitation on an investment, no investment shall be made in any security, which, at the time of the investment, has a term remaining to maturity in excess of five (5) years from the date of trade settlement, unless the City Council has granted express authority to make that investment no less than three months prior to the investment.

X. REPORTING

The Administrative Services Director shall submit investment reports to the City Council that provide a clear picture of the status of the current investment portfolio and shall contain sufficient information to permit an independent organization to evaluate the performance of the investment program.

Reporting to City Council

In accordance with California Government Code Sections 53607 and 53646, the Administrative Services Director shall submit to the City Council a monthly report of portfolio transactions and a quarterly investment report, which summarizes all securities in the portfolio. The quarterly report shall be provided to City Council within 45 days after the end of the quarter and include:

- Investment type
- Issuer
- Purchase date
- Maturity date
- Credit quality

- Coupon and yield
- Book value
- Market value
- Interest Earnings
- Average days to maturity
- Discussion of the current economic climate
- Statement that the portfolio is in compliance with this Investment Policy or the manner in which the portfolio is not in compliance.
- Statement of the City's ability to meet anticipated expenditure requirements for the next six months, or an explanation as to why sufficient money may not be available.

XI. PERFORMANCE EVALUATION

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark. Benchmarks may change over time based on changes in market conditions or cash flow requirements.

XII. PERFORMANCE STANDARDS

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Administrative Services Director shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Administrative Services Director's quarterly report. The Administrative Services Director shall select an appropriate, readily available index to use as a market benchmark. Benchmarks may change over time based on changes in market conditions or cash flow requirements.

XIII. INVESTMENT POLICY COMPLIANCE AND ADOPTION

A. Policy Compliance and Changes

Any deviation from the policy shall be reported to City Council at the next scheduled meeting. The Administrative Services Director shall promptly notify the City Council of any material change in the policy, and any modifications to the policy must be approved by the City Council.

B. Annual Statement of Investment Policy

The Administrative Services Director shall render a written Investment Policy that shall be reviewed at least annually by the City Council to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law and financial and economic trends. The City Council shall consider the annual Investment Policy and any changes therein at a public meeting. The Investment Policy shall be adopted by resolution of the City Council.

**APPENDIX
GLOSSARY OF INVESTMENT TERMS**

AGENCY: A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government (i.e. Government National Mortgage Association). Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee (i.e. Federal National Mortgage Association).

- **FEDERAL FARM CREDIT BANK (FFCB):** Provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.
- **FEDERAL HOME LOAN BANKS (FHLB):** Government sponsored wholesale banks (currently 12 regional banks) that lend funds and provide correspondent banks services to member commercial banks, thrift institutions, credit unions and insurance companies.
- **FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC):** Like FHLB, provides credit and liquidity in the housing market. FHLMC, also called “Freddie Mac” issues discount notes, bonds and mortgage pass-through securities.
- **FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages.
- **GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA, or FMHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.
- **PRIVATE EXPORT FINANCING CORPORATION (PEFCO):** Assists exporters; obligations of PEFCO are not guaranteed by the full faith and credit of the US government.
- **TENNESSEE VALLEY AUTHORITY (TVA):** Provides flood control and power and promotes development in portions of the Tennessee, Ohio, Mississippi River valleys. TVA currently issues discount notes and bonds.

ASSET-BACKED SECURITIES: Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE: In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE: A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK: A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BOOK VALUE: The value at which a debt security is shown on the holder's balance sheet. Book value is often acquisition cost plus/minus amortization and accretion, which may differ significantly from the security's current value in the market.

BROKER: Someone who brings buyers and sellers together and is compensated for his/her service.

CALLABLE: A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, the issuer will likely call its current securities and reissue them at a lower rate of interest.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

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

COLLATERALIZED BANK DEPOSIT: A bank deposit that is collateralized at least 100% (principal plus interest to maturity). The deposit is collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO): Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COLLATERALIZED TIME DEPOSIT: Time deposits that are collateralized at least 100% (principal plus interest to maturity). These instruments are collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

COMMERCIAL PAPER: The short-term unsecured debt of corporations.

COUPON: The rate of return at which interest is paid on a bond.

CREDIT QUALITY: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments

and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by a Nationally Recognized Statistical-Rating Organization.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

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

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION: The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a security to changes in interest rates.

FAIR VALUE: The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits currently up to \$250,000 per deposit.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., twelve Regional Banks and about 5,700 commercial banks that are members of the system.

FIDUCIARY: A person or organization that acts on behalf of another person(s) or organization that puts their clients' interest ahead of their own as they are bound both legally and ethically to act in the other's best interests.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting

practices for governmental units.

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

INTERNAL CONTROLS: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

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

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a

substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): Chapter 730, Statutes of 1976 of the State of California, established the Local Agency Investment Fund. This fund enables local governmental agencies to remit money not required for immediate needs to the State Treasurer for the purpose of investment. In order to derive the maximum rate of return possible, the State Treasurer has elected to invest these monies with State monies as a part of the Pooled Money Investment Account (PMIA). Each local governmental unit has the exclusive determination of the length of time its money will be on deposit with the State Treasurer. At the end of each calendar quarter, all earnings derived from investments are distributed by the State Controller to the participating government agencies in proportion to each agency's respective amounts deposited in the Fund and the length of time such amounts remained therein. Prior to the distribution, the State's costs of administering the program are deducted from the earnings.

LOCAL GOVERNMENT INVESTMENT POOL: Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL: A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN: The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARK-TO-MARKET: The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

MARKET VALUE: The current price at which a security is trading and could presumably be purchased or sold at that particular point in time.

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

MATURITY: The date upon which the principal or stated value of a financial obligation is due and payable. The investment's term or remaining maturity is measured from the settlement date to final maturity.

MEDIUM TERM NOTES: Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent

basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION: The percent change in price for a 100-basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MONEY MARKET MUTUAL FUND: Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

MORTGAGE PASS-THROUGH SECURITIES: A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES: Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by Securities and Exchange Commission (SEC) disclosure guidelines.

NATIONALLY RECOGNIZED STATISTICAL-RATING ORGANIZATION (NRSRO): Standard and Poor's, Moody's, and Fitch Financial Services are examples of such organizations.

NEGOTIABLE CERTIFICATE OF DEPOSIT (CD): A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state- licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

PAYDOWN: A reduction in the principal amount owed on a bond, loan, or other debt.

PORTFOLIO: Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

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

PRINCIPAL: (1) The face amount or par value of a debt instrument. (2) One who acts as a dealer buying and selling for his own account.

PRUDENT INVESTOR) (PRUDENT PERSON) RULE: A standard of responsibility which applies to fiduciaries. In California, the rule is stated as “Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes.”

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

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

RISK: Degree of uncertainty of return on an asset.

RULE 2A-7 OF THE INVESTMENT COMPANY ACT: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

SAFEKEEPING: A service to bank customers whereby securities are held by the bank in the customer's name.

SECURITIES AND EXCHANGE COMMISSION (SEC): The U.S. Securities and Exchange Commission (SEC) is an independent federal government agency responsible for protecting investors, maintaining fair and orderly functioning of securities markets and facilitating capital formation. It was created by Congress in 1934 as the first federal regulator of securities markets. The SEC promotes full public disclosure, protects investors against fraudulent and manipulative practices in the market, and monitors corporate takeover actions in the United States.

STRUCTURED NOTE: A complex, fixed-income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL: A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision-making to promote economic development in the member countries.

TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

- **TREASURY BILLS:** Short-term U.S. government non-interest bearing discounted debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.
- **TREASURY NOTE:** A medium-term coupon-bearing U.S. Treasury security issued as a direct obligation of the U.S. Government and having an initial maturity of from one to ten years and issued in denominations ranging from \$1,000 to \$1 million or more.
- **TREASURY BOND:** A long-term coupon-bearing U.S. Treasury security issued as a direct obligation of the U.S. Government and having an initial maturity of more than 10 years and issued in minimum denominations of \$1,000.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission (SEC) Rule 15C3- 1 outlining requirements that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on investment security generally expressed as a percentage of the security's current price. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.



City of Citrus Heights

Investment Policy

~~June 27, 2024~~ February 12,
2025

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I. PURPOSE

The purpose of this Investment Policy is to provide guidance and direction for the prudent investment of the City of Citrus Heights (“City”) funds and to foster the creation of a systematic and controlled investment process. The ultimate goal of this Investment Policy is to maximize the efficiency of the City's cash management system and to enhance the economic status of the City while protecting its invested funds.

II. POLICY

It is the policy of the City to invest public funds in a prudent manner that will provide maximum security, adequate liquidity, and sufficient yield while meeting the daily cash flow demands of the City and conforming to all statutes and regulations governing the investment of public funds. This policy is written to incorporate industry best practices and recommendations from sources such as the Government Finance Officers Association (GFOA), California Municipal Treasurers Association (CMTA), California Debt and Investment Advisory Commission (CDIAC) and the Association of Public Treasurers (APT).

III. SCOPE

This investment policy applies to all funds and investment activities under the direct authority of the City, as set forth in the State Government Code, Sections 53600 et seq., These funds are accounted for in the City's Annual Comprehensive Financial Report and include: the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Fund, Internal Service Funds and Fiduciary Funds. The following are not governed by this policy:

- Funds excluded from this policy include the City's Retiree Healthcare Plan which is administered and managed separately by the California Employers' Retiree Benefit Trust (CERBT) Fund under the California Government Code Section 53620-53622 and bond proceeds which are subject to the conditions and restrictions of bond documents and are not governed by this policy.
- Any other funds specifically exempted by the City Council.

Pooling of Funds

Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

IV. GENERAL OBJECTIVES

The primary objectives, in priority order, of the City's investment activities are safety, liquidity, and yield.

A. Safety

Preservation of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective shall be to mitigate credit risk and market risk. To attain this objective, the City shall diversify its investments by investing funds among

several financial institutions and a variety of securities offering independent returns.

B. Liquidity

The City's investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated without requiring a sale of securities. Since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or LAIF, which offer same-day liquidity for short-term funds.

C. Yield (Return on Investment)

The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the liquidity characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed.

V. STANDARDS OF CARE

A. Prudence

The standard of prudence to be used by City investment officials in the management of City moneys shall be the Prudent Investor Standard as authorized under Section 53600.3 of the California Government Code, which shall be applied in the context of managing all aspects of the overall portfolio. Investments shall be made with the care, skill, prudence, and diligence, under circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims to safeguard the principal and maintain the liquidity needs of the City. This standard shall be applied in the context of managing the overall portfolio.

City investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

B. Ethics and Conflicts of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Officers and employees involved in the City investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or that could impair their ability to make impartial investment decisions. City employees and investment officials shall disclose any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to

the performance of the City immediately to the Citrus Heights City Manager and annually to the Fair Political Practices Commission. City employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

C. Delegation of Authority

Authority to manage the City's investment program is derived from California Government Code, Sections 41006 [for City Treasurers](#) and 53600 *et seq.* The City Council is responsible for the management of the City's funds, including the administration of this investment policy, and delegates to the Administrative Services Director the authority to invest or to reinvest funds, or to sell or exchange securities. The Administrative Services Director shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Finance Manager and Accounting Manager are authorized to conduct investment-related activities, under the supervision of the Administrative Services Director, on behalf of the City.

The City may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy. The City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the City.

D. Internal Controls

The Administrative Services Director is responsible for establishing and maintaining a system of written internal controls. The internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by City employees and officers. The internal structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address the following points:

- Segregation of Duties
- Custodial Safekeeping
- Delivery versus Payment (DVP)
- Delegation of Authority
- Documentation of Transactions

Periodically, as deemed appropriate by the Administrative Services Director and/or the City Council, an independent analysis by an external auditor shall be conducted to review internal controls, account activity, and compliance with policies and procedures.

E. Review of Investment Portfolio

The securities held by the City must be in compliance with Section VIII (Suitable and Authorized Investments) at the time of purchase. Because some securities may not comply with Section VIII subsequent to the date of purchase, the Administrative Services Director shall at least quarterly review the portfolio to identify those securities that do not comply. The Administrative Services Director shall establish procedures to report to the City Council, major and critical incidences of noncompliance identified through the review of the portfolio.

VI. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Administrative Services Director shall endeavor to complete investment transactions using a competitive bid process whenever possible. The City's Administrative Services Director will determine which financial institutions are authorized to provide investment services to the City. It shall be the City's policy to purchase securities only from authorized institutions and firms.

The Administrative Services Director shall maintain procedures for establishing a list of authorized brokers/dealers and financial institutions which are approved for investment purposes and are selected through a process of due diligence as determined by the City. Due inquiry shall determine whether such authorized brokers/dealers, and the individuals covering the City are reputable and trustworthy, knowledgeable and experienced in Public City investing, and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

In accordance with Section 53601.5, institutions eligible to transact investment business with the City include:

- Institutions licensed by the state [and proof of FINRA certification](#) as [a broker-dealer as defined in Section 25004 of the Corporations Codes](#).
- Institutions that are members of a federally regulated securities exchange.
- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the City, except where the City utilizes an external investment adviser in which case the City may rely on the adviser for selection.

All financial institutions that desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Administrative Services Director with audited financials and a statement certifying that the institution has reviewed the California Government Code, Section 53600 *et seq.* and the City's investment policy. The Administrative Services Director will conduct an annual review of the financial

condition and registrations of such qualified bidders.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

Selection of broker/dealers used by an external investment adviser retained by the City will be at the sole discretion of the adviser. Where possible, transactions with brokers/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

VII. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis, which will ensure that securities are deposited in an eligible financial institution prior to the release of funds. To protect against potential losses due to the failure of individual securities dealers, and to enhance access to securities, interest payments, and maturity proceeds, all cash and securities shall be held in safekeeping in the City's name by a third-party custodian designated by the Administrative Services Director, acting for the City under the terms of a custody agreement executed by the bank and the City. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the City from the custodian listing all securities held in safekeeping with current market data and other information. The only exception to the foregoing shall be depository accounts and securities purchases made with: State of California Local Agency Investment Fund (LAIF), time certificates of deposit, and mutual funds and money market mutual funds since the purchased securities are not deliverable. The Administrative Services Director shall be bonded to protect the public against possible embezzlement and malfeasance.

VIII. SUITABLE AND AUTHORIZED INVESTMENTS

The City's investments are governed by California Government Code, Sections 53600 et seq ("Code"). Within the investments permitted by the Code, the City seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy. Percentage limitations of surplus funds invested are noted for the various investment instruments. Where there is a specified percentage limitation or minimum credit quality requirement for a particular category of investments, these requirements are applicable only at the date of purchase. A later increase or decrease in a percentage resulting from a change in values or assets shall not constitute a violation of that restriction. The City's funds may not be invested in those prohibited funds described in

California Government Code 53601.6, but must only be invested in any of the following instruments as permitted by law (California Government Code Section 53601).: An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution issuer to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

The City is empowered by statute to invest in the following types of securities:

A. Investment Types

1. **U.S. TREASURY BILLS, NOTES & BONDS.** Allowable along with other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the City may invest in U.S. Treasuries, provided that the maximum maturity is five (5) years.
2. **U.S. GOVERNMENT AGENCY ISSUES AND GOVERNMENT-SPONSORED ENTERPRISES.** This includes obligations, participations, or other instruments of, or issued by, a federal government agency or a United States government-sponsored enterprise. No more than 30% of the portfolio may be invested in any single Agency/Government Sponsored Enterprise and there shall be no more than 20% of callable agency securities in the portfolio. The maximum maturity shall not exceed five (5) years.
3. **LOCAL AGENCY INVESTMENT FUND (LAIF).** As authorized in Government Code Section 16429.1, local agencies may invest in the Local Agency Investment Fund (LAIF), a pooled investment money market fund established by the State of California, and overseen by the State Treasurer, which allows local agencies to pool their investment resources. Principal may be withdrawn on a one-day notice. Interest earned is paid quarterly. The fees charged are limited to one-quarter of one percent of the earnings of the fund. Current policies of LAIF set minimum and maximum amounts of monies that may be invested as well as maximum numbers of transactions that are allowed per month. The City may invest up to the maximum amount permitted by LAIF. LAIF is in trust in the custody of the State Treasurer. The City's right to withdraw its deposited monies from LAIF is not contingent upon the State's ability to adopt a State Budget by July 1st of each new fiscal year.
4. **BANKER'S ACCEPTANCE.** Otherwise known as bills of exchange or time drafts, are negotiable instruments with a maturity of six months or less drawn on and accepted by a commercial bank. These instruments must be rated "A-1" or its equivalent or better by at least one Nationally Recognized Statistical Rating Organization (NRSRO) for short-term debt obligations; or long-term debt obligations that are rated in a category of "A" or its equivalent or better by at least one NRSRO. Banker's Acceptances are usually created to finance the import or export of goods, or the shipment of goods within the United States. No more than 40% of the portfolio may be invested in Banker's Acceptances. No more than 5% of the portfolio may be invested in any single issuer. The maximum maturity may not exceed 180 days.

5. **NON-NEGOTIABLE CERTIFICATE OF DEPOSIT (CD).** As authorized in Government Code Section 53601.8, local agencies may invest in Certificates of Deposit. These instruments must comply with Government Code Sections 16500 or 16600. This is a receipt for funds deposited in a Bank or Savings and Loan Association for a specified period at a specified rate of interest. No more than 20% of the portfolio may be invested in certificates of deposit. Maturities may not exceed five (5) years.
6. **NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD).** Allowable certificates of deposits must be issued by a nationally or state-chartered bank or a state or federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. The amount of the NCD insured up to the FDIC limit does not require any credit ratings. Any amount above the FDIC-insured limit must be issued by institutions which has short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO. The maturity period for this investment vehicle may not exceed five (5) years unless approved by the Council. No more than 30% of the total portfolio may be invested in these securities. No more than 5% of the portfolio may be invested in any single issuer.
7. **COMMERCIAL PAPER.** As authorized in Government Code Section 53601(h), provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (a) or (b) and other requirements specified below:
 - Securities issued by corporations:
 - A corporation organized and operating in the United States with assets of more than \$500 million.
 - The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
 - If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
 - Securities issued by other entities:
 - The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - The securities must have program-wide credit enhancements including, but not limited to, over-collateralization, letters of credit, or a surety bond.
 - The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
 - No more than 10% of the outstanding commercial paper of any single issuer.
 - No more than 25% of the City's investment assets under management may be invested in Commercial Paper.
 - No more than 5% of the portfolio may be invested in any single issuer.
 - The maximum maturity does not exceed 270 days.
8. **REPURCHASE AGREEMENTS.** As authorized in Government Code Section 53601(j), repurchase agreements are agreements between the local agency and seller for the purchase of government securities to be resold at a specific date and for a

specific amount. Repurchase agreements are generally used for short-term investments for the City's daily automatic sweep account and will generally not exceed 30 days. Repurchase Agreements are subject to a Master Repurchase Agreement between the City and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA). The legal limitation on the maturity period for a repurchase agreement is for one (1) year with the required market value underlying the agreement at 102% of the funds borrowed with the value adjusted quarterly.

9. **MUNICIPAL SECURITIES OF THE CITY, STATE OF CALIFORNIA, OR LOCAL AGENCIES.** As authorized in Government Code Section 53601(e), local agencies may invest in Bonds of the State of California and any local government in the State of California, which are rated in the "A" category or better by one NRSRO at the time of investment. In no event shall this classification of investment exceed 30% of the value of the portfolio. No more than 5% of the portfolio may be invested in any single issuer and the maximum maturity does not exceed five (5) years.
10. **MUNICIPAL SECURITIES (REGISTERED TREASURY NOTES OR BONDS).** Any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California, which are rated in the "A" category or better by one NRSRO at the time of investment. In no event shall this classification of investment exceed 30% of the value of the portfolio. No more than 5% of the portfolio may be invested in any single issuer and the maximum maturity does not exceed five (5) years.
11. **COLLATERALIZED BANK DEPOSITS.** The City's deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651. There are no limits on the dollar amount or percentage that the City may invest in collateralized bank deposits.
12. **MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS.** Mutual Funds are referred to in California Government Code Section 53601(l)(1), as "shares of beneficial interest issued by diversified management companies." Mutual Funds and Money Market Mutual Funds that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940 are authorized investments for funds subject to the following provisions:
 - **Mutual Funds** that invest in the securities and obligations as authorized under California Government Code Section 53601(a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:
 - Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
 - Have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California

Government Code Section 53601 and with assets under management in excess of \$500 million.

- No more than 10% of the total portfolio may be invested in Mutual Funds.
 - **Money Market Mutual Funds** registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:
 - Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
 - Have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500 million.
 - No more than 20% of the total portfolio may be invested in Money Market Mutual Funds.
 - No more than 20% of the total portfolio may be invested in mutual funds and money market mutual funds combined.
13. **CORPORATE MEDIUM TERM NOTES.** As authorized in Government Code Section 53601(k), local agencies may invest in corporate medium-term notes issued by corporations organized and operating in the United States or by depository institutions licensed by the United States or any state and operating within the United States that are rated in the rating category of "A" or its equivalent or higher rating for the issuer's debt as provided by one NRSRO and having a maximum remaining maturity period of five (5) years or less in an amount not to exceed 30% of the City's portfolio. Furthermore, the maximum principal amount in any one issuer will not exceed 5% of the City's portfolio.
14. **ASSET-BACKED, MORTGAGE-BACKED, MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATION FROM ISSUERS NOT DEFINED IN SECTIONS 1 AND 2 OF THE SUITABLE AND AUTHORIZED INVESTMENTS SECTION OF THIS POLICY.** The securities must be rated in a rating category of "AA" or its equivalent or better by a NRSRO. No more than 20% of the total portfolio may be invested in these securities with no more than 5% of the portfolio may be invested in any single Asset-Backed or commercial Mortgage security issuer. The maximum legal final maturity does not exceed five (5) years.
15. **SUPRANATIONALS.** Allowable, provided that Issues are US dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO. No more than 30% of the total portfolio may be invested in these securities and no more than 10% of the portfolio may be invested in any single issuer. The maximum maturity does not exceed five (5) years.

16. **GOVERNMENT INVESTMENT POOLS.** Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment advisor that meets all of the following criteria:

- The advisor is registered or exempt from registration with the Securities and Exchange Commission.
- The advisor has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
- The advisor has assets under management in excess of five hundred million dollars (\$500,000,000).

While local government investment pools generally provide significant safety and liquidity, the Administrative Services Director shall complete a thorough investigation prior to making any such investment. Due diligence in investigations shall generally include a review of written statements of investment policies, objectives, fees schedules, and reporting schedules, as well as issues related to (1) eligible investors and securities, (2) the permitted frequencies and sizes of deposits and withdrawals, (3) security safeguards, including settlement processes, (4) the frequency with which securities are priced and the program audited, (5) the treatment of gains and losses, including interest calculations and distribution, (6) whether and, if so, how reserves, retained earnings, and similar funds are utilized by the investment pool, and (7) whether the investment pool is eligible for and, if so, accepts bond proceeds. In addition, only local government investment pools with at least five years' experience providing similar services to other California municipalities may be utilized.

B. Collateralization

This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds.

Certificates of Deposit (CDs). The City shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

Collateralization of Bank Deposits. The City shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

Repurchase Agreements. The City requires that Repurchase Agreements be

collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The City shall receive monthly statements of collateral.

C. Investments Not Approved

Any security type or structure not specifically approved by this policy is hereby prohibited, including, but not limited to futures and options. In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage-derived interest-only strips is prohibited. Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Under a provision sunseting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted. Trading securities for the sole purpose of speculating on the future direction of interest rates are prohibited. Purchasing or selling securities on margin is prohibited. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited. The purchase of foreign currency-denominated securities is prohibited. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

D. Risk Management and Diversification

Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The City will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the “Authorized Investments” section of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or City’s risk preferences.
- If a security owned by the City is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:
 - Any actions taken related to the downgrade by the investment manager will be communicated to the Administrative Services Director in a timely manner.
 - If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.

Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general

level of interest rates. The City recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The City will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The City further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The City, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The City will maintain a minimum of six months of budgeted operating expenditures in short-term investments to provide sufficient liquidity for expected disbursements.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the City based on the City's investment objectives, constraints, and risk tolerances.

IX. INVESTING PARAMETERS

Maximum Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements and known future liabilities. Where there is no specified maturity limitation on an investment, no investment shall be made in any security, which, at the time of the investment, has a term remaining to maturity in excess of five (5) years from the date of trade settlement, unless the City Council has granted express authority to make that investment no less than three months prior to the investment.

X. REPORTING

The Administrative Services Director shall submit investment reports to the City Council that provide a clear picture of the status of the current investment portfolio and shall contain sufficient information to permit an independent organization to evaluate the performance of the investment program.

Reporting to City Council

In accordance with California Government Code Sections 53607 and 53646, the Administrative Services Director shall submit to the City Council a monthly report of portfolio transactions and a quarterly investment report, which summarizes all securities in the portfolio. The quarterly report shall be provided to City Council within 45 days after the end of the quarter and include:

- Investment type
- Issuer
- Purchase date
- Maturity date
- Credit quality

- Coupon and yield
- Book value
- Market value
- Interest Earnings
- Average days to maturity
- Discussion of the current economic climate
- Statement that the portfolio is in compliance with this Investment Policy or the manner in which the portfolio is not in compliance.
- Statement of the City's ability to meet anticipated expenditure requirements for the next six months, or an explanation as to why sufficient money may not be available.

XI. PERFORMANCE EVALUATION

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark. Benchmarks may change over time based on changes in market conditions or cash flow requirements.

XII. PERFORMANCE STANDARDS

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Administrative Services Director shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Administrative Services Director's quarterly report. The Administrative Services Director shall select an appropriate, readily available index to use as a market benchmark. [Benchmarks may change over time based on changes in market conditions or cash flow requirements.](#)

XIII. INVESTMENT POLICY COMPLIANCE AND ADOPTION

A. Policy Compliance and Changes

Any deviation from the policy shall be reported to City Council at the next scheduled meeting. The Administrative Services Director shall promptly notify the City Council of any material change in the policy, and any modifications to the policy must be approved by the City Council.

B. Annual Statement of Investment Policy

The Administrative Services Director shall render a written Investment Policy that shall be reviewed at least annually by the City Council to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law and financial and economic trends. The City Council shall consider the annual Investment Policy and any changes therein at a public meeting. The Investment Policy shall be adopted by resolution of the City Council.

**APPENDIX
GLOSSARY OF INVESTMENT TERMS**

AGENCY: A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government (i.e. Government National Mortgage Association). Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee (i.e. Federal National Mortgage Association).

- **FEDERAL FARM CREDIT BANK (FFCB):** Provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.
- **FEDERAL HOME LOAN BANKS (FHLB):** Government sponsored wholesale banks (currently 12 regional banks) that lend funds and provide correspondent banks services to member commercial banks, thrift institutions, credit unions and insurance companies.
- **FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC):** Like FHLB, provides credit and liquidity in the housing market. FHLMC, also called “Freddie Mac” issues discount notes, bonds and mortgage pass-through securities.
- **FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages.
- **GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA, or FMHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.
- **PRIVATE EXPORT FINANCING CORPORATION (PEFCO):** Assists exporters; obligations of PEFCO are not guaranteed by the full faith and credit of the US government.
- **TENNESSEE VALLEY AUTHORITY (TVA):** Provides flood control and power and promotes development in portions of the Tennessee, Ohio, Mississippi River valleys. TVA currently issues discount notes and bonds.

ASSET-BACKED SECURITIES: Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE: In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE: A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK: A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BOOK VALUE: The value at which a debt security is shown on the holder's balance sheet. Book value is often acquisition cost plus/minus amortization and accretion, which may differ significantly from the security's current value in the market.

BROKER: Someone who brings buyers and sellers together and is compensated for his/her service.

CALLABLE: A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, the issuer will likely call its current securities and reissue them at a lower rate of interest.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

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

COLLATERALIZED BANK DEPOSIT: A bank deposit that is collateralized at least 100% (principal plus interest to maturity). The deposit is collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO): Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COLLATERALIZED TIME DEPOSIT: Time deposits that are collateralized at least 100% (principal plus interest to maturity). These instruments are collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

COMMERCIAL PAPER: The short-term unsecured debt of corporations.

COUPON: The rate of return at which interest is paid on a bond.

CREDIT QUALITY: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments

and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by a Nationally Recognized Statistical-Rating Organization.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

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

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION: The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a security to changes in interest rates.

FAIR VALUE: The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits currently up to \$250,000 per deposit.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., twelve Regional Banks and about 5,700 commercial banks that are members of the system.

FIDUCIARY: A person or organization that acts on behalf of another person(s) or organization that puts their clients' interest ahead of their own as they are bound both legally and ethically to act in the other's best interests.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting

practices for governmental units.

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

INTERNAL CONTROLS: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

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

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a

substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): Chapter 730, Statutes of 1976 of the State of California, established the Local Agency Investment Fund. This fund enables local governmental agencies to remit money not required for immediate needs to the State Treasurer for the purpose of investment. In order to derive the maximum rate of return possible, the State Treasurer has elected to invest these monies with State monies as a part of the Pooled Money Investment Account (PMIA). Each local governmental unit has the exclusive determination of the length of time its money will be on deposit with the State Treasurer. At the end of each calendar quarter, all earnings derived from investments are distributed by the State Controller to the participating government agencies in proportion to each agency's respective amounts deposited in the Fund and the length of time such amounts remained therein. Prior to the distribution, the State's costs of administering the program are deducted from the earnings.

LOCAL GOVERNMENT INVESTMENT POOL: Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL: A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN: The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARK-TO-MARKET: The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

MARKET VALUE: The current price at which a security is trading and could presumably be purchased or sold at that particular point in time.

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

MATURITY: The date upon which the principal or stated value of a financial obligation is due and payable. The investment's term or remaining maturity is measured from the settlement date to final maturity.

MEDIUM TERM NOTES: Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent

basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION: The percent change in price for a 100-basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MONEY MARKET MUTUAL FUND: Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

MORTGAGE PASS-THROUGH SECURITIES: A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES: Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by Securities and Exchange Commission (SEC) disclosure guidelines.

NATIONALLY RECOGNIZED STATISTICAL-RATING ORGANIZATION (NRSRO): Standard and Poor's, Moody's, and Fitch Financial Services are examples of such organizations.

NEGOTIABLE CERTIFICATE OF DEPOSIT (CD): A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state- licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

PAYDOWN: A reduction in the principal amount owed on a bond, loan, or other debt.

PORTFOLIO: Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

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

PRINCIPAL: (1) The face amount or par value of a debt instrument. (2) One who acts as a dealer buying and selling for his own account.

PRUDENT ~~PERSON~~ (~~PRUDENT INVESTOR~~) (PRUDENT PERSON) RULE: A standard of responsibility which applies to fiduciaries. In California, the rule is stated as “Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes.”

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

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

RISK: Degree of uncertainty of return on an asset.

RULE 2A-7 OF THE INVESTMENT COMPANY ACT: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

SAFEKEEPING: A service to bank customers whereby securities are held by the bank in the customer's name.

SECURITIES AND EXCHANGE COMMISSION (SEC): The U.S. Securities and Exchange Commission (SEC) is an independent federal government agency responsible for protecting investors, maintaining fair and orderly functioning of securities markets and facilitating capital formation. It was created by Congress in 1934 as the first federal regulator of securities markets. The SEC promotes full public disclosure, protects investors against fraudulent and manipulative practices in the market, and monitors corporate takeover actions in the United States.

STRUCTURED NOTE: A complex, fixed-income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL: A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision-making to promote economic development in the member countries.

TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

- **TREASURY BILLS:** Short-term U.S. government non-interest bearing discounted debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.
- **TREASURY NOTE:** A medium-term coupon-bearing U.S. Treasury security issued as a direct obligation of the U.S. Government and having an initial maturity of from one to ten years and issued in denominations ranging from \$1,000 to \$1 million or more.
- **TREASURY BOND:** A long-term coupon-bearing U.S. Treasury security issued as a direct obligation of the U.S. Government and having an initial maturity of more than 10 years and issued in minimum denominations of \$1,000.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission (SEC) Rule 15C3- 1 outlining requirements that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on investment security generally expressed as a percentage of the security's current price. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.



CITY OF CITRUS HEIGHTS

CITY COUNCIL STAFF REPORT MEMORANDUM

DATE: February 12, 2025

TO: Mayor and City Council Members
Ashley J. Feeney, City Manager

FROM: Meghan Huber, Economic Development & Community Engagement
Director

SUBJECT: **Adoption of the 2025-2027 Economic Development Work Plan as Policy and Approval of the Business Attraction Incentive Program Guidelines and Small Business Design Support Program Guidelines**

Summary and Recommendation

The Economic Development Work Plan (EDWP) 2025-2027 has been developed in direct response to the City Council’s strategic goal to “Diversify for a Vibrant Economy” and the specific strategic objective to “Prepare and present an Economic Development Work Plan to City Council, as well as establish a suite of incentives to attract sit-down dining and entertainment options.” This plan will serve as the economic development policy framework for the City, providing a structured approach to business attraction and commercial revitalization and creating a dynamic, business-friendly environment in Citrus Heights.

Additionally, the EDWP includes two key incentive programs designed to attract and support targeted businesses: the Business Attraction Incentive Program Guidelines and the Small Business Design Support Program. The Business Attraction Incentive Program provides financial incentives to encourage targeted businesses—particularly sit-down dining and entertainment venues—to locate in Citrus Heights, activating vacant spaces and strengthening the local economy. The Small Business Design Support Program offers technical assistance to small businesses navigating design, zoning, and permitting requirements, making it easier for entrepreneurs to establish and expand operations in the city.

Staff recommends that the City Council adopt Resolution No. 2025-___ a resolution adopting the 2025-2027 Economic Development Work Plan 2025-2027 as the City’s guiding economic development policy and approving the Business Attraction Incentive Program Guidelines and Small Business Design Support Program guidelines.

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City Council Strategic Goal/Objective

This staff report aligns with the following Citrus Heights City Council Strategic Plan Objectives:

Goal: Diversify for a Vibrant Economy

Objective: Prepare and present an Economic Development Work Plan to City Council, as well as establish a suite of incentives to attract sit-down dining and entertainment options.

Fiscal Impact

Implementation of the Economic Development Work Plan 2025-2027, along with the Business Attraction Incentive Program and Small Business Design Support Program, will be carried out using existing City resources or additional necessary resources that will be considered through the overall budgeting process. The plan does not require the addition of new full-time positions; instead, implementation will be achieved by retooling a Management Analyst position from a primarily Community Engagement-focused role to an Economic Development-focused role. This internal adjustment will ensure dedicated support for economic development initiatives without increasing staffing costs.

While some initiatives, such as business attraction incentives, placemaking enhancements, or economic development tools, may require additional funding, these requests will be incorporated into the City's two-year budget planning cycle and presented to the City Council for consideration as needed. Any funding requests will specifically refer to the adopted Economic Development Work Plan to align financial decisions with the City's long-term economic development strategy.

Background and Analysis

The Economic Development Work Plan (EDWP) 2025-2027 was developed in direct response to the City Council's strategic goal to "Diversify for a Vibrant Economy" and the most recent objective set in City Council strategic planning (March 2024 – March 2025) to "Prepare and present an Economic Development Work Plan to City Council, as well as establish a suite of incentives to attract sit-down dining and entertainment options." This plan serves as the City's guiding policy for economic development over the next three years, providing a structured approach to fostering business growth, revitalizing commercial areas, and positioning Citrus Heights as a destination for investment. A key component of the plan is the introduction of targeted economic development tools, including the updated Business Attraction Incentive Program Guidelines and the Small Business Design Support Program, both of which were developed to support business attraction efforts and enhance the City's ability to recruit sit-down dining, entertainment venues, and other high-priority businesses. By aligning with the City Council's strategic direction, the EDWP ensures that economic development efforts remain focused on strengthening the local economy, enhancing the business climate, and expanding amenities that improve quality of life for residents and visitors alike.

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The development of the EDWP was guided by staff subject matter expertise, extensive market research and analysis, stakeholder engagement, and community input. City staff conducted outreach to business owners, property owners managers, brokers, and industry experts to assess challenges and opportunities. Additionally, resident feedback was gathered to ensure that economic development priorities align with community needs.

The EDWP outlines strategic initiatives across five key focus areas:

- **Business Attraction & Development Services** include streamlining regulatory processes, enhancing recruitment efforts, and reinstating the Business Attraction Incentive Program to attract businesses in high-priority sectors and establishing the Small Business Design Support Program.
- **Business Retention & Expansion** focuses on strengthening relationships with existing businesses, supporting workforce development, and launching a Business Safety Hub in partnership with the Citrus Heights Police Department.
- **Small Business Support & Innovation** expands business and entrepreneurship ecosystem partnerships.
- **Marketing & Placemaking** include efforts to improve commercial corridors, enhance city branding, and promote local businesses through digital and in-person initiatives.
- **Organizational Culture** focuses on increasing internal training and fostering a citywide culture of business-friendly customer service.

Implementation of the Work Plan will take place over the three-year period, ensuring that strategies are executed effectively and with measurable outcomes. The first year will focus on foundational efforts, including program establishment, early-stage business recruitment, and regulatory improvements. The second year will expand business retention programs, marketing efforts, and community partnerships. By the third year, staff will evaluate the progress of all initiatives, refine strategies, and ensure long-term sustainability of successful programs.

In alignment with the City Council's strategic objectives, the updated Business Attraction Incentive Program Guidelines and the Small Business Design Support Program Guidelines were designed as key tools in the City's economic development toolbox to attract desired businesses and enhance business retention efforts. These programs serve as targeted mechanisms to address commercial vacancies, stimulate private investment, and support the growth of businesses that align with community priorities. The Business Attraction Incentive Program provides financial incentives to recruit businesses in high-demand industry sectors, ensuring that commercial spaces are activated with quality tenants that contribute to the city's economic vitality. Similarly, the Small Business Design Support Program streamlines regulatory processes and provides technical assistance to small businesses, making it easier for entrepreneurs to establish and expand their operations in Citrus Heights. By formalizing these tools, the City is strengthening its ability to achieve its strategic economic development goals while fostering a business-friendly environment that supports long-term growth and sustainability.

To maximize efficiency and avoid additional staffing costs, a Management Analyst role in the Economic Development & Community Engagement Department will be repositioned to focus

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primarily on economic development, shifting away from its previous emphasis on community engagement. Over the past 2.5 years, the department has successfully built and launched key community engagement programs, establishing strong resident participation, partnerships, and awareness. With these initiatives now well-established and operating sustainably, the department can rededicate resources to economic development to advance the City Council's strategic goals. This shift will create bandwidth to provide dedicated support for business recruitment, engagement with property owners, and increasing economic development output and activity, ensuring that economic development initiatives receive the staffing resources necessary for success. With this shift, the Department Director will absorb the administration of community engagement programs, community engagement grants, and the organization-wide comprehensive grants strategy while advancing both economic development and communications strategies. This approach ensures the continuity of all EDCE programs while allowing the Management Analyst position to focus on driving increased economic development efforts that align with the City's long-term vision.

The successful implementation of the Economic Development Work Plan (EDWP) 2025-2027 is a citywide effort requiring collaboration across all City departments, the City Council, and the broader community. Economic development is not confined to a single program but is woven into every aspect of City operations, from efficient services and business-friendly policies to public safety, infrastructure, and community engagement. Everyone is an economic developer—from City leadership and staff to business owners and residents—each playing a role in fostering a welcoming, thriving business climate.

Departments like Community Development, General Services, and Police and Code Enforcement create the foundation for business success by streamlining processes, maintaining infrastructure, ensuring safety and ensuring standards of care. The City Council, property owners, and business leaders drive investment and innovation, while engaged community members help shape a vibrant Citrus Heights. Economic development is a collective mission, and success depends on alignment, engagement, and a shared commitment to growth.

To ensure transparency and accountability, staff will provide quarterly updates to City leadership and annual reports to the City Council, tracking key performance metrics and adjusting strategies based on market conditions and business feedback. By working together, Citrus Heights can attract, retain, and expand businesses, strengthening the local economy for all. Adopting the Economic Development Work Plan 2025-2027 and approving the Business Attraction Incentive Program Guidelines and Small Business Design Support Program will provide the City with the necessary tools to drive investment, support business success, and enhance economic opportunities in Citrus Heights.

Attachments

1. Economic Development Work Plan 2025-2027
2. Business Attraction Incentive Program Guidelines
3. Small Business Design Support Program Guidelines

RESOLUTION NO. 2025-___**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CITRUS HEIGHTS, CALIFORNIA, ADOPTING THE 2025-2027 ECONOMIC DEVELOPMENT WORK PLAN AS POLICY AND APPROVING THE BUSINESS ATTRACTION INCENTIVE PROGRAM GUIDELINES AND THE SMALL BUSINESS DESIGN SUPPORT PROGRAM GUIDELINES**

WHEREAS, City Council set a Strategic Goal to “Diversify for a Vibrant Economy”;

WHEREAS, City Council set a Strategic Objective for staff to “Prepare and present an Economic Development Work Plan to City Council, as well as establish a suite of incentives to attract sit-down dining and entertainment options.”;

WHEREAS, to achieve these objectives, the Economic Development Work Plan (EDWP) 2025-2027 has been developed as a guiding policy framework for economic development efforts over the next three years;

WHEREAS, this plan will serve as the economic development policy framework for the City, providing a structured approach to business attraction and commercial revitalization and creating a dynamic, business-friendly environment in Citrus Heights;

WHEREAS, the Business Attraction Incentive Program has been developed to provide financial incentives to encourage targeted businesses—particularly sit-down dining and entertainment venues—to locate in Citrus Heights, activating vacant spaces and strengthening the local economy; and

WHEREAS, the Small Business Design Support Program offers technical assistance to small businesses navigating design, zoning, and permitting requirements, making it easier for entrepreneurs to establish and expand operations in the city.

NOW THEREFORE BE IT RESOLVED AND ORDERED that the City Council of the City of Citrus Heights does hereby adopt the Economic Development Work Plan 2025-2027 as the City’s guiding economic development policy, as well as adopt the Business Attraction Incentive Program Guidelines and Small Business Design Support Program guidelines to establish a suite of incentives to attract target businesses.

The City Clerk shall certify the passage and adoption of this Resolution and enter it into the book of original resolutions.

PASSED AND ADOPTED by the City Council of the City of Citrus Heights, California, this 12th day of February 2025 by the following vote, to wit:

AYES: **Council Members:**
NOES: **Council Members:**
ABSTAIN: **Council Members:**
ABSENT: **Council Members:**

Dr. Jayna Karpinski-Costa, Mayor

ATTEST:

Amy Van, City Clerk

CITRUS HEIGHTS

ECONOMIC DEVELOPMENT WORK PLAN

2025-2027

The City of Citrus Heights is committed to fostering a thriving, diverse local economy through strategic economic development initiatives that align with the City Council's goals of encouraging private investment, supporting local businesses, and enhancing community vibrancy. This Economic Development Work Plan (EDWP) builds on these priorities, serving as a roadmap for advancing economic opportunities and addressing key challenges over the next three years.

The EDWP framework is guided by five strategic focus areas: Business Attraction & Development Services, Business Retention and Expansion, Small Business Support, Marketing and Placemaking, and Organizational Culture. These focus areas provide a comprehensive structure for the City's efforts, ensuring resources and activities are aligned with the community's long-term economic development goals.

The City's approach reflects its built-out established nature, emphasizing "quality over quantity" in economic development. Strategies focus on revitalizing and reusing existing commercial properties and attracting quality tenants to vacant spaces. Additionally, the plan prioritizes supporting small businesses, marketing the city's assets, and enhancing Citrus Heights' sense of place to drive private investment and create a vibrant, welcoming community.

The EDWP is designed to be dynamic, adapting to changes in market conditions and other external factors. A progress dashboard with specific indicators for each priority area will be used to track activity and outcomes, allowing for regular evaluation and recalibration of initiatives as needed.

By embracing its role as a leader in the region of catalytic economic development and cultivating strong partnerships with public and private entities, Citrus Heights aims to maximize the economic impact of its resources, fill vacant spaces, promote redevelopment and infill opportunities, and grow its status as a dynamic and prosperous community.

The EDWP is informed by the expertise and experience of the City of Citrus Heights staff, data analysis, business stakeholder outreach, and community outreach.

BACKGROUND & DATA

An effective economic development strategy relies on a thoughtful combination of pragmatic commercial real estate assessments, comprehensive demographic data analysis, and a clear community vision. By aligning these elements, the strategy ensures that the right types of businesses are attracted to the area, that growth opportunities are maximized, and that development efforts are in harmony with the needs and aspirations of the community. This approach allows for informed decision-making, a more targeted recruitment strategy, and the creation of a sustainable, thriving local economy that benefits residents, businesses, and the broader region. This section provides an in-depth analysis of Citrus Heights, focusing on its 1.

demographic and economic forecasts, 2. commercial real estate assets, and 3. the community's priorities and aspirations.

1. CITRUS HEIGHTS DEMOGRAPHIC & INDUSTRY DATA OVERVIEW

Demographic and economic data are essential for shaping economic development strategies, especially in retail attraction, where population size, income levels, and spending power drive business decisions. In Citrus Heights, workforce trends, education levels, and cost of living factors also influence job growth, workforce retention, and the city's ability to attract new businesses that align with community needs.

Citrus Heights has a population of 87,127 residents, with a labor force of 45,965 and a labor force participation rate of 64.6%. The city's median household income is \$75,022, and the median home value is \$407,500, making it relatively affordable compared to surrounding communities in the Sacramento region. Educational attainment levels show that 22.1% of residents aged 25-64 hold a bachelor's degree or higher, which is below the national average of 35.8% and the Sacramento metro area's rate of 33.3%. This education gap presents an opportunity for workforce training programs and partnerships with local institutions to increase access to higher-wage employment opportunities.

While total employment in Citrus Heights has grown by 2.5% year-over-year, reaching 19,926 jobs, the cost of living is 24.7% higher than the national average. This dynamic impacts resident's purchasing power and workforce retention efforts, underscoring the need for workforce development initiatives and an increase in local jobs that provide sustainable wages.

Data Source: JobsEQ

1a. TOP INDUSTRY CLUSTERS BY EMPLOYMENT

The following five industry clusters represent the city's most established economic drivers by job count. These industries form the foundation of the local economy and will continue to play a significant role in employment, business growth, and economic stability. Top industry clusters are measured by employment volume as well as location quotient (LQ). A location quotient greater than 1.0 indicates that the City has a higher concentration of employment in a particular industry or occupation than the nation;

Source: JobsEQ

1. Healthcare and Social Assistance

Healthcare is the largest employment sector in Citrus Heights, accounting for 4,901 jobs, or 24.6% of the total workforce. With a location quotient of 1.65, this industry has a higher concentration locally than the national average. The city's aging population (20.6% over 60) is driving demand for expanded medical services, specialized senior care, and home health solutions. The sector has grown by 5.2% over the past five years, with continued expansion expected, making healthcare a priority for workforce development and business recruitment.

Example business use types include hospitals, medical and diagnostic laboratories, nursing care facilities, home health care services, and outpatient care centers.

2. Retail Trade

Retail remains a dominant industry, employing 4,240 workers and accounting for 21.3% of total employment. Citrus Heights is a strong regional shopping hub, anchored by Sunrise Marketplace. However, shifting consumer preferences and e-commerce trends have led to a 0.34% projected decline in employment, emphasizing the need for retail revitalization and adaptation to new consumer behaviors.

Example business use types include department stores, specialty food stores, clothing stores, electronics and appliance stores, and building material and garden equipment dealers.

3. Accommodation and Food Services

Citrus Heights' hospitality and food services sector plays a key role in both local economic activity and regional tourism. This sector provides 2,814 jobs, supporting both local demand and tourism-related activity. While the restaurant industry remains strong, Citrus Heights has limited hospitality infrastructure (no hotels and one motel). The sector has seen a 4.1% employment increase over the past five years, indicating opportunities for hospitality expansion, entertainment venues, and event spaces to increase economic activity.

Example business use types include full-service restaurants, limited-service restaurants, caterers, hotels (except casino hotels), motels, and drinking places serving alcoholic beverages.

4. Professional, Scientific, and Technical Services

The professional services sector provides a wide range of high-skill, high-wage jobs in industries such as legal, accounting, consulting, and engineering services. This sector plays a critical role in the local economy, employing 10.3% of the workforce. The industry has grown 7.5% since 2018, fueled by increasing demand for remote work support, business-to-business services, and IT consulting.

Example business use types include legal services, accounting and tax preparation, payroll services, management consulting services, advertising and public relations firms, and architectural and engineering services.

5. Administrative and Support Services

Administrative and support services are key business-to-business industries, providing back-office operations, employment services, and customer service functions. This industry cluster employs nearly 8% of the city's workforce. Over the past five years, the sector has added more than 300 jobs, supported by affordable office space and the city's proximity to Sacramento's economic hub.

Example business use types include employment placement agencies, telemarketing bureaus, document preparation services, and call centers.

1B. TOP TARGET GROWTH SECTORS IN CITRUS HEIGHTS

As Citrus Heights looks to expand its economic base, targeting industries with high growth potential will be critical for job creation and business attraction. Citrus Heights has several strong and emerging industry sectors that serve as key drivers of economic activity. These sectors offer high

employment concentrations, regional competitiveness, and opportunities for future growth. The following sectors have been identified based on location quotient (or LQ), employment levels, occupational strengths, and alignment with regional economic priorities.

Health Care and Social Assistance

The health care and social assistance sector is one of the most prominent industries in Citrus Heights, with a high employment concentration of 4,901 jobs and an LQ of 1.65, indicating that this sector is significantly more concentrated in Citrus Heights compared to the national average. Occupational strengths in human services and health sciences provide a strong talent pipeline for continued growth in this sector, with average wages ranging from \$44,700 to \$84,900.

This sector aligns with the Greater Sacramento Economic Council's (GSEC) regional clusters, positioning Citrus Heights as a strong player in the expansion of medical services, senior care, and specialized health care innovation. Given the city's aging population and demand for accessible medical services, further investment in healthcare facilities, medical technology, and workforce development programs could drive continued economic growth.

Consumer Services: Arts, Entertainment, and Recreation

Citrus Heights is a regional hub for consumer services, arts, entertainment, and recreation, with a high industry concentration (LQ 2.50) and a consumer services cluster LQ of 1.52. This sector employs 4,622 workers, demonstrating a strong local market for hospitality, tourism, and entertainment-related businesses.

The city's existing event spaces and recreational facilities contribute to its reputation as a destination for consumer services. With increasing demand for experiential retail, leisure activities, and arts-driven commerce, there is potential to expand entertainment venues, cultural attractions, and nightlife options to further capitalize on the city's strengths. Targeted incentives and placemaking strategies could help attract new entertainment and recreation-based businesses, enhancing Citrus Heights' position as a vibrant regional center for consumer experiences.

Retail

Retail remains a core economic driver for Citrus Heights, with an LQ of 2.17 and an employment base of 4,340 workers. The city serves as a regional shopping destination with major retail corridors and centers like Sunrise Marketplace.

Despite slower growth in the retail sector overall, opportunities exist in specialty retail, experience-driven shopping, and hybrid business models that blend retail, dining, and entertainment. Additionally, retail expertise and sales skills can translate into workforce mobility across other industries, such as hospitality and business services. The city's focus on revitalizing commercial corridors, improving shopping center aesthetics, and attracting high-quality tenants will be critical in sustaining retail's role as an economic pillar for Citrus Heights.

Financial and Professional Services

The financial and professional services sector is an area of high-value growth potential for Citrus Heights. With an average wage exceeding \$114,000, this sector provides some of the highest-

paying jobs in the region. While total employment in this sector is smaller compared to retail and health care, the combined financial and professional services clusters account for over 2,000 jobs and are positioned for continued expansion.

This sector aligns with Greater Sacramento Economic Council's regional focus on tech, mobility, and advanced business services, creating opportunities for Citrus Heights to attract finance, legal, and professional consulting firms. The forecasted growth rate for this cluster is among the highest in the city, second only to health care. Expanding Class A and modern office spaces, as well as supporting flexible co-working environments, could further facilitate business retention and attraction in this high-wage sector.

Entrepreneurship and Start-Ups

Citrus Heights has an opportunity to foster entrepreneurship and start-ups by leveraging its existing industry strengths while addressing challenges related to limited commercial real estate inventory. Supporting emerging businesses in consumer services, health care, and professional services will help reinforce the city's economic base while creating pathways for job creation and innovation.

Expanding business incubation programs, access to capital, and networking opportunities for entrepreneurs can help drive local business development. With rising demand for flexible workspaces and e-commerce opportunities, the city can play a key role in supporting small business growth through targeted incentives, co-working hubs, and digital infrastructure enhancements.

Source: JobsEQ & analysis by Greater Sacramento Economic Council research team

These five key sectors represent Citrus Heights's strongest areas of economic opportunity. The city can foster a diverse, resilient, and forward-thinking economy by aligning business attraction strategies, workforce development initiatives, and targeted incentives with these high-growth industries.

Workforce Development and Economic Resilience

A skilled and adaptable workforce is essential for sustaining economic vitality, and Citrus Heights can play a role in aligning training programs with high-growth industries to support local employment opportunities. Strengthening partnerships with institutions like the Los Rios Community College District, Sacramento State University, and UC Davis can help bridge skill gaps in key sectors such as healthcare, professional services, and construction. Expanding career pathways in healthcare and human services aligns with the sector's strong job growth, while investing in workforce training for skilled trades and infrastructure projects can drive expansion in the construction industry. Additionally, workforce attraction and retention efforts are increasingly important, given the city's cost of living is 24.7% higher than the national average. By supporting these initiatives, Citrus Heights can enhance economic resilience, attract new businesses, and ensure that residents have access to sustainable, high-quality job opportunities.

The comprehensive demographic and economic analysis above provides a data-driven foundation for a targeted business recruitment strategy. By leveraging industry trends, workforce insights, and commercial opportunities, the Economic Development Work Plan will outline pragmatic actions to

attract businesses, and advance economic development goals. This approach ensures sustainable job growth, business retention, and long-term economic resilience for Citrus Heights.

2. CITRUS HEIGHTS COMMERCIAL REAL ESTATE OVERVIEW

Economic development is dependent on businesses having access to real estate that meets their needs. In Citrus Heights, commercial property availability and condition shape business attraction, retention, and overall economic vitality. The city must balance a strong retail legacy with shifting consumer trends, adapt to evolving office demand, and navigate a highly constrained industrial market. Understanding these dynamics is key to positioning Citrus Heights for long-term growth. The following sections examine the retail, office, and industrial markets, highlighting key trends and opportunities for strategic investment.

2.a RETAIL REAL ESTATE

Citrus Heights' retail market is at a pivotal moment, balancing the challenges of an aging commercial inventory with opportunities to attract new tenants and adapt to shifting consumer trends. As of January 2025, the city's retail vacancy rate stands at 12.1%, reflecting a slight increase over previous periods and continuing an upward trend from pre-pandemic levels when vacancy rates hovered around 9-10%. Currently, 725,069 square feet of vacant retail space (across a total market of about 6 million square feet) highlight ongoing shifts in retail demand, with larger vacancies persisting in legacy shopping centers that require repositioning to attract new tenants.

Comparatively, the Sacramento region retail market maintains a lower 6.4% vacancy rate as of January 2025, a figure that has remained relatively stable over the past few years. The region's limited new retail construction and resilient leasing market have contributed to this lower vacancy rate. Discount retailers, grocery stores, and quick-service restaurants have been among the most active tenants, while larger anchor spaces continue to pose leasing challenges. Rent growth in the region has been modest at 1.1% year-over-year, lagging behind the national average of 1.8%, signaling a softening in retail demand despite stable occupancy rates.

Looking at historical trends, Citrus Heights' retail sector has struggled with higher-than-average vacancy rates compared to the broader Sacramento region, reflecting the aging commercial inventory and the challenges of repositioning older retail centers. Adaptive reuse strategies and targeted business attraction efforts are increasingly necessary to fill larger spaces and revitalize underperforming retail corridors. Given the Sacramento market's tight retail space availability, Citrus Heights has an opportunity to attract businesses seeking expansion outside of the metro core.

A retail property's location and physical condition remain critical factors influencing occupancy and long-term success. Prominent destination centers like Citrus Town Center, Sunrise Village, and Marketplace at Birdcage benefit from prime locations, strong tenant mixes, and consistent property maintenance, allowing them to remain competitive. However, retail trends continue to evolve, emphasizing mixed-use integration, experiential shopping, and digital adaptation.

In contrast, neighborhood retail centers present a wider range of conditions, with some maintaining high occupancy while others struggle with vacancies and visible signs of neglect. For these underperforming properties, targeted reinvestment—such as façade updates, landscaping improvements, and enhanced pedestrian access—can play a crucial role in attracting tenants and revitalizing commercial activity.

Exploring opportunities to encourage higher property maintenance standards, including potential refinements to municipal code enforcement approaches, could further support efforts to improve underutilized centers. By recognizing the critical relationship between location, property upkeep, and occupancy, the city can better support strategies that sustain a thriving retail environment and ensure long-term economic vitality.

Quick Guide to Retail Recruitment

Retail recruitment is a strategic process that involves attracting businesses to a market while ensuring long-term viability. Successful recruitment requires understanding key factors that influence site selection, market demand, and business sustainability.

Key Retail Recruitment Factors:

- **Trade Area Requirements:** Retailers analyze trade areas—geographic regions from which they draw customers—based on population density, demographics, traffic patterns, and spending power. The size of the trade area depends on the business type; for example, convenience stores need smaller trade areas than regional shopping centers.
- **Cannibalization:** When a retailer considers opening a new location, they assess whether it will take away sales from an existing store. Companies aim to expand their footprint without oversaturating a market, which can reduce profitability for all locations.
- **Co-Tenancy & Complementary Retail Mix:** Retailers prefer locations with strong anchor tenants or complementary businesses that drive customer traffic. For example, a fitness center near a health food store creates synergy that benefits both businesses.
- **Market Gap Analysis:** Cities and developers use gap analyses to identify underserved retail categories, helping recruit businesses that fill consumer demand without excessive competition.
- **Site Selection Criteria:** Retailers evaluate visibility, accessibility, parking, zoning regulations, and infrastructure when choosing a location. Factors like major roadway access, traffic counts, and adjacent land uses impact site desirability.
- **Retailer Expansion Strategies:** National brands and franchises follow structured expansion plans based on growth potential, existing market performance, and corporate objectives. Cities that align incentives and regulatory processes with these strategies improve recruitment success.
- **Local Incentives & Support:** Competitive cities offer economic development tools such as grants, tax incentives, and infrastructure improvements to attract and retain retailers. Business-friendly permitting and zoning policies also enhance recruitment efforts.

Understanding these factors helps local governments and economic developers create effective strategies to attract and sustain retail businesses, ensuring a vibrant commercial environment that meets community needs.

2.b OFFICE REAL ESTATE

Over the past decade, the Citrus Heights office market has evolved in response to economic cycles, business trends, and broader shifts in workplace behavior. Historically, the market maintained moderate but steady demand, with vacancy rates averaging between 8% and 10% from 2013 to 2019. During this period, leasing activity was driven largely by local professional services, medical offices, and small businesses seeking cost-effective alternatives to downtown Sacramento. Rental rates followed a gradual upward trend, with average asking rents increasing from approximately \$1.50 per square foot in 2015 to \$1.75 by late 2019, reflecting steady market confidence.

However, the onset of the COVID-19 pandemic in 2020 fundamentally altered the office landscape, leading to an abrupt decline in occupancy across the region. Citrus Heights, like many suburban markets, experienced a surge in office vacancies, rising to nearly 15% by early 2021, as businesses restructured their work environments, embraced hybrid work models, or downsized their office footprints. Despite these challenges, the impact in Citrus Heights was comparatively less severe than in downtown Sacramento, where vacancy rates surpassed 20% amid widespread corporate downsizing and a shift away from large-scale office leases.

Post-pandemic, the Citrus Heights office market has remained in a period of adjustment. While some businesses have returned to physical offices, demand patterns have changed, favoring smaller, flexible spaces over traditional large office footprints. Over the past year, vacancy rates have increased modestly from 12.8% in early 2024 to 14.2% in early 2025, a reflection of ongoing hybrid work adoption and a measured pace of office space absorption. The Citrus Heights-Orangevale submarket has seen a slightly higher vacancy rate of 15.1%, signaling some softening in demand, though still more favorable compared to the Sacramento metro area's 18.7% vacancy rate.

Leasing activity remains selective but steady, with demand concentrated in professional services, healthcare, and small-to-mid-sized businesses seeking cost-effective suburban office locations. Larger office spaces, particularly those exceeding 10,000 square feet, remain more difficult to lease, aligning with national trends as companies reassess their long-term office needs. To maintain competitiveness, landlords are offering flexible lease terms, tenant improvement packages, and attractive rental incentives, ensuring that Citrus Heights continues to present an affordable and accessible alternative within the region.

The comparison between pre- and post-pandemic conditions highlights a key structural shift: while Citrus Heights historically benefited from steady occupancy and rising rental rates pre-2020, the market today is shaped by tenant preferences for flexibility, increased remote work adoption, and a slower overall recovery in office demand. The pre-pandemic vacancy rate of 8-10% may not return in the near term, but the market's adaptability and affordability provide stability in contrast to the downtown Sacramento office sector, which continues to experience deeper challenges.

Looking ahead, the Citrus Heights office market is expected to remain resilient but evolving. Medical office space has been a strong performer, with sustained demand from healthcare providers. There is growing interest in adaptive reuse strategies, such as repurposing traditional office spaces into mixed-use, medical, or flex-office configurations. While leasing activity is not accelerating at a rapid pace, Citrus Heights remains well-positioned within the regional office landscape, offering cost-effective options for tenants prioritizing affordability and convenience.

As the broader office market continues to adjust to long-term workplace trends, Citrus Heights' suburban appeal, competitive pricing, and adaptable office spaces will remain key strengths. With a tenant base focused on flexibility and affordability, the market is likely to see stabilization in vacancy rates over the next two years, with potential declines to the 10-12% range if economic conditions strengthen. While the long-term trajectory of office demand remains uncertain, the city's suburban character and cost advantages will continue to support steady levels of interest from tenants navigating the evolving workplace landscape.

Quick Guide to Office User Recruitment

Recruiting office tenants requires a strategic approach that aligns market demand with site selection criteria, workforce availability, and real estate conditions. The quality and readiness of available office space significantly impact tenant attraction, influencing which businesses choose to locate in a given area.

Key Office Recruitment Factors:

- **Workforce Availability & Labor Market Fit:** Employers prioritize locations with access to a skilled workforce aligned with their industry needs. Cities with strong talent pools in key sectors—such as healthcare, finance, or professional services—are more attractive to office users.
- **Trade Area & Market Demand:** Office users analyze trade areas based on employee commute patterns, client access, and business clustering. Proximity to transit, major highways, and workforce hubs significantly impacts location decisions.
- **Office Space Condition & Classifications:** Office spaces are categorized based on quality, amenities, and infrastructure, which directly influence the types of tenants they attract:
 - **Class A:** High-end, modern buildings in prime locations with premium amenities, advanced infrastructure, and strong property management. These spaces appeal to corporate headquarters, financial firms, and professional service providers.
 - **Class B:** Well-maintained buildings with functional layouts, though they may lack high-end finishes or prime locations. These spaces attract mid-sized businesses, growing firms, and back-office operations.
 - **Class C:** Older buildings with minimal updates, lower lease rates, and limited amenities. These often require renovations and typically attract startups, nonprofits, and cost-sensitive tenants.

- **Hybrid Work & Office Space Demand:** The rise of remote and hybrid work models has shifted office leasing trends. Many businesses now seek smaller, high-quality spaces with flexible layouts, collaboration areas, and enhanced amenities rather than large, traditional office footprints.
- **Co-Tenancy & Industry Clustering:** Office tenants prefer locations near complementary businesses or industry hubs that provide networking, collaboration, and talent-sharing opportunities. For instance, medical offices benefit from proximity to hospitals and clinics.
- **Local Incentives & Business Support:** Competitive cities offer economic development tools such as tax incentives, relocation grants, and workforce training programs to attract office tenants. A business-friendly permitting and entitlement process can further enhance recruitment success.

By understanding these factors and ensuring a strong mix of high-quality office spaces, local governments, and property owners can create targeted strategies to attract office users, fill vacancies, and drive commercial growth.

2.c INDUSTRIAL REAL ESTATE

The industrial real estate market in Citrus Heights is exceptionally small, with only 11 industrial properties in the entire city. Unlike larger industrial hubs in the Sacramento region, Citrus Heights has historically been a suburban retail and residential community with minimal industrial activity. Over time, the industrial sector has remained stable but highly constrained, as the city has little available land for expansion.

As of early 2025, the Citrus Heights industrial market continues to be one of the smallest in the region. The limited supply has led to extremely low vacancy rates and steady rental growth as businesses compete for the few available spaces. The market primarily serves local and regional businesses needing small-scale industrial or flex space rather than large warehouse or logistics operations. Rent growth has been consistent due to persistent demand, but the lack of new development options means businesses requiring more space often have to relocate elsewhere. The constrained inventory also limits Citrus Heights' ability to participate in regional business attraction efforts for key industry clusters such as mobility, advanced manufacturing, agriculture, and ag tech, which require larger-scale industrial facilities and specialized infrastructure.

Looking ahead, the lack of industrial space will continue to constrain economic opportunities in the sector. While adaptive reuse of commercial or retail properties could help address some demand, traditional industrial expansion remains highly unlikely. Nearby submarkets such as McClellan, West Sacramento, and Rancho Cordova—which offer significantly more industrial space—will continue to absorb businesses looking for larger facilities, leaving Citrus Heights with a niche role in the broader regional industrial market.

Source for all commercial real estate information and data: CoStar

Quick Guide to Industrial User Recruitment

Recruiting industrial tenants requires a strategic approach that aligns market demand with site selection criteria, logistics needs, and infrastructure capabilities. Industrial users—manufacturers,

logistics firms, and warehouse operators—prioritize locations supporting efficient operations, workforce availability, and long-term growth potential.

Key Industrial Recruitment Factors:

- **Site Selection & Infrastructure Readiness:** Industrial users evaluate access to major highways, rail lines, ports, and airports for efficient distribution. Sites must also accommodate large truck traffic, offer ample loading dock space, and have the necessary utilities (power, water, gas, broadband) to support operations.
- **Zoning & Land Use Compatibility:** Industrial businesses require properly zoned land that permits manufacturing, distribution, and warehousing activities. Cities that streamline industrial zoning approvals and offer flexibility in land use attract more investment.
- **Building Classifications & Suitability:**
 - **Class A:** Newer, state-of-the-art facilities with modern amenities, high ceilings (32+ feet), energy-efficient features, and strong connectivity. These spaces appeal to large-scale logistics, e-commerce, and advanced manufacturing users.
 - **Class B:** Functional but older industrial spaces with lower ceiling heights, fewer modern features, and some deferred maintenance. Often suitable for smaller manufacturers, suppliers, and local distributors.
 - **Class C:** Outdated facilities with limited infrastructure that require significant upgrades. These attract cost-sensitive users or businesses with less intensive operational needs.
- **Workforce Availability & Labor Market Fit:** Industrial users prioritize locations with a strong blue-collar workforce skilled in manufacturing, logistics, and supply chain management. Workforce training programs and partnerships with trade schools enhance recruitment appeal.
- **Supply Chain & Logistics Access:** Proximity to suppliers, customers, and transportation hubs is a key factor in industrial site selection. Cities with robust logistics infrastructure can attract large-scale distribution centers and manufacturers.
- **Industrial Market Demand & Competition:** Cities must assess vacancy rates, absorption trends, and rental pricing to position themselves competitively. A lack of available industrial space may require investment in new developments or repurposing underutilized properties.
- **Sustainability & Energy Efficiency:** Green industrial development, including solar energy integration, LED lighting, and water conservation measures, is increasingly attractive to tenants with corporate sustainability goals. LEED-certified industrial facilities have a competitive edge.
- **Building Size & Customization Options:** Industrial users require flexibility in space configurations, including the ability to expand operations. High-clearance ceilings, large bay spacing, and adaptable floor plans make properties more attractive.

- **Incentives & Business-Friendly Policies:** Competitive cities offer tax incentives, infrastructure support, and workforce development assistance to attract industrial tenants. Fast-tracking permitting processes and reducing regulatory burdens also enhance recruitment efforts.

By addressing these key factors, local governments and economic developers can position their communities as prime destinations for industrial investment, job creation, and economic growth.

3. STAKEHOLDER INPUT

The economic development work plan is informed by input from the City Council, business community, and residents to reflect shared priorities. Ongoing outreach helps ensure the plan supports local businesses, economic growth, and community objectives.

3.a DEVELOPMENT & BUSINESS COMMUNITY FEEDBACK

In late 2024, the Community Development and Economic Development and Community Engagement Departments conducted extensive stakeholder outreach to property owners, managers, brokers, and prospective business representatives to identify challenges and opportunities within Citrus Heights' regulatory and development processes. Engagement included surveys, interviews, and tracking inquiries from prospective businesses to better understand barriers to filling vacancies and streamlining development.

Key Insights from Stakeholders:

- **Evolving Retail Landscape:** Stakeholders emphasized the challenges posed by aging retail spaces, which require significant investment to adapt to modern retail demands or alternative uses. Building and fire code compliance, especially the cost of retrofitting fire sprinklers for non-retail uses, was noted as the most significant obstacle to repurposing retail spaces.
- **Responsive City Staff:** Stakeholders praised City staff for being problem-solvers and responsive to development concerns, often working creatively within regulations to facilitate projects while maintaining community standards.
- **Emerging Uses:** Innovative uses, such as immersive entertainment and axe-throwing venues, present opportunities but often face zoning and regulatory hurdles due to their unconventional nature.
- **Increased Demand for Drive-Thrus:** Stakeholders highlighted a need for greater flexibility in approving drive-through uses, reflecting changing consumer behaviors since the pandemic.

Challenges Identified:

- **Permitting Complexity:** Many new business owners struggle with navigating building and fire codes, often due to low budgets or unfamiliarity with permitting processes, which can delay or deter projects.
- **Zoning Thresholds:** Rigid thresholds in the Zoning Code, such as square footage limits requiring Use Permits, were cited as unnecessarily burdensome for minor overages.

- **Flat-Rate Fees:** Current flat-rate planning entitlement fees were seen as disproportionately high for simpler projects, creating cost barriers for smaller businesses.
- **Limited Light Industrial Opportunities:** While growth potential exists for light industrial and manufacturing sectors, the city's built out, suburban character limits compatible locations for such uses.

This outreach underscores the need for nimble, proactive approaches to address evolving market demands, streamline regulatory processes, and enhance Citrus Heights' ability to attract and retain diverse business uses.

3.b RESIDENT FEEDBACK

Resident sentiment data gathered through a recent FlashVote survey (January 2025) provides valuable feedback and insights into residents' perspectives on economic development in Citrus Heights. The survey revealed a generally neutral sentiment toward current shopping and dining options, with an average satisfaction rating of 3.04 out of 5. Younger residents, particularly those aged 35 and under, expressed a slightly higher satisfaction level than other age groups.

When asked about barriers to shopping and dining more frequently within the city, respondents highlighted two primary concerns: the lack of higher-end stores and restaurants and the need for renovations to shopping centers and storefronts. These findings indicate that addressing aesthetic and quality issues in commercial areas could significantly improve local engagement with businesses.

Residents also voiced a strong desire for additional restaurants, cafes, entertainment, and recreational options. This preference underscores the community's interest in diversifying and enhancing the local retail and dining landscape. To attract these desired businesses, respondents identified three key priorities: improving the appearance and cleanliness of commercial areas, upgrading infrastructure, and enhancing safety in these spaces.

This feedback provides a clear mandate for targeted economic development efforts that focus on revitalizing commercial areas, addressing community needs for modern amenities, and creating an inviting and safe environment to attract both businesses and customers.

3.c CITY COUNCIL FEEDBACK

The City Council's feedback on economic development priorities for Citrus Heights aligns with a strategic approach centered on business attraction and retention, infrastructure and zoning improvements, community engagement, and overall economic vitality. Their collective input highlights several key focus areas that will shape the City's Economic Development Work Plan, ensuring a strong and resilient local economy.

A primary focus is fostering a thriving business environment that attracts and retains businesses aligned with the City's long-term vision. Councilmembers expressed a strong interest in proactively recruiting businesses that enhance the City's economic landscape, rather than waiting for opportunities to emerge. There is a desire to support a diverse range of businesses, from small, neighborhood-serving enterprises to larger commercial investments that contribute to a vibrant and sustainable economy. Expanding business incentive programs, streamlining permitting

processes, and enhancing marketing efforts to showcase Citrus Heights as a prime business destination were identified as key strategies to improve the overall business climate.

Another critical priority is commercial corridor revitalization and infrastructure investment to enhance the aesthetic appeal, functionality, and long-term viability of the City's business districts. Councilmembers highlighted the need for targeted improvements to key corridors, including upgrading streetscapes, enhancing public spaces, and ensuring commercial areas remain competitive and attractive for both businesses and consumers. There is strong support for policies that encourage mixed-use development, allowing for more dynamic and pedestrian-friendly environments that blend retail, office, and residential uses. Additionally, modernizing zoning regulations to support business growth and increasing investment in transportation and mobility solutions, such as public transit and walkability enhancements, were identified as long-term strategies for economic sustainability.

Enhancing community engagement and business collaboration emerged as a key theme, with an emphasis on strengthening relationships between the City, business owners, and residents. Councilmembers underscored the importance of regular dialogue with local businesses through structured engagement opportunities, such as business roundtables and partnerships with economic development organizations. Increasing outreach efforts to better understand why businesses choose Citrus Heights or opt for other locations will help refine attraction strategies and ensure business retention. Additionally, fostering a strong local business network, supporting entrepreneurs, and encouraging collaboration between the public and private sectors will contribute to a more resilient and interconnected economy.

A focus on industry diversification and workforce development was also emphasized as a pathway to long-term economic stability. Councilmembers highlighted the importance of attracting a mix of industries that align with regional trends, such as technology, education, healthcare, and creative industries. Investing in workforce development programs, including trade schools, job training initiatives, and partnerships with educational institutions, will help prepare residents for emerging job opportunities while strengthening the local talent pipeline. Supporting entrepreneurs and home-based businesses through mentorship programs and business resource networks was also identified as a strategy to cultivate economic growth and innovation.

Finally, quality of life and economic resilience remain central to the City's economic development approach. Ensuring that economic initiatives benefit the broader community by enhancing safety, accessibility, and public spaces is a priority. This includes maintaining clean and well-lit commercial areas, activating vacant properties for temporary community-oriented uses, and integrating sustainable development practices into the City's economic strategy. Encouraging businesses to engage in community-oriented initiatives and supporting economic equity through targeted development efforts will help ensure that all residents benefit from economic growth.

The City Council's input underscores a comprehensive approach to economic development, balancing business attraction, infrastructure investment, community engagement, industry diversification, and quality of life improvements. These priorities will serve as guiding principles in the development of the Economic Development Work Plan, ensuring that Citrus Heights remains a competitive, vibrant, and economically resilient city.

Community feedback played a critical role in shaping the priorities and recommendations outlined in the Economic Development Workplan. Input from residents, businesses, and stakeholders helped identify key challenges, opportunities, and areas for investment, ensuring that the plan reflected the community's needs and aspirations.

A note on the Sunrise Tomorrow Specific Plan: The Sunrise Tomorrow Specific Plan represents a transformative economic development opportunity for Citrus Heights, positioning the former mall site as a catalyst for revitalization and long-term growth. Given the scale and significance of this project, specific actions and direction for its advancement will take place through the City Council's annual strategic planning process and other public meetings. This ensures a nimble and rapid response to emerging opportunities, allowing for timely decision-making, resource allocation, and policy adjustments that drive efficient project implementation, rather than confining progress within the broader three-year Economic Development Work Plan framework. It is also important to note that much of the analysis and initiatives outlined in this work plan are aligned with and will naturally benefit the Sunrise Tomorrow project, supporting business attraction efforts, infrastructure investments, and workforce development that align with the vision for the site. For more information and updates on the Sunrise Tomorrow Specific Plan, visit www.sunrisetomorrow.net

ECONOMIC DEVELOPMENT WORK PLAN: IMPLEMENTATION FRAMEWORK

The Citrus Heights Economic Development Work Plan (EDWP) implementation framework provides a strategic approach to strengthening the local economy through business growth, investment, and community vitality. Informed by demographic and economic data, real estate assessments, and community feedback, the plan aligns economic initiatives with the city's unique market conditions and opportunities.

With input from stakeholders and industry best practices, the EDWP builds on ongoing efforts to attract and retain businesses, foster entrepreneurship, and streamline development processes. It prioritizes practical, data-driven strategies to support economic growth, enhance business opportunities, and create a welcoming environment for investment.

The plan is organized around five key focus areas: Business Attraction and Development Services, Business Retention and Expansion, Small Business Support and Innovation, Marketing and Placemaking, and Organizational Culture. Each area includes clear implementation steps and measurable outcomes to ensure accountability, track progress, and drive long-term economic success in Citrus Heights.

1. BUSINESS ATTRACTION & DEVELOPMENT SERVICES

Citrus Heights hosts various commercial real estate opportunities, ranging from prime retail corridors and neighborhood service centers to adaptable office spaces. By aligning available properties with high-demand industry segments—such as dining, breweries and nightlife, entertainment, healthcare, and professional services—the city can enhance its economic base and meet the community's evolving needs.

The following are recommended actions to advance business attraction in Citrus Heights:

I. Improve Regulatory Processes to Support Business Development

Efficient regulations are key to attracting and retaining businesses. Burdensome processes can delay projects, drive up costs, and discourage investment. By reducing red tape, clarifying requirements, and streamlining approvals, Citrus Heights can create an even more business-friendly environment that supports growth and development.

a. Streamline City Zoning and Permit Processes to Support Business Recruitment and Retail-Compatible Uses

The City of Citrus Heights offers simple and low-barrier zoning and permit processes but always seeks improvement. The Community Development and Economic Development departments have gathered feedback from the development community and conducted analysis, leading to new recommendations for improvement. By streamlining approvals, increasing flexibility, and clarifying guidelines, the city can further attract diverse businesses, repurpose existing spaces, and enhance economic growth while reducing barriers for developers and property owners.

Implementation steps (as detailed in Attachment 1):

- **Allow Minor Use Permits (staff level) for uses that currently need Use Permits** (Planning Commission level), especially for uses that fit well in retail areas, particularly within existing buildings.
- **Update the Zoning Code to allow the Community Development Director to approve uses that exceed current use Permit thresholds**, as long as the use is compatible with its surroundings and won't negatively impact the community (up to a 75% increase from the threshold).
- **Update the Land Use Table in the Zoning Code** to include non-retail uses suitable for retail areas but not currently listed.

Recommendation: To streamline the approval process and better align the Zoning Code with current retail trends, it is recommended that Community Development staff bring forward the above implementation steps for City Council consideration and approval.

b. Partner and Advocate to Streamline Third Party Agency Regulations and Processes

Collaboration with partner agencies is essential to creating a business-friendly environment and fostering economic growth in Citrus Heights. By identifying and addressing burdensome or unnecessary regulations and processes, the city can remove barriers to investment, encourage development, and support the success of local businesses. Reform efforts improve efficiency and demonstrate the city's commitment to being a proactive and supportive partner. Citrus Heights can ensure its regulatory environment aligns with modern business needs and community priorities through partnerships with regional agencies and stakeholders.

Implementation Steps

- **Perform an inventory of third-party agency regulations** that currently guide development processes and collaborate to review and reform regulations that impact businesses and development projects, focusing on eliminating unnecessary steps or duplicative requirements.
 - **Work with Sacramento Metro Fire District** to simplify and clarify fire code compliance for infill and redevelopment projects (background information for this item is included in Attachment 1)
 - **Collaborate with the Sacramento County Health Department** to identify opportunities to streamline health permitting and inspection processes, reducing delays and minimizing barriers for food-related businesses and other health-regulated developments.
- **Advocate for state or regional policy changes** that promote economic development while maintaining safety and environmental standards.

II. Implement Refreshed Business Recruitment Strategy

A comprehensive business recruitment strategy focuses on preparing target sites for development, fostering strong partnerships with property owners, and increasing outreach efforts to attract businesses in target industries. By enhancing marketing efforts, participating in trade shows, and conducting direct outreach, the city can connect with prospective businesses and showcase Citrus Heights as a desirable location. Cultivating a referral network of brokers, industry professionals, and regional partners further amplifies recruitment efforts, ensuring vacancies are filled strategically to align with economic development goals and community needs.

Implementation steps:

- **Identify high-priority target sites** for reuse and **perform an assessment** of property needs to attract target industry businesses
- **Coordinate with property owners** to maximize the use of available City incentives and resources (including façade improvement grants and other financial support of retail building reinvestment) and along with other potential regional, state, and federal tools
- **Source and implement market intelligence software** to enhance data-driven prospecting and gain access to insights on market demand to strengthen recruitment efforts and improve engagement with prospective businesses.
- Conduct targeted, **proactive outreach** to attract tenants and fill vacancies efficiently
- **Cultivate third-party referral network** through marketing, communications, and relationship management
- Continually **promote Citrus Heights** and its business opportunities at events and trade shows that allow connections and relationships to be built in the targeted industries

III. Adopt additional tools to incentivize near-term investment in Citrus Heights

Local governments can differentiate themselves in competitive markets by leveraging strategic tools and incentives that attract and retain businesses. Financial incentives, tailored support programs, and targeted resources create a business-friendly environment, making investment more appealing and driving long-term economic growth.

a. Reestablish the Business Attraction Incentive Program

Building on the proven success of the Business Attraction Incentive Program, Citrus Heights will continue leveraging financial tools to attract targeted industries and activate key commercial spaces. The program has already helped bring new business to the city, boosting economic growth and revitalizing underutilized properties. The city will further position itself as a competitive destination for business investment by reestablishing this initiative.

Implementation Steps:

- **Actively recruit businesses** in high-priority sectors, such as restaurants, breweries, and entertainment, by offering grants and other financial incentives
- **Identify and promote vacant or underutilized commercial properties**, using economic development marketing and direct outreach to maximize visibility and engagement
- **Strengthen partnerships with property owners and brokers** to align incentives with market demand and accelerate business attraction efforts

Recommendation: Staff recommends reinstatement of the Citrus Heights Business Attraction Incentive Program Guidelines (Attachment 2)

b. Launch a Small Business Design Support Program

Provide technical assistance to small businesses to navigate design and permitting challenges, particularly for projects requiring minimal or no structural modifications.

Implementation Steps:

- **Offer subsidized consultations with identified design professionals** to help businesses comply with zoning and safety requirements.
- **Develop clear guidelines** for the “no-work” certificate of occupancy process, reducing delays for businesses making no structural changes.
- Assign a liaison from Development Services to **guide small business applicants through requirements and approvals.**

Recommendation: Staff recommends City Council approve the Small Business Design Support Program Guidelines (Attachment 3)

c. Incorporate Economic Development Tools in Banking RFP

To strengthen business attraction efforts, it is recommended that the upcoming banking RFP include a section focused on economic development tools and services. This section should seek innovative banking solutions such as tailored small business loan programs, public-private partnership financing options, and resources to support entrepreneurs. By integrating these tools into the city’s financial services, Citrus Heights can better attract and support new businesses, fostering economic growth and reinforcing its commitment to creating a business-friendly environment.

Implementation Steps:

- Work with the Administrative Services Department to add an Economic Development tools section to the RFP.

IV. Enhance Development Services Support

Improve the experience of businesses navigating the City’s development processes by offering tailored assistance, streamlined guidance, and technical support to encourage

timely openings and successful operations. The following are recommendations to enhance development services support:

a. Establish Development Process Liaison Services

The City will assign a dedicated representative to assist businesses through the development and permitting process. Serving as a single point of contact, the Development Services ombudsman will guide businesses through zoning, permitting, and regulatory steps while coordinating interdepartmental reviews to streamline approvals.

An existing full-time employee in the Economic Development and Community Engagement Department will cover this role. A management analyst position will shift from primarily community engagement to a stronger focus on economic development. The ombudsman will also proactively reach out to new business applicants to identify and address potential roadblocks early.

Implementation Steps:

- Designate staff for ombudsman responsibilities and **provide necessary training**
- **Launch an awareness campaign** for support services targeting brokers, property owners, and prospective business owners.

b. Develop Comprehensive Support Materials

Provide clear and accessible resources to help businesses understand and complete City requirements.

Implementation Steps:

- Conduct a **review of existing materials** to identify gaps and areas for improvement.
- **Create user-friendly checklists** for common application processes, such as certificates of occupancy, tenant improvements, and business licenses.
- **Collaborate with stakeholders**, including brokers and small business owners, to ensure materials are practical and comprehensive.
- **Enhance the City's website** with interactive tools and updated content for development services.
- **Regularly update materials** based on policy changes and user feedback.

Goals & Metrics – Business Attraction & Development Services:

- Increase business occupancy by reducing retail vacancy from 12.1% to 9% and office vacancy from 14.2% to 10% by 2027.
- Enhance recruitment efforts and secure 5 new business commitments in priority industry sectors annually
- Improve coordination with third-party agencies to simplify development processes and reduce barriers to investment.

BUSINESS RETENTION AND EXPANSION

Business retention is critical in fostering economic stability and growth by identifying businesses at risk of closure or relocation and those primed for expansion. Retaining and supporting existing businesses preserves local jobs and sales tax revenues and strengthens Citrus Heights' reputation as a city committed to its business community. A proactive approach ensures that growing businesses remain within the city and continue to thrive.

Following are recommended actions to advance Business Retention and Expansion:

I. **Keep and Grow Critical Business Anchors**

A business retention program will codify and facilitate proactive engagement with local businesses to identify challenges, provide support, and strengthen their connection to Citrus Heights.

Implementation Steps:

- Reintroduce **welcome kits** to help new businesses navigate local resources and processes, ensuring they feel supported and connected from day one.
- **Conduct annual business surveys** to identify trends, challenges, and opportunities for support.
- **Implement formal direct outreach program**, including site visits to small and mid-sized businesses, will also be implemented. Staff will schedule annual meetings with the City's top 25 sales tax producers and top 25 employers to understand their needs and ensure satisfaction with City services.
- Develop a **database of businesses** to track outreach, support requests, and follow-ups.
- **Train staff** to conduct effective site visits and collect actionable feedback.
- **Use survey results** and meeting insights to solve programs, assist growth, and inform City programs and policies.

II. **Strengthen Partnerships and Resource Sharing**

Strengthening partnerships and resource sharing is essential for fostering a collaborative and thriving business environment in Citrus Heights. By building stronger connections with local business organizations, chambers of commerce, and economic development stakeholders, the city can leverage shared resources and knowledge to support businesses better. These partnerships will provide valuable opportunities for businesses to access networking, training, and funding resources while also helping the city stay informed about emerging trends and needs in the local economy. Collaborative efforts will enable more effective problem-solving, create synergies between public and private sectors, and ensure businesses have the support they need to succeed and grow. Ultimately, this approach will help attract new businesses, retain existing ones, and position Citrus Heights as a dynamic and business-friendly community.

Implementation Steps:

- Develop a **business resource hub** on the City's economic development website to centralize information on local/state/federal/private funding opportunities, training programs, and other resources.
- Partner with neighboring jurisdictions on **regional initiatives** such as workforce mobility and infrastructure improvements.

III. **Create a Business Safety Hub & CHPD Business Liaison Program**

The **Business Safety Hub & Liaison Program** will strengthen partnerships between the City, Police Department, and business community to enhance public safety. Building on the strong support already provided by the Citrus Heights Police Department, this initiative will provide businesses with crime prevention resources, security guidance, and direct assistance with public safety concerns. The **Business Safety Hub** will serve as an online resource center with crime prevention strategies, CPTED best practices, trespassing enforcement, illegal dumping mitigation, and retail theft prevention. The **Business Safety Liaison** will act as a dedicated contact, helping businesses address safety concerns such as graffiti, loitering, and security enhancements while facilitating direct coordination with public safety personnel.

Implementation Steps:

- Launch the **Business Safety Hub** as a centralized online resource for business safety tools and reporting
- Designate a CHPD **Business Safety Liaison** as a direct point of contact for business safety concerns
- Promote the program through **outreach** to business owners and property managers and all economic development **communications**
- **Streamline reporting and response processes** for business-related safety issues
- Maintain an updated business contact list for emergency communication
- Provide CPTED consultations and access to security tools through the **Crime Prevention Library of Things**
- Regularly **share safety updates** and gather feedback

IV. **Increase Visibility Through Marketing and Recognition**

The recommendation to increase marketing and recognition efforts will provide significant value to businesses in Citrus Heights by enhancing their visibility and showcasing their contributions to the local economy. By establishing a business recognition program and promoting success stories through targeted communications, businesses will gain increased exposure to potential customers, investors, and the broader community. These initiatives will not only build pride and loyalty among local residents but also create opportunities for business growth and expansion by drawing attention to Citrus Heights as a thriving place to do business. Additionally, campaigns like "Love Local" will drive more foot traffic and support the long-term success of businesses throughout the city.

Implementation Steps:

- Launch a **quarterly business recognition program** to highlight local success stories and contributions to the community.
- Share **business success stories** through economic development communications to inspire confidence and attract investment.
- Organize a **shop local campaigns** to encourage community support for Citrus Heights businesses.

V. Support Workforce Development and Job Retention

Workforce development is a key driver of economic success, ensuring that residents have access to training and career opportunities aligned with the evolving needs of local businesses. By equipping the community with the skills needed for high-demand industries, Citrus Heights can attract and retain businesses while enhancing the quality of life for residents. Effective workforce development helps businesses meet staffing needs, fosters career growth, and supports economic sustainability across all sectors.

Implementation Steps:

- **Collaborate with educational institutions** to offer training in earlier identified top and target industry clusters
- Use city communications channels **to promote available skills-based programs** to meet the needs of local employers
- **Enhance career pathways and apprenticeship opportunities** in growing fields

Goals & Metrics – Business Retention & Expansion:

- Maintain a strong local business base, achieving a 95% retention rate for the top 50 employers.
- Measure, benchmark, and increase business satisfaction, targeting a 4.5/5 rating in annual surveys.
- Conduct proactive outreach, including 50 business retention visits annually, to identify growth opportunities and challenges.
- Enhance business safety and engagement by launching Business Safety Hub

SMALL BUSINESS SUPPORT & INNOVATION

Small businesses are the backbone of the Citrus Heights economy, providing jobs, fostering innovation, and contributing to the community's unique character. Supporting small businesses ensures they have the resources, tools, and environment necessary to thrive in an increasingly competitive landscape. By investing in small business success, the city enhances its economic resilience, creates a stronger sense of community, and drives local spending. Small businesses also serve as incubators for entrepreneurship and innovation, attracting talent and fostering pride in the community. To ensure Citrus Heights remains a hub for small business growth, the city must focus on addressing its unique needs and challenges.

Citrus Heights will support entrepreneurs and small businesses with the right tools to start, stay, grow, adapt, and flourish by working with technical assistance partners and trusted messengers to

preserve and increase the number of local establishments. Key external partners include but are not limited to the Small Business Development Center (SBDC), California Capital, Citrus Heights Chamber of Commerce, Sunrise MarketPlace, Greater Sacramento Economic Council (GSEC), and Sacramento Metro Chamber of Commerce.

Implementation Steps:

- **Explore partnerships** with Small Business Development Center and other business support organizations to host technical assistance workshops, office hours, and other business resource programming in Citrus Heights
- **Explore potential business incubation/acceleration programs** focused on packaging startup assistance resources offered by other entities within region
- **Support Small Business Participation in Community Events**
Ensure that small businesses have access to vendor opportunities, sponsorship roles, and promotional partnerships at community events. This provides visibility, connects them with customers, and reinforces their role as part of the community fabric.

Goals & Metrics – Small Business Support & Innovation:

- Expand technical assistance, supporting 100+ businesses annually through workshops and consultations.
- Encourage entrepreneurship, launching at least one new business incubation partnerships with regional organizations.
- Increase small business participation in local events, ensuring at least 50% representation at major city events.

MARKETING AND PLACEMAKING

Effective marketing and placemaking are vital tools for fostering economic growth and community engagement in Citrus Heights. By investing in tailored economic development communications and creating vibrant, inviting spaces, the City can strengthen its identity as a business-friendly and community-centered destination. These efforts create significant value by attracting new businesses, retaining existing ones, and driving consumer activity. Through strategic messaging and dynamic public spaces, the City can cultivate a thriving local economy, enhance the quality of life for residents, and solidify Citrus Heights as a regional hub for commerce and connection.

I. Expanded Focus on Economic Development Communications

Effective marketing and communication are essential to economic development, helping to attract investment, support local businesses, and strengthen Citrus Heights' brand. This expanded focus ensures outreach is tailored to key audiences, including residents, visitors, business owners, and investors. By maintaining consistent, targeted messaging, the City can enhance engagement, promote economic opportunities, and showcase the advantages of doing business in Citrus Heights.

a. Consumer-Facing Communications

Engaging directly with residents, visitors, and potential customers is vital for supporting local businesses and enhancing Citrus Heights' brand.

Implementation Steps

- Launch social media campaigns highlighting business success stories and unique local experiences.
- Develop seasonal campaigns to promote Citrus Heights shopping, dining, and events.
- Partner with influencers and local media outlets to amplify reach.
- Refresh and expand the “Love Local” initiative, including digital and print marketing materials.
- Regularly feature business spotlights in City newsletters and on social platforms.

b. Stakeholder-Facing Communications

Targeted outreach to property owners, brokers, developers, and investors is critical for attracting and retaining businesses.

Implementation Steps

- Create tailored marketing materials such as investment prospectuses and market analysis reports
- Enhance the City’s economic development webpage with up-to-date data, property listings, and success stories
- Launch a quarterly e-newsletter for economic development stakeholders (property owners, property manager, brokers, etc.), including updates on projects, incentives, and market trends.
- Develop a toolkit for brokers and property owners to help market Citrus Heights to prospective tenants and investors.

II. Initiate Transformation through Placemaking

Placemaking initiatives aim to transform public spaces and commercial areas into dynamic, engaging environments that enhance community identity and economic vitality. By prioritizing these efforts, the City can boost consumer engagement, increase property values, and attract businesses.

a. Enliven and Add Vibrancy to Commercial Corridors

Collaborate with the Planning and Code Enforcement Divisions to align code enforcement efforts focused on commercial center improvement. Efforts should address issues including but not limited to property maintenance (landscaping, debris, building maintenance, etc.), illegal outdoor storage, trash and refuse containment, overnight parking and other performance metrics identified within the municipal code.

Implementation Steps

- Collaborate with Planning and Code Enforcement **to identify and prioritize recurring issues in commercial centers**, such as property maintenance and illegal outdoor storage.

- **Increase the effectiveness of code enforcement efforts** aligned with municipal code to improve compliance and blighted commercial property conditions.
- **Educate property owners and tenants** on code requirements through materials and informational sessions.
- **Partner with business organizations** to promote compliance and encourage self-reporting of issues.
- **Enhance community reporting tools** and ensure timely response and follow-up on violations.

b. Establish Micro geography-specific Placemaking and Marketing Partnerships

Partner with local business owners in micro geographies (such as Sylvan Corners) to co-develop and implement targeted placemaking and marketing campaigns. This will involve engaging business owners within specific neighborhoods to collaboratively enhance the area's visual appeal, promote local businesses, and create a unique, cohesive brand identity for micro geographies. The partnership will focus on co-financing marketing initiatives tailored to the character of each district, such as local events, signage, and digital campaigns while leveraging business networks to increase visibility and attract new customers. These campaigns will be designed to celebrate the unique attributes of each micro geography, strengthen community connections, and drive economic activity in those areas

Implementation Steps

- **Identify high priority site and business owner** for potential partnership
- **Empower and cocreate marketing and placemaking campaign** to drive awareness and visitor traffic

c. Reimagining Spaces for Community and Commerce

Strategic placemaking efforts have the potential to reshape how residents and visitors experience Citrus Heights. By enhancing navigation, activating underutilized spaces, and creating vibrant public areas, the city can encourage local spending, strengthen community ties, and support economic development.

Implementation Steps

- **Install cohesive, branded wayfinding signage** to improve navigation, highlight local attractions, and reinforce Citrus Heights' identity, supporting businesses and community pride.
- **Partner with property owners and business districts** to activate underutilized spaces, supporting pop-up shops, outdoor dining, public art, and cultural events.

Recommendation: Scope wayfinding signage needs and collect at least three proposals and present to Council

Goals & Metrics – Marketing & Placemaking:

- Strengthen Citrus Heights' brand, launching a quarterly business recognition program and promoting 12+ businesses per year.
- Expand digital engagement, increasing business-focused social media and online interactions by 30% within two years.
- Enhance commercial corridor aesthetics, completing 3+ placemaking projects annually and implementing wayfinding signage.
- Drive local shopping activity, rolling out 5+ targeted marketing campaigns like “Love Local.”

ORGANIZATIONAL CULTURE

An organizational culture that prioritizes economic development is essential for achieving the city's economic goals. By creating a responsive, knowledgeable, and customer-centric environment, we can effectively facilitate growth, streamline development processes, and ensure the city remains a welcoming destination for new businesses. Building a culture of collaboration, innovation, and customer service will allow the City of Citrus Heights to support local businesses, attract new ones, and foster community pride.

Implementation Steps

- **Launch an internal training program** to train staff on their roles in Economic Development, including a City tour for all new staff to understand how they influence resident and business satisfaction.

Goals & Metrics – Organizational Culture:

- Foster an economic development mindset, training 100% of new city staff on economic development within their first year.
- Enhance internal capacity, conducting quarterly workshops on business-friendly processes.
- Improve business service responsiveness, resolving 75% of business inquiries within 30 days through the development ombudsman program.
- Keep resources up-to-date, ensuring all business-facing materials are reviewed and refreshed annually.

CONCLUSION

Citrus Heights is at an exciting turning point, where thoughtful investment, business-friendly policies, and strong community partnerships can drive long-term economic success. This plan lays out a clear path to revitalize commercial corridors, support local businesses, and attract new industries, all while maintaining the city's unique character. By focusing on smart growth, streamlined processes, and placemaking, we can fill vacant spaces, enhance our business climate, and create opportunities that benefit both residents and entrepreneurs.

Economic development is not just a function of government—it's a collective effort where every business owner, property manager, community leader, and resident plays a role in shaping the future of Citrus Heights. Every new storefront opening, every business expansion, and every public space improvement moves us closer to a more vibrant, welcoming, and prosperous city. With a

commitment to adaptability and responsiveness, we will track progress, adjust strategies as needed, and ensure our actions align with long-term goals. Regular reporting will demonstrate our shared commitment to economic growth and community engagement, reinforcing that everyone has a hand in building a stronger local economy.

With the framework in place, it's time to turn plans into progress. By working together, investing in our community, and championing a thriving local economy, we can make Citrus Heights a premier destination for businesses and a place where opportunity flourishes for all.

ATTACHMENTS:

1. City of Citrus Heights Development Process Analysis
2. Business Attraction Incentive Program
3. Small Business Design Support Program

Overview of Regulations Evaluation

Over the last quarter of 2024, the Community Development Department and Economic Development and Community Engagement Departments engaged with community stakeholders in person and online to identify regulatory challenges and identify opportunities to streamline development review, fill vacancies, and reduce costs for Economic Development opportunities in Citrus Heights.

Stakeholder engagement involved conducting surveys and interviews with brokers and property owners familiar with the existing regulatory process. These conversations aimed to identify challenges they face when navigating the City's current regulatory environment. Additionally, staff monitored inquiries from prospective new businesses interested in locating in Citrus Heights, noting any reasons why these businesses ultimately did not proceed.

Key Themes

- Retail is Evolving – Retail has been evolving over the last several decades and more recently post-pandemic. The City is over-retailed and has an abundance of retail real estate that requires significant investment to repurpose for retail 2.0 or other land uses. Due to the evolving nature, stakeholders highlighted the need to be nimble to address to changing trends new uses. All stakeholders expressed that building and fire codes associated with repurposing retail spaces is the biggest challenge and is most often cost prohibitive.
- City Staff is Responsive and Problem Solvers– Numerous stakeholders shared their appreciation of staff's responsiveness when concerns or challenges arise during the development and occupancy process. Stakeholders felt that staff was willing to work towards solving problems in creative ways to facilitate development while remaining in line with the community's expectations and standards.
- Unconventional Uses- New and emerging uses are opportunities to explore. Uses such as immersive entertainment, axe throwing, and similar uses do not fall neatly into Zoning definitions and can be a challenge.
- Expanded opportunities- Three interviewees requested more flexibility for drive-through uses citing increased demand for these uses since the pandemic.

Challenges

- One of the biggest challenges arises when vacant retail space is repurposed into a non-retail use. Many of the vacant retail spaces in Citrus Heights are not fitted with fire sprinklers and the "change in use" from retail to non-retail often triggers the installation of sprinklers. This is a significant investment by the property owner and is the largest deterrent from repurposing of existing retail space.
- New business owners are unfamiliar with Building and Fire Codes and often get lost in the process of understanding permitting requirements. Low budgets, language barriers, and similar obstacles can hamper local businesses from navigating the building permitting process.

- Light Industrial/Manufacturing are sectors that have some growth potential; however, as a largely suburban environment, opportunities for compatible locations of these uses are limited.
- The Zoning Code currently applies a threshold to distinguish entitlement processes for certain uses (maximum footprint or square footage). Often, determining an appropriate threshold is challenging, and can lead to more arduous entitlement than necessary.

For example, if the Zoning Code establishes has a threshold that states a use is permitted by right unless over 5,000 SF and thereby necessitating a Use Permit, there is no wiggle room to avoid the need for a Use Permit. For example, if a proposed use is 5,035 SF, a Use Permit would be required.

- Fees for Planning entitlements are charged at a flat rate. This can lead to high expenses for businesses interested in pursuing new businesses that are not permitted by right; that also do not require as complex of review.

Opportunities/Recent Changes

- Beginning January 1, 2025 – The Planning Division permit fees are transitioning to a deposit-based permit fee. Staff time will be billed on a time and materials basis resulting in reduced costs for many businesses while also covering staff costs for those more complicated projects.
- In October 2024, the City Council approved a modified process for Alcohol Related Uses to streamline approval for Alcoholic Beverage uses that meet certain operational criteria and security requirements.

Recommendations

1. Advocate at the State and Local level for common sense Building/Fire Code changes to streamline approval for repurposing existing retail without the need for overburdensome improvements, while preserving life safety needs.
2. Expand the use of Minor Use Permits (staff level) for uses that currently require Use Permits (Planning Commission level) for uses that are more compatible in a retail environment, particularly, if they are within an existing building.
3. Clarify within the Zoning Code that the Community Development Director may approve a use that exceeds thresholds for uses that would otherwise require a Use Permit if the Director finds the proposed use is compatible with the surroundings and will not have a negative effect on the community. (Up to 75% increase from Zoning Code Threshold).
4. The Zoning Code defines several non-retail uses that are currently not included in the allowed use tables of the code. For clarity, update the Land Use Table to reflect uses not currently listed that are appropriate in retail areas.

ITEM 10

5. Consider allowing light industrial/manufacturing uses in appropriate areas with operating standards that limit noise, pollution, and other common challenges associated with these uses.
6. Partner with non-profit organizations (such as the Citrus Heights Chamber of Commerce) to provide technical assistance to new businesses locating in Citrus Heights. Consider need-based funding to support the development of construction documents and other permitting materials that can prove overwhelming to new businesses.
7. Evaluate opportunities to improve outreach and education related to change in use permits to ensure transparency and technical requirements are known by applicants. Consider modifying the Business License/Building Permit process to ensure safety while minimizing impact to new businesses.



CITRUS HEIGHTS BUSINESS ATTRACTION INCENTIVE PROGRAM GUIDELINES

Program Overview

Citrus Heights is committed to attracting high-quality businesses that energize commercial areas, create destinations, and draw visitors. The Business Attraction Incentive Program is a competitive tool designed to bring community-desired businesses that enhance the local economy, contribute to commercial district vibrancy, and align with the City's long-term growth vision.

By offering strategic incentives, the program prioritizes businesses that fill market gaps, revitalize underutilized spaces, and introduce experiences that enhance the city's character and appeal. Through this initiative, Citrus Heights is strengthening its position as a thriving hub for commerce, culture, and economic opportunity.

Eligible Business Types

- **Restaurants** – Includes full-service restaurants, non-chain casual dining restaurants, bars, coffee shops, and tea shops
- **Breweries & Craft Beverages** – Includes artisan manufacturing, tasting rooms, and brewpubs.
- **Entertainment Venues** – Includes bowling alleys, movie theaters, performing arts centers, and other entertainment spaces.
- **Unique or Underrepresented Businesses** – Businesses that diversify the City's economic base or enhance community quality of life by offering services or goods not widely available in Citrus Heights.

Business Size & Employment Requirements

- Must employ or plan to hire at least five employees, including founders and owners.

Incentive Structure

Eligible businesses may qualify for a negotiated grant to support relocation, operations, equipment purchases, or other customary startup and business costs. The amount and terms of the incentive are determined at the City's discretion based on the unique attributes of each project and its overall benefits to the City and community.

Important Considerations

- Not all applicants will receive incentives. Awards depend on the project's overall benefits and available City funds.
- Grants may be disbursed upfront or as reimbursements, at the City's sole discretion.
- Recipients must provide an accounting of fund usage to ensure alignment with the approved application.



- All incentive decisions, including funding amounts and disbursement schedules, are determined on a case-by-case basis.

Application Requirements

To be considered for incentives, applicants must submit the following:

1. **Project Overview** – A general description of the proposed business, including:
 - Business type, location, and operations summary.
 - Projected number of jobs, job types, and annual median wages.
 - Expected sales and/or Transient Occupancy Tax (TOT) revenue (if applicable).
 - Any additional factors the City may consider, such as financial benefits, contributions to community vibrancy, or economic diversification.
2. **Incentive Request** – A detailed explanation of the financial incentives requested, including how the funds will be used. Applicants must also disclose other funding sources (e.g., bank loans, private investment) and their intended use.
3. **Proof of Funding** – Applicants must demonstrate financial capacity to launch and sustain business operations. Acceptable documentation includes bank statements, loan approval or commitment letters, investor funding agreements, grant award letters, lines of credit, or CPA-certified financial statements.
4. **Financial Projections** – A pro forma cash flow analysis outlining financial projections for at least five (5) years.
5. **Business Plan or Hiring & Operations Plan**
 - Startup businesses or those operating for less than two (2) years must provide a full business plan.
 - Businesses operating for more than two (2) years or expanding locations must submit a hiring and operations plan detailing anticipated job creation, workforce structure, and operational strategies. The City may request a full business plan if additional financial or operational details are needed.
6. **Site Control Documentation** – If applicable, businesses may need to submit a signed letter of intent with a landlord or property owner, along with a copy of the proposed lease or sales agreement.

Application Review & Approval Process

1. The Economic Development & Community Engagement Director will review applications for eligibility and feasibility, considering factors such as economic impact and alignment with City priorities. Based on this review, the Economic Development Incentive Proposal will be prepared, with a recommendation for approval to the City Manager or City Council, depending on the funding amount.
2. The City Manager may approve incentive packages under \$5,000, while packages \$5,000 or more require City Council approval.
3. Once approved, the Economic Development Incentive Agreement will be sent to the applicant for signature.



4. Businesses receiving incentives may be subject to compliance reviews, including sales data, employment verification, or other performance metrics as specified in the Agreement.
5. Startup businesses (open for less than one year) must complete five (5) hours of business counseling or take two (2) classes through the Sacramento Valley Small Business Development Center (SBDC).
6. Payment terms and timing will be determined based on the specifics of the approved incentive package and outlined in the Economic Development Incentive Agreement.
7. If businesses fail to meet agreed-upon terms, the City reserves the right to modify, reduce, or revoke incentives as necessary.

City Council Discretionary Review:

The City Council retains the discretion to evaluate and approve business opportunities that may not fully align with the eligibility criteria outlined in this program. If a business demonstrates a compelling economic or community benefit that aligns with the City's strategic goals—such as revitalizing long-vacant spaces, diversifying the local economy, or enhancing community vibrancy—the City Council may determine its eligibility for incentives on a case-by-case basis.

For more information on the program, contact:

Meghan Huber

Economic Development & Community Engagement Director

916-727-4745

mhuber@citrusheights.net

SMALL BUSINESS DESIGN SUPPORT PROGRAM GUIDELINES

The Small Business Design Support Program provides complimentary design and permitting support to small businesses in Citrus Heights, helping them easily navigate zoning and safety requirements. The Building and Fire Codes require basic floorplans and site plans when a tenant space is reoccupied as new amenities such as shelving, counters, or similar features as these can impact key safety features such as exiting, fire alarm/sprinkler performance, etc. This program connects businesses with expert design professionals at no cost, offering tailored assistance in preparing essential documents like floor plans and site plans required for a "non-construction" certificate of occupancy¹. By participating, businesses can accelerate permitting timelines, ensure compliance with City standards, and minimize out-of-pocket expenses—all while focusing on opening or expanding their operations. This initiative empowers local businesses by simplifying the path to success and fostering economic growth within the community.

Services Provided

The program offers complimentary consultations with pre-approved design professionals to assist with zoning compliance, safety standards, and the preparation of floor and site plans necessary for permitting. Additionally, businesses will receive guidance through the “no-work” certificate of occupancy process, including document preparation, clear instructions to meet regulatory requirements, and advocacy to ensure timely approvals.

Eligibility Criteria

To be eligible, businesses must meet the U.S. Small Business Administration (SBA) definition of a small business, with priority given to locally owned or independently operated businesses. The business must be located or planning to locate within the City of Citrus Heights, and the project should involve minimal or no structural modifications (e.g., furniture placement, signage, or operational updates). Applicants must also be seeking a “no-work” certificate of occupancy.

Approval Process

Upon approval, qualifying applicants will be matched with a pre-approved design professional for one-on-one consultation. This includes a site visit and the preparation of necessary floor and site plans required for the "non-construction" certificate of occupancy. The City will cover the costs of the design consultant's services, up to a maximum of \$2,000, based on the scope of the project and the quote provided by the City's selected design professional. The support amount will be determined after the initial consultation and approval of the project details.

¹ [A] 111.1 Change of Occupancy

A building or structure shall not be used or occupied in whole or in part, and a change of occupancy of a building or structure or portion thereof shall not be made, until the building official has issued a certificate of occupancy therefor as provided herein. Issuance of a certificate of occupancy shall not be construed as an approval of a violation of the provisions of this code or of other ordinances of the jurisdiction. Certificates presuming to give authority to violate or cancel the provisions of this code or other ordinances of the jurisdiction shall not be valid.



CITY OF CITRUS HEIGHTS

CITY COUNCIL STAFF REPORT MEMORANDUM

DATE: February 12, 2025

TO: Mayor and City Council Members
Ashley J. Feeney, City Manager

FROM: Casey Kempenaar, Community Development Director
Alex Turcotte, Police Chief
Kris Frey, Commander
Nicole Piva, Housing & Human Services Program Coordinator

SUBJECT: **Mediation Services to Resolve Neighbor-to-Neighbor Disputes**

Summary and Recommendation

During the March 28, 2024, Strategic Planning Meeting, the City Council established an objective to develop mediation options in resolving neighbor-to-neighbor disputes in the community.

Neighbor-to-neighbor disputes can involve staff for nearly every City Department. Oftentimes, these disputes do not result in code violations, instead, they are differences in opinions or challenges between property owners. These cases can result in a significant resource drain on City staff and often cannot be resolved without a civil judicial case between neighbors.

Formal mediation is an additional tool to resolve neighbor-to-neighbor disputes, potentially resulting in a reduced impact on City resources. Mediation is a process that encourages and supports communication between parties who are in dispute. Mediation services refer to a process where a neutral third party, a mediator, assists two or more parties in resolving a dispute or conflict. The mediator does not make decisions or impose solutions but helps the parties communicate effectively, understand each other's perspectives, and work toward a mutually acceptable agreement.

Mediation services offer a more informal, cost-effective, and flexible alternative to litigation. By fostering communication and understanding, mediation can lead to more collaborative, sustainable, and peaceful resolutions, helping build stronger community relationships between the parties involved.

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City Council Strategic Goal/Objective

Goal: Preserve & Enhance Public Safety

Objective: Explore mediation options in resolving neighbor-to-neighbor disputes and seek direction from the City Council as necessary.

Fiscal Impact

There is no funding source identified for mediation services. Depending on the Council's direction costs to establish the mediation program as described would range between \$1,600 and \$14,000.

Background/Analysis

Neighbor-to-neighbor disputes are common occurrences in the community and can arise from a wide range of issues, large and small. Common disputes include property boundaries, parking problems, and shared fences. These disputes often involve a breakdown in communication or understanding, leading to tension between neighbors which requires staff intervention such as Code Enforcement, Building, or Planning.

Disputes between neighbors can have significant impacts on the community and affect the overall quality of life of the residents.

- Disputes create tension and mistrust between neighbors leading to a breakdown in the sense of community.
- Ongoing disputes can make a neighborhood less desirable to potential buyers or renters. Noise, visible property damage, or unpleasant interactions can decrease neighborhood appeal and potentially lower property values.
- Disputes can grow in scope and severity to a point where the disputes become a violation of municipal codes or criminal statutes.

Mediation services provide a tool to empower neighbors to come to an agreement or resolve their differences with the assistance of an objective third party trained in guiding parties toward a resolution.

Disputes are inevitable, but they do not have to be a source of long-term conflict. Most disputes can be resolved through open communication, mediation, and willingness to compromise. In response to the Council's Strategic Objective staff have evaluated the possibility of offering mediation services to resolve conflict in the community. Mediation services can be a valuable tool for managing conflict between neighbors and reducing staff workload in the various City Departments.

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Recommendation 1: Citrus Heights Problem-Oriented Policing (POP) Officers already play a vital role in resolving conflicts within the community by applying problem-solving strategies to address underlying issues and promote cohesion.

POP Officers are equipped with specialized training in conflict resolution, active listening, and negotiation skills, allowing them to mediate disputes effectively while maintaining neutrality and respect.

Their role goes beyond law enforcement, as they work to de-escalate situations, prevent violence, and find constructive solutions that promote long-term peace. By addressing underlying issues and encouraging dialogue, POP Officers help build trust, reducing the need for legal interventions and contributing to a safer, more cohesive community. Enhanced Mediation Training can ensure POP Officers are better armed to resolve neighborhood disputes. There are two well-regarded and local training options to support this effort:

1. [UC Davis Continuing and Professional Education offers a 40-hour Mediation Course](#). By the end of the course, the individual will have a solid understanding of the fundamental mediation concept and be equipped with essential best practices for effectively mediating disputes. The individual will have completed the 40-hour training required by the Dispute Resolution Program Act to become a certified mediator. UC Davis offers an online mediation course, the next course is offered on March 31, 2025, for \$650 (per person).
2. [The Sacramento Mediation Center](#) (SMC) offers mediation training to learn the art of mediation and conflict resolution. Topics include communication and listening skills, the process of mediation, confidentiality, neutrality, cultural competence, emotional intelligence, and ethics. The training uses lectures and roleplays and is highly interactive, and most importantly it gives universal tools for dealing with conflict in a variety of situations. The individual will have completed a 40-hour training course and is on Zoom to become a certified mediator. Trainings are offered in late summer – early fall, for \$800 (per person). In addition, SMC has engaged in private mediation training for groups (which could include more than POP Officers), via Zoom and in person. This type of training can be tailored to the group's needs: the cost is TBD depending on the number of people.

Estimated Cost for Recommendation 1: \$650-\$1,450.

Staff Recommendation: *Send one (1) POP Officer to attend mediation training to provide conflict resolutions between neighbors. POP Officers would mediate on the conflict and provide a written agreement signed by both parties for the City's records.*

Recommendation 2: In certain cases, POP Officers will be unable to fully mediate the disputes they face. In other instances, it may be beneficial to have an outside third party to mediate disputes. An outside resource is another tool to resolve disputes.

[The Sacramento Mediation Center](#) (SMC) has been a program provided under the California Lawyers for the Arts since 2008. SMC provides confidential and neutral conflict resolution

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services to residents, businesses, governmental entities, and other organizations of Sacramento County to address conflict. SMC is known for its ability to bring together parties, facilitate a dialogue that results in respect and understanding, and then move the parties into active problem-solving.

SMC Approach to Mediation

The most important function of mediation is to have both parties listen to one another. In a typical mediation session, the parties meet face-to-face, with the co-mediator(s) to discuss their concerns. Mediators do not offer legal advice or counseling to any party and do not advocate on anyone's behalf.

1. The cost to open a mediation case with CLA-SMC is \$25.
2. Each mediation session is for up to 3 hours. There may be a desire for a second session.
3. Each party's fee for the first two mediation sessions is due in advance and is based on the individual's income.
4. The mediator introduces themselves and outlines ground rules and procedures for discussing the dispute.
5. Each party is asked to describe the conflict from their perspective. Parties may meet with a mediator in private to allow them to speak freely.
6. Once the dispute has been identified, the mediator helps to solicit suggestions for solving the dispute.
7. As the parties discuss the conflict, the mediator helps to identify points of agreement or compromise. At the end of the session, the mediator asks if they want to write an agreement formalizing their ideas for resolution. If so, the mediator helps the parties to draft the agreement.
8. The mediator does not follow up with the parties to see if the agreement is followed, but the parties may decide they want further help.

SMC Fee Schedule Based on Income

<u>Income</u>	<u>Fee</u>
0 – 25,000	\$25
25,001 – 50,000	\$50
50,001 – 75,000	\$75
75,001 – 100,000	\$100
100,001 – 200,000	\$250
200,001 – 500,000	\$500
500,001 and more	\$1000

Estimated Costs for Recommendation 2: Estimating 10 households receiving 2 mediation sessions: \$12,000

Staff Recommendation: Consider a one-year Pilot Project with Sacramento Mediation Center to provide conflict resolutions between neighbors. The City would pay for the initial cost to open a mediation case, up to two mediation sessions, with a written agreement signed by both parties

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at the end of the mediation. If a resolution is not achieved through this effort, or either party does not follow the agreement, the next available option would be a civil case initiated by either party through the court system.

Council Direction

Consider a staff presentation on mediation options and provide feedback and direction on resolving neighbor-to-neighbor disputes using mediation services.