336 Pacific Avenue, Shafter, CA 93263
Meeting Held In-Person and Via Zoom and Livestream on YouTube.

AGENDA
SPECIAL MEETING
SHAFTER CITY COUNCIL
TUESDAY, AUGUST 18, 2026

NOTICE TO THE PUBLIC:

Any documents produced by the City and distributed to a majority of the City Council regarding any item on this agenda will be made available in the City Clerk's Office during normal business hours at City Hall located at 336 Pacific Avenue, Shafter CA. In addition, such documents will be posted on the City's website at www.shafter.com.

CALL TO ORDER: 6:00 PM

ROLL CALL:
Mayor Givens
Mayor Pro Tem Olvera
Council Member Alvarado
Council Member Espinoza
Council Member Prout

APPROVAL OF AGENDA:

PUBLIC COMMENT:

Those persons wishing to speak on any item included on the agenda, or on any matter within the subject matter jurisdiction of the City Council, are invited to speak from the podium and address the City Council. Speakers are limited to five minutes unless additional time is needed for translation. Please state your name and address for the record before making your presentation.

CONSENT CALENDAR:

All items on the consent calendar are considered routine and non-controversial by staff and will be approved by one motion if no member of the Council or public wishes to comment or ask questions. If comment or discussion is desired by anyone, the item will be removed from the consent calendar and will be considered in the listed sequence with an opportunity for any member of the public to address the Council concerning the item before action is taken.

1. Council find the proposed activity is not subject to the California Environmental Quality Act; and adopt Resolution No. 3112, a Resolution of the City Council of the City of Shafter, adopting an updated Investment Policy and delegating investment

authority to the City Treasurer for a period of one year; and adopt Resolution No. 3113, a Resolution of the City Council of the City of Shafter, authorizing certain City officers to conduct investment and banking activities on behalf of the City of Shafter, and rescinding Resolution No. 2918.

ADJOURNMENT:

Pursuant to the Americans with Disabilities Act, if you need special assistance to participate in a City Council Meeting, please contact the City Clerk at (661) 746-5000 at least three (3) days prior to the meeting or time the special services are needed to allow City staff in making reasonable arrangements to provide you with access to the meeting. Any public record, relating to an open session agenda item, that is distributed within 72 hours prior to the meeting is available for public inspection in the City Clerk's Office at Shafter City Hall, 336 Pacific Ave., Shafter, CA 93263. This is to certify that this Agenda notice was posted at City Hall and Police Dept. by 5:00 p.m., August 17, 2026. Yazmina Pallares, S/S, City Clerk

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REMOTE PUBLIC PARTICIPATION IS ALLOWED IN THE FOLLOWING WAYS, SEE BELOW FOR INSTRUCTIONS.

1. You are strongly encouraged to observe the City Council meetings live via YouTube https://www.youtube.com/user/CityofShafter/
2. If you wish to make a comment on a specific agenda item or public comment, please submit your comment via email by **6:00 PM on August 18, 2026** to the City Clerk at CityClerk@shafter.com
3. If you wish to make a written comment to the City Clerk, 336 Pacific Avenue, Shafter, CA 93263.
4. If you wish to make a comment during the live meeting, callers must first register with the City Clerk at 661-746-5012 before the meeting begins to receive instructions and the call- in number and code. Please call by 3:00pm on the Monday prior to the City Council meeting to allow ample time for sign up. You will need to provide your name, phone number and the item number you wish to address.
5. All public comments are provided to the City Council and applicable Staff, for review and consideration by the Board prior to taking action on any matters listed on the agenda and are incorporated into the official record of the City Council meeting.

336 Pacific Avenue, Shafter, CA 93263
Meeting Held In-Person and Via Zoom and Livestream on YouTube.

NOTICE OF
SPECIAL MEETING OF THE SHAFTER CITY COUNCIL

NOTICE IS HEREBY GIVEN that a special meeting of the City Council of the City of Shafter will be held on **August 18, 2026**. The meeting will convene at **6:00 PM**, in the Council Chamber, 336 Pacific Avenue, Shafter, California and via teleconference and Livestream on YouTube. Said special meeting shall be for the following purpose:

CONSENT CALENDAR:

1. Council find the proposed activity is not subject to the California Environmental Quality Act; and adopt Resolution No. 3112, a Resolution of the City Council of the City of Shafter, adopting an updated Investment Policy and delegating investment authority to the City Treasurer for a period of one year; and adopt Resolution No. 3113, a Resolution of the City Council of the City of Shafter, authorizing certain City officers to conduct investment and banking activities on behalf of the City of Shafter, and rescinding Resolution No. 2918.

Yazmina Pallares, City Clerk

Affidavit of Posting Special Meeting Notice

This is to certify that this Special Meeting Notice was posted at City Hall and the Police Department by 6:00 p.m., August 17, 2026. Further information regarding this Agenda Notice is available at City Hall, 336 Pacific Ave., Shafter, CA.

Yazmina Pallares, S/S, City Clerk Dated: August 17, 2026

CITY OF SHAFTER
CITY COUNCIL REPORT

MEETING DATE: August 18, 2026

DEPARTMENT: Lance Lippincott, City Manager

SUBJECT: ADOPT AN UPDATED INVESTMENT POLICY AND A RESOLUTION AUTHORIZING CERTAIN CITY OFFICERS TO CONDUCT INVESTMENT AND BANKING ACTIVITIES ON BEHALF OF THE CITY OF SHAFTER

RECOMMENDATION

Council find the proposed activity is not subject to the California Environmental Quality Act; and adopt Resolution No. 3112, a Resolution of the City Council of the City of Shafter, adopting an updated Investment Policy and delegating investment authority to the City Treasurer for a period of one year; and adopt Resolution No. 3113, a Resolution of the City Council of the City of Shafter, authorizing certain City officers to conduct investment and banking activities on behalf of the City of Shafter, and rescinding Resolution No. 2918.

BACKGROUND

Pursuant to Section 7.10 of the City of Shafter Charter, the City Council annually adopts, by resolution, an Investment Policy to govern all City investments. The Investment Policy was last updated on October 17, 2023. Appendix I to the Investment Policy currently specifies that the City Manager and the Treasurer are the only two positions authorized to transact investment business and wire funds for investment purposes on behalf of the City. Resolution No. 2918, adopted May 2, 2023, established that authority with the City's banking and investment institutions and additionally authorized the Mayor and City Clerk to sign City-issued checks.

Because the City's existing authorization are tied to two positions, the temporary absence of vacancy of either position can interrupt the City's ability to complete routine treasury operations which include payroll funding transfers, debt service payments, wire transfers, LAIF and California CLASS transactions, and reinvestment of maturing securities.

DISCUSSION

Staff recommends two related actions:

1. Updated Investment Policy. The proposed update adds a Deputy Treasurer designation to Section V (Delegation of Authority) and to Appendix I. Under the proposed language, the City Manager may designate one or more City employees in writing to serve as Deputy Treasurer and to exercise the Treasurer's authority under the

CONSENT CALENDAR

Policy during the Treasurer’s absence or unavailability, during a vacancy in the office of the Treasurer.

The update also makes two improvements. First, it states expressly that the Council’s delegation of investment authority is made for a one-year term and renewed annually, consistent with California Government Code Section 53607. Second, it adds an explicit dual-authorization internal control to Section XI and Appendix I: no single individual may both initiate and approve a wire or electronic transfer of City funds, and that requirement applies without exception when a Deputy Treasurer is acting in place of the Treasurer. This preserves segregation of duties at precisely the point where a broader delegation would otherwise weaken it.

2. Authorizing Resolution. Banking and investment institutions require a resolution on file identifying, by corporate title, the individuals authorized to transact on the City’s accounts. The proposed resolution updates that authorization to reflect the positions listed in the amended Appendix I, restates the check-signing authority of the Mayor and City Clerk, incorporates the dual-authorization requirement, and rescinds Resolution No. 2918. Signature cards and institution-specific documentation will be updated administratively following adoption.

FISCAL IMPACT

None. The proposed actions modify who is authorized to execute treasurer transactions and the controls applicable to those transactions. They do not change the City's permitted investments, portfolio limits, risk parameters or budget.

CEQA ANALYSIS

The proposed activity is not subject to the California Environmental Quality Act (CEQA) because it is not defined as a "Project" pursuant to Section 15378(b)(5) of the CEQA Guidelines. The action is organizing or administrative activities of governments that do not result in direct or indirect physical changes to the environment.

APPROVED BY THE CITY ATTORNEY

ATTACHMENTS

1. Resolution No. 3112
2. Shafter_Investment_Policy_2026_REDLINE_Tracked_Changes
3. Resolution No. 3113

RESOLUTION NO. 3112

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHAFTER ADOPTING AN UPDATED INVESTMENT POLICY AND DELEGATING INVESTMENT AUTHORITY TO THE CITY TREASURER

WHEREAS, pursuant to Section 7.10 of the City of Shafter Charter, the City Council annually adopts, by resolution, an Investment Policy to govern all City investments; and

WHEREAS, the City's investment program conforms with federal, state, and other legal requirements, including California Government Code Sections 16429.1–16429.4, 53600–53609, and 53630–53686; and

WHEREAS, the City Council last updated the Investment Policy on October 17, 2023; and

WHEREAS, staff has reviewed the Investment Policy and recommends updates that provide for continuity of treasury operations during the absence or unavailability of the Treasurer or a vacancy in the office of the Treasurer, and that strengthen internal controls over wire and electronic transfers of City funds; and

WHEREAS, California Government Code Section 53607 authorizes the City Council to delegate to the City Treasurer the authority to invest or reinvest funds of the City, to sell or exchange securities so purchased, and to deposit for safekeeping the securities so purchased, for a one-year period, subject to annual renewal; and

WHEREAS, the updated Investment Policy provides that the City Manager may designate one or more City employees in writing to serve as Deputy Treasurer, that such designation shall be filed with the City Clerk and reported to the City Council at its next regular meeting, and that authority so delegated may not be further redelegated; and

WHEREAS, the updated Investment Policy requires that no single individual may both initiate and approve a wire or electronic transfer of City funds.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the City Council of the City of Shafter, California, as follows:

<u>Section 1.</u> That the foregoing recitals are true and correct and not in conflict with the City Charter.

<u>Section 2.</u> That the updated Investment Policy of the City of Shafter, attached hereto and incorporated herein by this reference, is hereby adopted and shall supersede all previous Investment Policies and Investment Procedures of the City.

<u>Section 3.</u> That, pursuant to California Government Code Section 53607 and Section V of the Investment Policy, the City Council hereby delegates to the City Treasurer the authority to invest and reinvest funds of the City, to sell or exchange securities so purchased, and to deposit for safekeeping the securities so purchased. This delegation is made for a period of one year from the date of adoption of this Resolution and shall be renewed annually by the City Council concurrent

with its adoption of the Investment Policy. In the absence of such renewal, this delegation shall expire and the authority to invest City funds shall revert to the City Council.

Section 4. That the City Council hereby confirms the Deputy Treasurer provisions of Section V and Appendix I of the Investment Policy, and directs that each written designation of a Deputy Treasurer state its effective date and any limits on scope or dollar amount, be filed with the City Clerk, and be reported to the City Council at its next regular meeting.

Section 5. That the Treasurer shall submit monthly or quarterly investment reports to the City Council in accordance with Section XII of the Investment Policy, and shall report annually on the performance of the portfolio in conjunction with the Council's annual review of the Investment Policy.

Section 6. That the proposed activity is not subject to the California Environmental Quality Act (CEQA) because it is not defined as a "Project" pursuant to Section 15378(b)(5) of the CEQA Guidelines, in that the action consists of organizing or administrative activities of government that do not result in direct or indirect physical changes to the environment.

Section 7. That this Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED THIS 18TH DAY OF AUGUST, 2026.

____
Chad Givens, Mayor

ATTEST:

____
Yazmina Pallares, City Clerk

APPROVED AS TO FORM:

____
Marco A. Martinez, City Attorney

THE CITY OF SHAFTER, CALIFORNIA

INVESTMENT POLICY

ADOPTED OCTOBER 16, 2018 (UPDATED ~~OCTOBER 17, 2023~~___________, 2026)

I. INTRODUCTION

The City of Shafter was incorporated in 1938 and became a Charter City in 1995. The local government is a Council-Manager form of government and is comprised of five Council members who are elected every four years and appoint a professional City Manager. The City is a full service City and provides a variety of services including general administration, public safety, street and highway maintenance, maintenance of water, wastewater and refuse, and rail operations.

The City's investment program conforms with federal, state, and other legal requirements, including California Government Code Sections 16429.1-16429.4, 53600-53609 and 53630-53686. The following investment policy addresses the methods, procedures and practices, which must be exercised to ensure effective and judicious fiscal and investment management of the City's funds. It is the policy of the City to invest public funds in a manner that will provide a market rate of return, given its requirements for preserving principal and meeting the daily cash flow demands of the City. All investments will comply with this Investment Policy and governing laws.

This Investment Policy was endorsed and adopted by the City's governing body and is effective as of the 21st day of October, 2014. This Investment Policy replaces any previous Investment Policy or Investment Procedures of the City.

II. SCOPE

This Investment Policy applies to all the City's financial assets and investment activities with the following exceptions:

A. Proceeds of debt issuance shall be invested in accordance with the City's general investment philosophy as set forth in this policy; however, such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures.

Pooling of Funds: Except for cash in certain restricted and special funds, the City may 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.

III. General Objectives

The overriding objectives of the investment program are to preserve principal, provide sufficient liquidity, and manage investment risks.

1. *Safety*: Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk. To attain this objective, the City will diversify its investments by investing funds among independent financial institutions offering a variety of securities with independent returns.

2. *Liquidity*: The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

3. *Return*: The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

IV. Prudence, Indemnification and Ethics

A. *Prudent Investor Standard*: Management of the City's investments is governed by the Prudent Investor Standard as set forth in the California Government Code 53600.3:

> **"…**all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

B. *Indemnification*: The City Manager, Treasurer, and other authorized persons responsible for managing City funds, acting in accordance with written procedures and the investment policy and exercising due diligence, will 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.

C. *Ethics*: Officers and employees involved in the investment process will refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

V. Delegation of Authority

A. Authority to manage the City's investment program is derived from California Government Code Sections 53600 *et seq.*, and Section 7.10 of the City's Charter. The City Council is required to adopt an investment policy on an annual basis. The City Manager is responsible for the investment of City funds and the administration of this Investment Policy. Management responsibility for the cash management and investing of City funds is hereby delegated to the Treasurer. Consistent with California Government Code Section 53607, this delegation of investment authority is made for a period of one year and shall be renewed annually by the City Council concurrent with its adoption of this Investment Policy.

The Treasurer will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate employees.

B. *Designation of Deputy Treasurer*: The City Manager may designate in writing one or more City employees to serve as Deputy Treasurer. A designated Deputy Treasurer is authorized to exercise the powers and perform the duties of the Treasurer under this Investment Policy — including authority to transact investment business, execute investment and depository account documentation, and initiate wire and electronic transfers for investment purposes — under any of the following circumstances:
(1) during the absence or unavailability of the Treasurer; (2) during a vacancy in the office of the Treasurer; or (3) at such other times as the City Manager specifies in the written designation.
A Deputy Treasurer acting under this Section is subject to the same prudent investor standard, reporting obligations, and internal controls that apply to the Treasurer, including the dual-authorization requirements of Section XI and Appendix I. Each written designation shall state its effective date and any limits on scope or dollar amount, shall be filed with the City Clerk, and shall be reported to the City Council at its next regular meeting. Authority delegated under this Section may not be further redelegated.

~~B.~~C. The City may engage the services of one or more external investment managers to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

VI. Authorized Financial Institutions, Depositories, and Broker/Dealers

The Treasurer list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

A. The Treasurer will determine which financial institutions are authorized to provide investment services to the City.

B. Selection of financial institutions and broker/dealers authorized to engage in transactions with the City will be at the sole discretion of the City.

C. All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with an audited financial statement for the prior year, proof of National Association of Security Dealers certification, proof of State of California registration, and a signed statement certifying that the institution has reviewed the California Government Code Section 53600 *et seq*. and the City's Investment Policy.

D. 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.

VII. DELIVERY, SAFEKEEPING AND CUSTODY, AND COMPETITIVE TRANSACTIONS

A. *Delivery-versus-payment*: Settlement of all investment transactions will be completed using standard delivery-vs.-payment procedures.

B. *Third-party safekeeping*: To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the City will be held in safekeeping by a third party bank custodian, acting as agent for the City under the terms of a custody agreement executed by the bank and the City.

C. *Competitive transactions*: All investment transactions will be conducted on a competitive basis which can be executed through a bidding process involving at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.

VIII. AUTHORIZED AND SUITABLE INVESTMENTS

All investments will be made in accordance with Sections 53600 *et seq.* of the Government Code of California and as described within this Investment Policy. Permitted investments under this policy will include:

1. **Municipal Bonds.** These include bonds of the City, the state of California, any other state, and any local Agency within the state of California. The bonds will be registered in the name of the City or held under a custodial agreement at a bank. The bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions. There are no limits on the dollar amount or percentage that the City may invest in Municipal Bonds.

2. **U.S. Treasury** and 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.

3. **Federal Agency** or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the City may invest in government-sponsored enterprises.

4. **Banker's acceptances** provided that:

    a. They are issued by institutions with short term debt obligations rated "A1" or higher, or the equivalent, by at least two nationally recognized statistical-rating organization (NRSRO); and have long-term debt obligations which are rated "A" or higher by at least one nationally recognized statistical rating organization;

    b. The maturity does not exceed 180 days; and,

    c. No more than 40% of the total portfolio may be invested in banker's acceptances, no more than 30% in any one bank, and no more than 5% per issuer.

5. **Federally insured time deposits** (Non-negotiable certificates of deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:

    a. The amount per institution is limited to the maximum covered under federal insurance.

6. **Time deposits (Non-negotiable certificates of deposit)** in state or federally chartered banks, savings and loans, or credit unions in excess of insured

amounts which are fully collateralized with securities in accordance with California law, provided that:

a. They are issued by institutions which have long-term debt obligations which are rated ”AA” or higher by at least one nationally recognized statistical rating organization (disregarding modifiers such as +/- or 1/2); and/or have short term obligations rated ”A1” or higher, or the equivalent, by at least one nationally recognized statistical rating organization; and,

7. **Certificate of Deposit Placement Service (CDARS)**

    a. The amount is limited to the maximum covered under federal insurance.

8. **Negotiable certificates of deposit (NCDs)** provided that:

    a. They are issued by institutions which have long-term obligations which are rated ”AA” or higher by at least one nationally recognized statistical rating organization (disregarding modifiers such as +/- or 1/2); and/or have short term debt obligations rated ”A1” or higher, or the equivalent, by at least one nationally recognized statistical rating organization;

    b. No more than 30% of the total portfolio may be invested in NCDs and no more than 5% per issuer.

9. **Repurchase agreements** collateralized with securities authorized under Sections VI and VII(2 and 3) of this policy maintained at a level of at least 102% of the market value of the repurchase agreements, provided that:

    a. The maximum maturity of repurchase agreements will be 1 year;

    b. There is no limit to the amount to be invested in repurchase agreements;

    c. Securities used as collateral for repurchase agreements will be delivered to the City’s custodian bank (See Section VII B); and,

    d. The repurchase agreements are the subject of 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).

10. **Commercial paper** provided that:

    a. The maturity does not exceed 270 days from the date of purchase;

    b. The issuer is a corporation organized and operating in the United States with assets in excess of $500 million;

c. They are issued by institutions whose short term obligations are rated ”A1” or higher, or the equivalent, by at least one nationally recognized statistical rating organization; and whose long-term obligations are rated ”AA” or higher by at least one nationally recognized statistical rating organization (disregarding modifiers such as +/- or 1/2); and,

d. No more than 25% of the portfolio is invested in commercial paper, no more than 5% per issuer, and no more than 10% of any single outstanding issue.

11. **State of California Local Agency Investment Fund (LAIF)**, provided that:

a. The City may invest up to the maximum permitted amount in LAIF; and,

b. LAIF’s investments in instruments prohibited by or not specified in the City’s policy do not exclude it from the City’s list of allowable investments, provided that the fund’s reports allow the Finance Director/Treasurer to adequately judge the risk inherent in LAIF’s portfolio.

12. **California CLASS and other local government investment pools**

a. California Cooperative Liquid Assets Securities System (California Class) which is managed by Public Advisors and sponsored by League of California Cities and California Special Districts Association.
b. The City may invest up to the maximum permitted amount in California Class; and,
c. California Class investments in instruments prohibited by or not specified in the City’s policy do not exclude it from the City’s list of allowable investments, provided that the fund’s reports allow the Finance Director/Treasurer to adequately judge the risk inherent in California’s CLASS portfolio.

13. **Corporate medium term notes (MTNs) – Corporate Bonds,** provided that:

a. Are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States;

b. Are rated ”AA” category or better by at least one nationally recognized statistical rating organization (disregarding modifiers such as +/- or 1/2); and,

c. Holdings of medium-term notes may not exceed 30% of the portfolio and no more than 5% per issuer.

14. **Mortgage pass-through securities and asset-backed securities,** provided that such securities:

    a. be issued by an issuer having an "AA" or higher rating for the issuer's debt as provided by at least one nationally recognized statistical rating organization (disregarding modifiers such as +/- or 1/2);

    b. be rated in a rating category of "AA" or its equivalent or better by at least two nationally recognized statistical rating organization (disregarding modifiers such as +/- or 1/2).

    c. Purchase of securities authorized by this subdivision may not exceed 20% of the portfolio.

15. **Money market mutual funds** that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940:

    a. The securities underlying investments are allowable investments under this investment policy.

    b. Purchase of securities authorized by this subdivision may not exceed 20% of the portfolio.

IX. Portfolio Risk Management

A. Prohibited investment vehicles and practices

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.

2. In accordance with Government Code Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.

3. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.

4. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.

5. Purchasing or selling securities on margin is prohibited.

6. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.

7. The purchase of foreign currency denominated securities is prohibited.

B. *Mitigating credit risk in the portfolio*

Credit risk is the risk that a security or a portfolio will lose some or all of 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:

1. The diversification requirements included in Section VIII are designed to mitigate credit risk in the portfolio.

2. No more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and enterprises.

3. The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or City's risk preferences.

4. If securities owned by the City are downgraded by either Moody's or S&P to a level below the quality required by this Investment Policy, it will be the City's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.

   a. If a security is downgraded, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.

   b. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly or quarterly to the City Manager.

C. *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 cashflow 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:

1. The City will maintain a minimum of three months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements;

2. Unless matched to a specific future cash flow, the maximum stated final maturity of individual securities in the portfolio will be five years, except as otherwise stated in this policy; and,

X. INVESTMENT OBJECTIVES (PERFORMANCE STANDARDS AND EVALUATION)

A. **Overall objective:** The investment portfolio will be designed with the overall objective of obtaining a total rate of return throughout economic cycles, commensurate with investment risk constraints and cash flow needs.

B. **Specific objective:** The investment performance objective for the portfolio will be to earn a total rate of return over a market cycle which is approximately equal to the return on the Market Benchmark Index as described in the City's investment procedures manual.

XI. PROCEDURES AND INTERNAL CONTROLS

A. *Procedures*

The Treasurer will establish written investment policy procedures to assist investment staff with day-to-day operations of the investment program consistent with this policy. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer.

B. *Internal Controls*

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. Internal controls will be described in the City's investment policy procedures. At a minimum, those internal controls shall provide that no single individual may both initiate and approve a wire or electronic transfer of City funds. Every such transfer requires initiation by one authorized person and independent approval by a second authorized person, and this requirement applies without exception during any period in which a Deputy Treasurer is acting in place of the Treasurer.

XII. REPORTING, DISCLOSURE AND PROGRAM EVALUATION

A. Monthly or Quarterly reports

Monthly or Quarterly investment reports will be submitted by the Treasurer to the governing board. These reports will disclose, at a minimum, the following information about the risk characteristics of the City's portfolio:

1. A listing of individual securities held at the end of the reporting period by authorized investment category.

2. Average life and final maturity of all investments listed.

3. Coupon, discount, or earnings rate for each investment.

4. Par value, Amortized Book Value, and Market Value.

5. Percentage of the Portfolio represented by each investment category.

6. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution; and,

7. A statement that the City has adequate funds to meet its cash flow requirements for the next six months.

B. Annual reports

1. The investment policy will be reviewed and adopted by resolution at least annually within 120 days of the end of the fiscal year 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.

2. An annual report will be presented in conjunction with the investment policy review. This report will include comparisons of the City's return to the Benchmark Index return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

C. Periodic audit

The Treasurer may establish a process of periodic independent review by an external expert to assure compliance with internal controls.

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City Manager
City of Shafter

Appendix I

The following positions are authorized to transact investment business and wire funds for investment purposes on behalf of the City of Shafter:

1. City Manager
2. Treasurer
3. Deputy Treasurer, as designated in writing by the City Manager pursuant to Section V of this Policy

All wire and electronic transfers of City funds require dual authorization: initiation by one person listed above and independent approval by a second person listed above. A current list of individuals holding each position, together with any written Deputy Treasurer designations then in effect, shall be maintained by the City Clerk and provided to the City's depository and custodial institutions.

Appendix II

GLOSSARY OF INVESTMENT TERMS©

Agencies. Shorthand market terminology for any obligation issued by *a government-sponsored entity (GSE),* or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FDIC. The Federal Deposit Insurance Corporation provides insurance backed by the full faith and credit of the US government to certain bank deposits and debt obligations.

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass- through securities.

GNMA. The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio and Mississippi River valleys. TVA currently issues discount notes and bonds.

Asked. The price at which a seller offers to sell a security.

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.

Bid. The price at which a buyer offers to buy a security.

Broker. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

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 since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

Certificate of Deposit (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

Collateral. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

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.

Commercial paper. The short-term unsecured debt of corporations.

Cost yield. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

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

Credit risk. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

Current yield. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

Dealer. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

Debenture. A bond secured only by the general credit of the issuer.

Delivery vs. payment (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

Derivative. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate or index.

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 bond to changes in interest rates. (See modified duration).

Federal funds rate. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

Federal Open Market Committee: A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

Haircut: The margin or difference between the actual market value of a security and the value assessed by the lending side of a transaction (i.e. a repo).

Leverage. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

Liquidity: The speed and ease with which an asset can be converted to cash.

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.

Market value. The price at which a security can be traded.

Marking to market. The process of posting current market values for securities in a portfolio.

Maturity. The final date upon which the principal of a security becomes due and payable.

Medium term notes. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on 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 (Tbills, discount notes, commercial paper and banker's acceptances) are issued and traded.

Mortgage pass-through securities. A securitized participation in the interest and principal cashflows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

Mutual fund. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

Premium. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

Prepayment speed. A measure of how quickly principal is repaid to investors in mortgage securities.

Prepayment window. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

Primary dealer. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

Prudent person (man) 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."

Realized yield. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

Regional dealer. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities, and that is not a primary dealer.

Repurchase agreement (RP, Repo). Short term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a **reverse repurchase agreement**.

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

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.

Total rate of return. A measure of a portfolio' 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. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month Tbills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

Treasury notes. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

Treasury bonds. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

Volatility. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

Yield to Maturity. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

RESOLUTION NO. 3113

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHAFTER AUTHORIZING CERTAIN CITY OFFICERS TO CONDUCT INVESTMENT AND BANKING ACTIVITIES ON BEHALF OF THE CITY OF SHAFTER, AND RESCINDING RESOLUTION NO. 2918

WHEREAS, pursuant to Section 7.10 of the City of Shafter Charter, the City Council annually adopts, by resolution, an Investment Policy to govern all City investments; and

WHEREAS, the City Council has adopted an updated Investment Policy which, at Appendix I, specifies that the City Manager, the Treasurer, and a Deputy Treasurer designated in writing by the City Manager are authorized to transact investment business and wire funds for investment purposes on behalf of the City; and

WHEREAS, Section V of the Investment Policy provides that a designated Deputy Treasurer may exercise the powers and duties of the Treasurer during the Treasurer's absence or unavailability, during a vacancy in the office of the Treasurer, or at such other times as the City Manager specifies in the written designation, and that such authority may not be further redelegated; and

WHEREAS, individual banking and investment institutions require a resolution to be on file establishing this authority with the specific individuals holding those corporate titles; and

WHEREAS, the Mayor and City Clerk have historically had authorization to sign City-issued checks to facilitate City business in the absence of the City Manager and Treasurer and to comply with City policies and practices requiring, when applicable, dual authorization of payments; and

WHEREAS, the City Council desires that the assignment of transaction authority be accompanied by an express dual-authorization control on wire and electronic transfers of City funds; and

WHEREAS, Resolution No. 2918, adopted May 2, 2023, should be rescinded and superseded by this Resolution.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the City Council of the City of Shafter, California, as follows:

<u>Section 1.</u> That the foregoing recitals are true and correct and not in conflict with the City Charter.

<u>Section 2.</u> That any of the following officers of the City, be and they hereby are, fully authorized and empowered to:

(a) conduct any and all banking related activities on behalf of the City of Shafter including but not limited to signing checks drawn on, and transferring funds from, City of Shafter bank accounts.

(b) transfer, convert, endorse, sell, assign, set over, and deliver any and all shares of stock, bonds, debentures, notes, subscription warrants, stock purchase warrants, evidences of indebtedness or other securities now or hereafter standing in the name of or owned by this City, and to make, execute and deliver, any and all written instruments of assignment and transfer necessary or proper to effectuate the authority hereby conferred.

1. City Manager
2. Treasurer
3. Deputy Treasurer, as designated in writing by the City Manager pursuant to Section V of the Investment Policy

<u>Section 3.</u> That any of the following officers of the City, be and they hereby are, fully authorized and empowered to sign checks drawn on City bank accounts:

1. City Clerk
2. Mayor

<u>Section 4.</u> That all wire and electronic transfers of City funds shall require dual authorization: initiation by one officer authorized under Section 2 and independent approval by a second officer authorized under Section 2. No single individual may both initiate and approve such a transfer. This requirement applies without exception during any period in which a Deputy Treasurer is acting in place of the Treasurer.

<u>Section 5.</u> That the City Manager and the City Clerk are authorized to execute and deliver to the City's depository, custodial, and investment institutions such signature cards, certifications, and account documentation as those institutions may require to give effect to this Resolution, and to file with each such institution the written designation of any Deputy Treasurer then in effect.

<u>Section 6.</u> That Resolution No. 2918 is hereby rescinded and superseded in its entirety by this Resolution.

<u>Section 7.</u> That the individuals holding the offices named in Sections 2 and 3 shall be certified to the City's depository, custodial, and investment institutions by a Certificate of Incumbency and Specimen Signatures executed by the City Clerk in substantially the form attached to this Resolution as Exhibit A. The City Clerk shall execute and deliver an updated Certificate whenever the incumbent of any office named in this Resolution changes, and no further action of the City Council shall be required to give effect to such a change.

<u>Section 8.</u> That the authority conferred by this Resolution attaches to the offices named and not to the individuals then holding them. A vacancy in any office named in this Resolution shall not affect, suspend, or impair the authority of the officers holding the remaining offices.

[SIGNATURES ON THE FOLLOWING PAGE]

PASSED, APPROVED AND ADOPTED THIS 18TH DAY OF AUGUST, 2026.

____
Chad Givens, Mayor

ATTEST:

____
Yazmina Pallares, City Clerk

APPROVED AS TO FORM:

____
Marco A. Martinez, City Attorney