

ANNUAL BUDGET

FISCAL YEAR 2018-19



City of Hidden Hills

6165 Spring Valley Road
Hidden Hills, CA 91302





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RESOLUTION NO. 921

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HIDDEN HILLS
TRANSFERRING FUNDS UNAPPROPRIATED AS OF JUNE 30, 2018 TO THE
CONTINGENCY RESERVE ACCOUNT, APPROVING AN INVESTMENT POLICY
FOR FISCAL YEAR 2018-19, APPROVING THE CITY'S BUDGET AND
ESTABLISHING THE APPROPRIATIONS LIMIT FOR THE FISCAL YEAR
COMMENCING JULY 1, 2018

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HIDDEN HILLS as follows:

Section 1. Contingency Reserves

The City has previously established a contingency reserve account for each discrete fund of the City. The continued existence of such contingency reserve accounts is hereby affirmed.

All monies previously appropriated to any fund of the City which are not expended as of June 30, 2018 shall be appropriated to the contingency reserve account of each respective City fund.

Monies previously and currently appropriated to the various contingency reserve accounts shall be expended during future fiscal years first to avoid borrowing pending receipt of tax revenues and then for usual and necessary expenses chargeable to each of the various respective funds prior to the expenditure of appropriations for the current fiscal year, provided, monies appropriated to a contingency reserve account shall not be expended as aforesaid to the extent that appropriations to a contingency reserve account are being accumulated to provide reserves for emergencies, other unforeseen contingencies, specific capital projects or other property acquisition.

Section 2. Investment Policy

The investment policy for Fiscal Year 2018-19 attached hereto and hereby incorporated by this reference as Exhibit A, be and the same is hereby approved for the fiscal year commencing July 1, 2018.

Section 3. Budget

The budget attached hereto and hereby incorporated by this reference as Exhibit B, be and the same is hereby approved for the fiscal year commencing July 1, 2018.

Section 4. Appropriations Limit

The appropriations limit of the City under California Constitution Article XIII B for the fiscal year commencing July 1, 2018, determined by using a population factor of 1.0051 and an inflation factor of 1.0367, is \$1,837,590.

PASSED, APPROVED AND ADOPTED this 25th day of June, 2018.


Steve Freedland, Mayor

ATTEST:


Deana L. Graybill, CMC, City Clerk

(SEAL)

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City Council
Fiscal Year 2018-19



Steve Freedland
Mayor



Marv Landon
Mayor Pro Tem



Stuart Siegel
Council Member

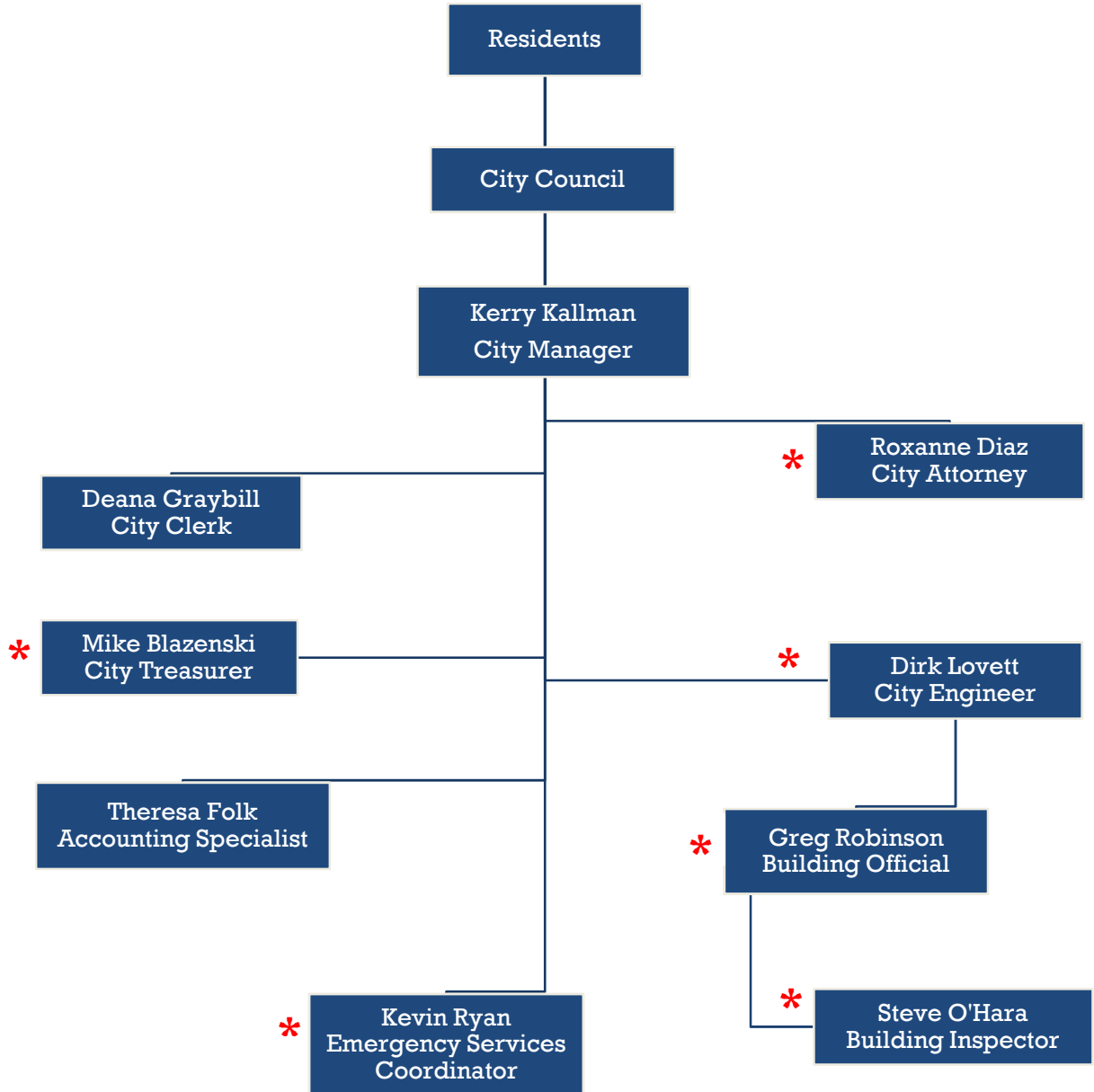


Bret Katz
Council Member



Larry Weber
Council Member

Organizational Chart



* Contract Staff

City Manager’s Budget Message

To: Honorable Mayor, City Council and Hidden Hills Residents
From: Kerry Kallman, City Manager
Subject: 2018-19 Fiscal Year Budget
Date: June 11, 2018

Introduction

Attached for the City Council’s review and consideration is the proposed City budget for Fiscal Year 2018-19. The budget development process began in January with the Mid-year budget review. The Mid-year budget took a detailed look at all City revenues and expenditures at the half-way point of the current fiscal year. Additionally, the Mid-year budget attempts to forecast the final revenue and expenditure amounts expected at the close of the fiscal year on June 30. Following the Mid-year budget, staff began preparations on the upcoming fiscal year budget. The City Council’s Goals Setting Session was held on May 1. This special meeting provides guidance to staff on the City Council’s priorities for the upcoming fiscal year. Next, the City Council’s Budget Ad-hoc Committee met on May 9 to review the draft budget prior to consideration by the full City Council tonight.

The FY 2018-19 budget is the culmination of a two-year process to overhaul and redesign the layout of the document. The main priority of this change has been to show the true “cost” of City business. Examples of this include incorporation of over \$350,000 in both revenue and expense associated with a unique agreement with the City of Calabasas to offer library services to Hidden Hills residents. In addition, all capital improvement projects including the Long Valley Interchange project are shown in the document. Inclusion of both General Fund and Restricted Fund revenue and expenditures marks the Fiscal Year 2018-19 City budget as a true “consolidated budget.”

The budget document is broken up into several sections. These include Revenue, Expenditures, General Fund, Restricted Funds, Summary of Fund Balances, Gann Appropriations limit, City Investment Policy, Current Staffing Levels, and a Fiscal Health Report.

The City’s budget should be seen as a “spending” plan and a “living” document for the upcoming fiscal year. Although not ideal, nor planned, deviations from this plan can and will arise during the upcoming fiscal year. These changes, if any, will require the approval of a “budget adjustment” by the City Council and will be requested if needed.

Budget Highlights

Staff continued to adhere to the City’s long-standing tradition of taking a conservative approach to both revenue and expenditure predictions. This approach has been beneficial to ensure the continued strength of the City’s finance. Consequently, the City of Hidden Hills continues to remain fiscally sound due to the prudent and conservative planning of the City Council. The FY 2018-19 includes General Fund revenues of \$2,658,500 with corresponding General Fund expenditures of \$2,760,963. The reader may see this and note that expenditures are higher than revenue by approximately \$102,000. However closer examination will reveal that strategic use of restricted funds for City expenditures result in a projected surplus of over \$61,000. Property Tax revenue continues to be the City’s largest single source of revenue representing 50% of all City revenue. Conversely, Public Safety and Building and Safety expenditures combined make up nearly half of the City’s expenditures of \$1,280,000.

REVENUE

Total General Fund revenue for FY 2018-19 is \$\$2,658,500. While this is significantly higher than FY 2017-18’s budgeted revenue of \$2,112,300 several factors discussed in detail below led to this higher projected revenue. Revenue is collected in the following eight categories:

Property Tax Revenue

As stated previously, property tax continues to be the City's largest single revenue source. The FY 2018-19 City budget contains property tax revenue of \$352,000 associated with library services. Property tax revenue continues to grow within the City and staff sees no indications in a change in this trend.

Other Local Taxes

Other local revenue includes Real Property Transfer taxes and a small amount of sales tax collected.

Interest Income

Revenue generated from the City's investment in the Local Agency Investment Fund and with Charles Schwab.

Other Taxing Entities

Other Taxing entities is expected to be slightly higher this year based on the FY 2017-18 projection. Revenue is generated from the State's Motor Vehicle in Lieu Tax swap which sees motor vehicle license fees used to backfill property taxes in local jurisdictions.

Building and Safety

FY 2017-18 revenue in the Building and Safety Department is projected to be \$1,300,000 which is significantly higher than anticipated. As future Building and Safety revenues are difficult to predict, staff has taken a conservative approach to the projected FY 2018-19 amount. Revenue for this department is received for building plan check review and building permits for new single-family homes, remodels, and additions. A portion of this revenue is used to offset Charles Abbott and Associates costs to perform these services under a contract with the City.

COPS Fund Transfer

COPS funds are provided to the City annually from the State's General fund to provide supplemental front-line law enforcement services. The City is expected to receive \$100,000 this year from the COPS fund. COPS fund revenue is showing in the City's General Fund revenue as a transfer to off-set the inclusion of COPS funded expense in the Public Safety Department.

Fiesta

The 2017 Annual Fiesta was one of the more successful Fiestas to date. Revenue for FY 2018-19 is expected to be similar to 2017.

Other Revenue

This revenue category is a catch all for uncategorized revenue sources for the City such as alarm registrations, investment fees, and franchise fees.

EXPENDITURES

Total expenditures for FY 2018-19 are anticipated to be \$2,760,963. This is an increase of approximately \$550,000 from the current fiscal year budget. These increases can be attributed to two main factors: (1) inclusion of library expense; and (2) increased allocation of the capital improvement budget for necessary repairs and upgrades to City Hall. These costs are discussed in more detail below. Expenditures are broken down into the following categories:

Payroll

Total expense for the City's payroll is expected to be \$400,463 which is approximately \$21,000 more than FY 2017-18. This increase can be attributed to salary adjustments and a nearly \$6,500 increase in CalPERS unfunded liability expenses.

Administration

Expenses associated with the City's Administration Department are slightly higher (\$25,250) than the current fiscal year. This increase can be attributed to several factors: (1) increased telephone expenses associated with a potential phone system upgrade; (2) increased utilities costs; and (3) potential higher service charges with the City's Schwab investment.

Public Safety

Costs associated with Public Safety are up by \$44,600. This is mainly associated with two factors. The first is an increase in law enforcement services with the Los Angeles County Sheriff's Department by 2.57% for FY 2018-19 and the liability trust fund surcharge increase of 0.5%. Additionally, staff has once again budgeted an additional \$20,000 that could be used with City Council approval for special operations (undercover, burglary suppression, ATV patrols) if needed. The second increase is a new expense as the Community Association has requested City support towards the cost of extra guards to help with early morning traffic flow. An expenditure of \$26,000 has been added to this department which will be completely offset by restricted funds.

Building and Safety

Expenses in this department are categorized two ways: (1) fee related; and (2) non-fee related. Fee related expenses are fully offset by plan check and building permit revenue. Non-fee related expenses include the administration of the department such as special projects, public information, and capital improvements.

Maintenance

Expenses associated with general maintenance/repairs around City Hall have been increased by \$10,000 for several minor deferred maintenance projects.

Community Services

Formerly called "Fiesta" this department category now includes costs associated with library services with the City of Calabasas. The increased expense of \$352,000 corresponds with the amount of library property tax revenue received.

Capital Improvement Projects

For the second year in a row, the budget contains allocations for various capital improvement projects. These include a second phase of the City Hall remodel, possible roof and solar project, Long Valley Interchange phase 1 and the Round Meadow Elementary School drop-off bypass route. Funding for proposed capital improvement projects comes from the General Funds, Restricted Funds, and grants.

Consolidated Budget

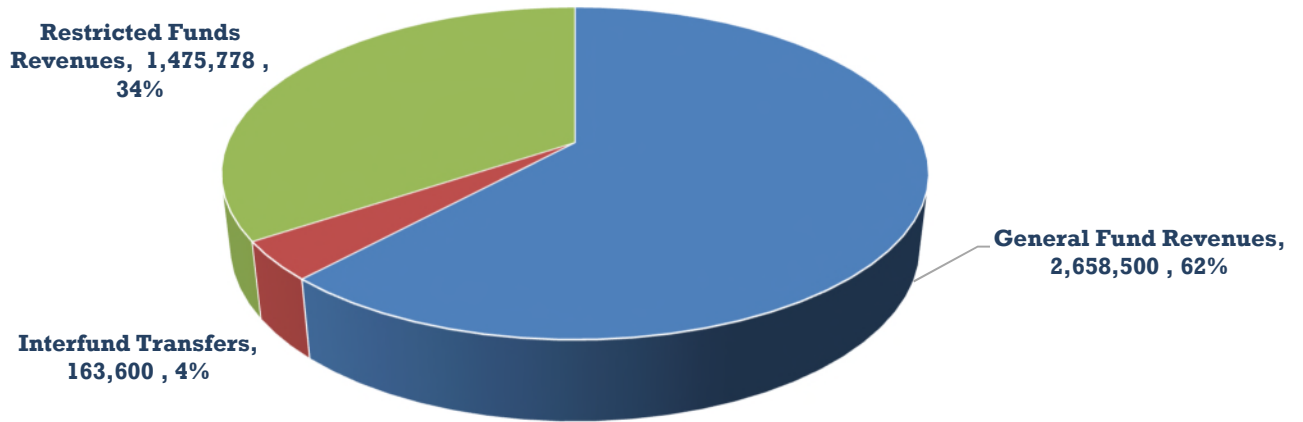
As previously mentioned, the FY 2018-19 City budget is a true consolidated budget. This is an important change as it shows the true cost of City business by folding in all revenue and expenditures regardless of funding source. While a municipalities General Fund budget typically remains the same each year, the consolidated budget fluctuates with capital improvement projects and use of alternative funds such as grants or restricted funds. Therefore, going forward the proper or technical way to refer to the City's budget is "For FY 2018-19, the City has a General Fund budget of approximately \$2.8 million with a Consolidated budget of \$4.3 million."

Additional Budget-Related Documents

In addition to the preliminary City budget, others items of interest attached include the following: (1) information pertaining to the City's proposed FY 2017-18 Gann Appropriations Limit; (2) listing of full-time staff positions contained in the City budget; (3) matrix of City restricted funds; and (4) "Fiscal Health Report" examining the City's financial condition in the General Fund.

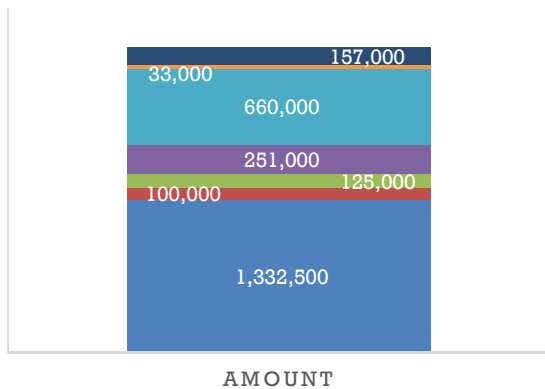
Budget-In-A-Glance
Summary of All Funds
FY 2018-19

Where The Money Comes From...



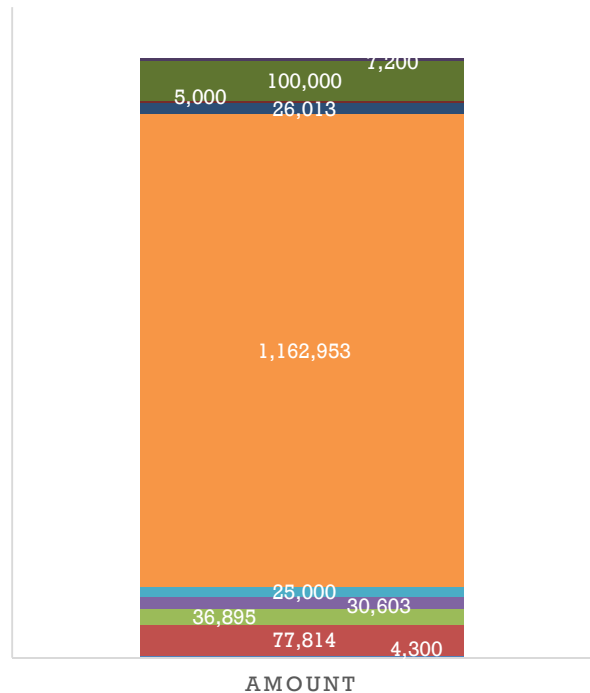
GENERAL FUND SOURCES

- Property Taxes
- Interest Income
- Building and Safety
- Other Revenue
- Other Local taxes
- Other Taxing Entities
- Recreation



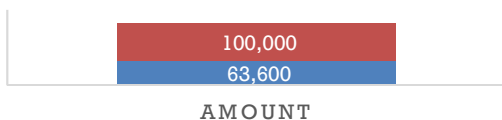
RESTRICTED FUND SOURCES

- Traffic Safety Fund
- Prop C Fund
- Measure M Fund
- TDA Fund
- Gas Tax Fund
- AQMD Fund
- Recycling Fund
- Prop A Fund
- Measure R Fund
- COPS Fund



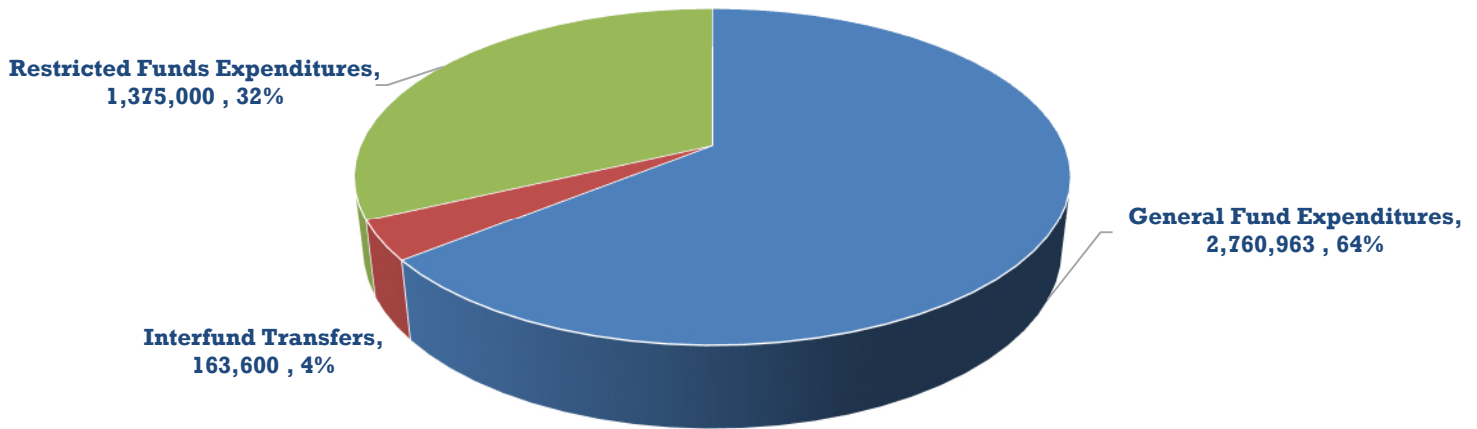
INTERFUND TRANSFERS

- General Fund - Transfer from COPS Fund
- General Fund - Transfer from Gas Tax



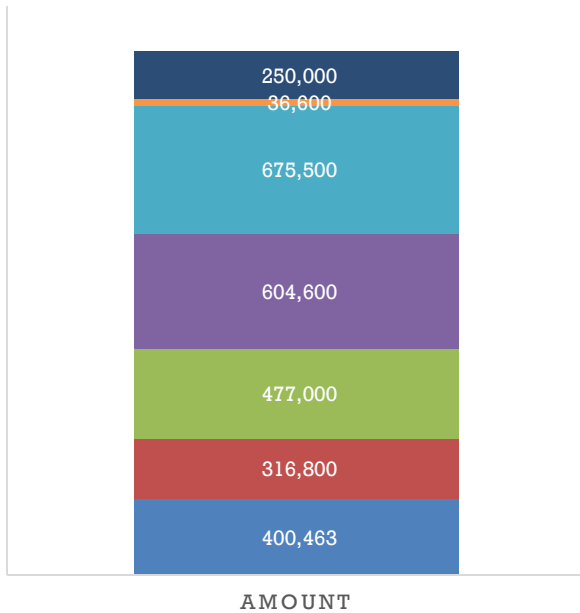
**Budget-In-A-Glance
Summary of All Funds
FY 2018-19**

Where The Money Goes...



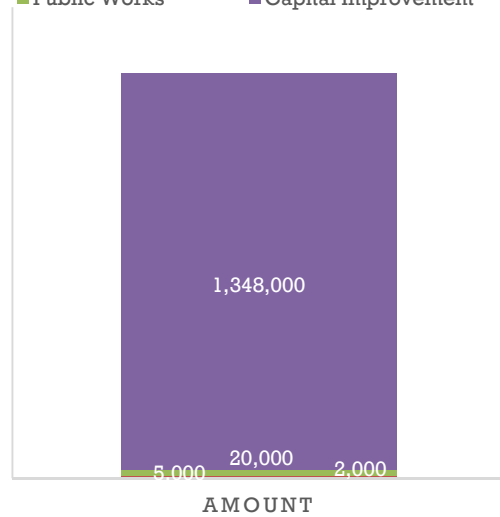
GENERAL FUND USES

- Salaries & Benefits
- Administration
- Community Services
- Public Safety
- Building & Safety
- Maintenance
- Capital Improvements



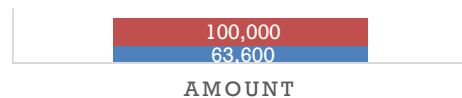
RESTRICTED FUND USES

- Transportation
- Public Safety
- Public Works
- Capital Improvement



INTERFUND TRANSFERS

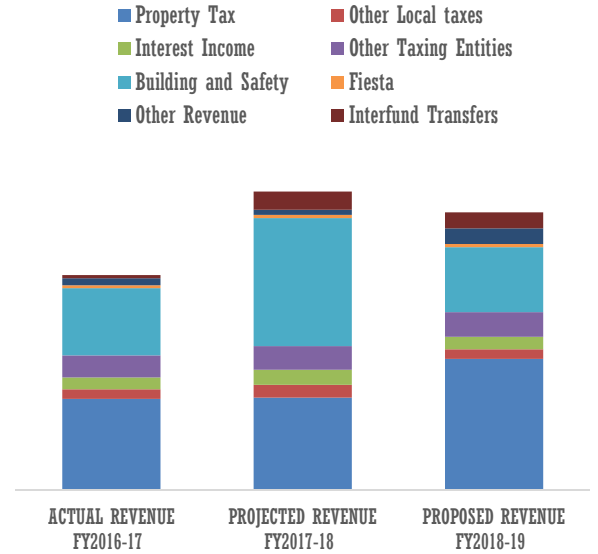
- COPS Fund - Transfer to General Fund
- Gas Tax - Transfer to General Fund



General Fund Summary Comparison

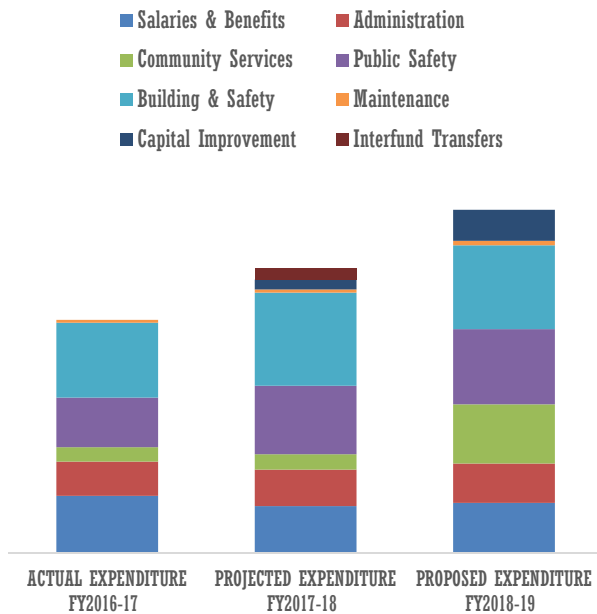
General Fund Sources	ACTUAL REVENUE FY 2016-17	PROJECTED REVENUE FY 2017-18	PROPOSED REVENUE FY 2018-19
Property Tax	926,332	940,000	* 1,332,500
Other Local taxes	96,945	130,000	100,000
Interest Income	121,812	152,000	125,000
Other Taxing Entities	225,061	241,948	251,000
Building and Safety	680,013	1,300,000	660,000
Fiesta	32,306	32,846	33,000
Other Revenue	69,736	52,297	157,000
Interfund Transfers	34,308	182,655	163,600
Total Revenue	2,186,513	3,031,746	2,822,100

General Fund Sources



* Includes Property Tax revenues of \$352,000 associated with Library Services.

General Fund Uses

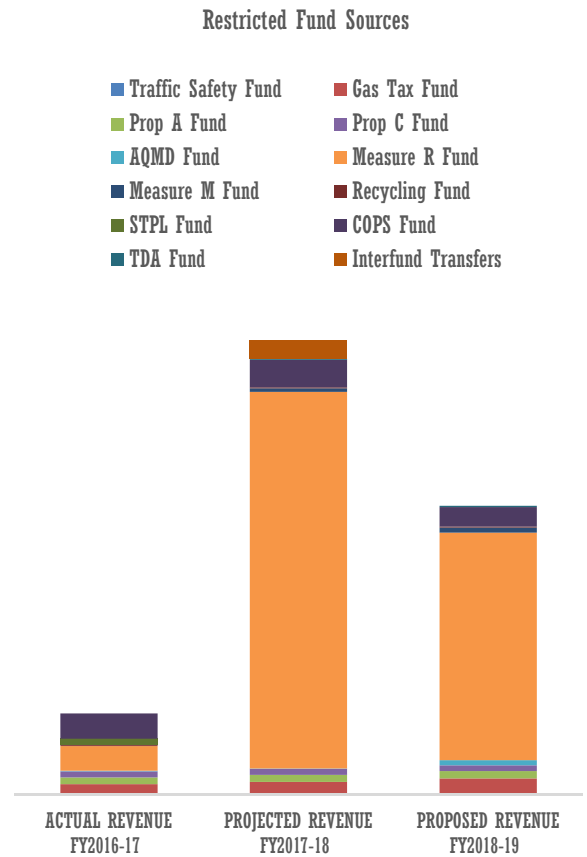


General Fund Uses	ACTUAL EXPENDITURE FY 2016-17	PROJECTED EXPENDITURE FY 2017-18	PROPOSED EXPENDITURE FY 2018-19
Salaries & Benefits	457,217	373,620	400,463
Administration	275,016	293,320	316,800
Community Services	117,187	125,215	* 477,000
Public Safety	400,093	551,529	604,600
Building & Safety	601,880	749,299	675,500
Maintenance	24,578	25,961	36,600
Capital Improvement	-	80,000	250,000
Interfund Transfers	-	94,496	-
Total Expenditures	1,875,971	2,293,440	2,760,963

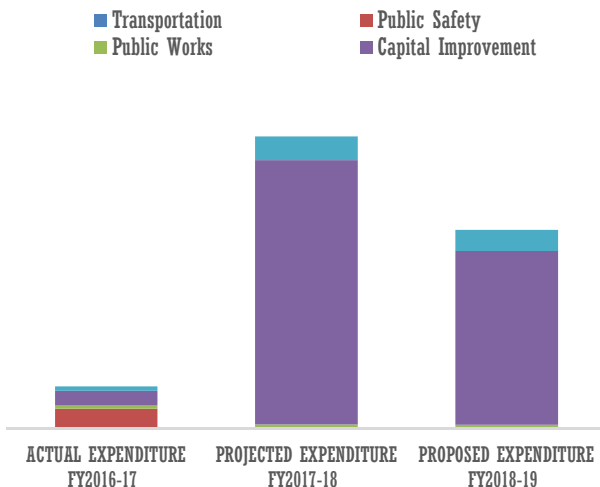
*Includes an expenditure of \$352,000 to the City of Calabasas associated with Library services. Total expenditures equal to actual revenue in.

Restricted Funds Summary Comparison

Restricted Fund Sources	ACTUAL REVENUE FY 2016-17	PROJECTED REVENUE FY 2017-18	PROPOSED REVENUE FY 2018-19
Traffic Safety Fund	4,376	4,300	4,300
Gas Tax Fund	47,421	60,171	77,814
Prop A Fund	35,234	36,061	36,895
Prop C Fund	30,488	30,653	30,603
AQMD Fund	3,138	1,745	25,000
Measure R Fund	125,946	1,923,431	1,162,953
Measure M Fund	-	19,093	26,013
Recycling Fund	5,000	5,000	5,000
STPL Fund	32,960	-	-
COPS Fund	129,324	139,859	100,000
TDA Fund	-	5,800	7,200
Interfund Transfers	-	94,496	-
Total Revenue	413,887	2,320,610	1,475,778



Restricted Fund Uses



Restricted Fund Uses	ACTUAL EXPENDITURE FY 2016-17	PROJECTED EXPENDITURE FY 2017-18	PROPOSED EXPENDITURE FY 2018-19
Transportation	-	5,000	5,000
Public Safety	151,112	400	2,000
Public Works	26,251	23,501	20,000
Capital Improvement	112,150	2,050,333	1,348,000
Interfund Transfers	34,308	182,655	163,600
Total Expenditures	323,821	2,261,889	1,538,600

Summary of Activities – All Funds

	Prior Year Actual FY 2016-17	Year End Projected FY 2017-18	Approved Budget FY 2017-18	Proposed Budget FY 2018-19
Revenues & Transfers In				
10 General Fund	2,186,513	3,031,746	2,252,300	2,822,100
20 Traffic Safety Fund	4,376	4,300	-	4,300
40 Gas Tax Fund	47,421	60,171	-	77,814
50 Prop A Fund	35,234	36,061	-	36,895
55 Prop C Fund	30,488	30,653	-	30,603
60 AQMD Fund	3,138	1,745	-	25,000
65 Measure R Fund	125,946	2,017,927	-	1,162,953
67 Measure M Fund	-	19,093	-	26,013
70 Recycling Fund	5,000	5,000	-	5,000
75 STPL Fund	32,960	-	-	-
80 COPS Fund	129,324	139,859	-	100,000
90 TDA Fund	-	5,800	-	7,200
Total Revenues	2,600,400	5,352,356	2,252,300	4,297,878
Expenditures & Transfers Out				
10 General Fund	1,875,971	2,293,440	2,205,950	2,760,963
20 Traffic Safety Fund	8	400	-	2,000
40 Gas Tax Fund	39,175	44,100	-	98,600
50 Prop A Fund	-	5,000	-	5,000
55 Prop C Fund	21,976	13,800	-	15,000
60 AQMD Fund	-	34,272	-	30,000
65 Measure R Fund	106,664	2,011,762	-	1,205,000
67 Measure M Fund	-	-	-	-
70 Recycling Fund	4,894	-	-	45,000
75 STPL Fund	-	-	-	30,000
80 COPS Fund	151,104	147,555	-	100,000
90 TDA Fund	-	5,000	-	8,000
Total Expenditures	2,199,792	4,555,328	2,205,950	4,299,563
Excess of Revenues Over/(Under) Expenditures	400,608	797,028	46,350	(1,685)
All City Funds - Beginning Balance	7,630,181	8,030,789		8,827,817
All City Funds - Ending Balance	8,030,789	8,827,817		8,826,132

General Fund – Budget Details

	Prior Year Actual FY 2016-17	Year End Projected FY 2017-18	Approved Budget FY 2017-18	Proposed Budget FY 2018-19
Revenues				
Property Taxes				
4100 Property Tax	926,332	940,000	925,000	980,500
4115 Property Tax - Library	-	-	-	352,000
TOTAL - Property Taxes	926,332	940,000	925,000	1,332,500
Other Local taxes				
4210 Real Property Transfer Tax	92,623	103,699	70,000	90,000
4220 Sales & Use Tax	4,322	26,301	8,000	10,000
TOTAL - Local Taxes	96,945	130,000	78,000	100,000
Interest Income				
4400 LAIF & Banks	13,958	25,500	12,000	15,000
4401 Charles Schwab	107,854	126,500	105,000	110,000
TOTAL - Interest Income	121,812	152,000	117,000	125,000
Other Taxing Entities				
4120 Property Tax in Lieu of VLF	224,222	240,956	225,000	250,000
4245 Motor Vehicle In Lieu	839	992	-	1,000
TOTAL - Other Taxing Entities	225,061	241,948	225,000	251,000
Building and Safety				
4613 Building & Safety Permits	606,414	1,006,000	475,000	600,000
4614 Planning Fees	69,388	140,000	85,000	46,000
4615 Engineering Fees	-	4,000	2,000	2,000
4616 Environmental Fees	4,211	150,000	6,000	12,000
TOTAL - Building & Safety	680,013	1,300,000	568,000	660,000
Recreation				
4830 Fiesta	32,306	32,846	32,300	33,000
TOTAL - Recreation	32,306	32,846	32,300	33,000
Other Revenue				
4105 PSAP Revenue	21,548	17,182	15,000	16,000
4215 Schwab Market Revenue	(98,764)	(109,102)	-	-
4600 Business License	59,006	55,508	55,000	55,000
4620 Franchise Fees - Gas	10,799	11,000	11,000	11,000
4621 Franchise Fees - Waste Hauler	49,809	49,789	60,000	50,000
4622 Franchise Fees - Cable	8,990	10,941	9,000	9,000
4623 Waste Management Fee	8,043	7,980	8,000	8,000
4625 Alarm Registration	9,080	7,000	7,000	7,000
4850 Miscellaneous Income	1,225	2,000	2,000	1,000
TOTAL - Other Revenue	69,736	52,297	167,000	157,000
Total Revenue	2,152,205	2,849,092	2,112,300	2,658,500
Transfers In				
4901 Transfer from COPS Fund	-	147,555	140,000	100,000
4905 Transfer from Gas Tax	34,308	35,100	-	63,600
TOTAL - Transfers In	34,308	182,655	140,000	163,600
Total Revenues & Transfers In	2,186,513	3,031,746	2,252,300	2,822,100

General Fund – Budget Details (Continued)

	Prior Year Actual FY 2016-17	Year End Projected FY 2017-18	Approved Budget FY 2017-18	Proposed Budget FY 2018-19
Expenditures				
Salaries & Benefits				
5100 City Manager Salary	180,077	128,625	128,600	141,500
5105 CM Car Allowance	2,954	2,400	2,400	-
5110 Secretary - City Council	1,800	-	-	-
5115 Cell Phone Allowance	-	-	-	900
5130 City Clerk	70,488	73,185	73,000	78,700
5140 Accounting Specialist	96,370	66,560	68,000	70,500
5150 Payroll Taxes	9,712	7,748	9,300	8,000
5160 Workers Comp	4,018	3,301	5,000	2,400
5170 CalPERS Retirement	46,235	36,768	38,000	36,000
5175 CalPERS Unfunded Liability	12,097	16,361	16,400	22,963
5180 Group Health Insurance	30,114	34,363	35,100	35,000
5190 Dental & Vision Insurance	3,352	4,310	3,500	4,500
TOTAL - Salaries & Benefits	457,217	373,620	379,300	400,463
Administration				
5200 City Attorney	67,204	80,000	80,000	80,000
5205 City Auditor	25,980	32,000	34,000	34,000
5210 LVMCOG	40,000	22,500	25,000	20,000
5215 Dues	5,889	7,000	7,000	7,000
5220 Liability Insurance	9,229	14,162	14,200	13,000
5225 Blanket Fidelity Bond	700	750	750	800
5230 Property Insurance	4,121	4,000	5,000	4,000
5240 Community Assistance	7,200	15,000	15,000	15,000
5250 Election	3,322	2,486	500	15,000
5255 Miscellaneous Expense	-	-	-	5,000
5260 Newsletter	8,912	16,308	17,100	17,000
5270 Office Expense	38,689	25,000	25,000	25,000
5275 Data Processing/IT Support	12,336	12,000	12,000	13,000
5280 Telephone	3,632	6,000	6,000	10,000
5285 Utilities	18,179	23,611	19,000	24,000
5290 Travel & Meetings	4,384	6,000	6,000	6,000
5295 Schwab Service Charges	25,239	26,504	25,000	28,000
TOTAL - Administration	275,016	293,320	291,550	316,800
Community Services				
5500 Fiesta	117,187	125,215	120,000	125,000
5510 Library	-	-	-	352,000
TOTAL - Community Services	117,187	125,215	120,000	477,000

General Fund – Budget Details (Continued)

	Prior Year Actual FY 2016-17	Year End Projected FY 2017-18	Approved Budget FY 2017-18	Proposed Budget FY 2018-19
Public Safety				
5600 Police Protection/STAR	287,527	471,000	471,000	487,100
5610 School Crossing Guard	34,308	35,100	35,100	37,600
5612 Traffic Guard Support	-	-	-	26,000
5615 Before School Aid	5,747	8,229	13,000	13,000
5620 Emergency Services Coordinator	24,175	25,000	25,000	25,000
5625 Disaster Preparedness	44,157	7,500	7,500	7,500
5630 Secretarial Services	700	700	1,400	1,400
5640 Animal Control	3,479	4,000	7,000	7,000
TOTAL - Public Safety	400,093	551,529	560,000	604,600
Building & Safety				
5700 Engineering	74,058	116,220	90,300	106,000
5710 Building and Safety	303,435	320,000	287,000	315,000
5720 Planning	89,567	146,279	102,000	73,000
5730 NPDES/Environmental	134,820	166,800	166,800	181,500
TOTAL - Building & Safety	601,880	749,299	646,100	675,500
Maintenance				
5800 Janitorial	10,400	10,920	11,000	11,500
5805 Street Cleaning	2,041	2,041	2,000	2,100
5810 Garden Service	507	3,000	2,000	3,000
5820 Repairs/Maintenance	11,630	10,000	10,000	20,000
TOTAL - Maintenance	24,578	25,961	25,000	36,600
Capital Improvements				
5901 City Hall Improvement	-	80,000	80,000	250,000
TOTAL - Capital Projects	-	80,000	80,000	250,000
Total Expenditures	1,875,971	2,198,944	2,101,950	2,760,963
Transfers Out				
7604 Transfer to Measure R	-	94,496	104,000	-
TOTAL - Transfers Out	-	94,496	104,000	-
Total Expenditures & Transfers (Out)	1,875,971	2,293,440	2,205,950	2,760,963
Net of Revenues & Expenditures After Transfers	310,542	738,307	46,350	61,137
Beginning Fund Balance	6,818,303	7,128,845		7,867,152
Ending Fund Balance	7,128,845	7,867,152		7,928,289

Restricted Funds – Budget Details

		Prior Year Actual FY 2016-17	Year End Projected FY 2017-18	Proposed Budget FY 2018-19
Revenues				
20	Traffic Safety			
6560	Intergovernmental Revenue	4,376	4,300	4,300
6400	Interest Income	0	-	-
TOTAL - Traffic Safety		4,376	4,300	4,300
40	Gas Tax			
6560	Intergovernmental Revenue - HUTA	44,537	46,666	46,274
6560	Intergovernmental Revenue - SB1/RMRA	-	11,007	31,540
6400	Interest Income	2,884	2,498	-
TOTAL - Gas Tax		47,421	60,171	77,814
50	Prop A			
6560	Intergovernmental Revenue	34,688	35,260	36,895
6400	Interest Income	546	801	-
TOTAL -Prop A		35,234	36,061	36,895
50	Prop C			
6560	Intergovernmental Revenue	28,903	29,199	30,603
6400	Interest Income	1,585	1,454	-
TOTAL - Prop C		30,488	30,653	30,603
60	AQMD			
6560	Intergovernmental Revenue	2,433	1,308	2,500
6560	Revenue - MSRC Grant	-	-	22,500
6400	Interest Income	705	437	-
TOTAL - AQMD		3,138	1,745	25,000
65	Measure R			
6560	Intergovernmental Revenue - MR Local	21,585	22,004	22,953
6560	Intergovernmental Revenue - MR Hwy	103,812	1,901,127	1,140,000
6400	Interest Income	549	300	-
TOTAL - Measure R		125,946	1,923,431	1,162,953
67	Measure M			
6560	Intergovernmental Revenue	-	19,000	26,013
6400	Interest Income	-	93	-
TOTAL - Measure M		-	19,093	26,013
70	Recycling			
6560	Intergovernmental Revenue	5,000	5,000	5,000
TOTAL - Recycling		5,000	5,000	5,000
75	STPL			
6560	Intergovernmental Revenue	32,960	-	-
TOTAL - STPL		32,960	-	-
80	COPS			
6560	Intergovernmental Revenue	129,324	139,859	100,000
TOTAL - COPS		129,324	139,859	100,000
90	TDA			
6560	Intergovernmental Revenue	-	5,800	7,200
TOTAL - TDA		-	5,800	7,200
Total Revenues		413,887	2,226,114	1,475,778
Transfers In				
4900	Transfer from General Fund - Measure R	-	94,496	-
Total Transfers In		-	94,496	-
Total Revenues & Transfers In		413,887	2,320,610	1,475,778

Restricted Funds – Budget Details (Continued)

	Prior Year Actual FY 2016-17	Year End Projected FY 2017-18	Proposed Budget FY 2018-19
Expenditures			
Transportation			
7590 Summer Bus Beach - Prop A	-	5,000	5,000
TOTAL - Transportation	-	5,000	5,000
Public Safety			
7590 Fund Expenses - Traffic Safety	8	400	2,000
7590 Supplemental Sheriff Services - COPS	151,104	-	-
TOTAL - Public Safety	151,112	400	2,000
Public Works			
7590 Road & Street Maintenance - Gas Tax	4,867	9,000	5,000
7590 RM/Mureau Rd Landscape - Prop C	21,976	13,800	15,000
7590 Street Sign Maintenance - MR Local	(592)	701	-
TOTAL - Public Works	26,251	23,501	20,000
Capital Improvement			
7590 Fund Expenses - SBI/RMRA	-	-	-
7590 Round Meadow Road Project - Gas Tax	-	-	30,000
7590 Purchase of Electric Vehicle - AQMD	-	34,272	-
7590 Charging Station Project - AQMD	-	-	30,000
6400 Long Valley/US-101 Project - MR Hwy	107,256	2,006,062	1,200,000
7590 V Calm Traffic Radar Upgrade - MR Local	-	5,000	5,000
7590 Recycling Project - Recycling	4,894	-	-
7590 Catch Basin Screen/Insert Retrofit - Recycling	-	-	45,000
7590 Round Meadow Road Project - STPL	-	-	30,000
7590 Bicycle Station - TDA	-	5,000	8,000
TOTAL - Capital Improvement	112,150	2,050,333	1,348,000
Total Expenditures	289,513	2,079,234	1,375,000
Transfers Out			
7600 Transfer to General Fund - Crossing Guards	34,308	35,100	37,600
7600 Transfer to General Fund - Traffic Guards	-	-	26,000
7600 Transfer to General Fund - COPS	-	147,555	100,000
Total Transfers Out	34,308	182,655	163,600
Total Expenditures & Transfers Out	323,821	2,261,889	1,538,600
Net of Revenues & Expenditures After Transfers	90,066	58,721	(62,822)
Beginning Fund Balance	811,877	901,943	960,664
Ending Fund Balance	901,943	960,664	897,842

Fund Balances Summary

Fund Account	BEGINNING FUND BALANCE	FY 2017-18			ESTIMATED FUND BALANCE	FY 2018-19			ESTIMATED FUND BALANCE
	as of 06/30/17	Projected Revenues	Projected Expenditures	Transfers In/(Out)	as of 06/30/18	Projected Revenues	Projected Expenditures	Transfers In/(Out)	as of 06/30/19
General Fund									
10 General Fund	7,128,845	2,849,092	(2,198,944)	88,159	7,867,152	2,658,500	(2,760,963)	163,600	7,928,289
Total General Fund	7,128,845	2,849,092	(2,198,944)	88,159	7,867,152	2,658,500	(2,760,963)	163,600	7,928,289
\$ Change in Fund Balance					738,307				61,137
% Change in Fund Balance					10.4%				0.8%

Fund Account	BEGINNING FUND BALANCE	FY 2017-18			ESTIMATED FUND BALANCE	FY 2018-19			ESTIMATED FUND BALANCE
	as of 06/30/17	Projected Revenues	Projected Expenditures	Transfers In/(Out)	as of 06/30/18	Projected Revenues	Projected Expenditures	Transfers In/(Out)	as of 06/30/19
Restricted Funds									
20 Traffic Safety Fund	13,810	4,300	(400)	0	17,710	4,300	(2,000)	0	20,010
40 Gas Tax Fund	466,219	60,171	(9,000)	(35,100)	482,290	77,814	(35,000)	(63,600)	461,504
50 Prop A Fund	57,161	36,061	(5,000)	0	88,222	36,895	(5,000)	0	120,117
55 Prop C Fund	126,597	30,653	(13,800)	0	143,450	30,603	(15,000)	0	159,053
60 AQMD Fund	54,137	1,745	(34,272)	0	21,610	25,000	(30,000)	0	16,610
65 Measure R Fund	48,420	1,923,431	(2,011,762)	94,496	54,586	1,162,953	(1,205,000)	0	12,539
67 Measure M Fund	0	19,093	0	0	19,093	26,013	0	0	45,106
70 Recycling Fund	40,104	5,000	0	0	45,104	5,000	(45,000)	0	5,104
75 STPL Fund	32,960	0	0	0	32,960	0	(30,000)	0	2,960
80 COPS Fund	62,536	139,859	0	(147,555)	54,841	100,000	0	(100,000)	54,841
90 TDA Fund	0	5,800	(5,000)	0	800	7,200	(8,000)	0	0
Total Restricted Funds	901,943	2,226,114	(2,079,234)	(88,159)	960,664	1,475,778	(1,375,000)	(163,600)	897,842
\$ Change in Fund Balance					58,721				(62,822)
% Change in Fund Balance					6.5%				-6.5%

Fund Account	BEGINNING FUND BALANCE	FY 2017-18			ESTIMATED FUND BALANCE	FY 2018-19			ESTIMATED FUND BALANCE
	as of 06/30/17	Projected Revenues	Projected Expenditures	Transfers In/(Out)	as of 06/30/18	Projected Revenues	Projected Expenditures	Transfers In/(Out)	as of 06/30/19
All City Funds	8,030,789	5,075,205	(4,278,177)	0	8,827,816	4,134,278	(4,135,963)	0	8,826,131
\$ Change in Fund Balance					797,028				(1,685)
% Change in Fund Balance					9.9%				0.0%

**Capital Improvement Projects
FY 2018-19**

Project Name	Funding Source	Budget FY2018-19	Reserves FY2018-19	Total Funds
City Hall Improvement	General Fund	250,000		250,000
Long Valley/Valley Circle/US-101 On-Ramp Improvement	Measure R (Highway)	1,200,000		1,231,302
	Gas Tax Fund - RMRA		31,302	
Charging Stations	AQMD Fund	7,500		30,000
	MSRC Grant	22,500		
Bicycle Repair Station	TDA Fund	8,000		13,000
Round Meadow Road School On-site Circulation	STPL Fund	30,000		60,000
	Gas Tax Fund	30,000		
Catch Basin Screen/Insert Retrofit	Recycling Fund	45,000		45,000
V Calm Traffic Radar Upgrade	Measure R (Local)	5,000		5,000
Lasher Road Undergrounding	General Fund reserves		5,000	5,000
Citywide Utility Undergrounding	Rule A		10,747	1,010,747
	General Fund reserves		1,000,000	
TOTAL		1,598,000	1,047,049	2,645,049

City Hall Improvements

Project proposed to continue with interior improvements to City Hall focusing on the City Council Chambers including broadcast equipment, second floor conference room, and Building and Safety office. Other considerations include solar project and new City Hall roof.

Project Funding: General Fund

Long Valley/US-101/Valley Circle On-Ramp Improvement

The project, funded through both Measure R and Measure M seeks to improve traffic circulation down the Long Valley ramp, entrance into the City and onto the westbound 101 Freeway. Along with circulation, aesthetic improvements in that area are being considered. Landscape design and possible construction of Phase 1 (Long Valley Parking lot) may occur in FY 2018-19.

Project Funding: Measure R, Measure M, Prop C and SB1

Charging Stations

Installation of electric vehicle charging station at City Hall and Round Meadow parking lot are being considered.

Project Funding: MSRC Grant, AQMD Funds

Bicycle Repair Station

Installation of bicycle repair stations are being considered for the City Hall parking lot and Mureau Road rest stop.

Project Funding: TDA Bicycle/Pedestrian Funds

Round Meadow Road School On-site Circulation

Project seeks to create a permanent solution to traffic congestion in and around Round Meadow Elementary School through the construction of new access road and drop off lane on school campus. City and school district to split costs. FY 2018-19 work will focus on design.

Project Funding: Gas Tax, SB1, STPL and Las Virgenes Unified School District

Catch Basin Screen/Insert Retrofit

To comply with NPDES requirements, screens are required at catch basin inlets to prevent trash/solid waste from entering the storm drain system.

Project Funding: Plastic Bottle Recycling Grant

V Calm Undergrounding and Relocation

The traffic radar signs (V Calm) are currently run by solar power. During the shorter/shadier winter months, power can sometimes be insufficient. In addition, due to poor cellular reception in the City, the signs cannot be accessed and programmed remotely. This can be resolved by hard wiring to an SCE meter. In addition, the sign on Round Meadow Road is scheduled to be relocated to Eldorado Meadow Road.

Project Funding: Measure R Local

Lasher Road Undergrounding

Participation (in part) on the design of utility undergrounding behind the residences located on Long Valley Road, between Lasher Road and Old Farm Road.

Project Funding: General Fund Reserves, Southern California Edison Rule 20A funds

Citywide Utility Undergrounding

Project may include the beginning of a City-wide utility undergrounding through various funding mechanisms. Also, being considered is a smaller project focusing on a select area.

Project Funding: General Fund Reserves, Southern California Edison Rule 20A funds

**Special Revenues and Restricted Funds
FY 2018-19**

Special revenue funds are used to account for the proceeds from specific revenue sources (other than trusts or major capital projects) that are legally restricted to expenditures for specific purposes. These restricted funds, by law, are designed to finance particular functions or activities of government and which therefore cannot be diverted to other uses.

Gas Tax Fund

The Gasoline Tax (Motor Vehicle Fuel License Tax) is allocated to cities based on population. The use of revenue is restricted to the construction, improvement and maintenance of public streets. Gas Tax Fund consist of both Highway User Tax Account (HUTA) apportionments and the new SB1/RMRA fund restricted for use of the same purpose.

Estimated Available Fund Balance as of June 30, 2018 - \$481,532

Traffic Safety Fund

Fines and forfeitures received as a result of arrests for vehicle code violations. Funds can be used for traffic control devices, maintenance of equipment and supplies for traffic law enforcement and traffic accident prevention, improvement or construction of public streets, and the compensation of school crossing guards.

Estimated Available Fund Balance as of June 30, 2018 - \$17,710

Transit/Prop A Fund

A Tax imposed by Los Angeles County which increased the sales tax 1/2 cent to fund public transportation in the County. The use of this fund is restricted to public transportation services.

Estimated Available Fund Balance as of June 30, 2018 - \$88,222

Prop C Fund

Same as Prop A but this fund can be used for both public transportation services and capital improvement projects for public transit including street and landscape maintenance and irrigation.

Estimated Available Fund Balance as of June 30, 2018 - \$143,450

Measure R Local and Highway

Measure R is a half-cent sales tax for Los Angeles County to finance roadway improvements or new transportation projects and programs and accelerate those already in the pipeline.

Estimated Available Fund Balance as of June 30, 2018 - \$68,468 (Measure R Local)

Estimated Available Allocated Balance as of June 30, 2018 - \$ 1,623,221 (Measure R Highway)

Measure M Local

Measure M is a half-cent sales tax for Los Angeles County to finance traffic improvement plan. It aims to improve freeway traffic flow and reduce bottlenecks and improve neighborhood streets and intersections.

Estimated Available Fund Balance as of June 30, 2018 - \$19,093

Cal Recycle Fund

Cal Recycle purpose is to address issues related to sources reduction of waste material, recycling and composting, and environmentally safe transformation and land disposal of solid waste.

Estimated Available Fund Balance as of June 30, 2018 - \$45,104

Air Quality Improvement Fund

30 percent of the funds collected from the Department of Motor Vehicle registration fees is provided to the Air Quality Management District (AQMD) for vehicle emission reduction programs. This fund can be used to purchase or lease hybrid and CNG vehicles including purchase of fuel and maintenance associated with the use of these vehicles.

Estimated Available Fund Balance as of June 30, 2018 - \$21,610

STPL Fund

The Surface Transportation Program (STP) provides flexible funding that may be used by localities for projects to preserve and improve the conditions and performance on any Federal-aid highway, bridge and tunnel projects on any public road, pedestrian and bicycle infrastructure, and transit capital projects, including intercity bus terminals.

Estimated Available Fund Balance as of June 30, 2018 - \$32,960

COPS Fund

AB 3229 established the Citizen's Options for Public Safety (COPS) program and allocated state funds, based on population, to supplement the needs of local law enforcement. This fund is to be used for front line policing services.

Estimated Available Fund Balance as of June 30, 2018 - \$54,841

TDA Fund

TDA Article 3 local funds are allocated to local agencies on a per-capita basis. This fund can be used to fund activities relating to pedestrian and bicycle facilities.

Estimated Available Allocated Balance as of June 30, 2018 - \$ 20,000

Special Revenues and Restricted Funds Matrix
FY 2018-19

Fund Account	Description	Estimated Fund Balance as of 06/30/18	Capital Reserve/ Fund Allocation	Lapsing Funds as of 6/30/18	Proposed For Use FY 2018-19	Previous and Current Projects Utilized	Timely Use of Funds	Use on HHCA Streets or Private Property	Option to Sell/Trade		
Gas Tax	Annual Restricted Fund	\$ 482,290			\$ 5,000	Round Meadow widening; Resurfacing of Spring Valley, Long Valley, and Round Meadow; Round Meadow/Mureau corner park and landscaping project	No expiration	No	No		
					\$ 30,000	Round Meadow Road project					
					\$ 31,302	Long Valley/US-101 Ramp Improvement					
					\$ 37,600	School crossing guards					
					\$ 26,000	Traffic guard support					
Traffic Safety	Annual Restricted Fund	\$ 17,710			\$ 2,000	Citywide striping and signage;		Yes	No		
Prop A	Annual Restricted Fund	\$ 88,222			\$ 5,000	Summer Beach Bus (Calabasas). Previously sold to Santa Fe Springs, West Hollywood, Torrance, PV Peninsula Transportation Authority. Note: cannot be used for stops on HHCA roads.	3 years	No	Yes		
Prop C	Annual Restricted Fund	\$ 143,450			\$ 15,000	Resurfacing of Long Valley, Round Meadow, Spring Valley; Irrigation and maintenance of Round Meadow/Mureau corner landscaping (both inside and outside street ROW) Street widening project	3 years	No	No		
Measure M Local	Annual Restricted Fund	\$ 19,093				New local fund for Roads & Street projects					
Measure R Local	Annual Restricted Fund	\$ 68,468			\$ 5,000	Catch basin and C&G repairs; V-Calm signs	5 years	Yes	Can gift, trade, loan to other jurisdictions. No Compensation allowed.		

Special Revenues and Restricted Funds Matrix
FY 2018-19

Fund Account	Description	Estimated Fund Balance as of 06/30/18	Capital Reserve/ Fund Allocation	Lapsing Funds as of 6/30/18	Proposed For Use FY2018-19	Previous and Current Projects Utilized	Timely Use of Funds	Use on HHCA Streets or Private Property	Option to Sell/Trade
Measure R Highway	Allocated through LVMOG on a per project basis	\$ (13,882)	\$ 1,623,221		\$ 1,200,000	Long Valley/Valley Circle/US-101 On-Ramp Improvement <i>NOTE: Additional \$2,700,000 budget approved by MTA.</i>	5 years. Will lapse on 6/30/2022	No	Can gift, trade, loan to other jurisdictions. No Compensation allowed.
Cal Recycle Grant	Competitive Grant	\$ 45,104			\$ 45,000	Proposed to be used for the installation of catch basin screens and inserts citywide	No expiration	Yes	No
Air Quality Improvement	Annual Restricted Fund	\$ 21,610			\$ 30,000	Proposed uses are for electric vehicle and charging stations	No expiration	Yes	No
STPL	Annual Restricted Fund	\$ 32,960			\$ 30,000	Previously used to resurfacing Spring, Long Valley, Round Meadow; Round Meadow widening; Resurface City Hall parking lot utilizing STPL-L (flexible)	5 years. Will lapse 5/03/2021	Only when STPL-L (flexible)	No
COPS	Annual Restricted Fund	\$ 54,841			\$ 100,000	Used to supplement law enforcement services (Approximately \$100,000 per year)	1 year	Yes	No
LA County Park and Open Space District	Annual Restricted Fund		\$ 19,123			City Hall Demonstration garden (landscaping, furniture, gazebo, stairway, bicycle racks, drinking fountain, etc.) construction, maintenance, and irrigation		Yes	No
TDA Bicycle/Pedestrian	Annual Restricted Fund	\$ 800	\$ 20,000	\$ 5,000	\$ 8,000	Round Meadow/Mureau corner park and landscaping project Bicycle Station	3 years	No	No
Rule 20A	Annual Restricted Fund		\$ 10,747		\$ 10,747	Utility undergrounding on Round Meadow at Long Valley gate and at the Round Meadow/Long Valley Road Intersection		Yes	Yes

TOTAL \$ 960,665 \$ 1,673,091 \$ 5,000 \$ 1,580,649

**Gann Appropriation Limit
FY 2018-19**

Background

Article XIII-B of the California State Constitution (also known as Proposition 4, or the "Gann Initiative", restricts the total amount of appropriation allowed in any given fiscal year from the "proceeds of taxes."

Changes made:

1980 – The State Legislature added Section 9710 to Government Code requiring the governing body of each local jurisdiction to establish, by resolution, an appropriation limit for the following year. The appropriations limit for any fiscal year was equal to the previous year's limit, adjusted for population changes and the change in the U.S. Consumer Price Index (or California per Capita Personal Income, if smaller). This statistical information is provided by the California Department of Finance every year.

1990 - California voters approved Proposition 111, amending Article XIII-B. A City may choose annual adjustment factor including growth in the California Per Capita Income or the growth in the non-residential assessed valuation due to construction within the City, and the population growth within the City. Article XIII B originally required that excess revenues received by the state and local governments be rebated to taxpayers in the following year. Proposition 111 instead provides that excess revenues be established over a two-year period, and that they be divided equally between rebates to taxpayers and Proposition 98 educational spending.

“Appropriations subject to limitation” of an entity of local government means any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of state subventions to that entity (other than subventions made pursuant to Section 6)* exclusive of refunds of taxes.

Calculation

Appropriation Limit for FY 2017-18	\$1,763,544
Adjustment Factors	(% Ratio)
Population Factor	1.0051
Growth Factor	1.0367
Calculation of Factors for FY 2018-19	1.0420
Appropriation Limit for FY 2018-19	\$1,837,590

**Staffing Level and Salary Range
Listing of Full-Time Positions
FY 2018-19**

<u>Position</u>	<u>Salary Range</u>
City Manager	\$140,000 (Per Contract)
City Clerk	\$70,000 - \$90,000 annually (exempt)
Accounting Specialist	\$25.19 to \$37.70 per hour (non-exempt)

**Fiscal Health Report
For the Period from 2008 to 2018**

I. Overview

This "Fiscal Health Report" is a financial monitoring system that computes a number of "factors" and compares the results over time. Its purpose is to provide the City Council with a comprehensive look at the financial condition of the City over the previous ten-year period to help ensure the City's continued future fiscal health. Monitoring systems can give early warnings of trends before they become major problems.

II. How the system works

The selected factors (see attached) are calculated over time and trends are established and graphed. Data for all factors has been extracted from annual audit reports from 2008 through 2017, and the latest year-end projections for revenues and expenditures account for the data reflected for 2018 (Fiscal Year 2017-18). Note that revenues and expenditures have not been adjusted for inflation and therefore do not represent constant dollar comparisons.

Trends are judged as favorable, stable or unfavorable. If a solid trend is not established, the factor may be rated as a combination such as stable/favorable or stable/unfavorable. Several factors use population as a component of the formula. The intent is to show if revenues and expenditures are keeping pace with population changes which might increase demand for services. While the City's population has historically been very stable, the per capita formula is still valid for purposes of establishing a relationship between the factors. Finally, it is also important to view the factors in relation to each other. Therefore, an unfavorable trend in expenditures combined with a favorable trend in revenues should not necessarily raise an immediate concern. On the other hand, stable or declining revenues combined with increasing expenditures could pose a problem in a very short time.

III. Findings

In reviewing the findings reflected in the various factors, a total of five factors were judged as favorable and two were stable as noted below:

FACTOR	TREND
#1 Revenue Per Capita	Favorable
#2 Property Tax Revenue Per Capita	Favorable
#3 Expenditure Per Capita	Stable
#4 Public Safety Expenditure Per Capita	Stable
#5 Revenue & Expenditure Per Capita	Favorable
#6 Population Growth	Favorable
#7 Building Permit Revenue as a % of Total General Fund	Favorable

IV. Conclusions

Several conclusions can be drawn from this year's fiscal health "report card." First, it is evident that the City's fiscal health remains strong. Also, it is noted that all of the seven categories are rated either "favorable" or "stable." This strong report is bolstered by a stable property tax base and recent surge in building related revenue. Finally, continued scrutiny by the City Council, staff, and residents is imperative to ensure the fiscal health of the City for generations to come.

FACTOR 1 - REVENUE PER CAPITA

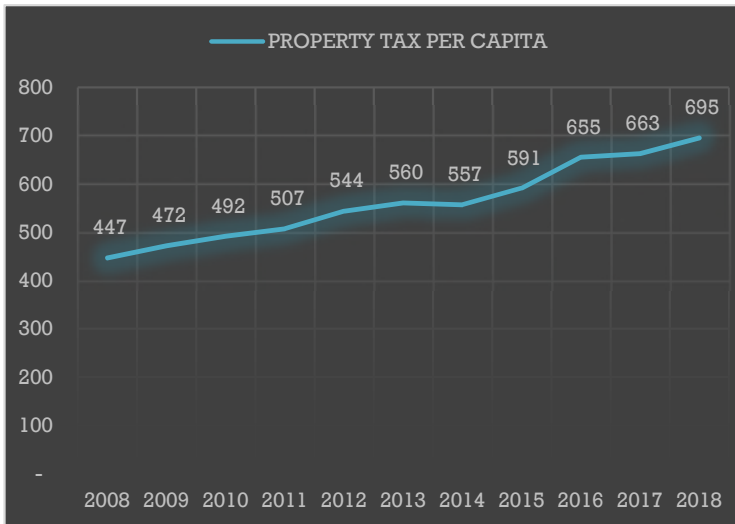
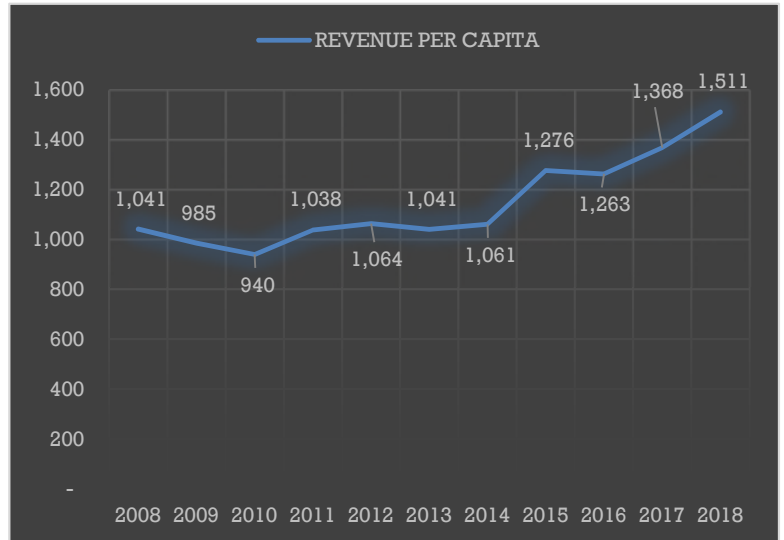
DESCRIPTION - This factor is designed to show whether revenues are keeping pace with expenditures, growth in the community, etc. For example, if revenues are decreasing, a municipality might not be able to maintain service levels unless new revenue sources are found. In the case of Hidden Hills, revenues per capita decreased in 2009 and 2010 during the recent recession. Revenue started to rebound in 2011. A slight uptick in 2015 and 2016 can be attributed to increased building activity in 2015 and rising home values.

While the City's population does not change dramatically, this factor examined in conjunction with expenditures per capita (see FACTOR 3) provides a relevant comparison of performance. This factor should be watched closely in relation to FACTOR 3.

FORMULA -
$$\frac{\text{Total Operating Revenue}}{\text{Population}}$$

WARNING SIGN - Decreasing operating revenue per capita sustained over multiple years.

TREND - Favorable



FACTOR 2 – PROPERTY TAX PER CAPITA

DESCRIPTION - Since the property tax constitutes such a large percentage of the General Fund revenue, this factor is examined against City of Hidden Hills population. At a minimum, property revenue should not be decreasing when compared to population. Property tax and motor vehicle in lieu revenue is combined as in 2006, the State redirected a portion of property tax revenue to municipalities and “backfilled” those revenues with a portion of motor vehicle license fees. Known as the “triple flip” the City’s auditors combine these two revenue sources into the property tax line item each year. In the case of Hidden Hills slight growth each year indicates a favorable position. However, staff should make it a practice to continually monitor this critical revenue source.

FORMULA -
$$\frac{\text{Property Tax} + \text{Property Tax In Lieu of VLF}}{\text{Population}}$$

TREND - Favorable

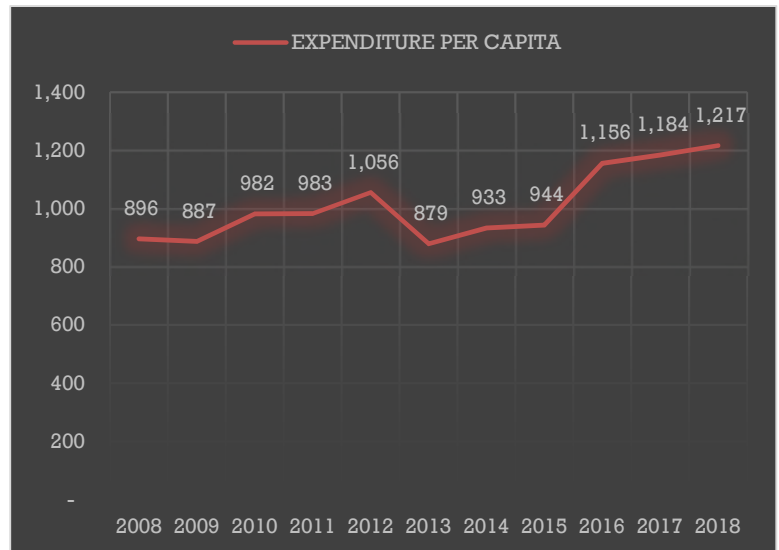
FACTOR 3 – EXPENDITURES PER CAPITA

DESCRIPTION - This factor is designed to show the cost-per-person of providing City services. Increasing expenditures per capita are troublesome if revenues per capita are stable or declining. In the case of Hidden hills expenditures per capita have begun to “creep” up since a dip in 2013. While this increase can be attributed to several factors including: (1) increased building activity; (2) additional expenditures related to water quality mandates; and (3) and increased capital project expenses, this factor should be monitored carefully especially in line with revenue per capita in the coming years.

FORMULA -
$$\frac{\text{Total Operating Expenditures}}{\text{Population}}$$

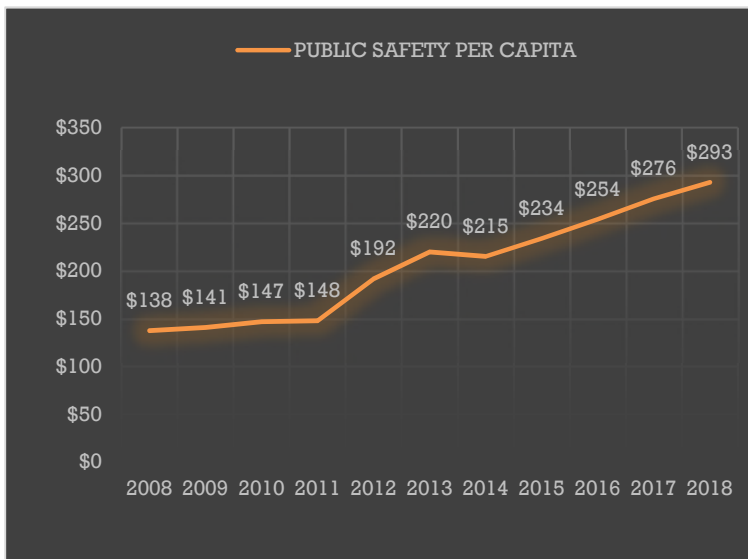
WARNING SIGN - Significantly increasing operating expenditures per capita, especially when combined with a stable or unfavorable trend in **FACTOR 1 - Revenues Per Capita**.

TREND - Stable



FACTOR 4 - PUBLIC SAFETY EXPENDITURES PER CAPITA

DESCRIPTION - Since public safety expenditures represent such a large portion of total operating expenditures, this item was examined separately. It should be noted that beginning in 2012, the City audit began to include restricted COPS funds in the overall public safety expenditure. It is believed that per capita spending in law enforcement prior to 2012 referenced in this chart does not include COPS funds. Beginning in FY 2017/18 COPS Funds are shown in revenue and expenditure line items in an effort to show the true cost of law enforcement services. In addition to including law enforcement costs, Public Safety Expenditures per capita include costs associated with emergency preparedness, school crossing guards, and animal care and control. Increases in expenditures over the last ten years have been the direct result of modest county rate adjustments passed along to contract cities.



FORMULA -
$$\frac{\text{Public Safety Expenditures}}{\text{Population}}$$

WARNING SIGN - Significantly increasing per capita expenditures.

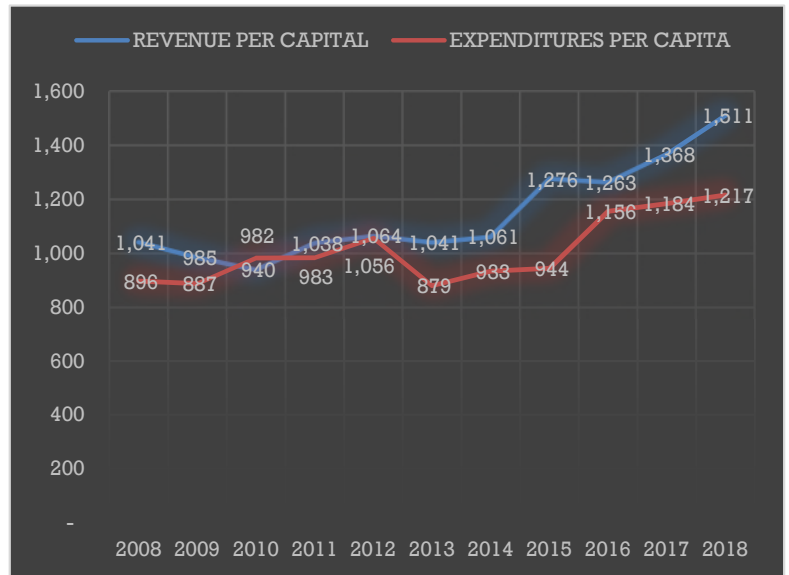
TREND - Stable

FACTOR 5 - REVENUES AND EXPENDITURES PER CAPITA

DESCRIPTION - This table shows Factors 1 and 3 combined and provide a graphic display of the relationship between the two. Beginning in 2008 revenues began to decline while expenses increased. Following 2012, when revenues and expenditures were approximately equal partially due to a \$200,000 Community Assistance Grant provided to the HHCA, expenditures dropped while revenues climbed.

WARNING SIGN - Significantly increasing per capita expenditures combined with stable or declining per capital revenues.

TREND - Favorable

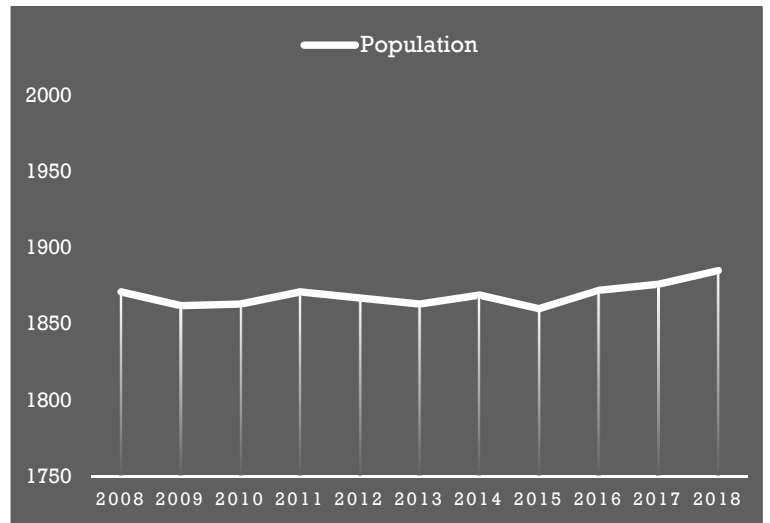


FACTOR 6 - POPULATION GROWTH

DESCRIPTION - This table simply illustrates population growth based on both State Department of Finance (Population Research Unit) and the U.S. Department of Commerce, Bureau of Census and Neighborhood Statistics Program. For emerging or developing cities, population growth is usually a key contributor to an increase in service delivery costs. However, in Hidden Hill's case, population growth has been essentially flat for the past ten years.

WARNING SIGN - Increasing population and accompanying service demands in the face of static or declining General Fund Revenues.

TREND - Favorable



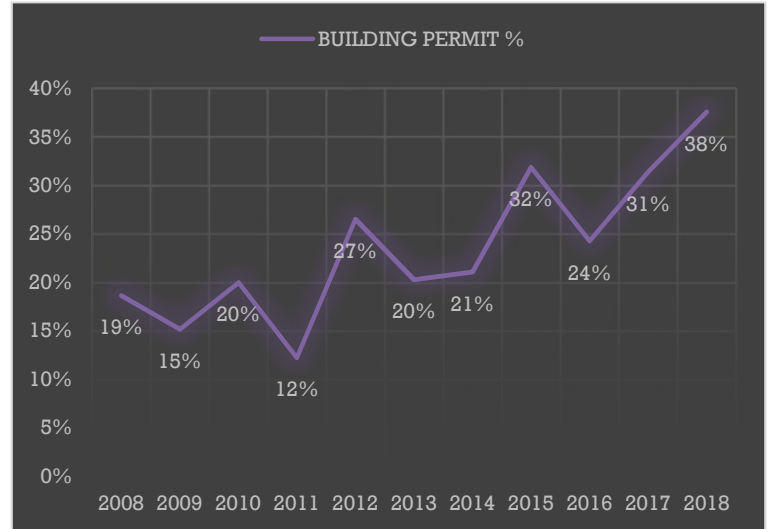
FACTOR 7 - TOTAL BUILDING PERMIT REVENUE AS A PERCENTAGE OF TOTAL GENERAL FUND REVENUES

DESCRIPTION - This factor illustrates the effect on permit revenue related to declines in construction activity and should be watched closely. The table below reflects a rather flat period of building permit revenue which can be attributed to the 2008 recession. Building activity began to rebound in 2012 while reaching a pinnacle in 2014. Although there are no signs of decreased building activity within the City (actually quite the contrary) and a high percentage of building related expense is tied directly to building revenue, close monitoring of building permit revenue should continue in relationship to overall City revenues.

FORMULA -
$$\frac{\text{Total Permit Revenues}}{\text{Total General Fund Revenues}}$$

WARNING SIGN - Decreased revenue without corresponding decreases in expenditures.

TREND - Favorable



**Statement of Investment Policy
FY 2018-19**

1.0 Policy:

This Investment Policy applies to the City of Hidden Hills ("City"). It is the policy of the City to protect, preserve and maintain its respective assets. The City shall invest public funds in a manner that will provide the highest investment return commensurate with maximum security, while meeting the respective cash flow demands of the City and conforming to all State and Local statutes governing the investment of public funds.

2.0 Scope:

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by outside fiscal agents under the provisions of bond indentures, or other funds as designated by the City Council or the City Treasurer. Funds contained in the City's pool are designated as "General Portfolio". This investment policy applies to the investment of surplus funds contained in the "General Portfolio". These funds are accounted for in the Annual Financial Statements and include:

The General Fund

All Special Revenue Funds

All Trust and Agency Funds

3.0 Prudence:

The City is held to the prudent investor standard set forth in Section 53600.3 of the Government Code which states: "When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims to safeguard the principle and maintain the liquidity needs of the agency."

Accordingly, this is the standard of prudence to be used and applied by the City Treasurer (and other persons under the supervision and responsibility of the Treasurer pursuant to Section 5.3) to manage the City's investment portfolio, per the delegation of authority by the City Council to the Treasurer set forth in Section 5.3 of this Investment Policy.

It is the City's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized, that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.

4.0 Objectives:

The cash management system of the City is designed to accurately monitor and forecast expenditures and revenues, thus ensuring the investment of monies to the fullest extent possible. The City strives to maintain the level of investment of surplus funds as near to 100% as possible. Consistent with this factor, investments are made under the terms and conditions of Articles 1 (commencing with Section 53600) and 2 (commencing with Section 53630) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code of California. Consistent with Government Code Section 53600.5, the primary objectives, in priority order, of the investment activities of the City shall be:

4.1. Safety: Safety of principal is the foremost objective of the investment program. "Safety" means that the overall value of invested public funds shall not be diminished in the process of securing and investing those funds or over the duration of the investments. To attain this objective, portfolio diversification is required.

a. **Reduction of Credit Risk:** Credit risk is defined as the risk of loss due to failure of the issuer of a security. This risk shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the City's capital base and cash flow.

b. **Reduction of Market Risk:** Market risk is defined as market value fluctuations due to overall changes in the general level of interest rates. This risk shall be mitigated by limiting the average maturity of the City's investment portfolio to two years, the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long term securities for the sole purpose of short term speculation.

4.2. **Liquidity.** The investment portfolio of the City will remain sufficiently liquid to enable such agency to meet all operating requirements of such agency which might be reasonably anticipated. Additionally, since all possible cash demands cannot be anticipated, a large portion of the securities held should be those for which active secondary markets exist. The liquidity of each type of authorized investment is included in its description in Section 8 "Authorized and Suitable Investments" section of this policy.

4.3. **Return on Investment (Yield):** The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow characteristics of such portfolio.

In general, the California Government Code limits authorized investments to those classes of securities which have lower risk (and therefore lower yields) than other higher risk investment choices. In each investment transaction the anticipated return on investment is subordinate to the preceding requirements of safety and reduction of credit and interest rate risk

5.0 Delegation of Authority:

Authority to manage the investment program of the City is derived from Government Code Sec. 53601 and 53607 (which respectively authorize a legislative body to invest public funds, and the legislative body's delegation of such authority to the treasurer of the corresponding agency) and the City's Municipal Code.

5.1 **Responsibilities of the City Council.** The City Council shall consider and adopt yearly a written investment Policy. As provided in this policy, the Council shall receive and review quarterly Investment Reports.

5.2. **Responsibilities of the City Manager.** The City Manager is responsible for supervising the City Treasurer. The City Manager is also responsible to keep the City Council fully advised of the investment portfolio and as to the financial condition of the City.

5.3. **Responsibilities of the City Treasurer.** Pursuant to Government Code Section 53607, the City Council delegates the authority to invest or reinvest surplus funds, and to sell or exchange securities so purchased for and on behalf of the City, to the City Treasurer for the one-year period commencing from the date of adoption of this Investment Policy, and the City Treasurer shall make a monthly report of those transactions to the City Council.

No person may engage in an investment transaction except as provided under the terms of this policy. The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of investment advisors. The City Treasurer is charged with responsibility for the conduct of all treasury functions, including the custody and investment of City funds, the development of procedures to implement this Investment Policy, and the rendering of the monthly transactions reports and quarterly investment reports (containing such information as specified in Section 15.0) required by this policy.

6.0 Ethics and Conflicts of Interest:

Officers and employees involved in the investment process are required by the City of Hidden Hills Conflict of Interest Policy and State Government Code Section 81000 to disclose annually to the City Council any material financial interests in financial institutions that conduct business within the City and further to disclose any large personal financial/investment positions that could be related to the performance of the City, particularly with regard to the time of purchase and sales, as part of the City's conflict of interest reporting requirements.

7.0 Authorized Financial Dealers, Institutions and Portfolio Managers:

The City Treasurer will maintain a list of financial institutions authorized to provide investment services, including portfolio management. The City Treasurer will exercise prudence in the selection of any portfolio managers, provide suitable safeguards to prevent abuse in the exercise of discretion by a portfolio manager, and will remain responsible for any investment decisions made by the portfolio manager. In addition, a list will also be maintained of security broker/dealers approved to provide direct services to the City. These broker/dealers shall be selected by credit worthiness and be authorized to provide broker-dealer services in the State of California. In addition, broker dealers selected for the list shall meet the requirements of Government Code Section 53601.5 (which currently requires that they be one of the following: (i) an institution licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code, (ii) a member of a federally regulated securities exchange, (iii) a national or state-chartered bank, (iv) a savings association or federal association (as defined by Section 5102 of the Financial Code), or (v) a brokerage firm designated as a primary government dealer by the Federal Reserve Bank). These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15c3-1 (uniform net capital rule), so long as such dealers also meet one of the foregoing criteria of Government Code Section 53601.5. No public deposit shall be made except in a qualified public depository and pursuant to the collateralization (or federal insurance) and depository contract requirements as established by state law (including, without limitation, Article 2 (commencing with Section 53630) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code). Financial institutions authorized to provide investment services to the City, including portfolio management, shall utilize security broker/dealers who are duly licensed and authorized to provide investment services in the State of California and otherwise meet one of the requirements of Government Code Section 53601.5 but shall not be limited to the list of approved broker/dealers maintained by the City.

Anyone providing financial services to the City, including portfolio management, must adhere to the investment policies of the City as adopted annually by the City Council.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions, including portfolio management, must supply the City Treasurer with the following:

Audited financial statements for the institutions three most recent fiscal years;

Proof of Financial Industry Regulatory Authority (FINRA) registration;

Proof of State registration; and

Certification of having read and understood the investment policy and the depository contracts of the City.

A current audited financial statement is required to be on file for each financial institution, broker/dealer and portfolio manager with which the City invests.

Selection of financial institutions and broker/dealers authorized to engage in transactions with the City shall be at the sole discretion of the City. An annual review of the financial condition of qualified bidders will be conducted by the City Treasurer.

8.0 Authorized and Suitable Investments:

Investable funds, which include funds not needed for the immediate needs of the City, are determined by the City Treasurer. Notwithstanding, one year's anticipated revenues shall be invested in Local Agency Investment Funds administered by the State Treasurer's Office pursuant to the authority conferred by Government Code Section 16429.1. All other investments shall be made in accordance with Sections 53600 et seq., of the Government Code. If not otherwise specified herein, the maximum term or remaining maturity shall be as specified in Section 11.0 of this policy. Within the context of limitations, the following investments are authorized, as further limited herein by this Policy and subject to the portfolio concentration limits set forth herein and in Table 1, appended to this policy:

8.1 U.S. Treasury Bonds, Notes & Bills and "Strips" - United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

In addition, through the commercial book-entry system, a Treasury fixed-principal note or bond or a Treasury inflation-protected security may be stripped, and each interest payment and the principal payment becomes a separate security (also known as Separate Trading of Registered Interest and Principal of Securities or "STRIPS"). Each component has its own identifying number and can be held or traded separately. Broker/dealers may market the principal portion of these "stripped" securities or "Strips" at deep discounts. In accordance with Government Code Section 53601.6, interest-only Strips are not authorized for the City. However, principal-only Strips (also known as "zero-coupon Treasury securities" or "Discount Notes") are authorized investments, if they meet the requirements of Government Code Section 53601.6(b), which specifies that a local agency shall not invest any of its surplus funds in any security that could result in zero interest accrual if held to maturity.

8.2 Federal Agency Obligations or United States Government-Sponsored Enterprise (GSE) Obligations – Federal agency or United States government-sponsored enterprise (GSE) 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. As to GSEs, there are numerous government-sponsored enterprises which issue debt instruments, but many lack the liquidity necessary to fit the portfolio requirements of the City. Purchases of government-sponsored enterprise securities should be limited to the issues of the Government National Mortgage Association, the Federal Farm Credit Bank, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank.

To the extent the investment is (a) a mortgage-pass through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond and (b) not fully guaranteed as to principal and interest by federal agencies or a GSE, the investment shall also meet the criteria specified in Section 8.6 of this policy.

8.3 Repurchase Agreements - A repurchase agreement is a contractual agreement between a financial institution or dealer and the City by which the City purchases securities from a counterparty seller, the counterparty seller agrees to repurchase the securities on or before a specified date and for a specified amount, and the counterparty delivers the underlying securities to the City by book entry, physical delivery, or by third-party custodial agreement. Repurchase agreements authorized by this section shall not exceed 20 percent of the City's surplus moneys that may be invested pursuant to this policy.

Repurchase agreements may only be made with primary dealers of the Federal Reserve Bank of New York. The City will not enter into repurchase agreements for a period greater than 7 days. The market value of the securities that underlie a repurchase agreement will not be less than the greater of (a) 102% of the funds borrowed by the counterparty seller against those securities or (b) the sum of the funds borrowed by the counterparty seller against the securities plus accrued interest. And, the securities will be only treasuries meeting the requirements of Section 8.1 of this policy and agencies of the United States government meeting the requirements of Section 8.2 of this policy.

8.4 Medium term corporate notes or bonds (rated A or above by a nationally recognized statistical rating organization (NRSRO)) – all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States may be bought only through major banks or primary dealers which offer competitive secondary markets for the purchase or sale of the notes before maturity, such as Bank of America, Goldman Sachs, and J. P. Morgan. Purchases of medium term corporate notes or bonds shall not exceed 30 percent of the City's surplus moneys that may be invested pursuant to this policy.

8.5 Commercial paper - (which must have a rating of the highest ranking or of the highest letter and number rating as provided for by a NRSRO (e.g., A1 (S&P) or P1 (Moody's)) - may be bought through major banks or primary dealers which can offer or arrange competitive secondary markets for the purchase or sale of the paper before maturity. The longest maturity approved for commercial paper is 270 days.

The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or (b):

a. The entity (i) is organized and operating in the United States as a general corporation; (ii) has total assets in excess of five hundred million dollars (\$500,000,000); and (iii) has debt other than commercial paper, if any, that is rated "A" or higher by an NRSRO.

b. The entity (i) is organized within the United States as a special purpose corporation, trust, or limited liability company; (ii) has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond; and (iii) has commercial paper that is rated “A-1” or higher, or the equivalent, by an NRSRO.

The City may invest no more than 25 percent of its moneys in eligible commercial paper. The City may not purchase more than 10 percent of the outstanding commercial paper of any single issuer.

8.6 Mortgage-backed securities – a mortgage-pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond with a fixed coupon issued by an agency of the U.S. government or a GSE, provided that the stated final maturity of such security does not exceed five (5) years from the date of purchase. To be eligible, the issuer of such security, obligation, bond, or certificate must have an A or higher rating for the issuer’s debt as provided by an NRSRO, and the security, obligation, bond, or certificate itself must be rated in a rating category of AA or its equivalent or better by an NRSRO. Purchases of securities, obligations, bonds, or certificates authorized by this section shall not exceed 20 percent of the City’s surplus moneys that may be invested pursuant to this policy.

8.7 Negotiable Certificates of Deposit (CDs) or Non-negotiable, FDIC-insured CDs or Time Deposits with fixed coupons and fixed maturity date which may not exceed five (5) years and are issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of CDs and time deposits shall not, in total, exceed 30 percent of the City’s funds that may be invested pursuant to this policy.

8.8 Local Agency Investment Funds (LAIF) administered by the State Treasurer’s Office.

8.9 Passbook accounts maintained solely to provide for ongoing operational needs shall not exceed the maximum amount insured by the FDIC and shall be subject to the requirements of this policy.

8.10 Shares of Beneficial Interest Issued by a Joint Powers Authority – the joint powers authority must be organized pursuant to Government Code Section 6509.7 and invest in the securities and obligations authorized for local agency investment by Government Code Section 53601.

To be eligible, the joint powers authority issuing the shares (each of which shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority) shall have retained an investment adviser that (i) is registered or exempt from registration with the U.S. Securities and Exchange Commission; (ii) has not less than five years of experience investing in the securities and obligations authorized for local agency investment by Government Code Section 53601; and (iii) has assets under management in excess of five hundred million dollars (\$500,000,000).

8.11 State and Local Agency Bonds, Warrants and Treasury Notes (rated “BBB” or above (or equivalent) by a NRSRO before insurance). The following may be purchased except that the remaining term to maturity at the time the investment is purchased cannot exceed five years.

a. Registered state warrants or treasury notes or bonds of the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State of California or by a department, board, agency, or authority of the State of California.

b. Registered treasury notes or bonds of any of the other 49 states in the U.S., 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 the U.S.

c. Bonds, notes, warrants, or other evidences of indebtedness of a local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

No more than 5 percent of the City's funds that may be invested pursuant to this policy shall be invested in bonds, warrants, notes, or other evidences of indebtedness of a single local agency within the State of California or of a single state. For purposes of the foregoing limitation, bonds, warrants, notes, or other evidences of indebtedness of a related entity of a local agency or state shall be included in the calculation with respect to moneys invested in such local agency or state.

Also, no more than 15% of the City's funds that may be invested pursuant to this policy shall be invested in bonds, warrants, notes, or other evidences of indebtedness (of states within the U.S. and/or California local agencies) that have been assigned a rating within the "BBB" (or equivalent) rating category (i.e., "BBB" or "BBB+"). "BBB-" rated obligations are below the minimum eligible rating of "BBB").

8.12 Shares of Beneficial Interest Issued by "Money Market Funds" – shares of beneficial interest issued by diversified management companies that are money market funds registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940.

To be eligible, the investment company (i.e., money market fund) must meet either of the following criteria: (a) attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs, or (b) retained an investment adviser registered or exempt from registration with the U.S. Securities Exchange with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). The shares authorized by this section must be of the type sold without any sales commission or sales charge of any kind (true no-load funds). Purchases of money market fund shares shall not exceed 20 percent of the City's moneys that may be invested pursuant to this policy.

8.13 Other Investment Guidelines:

Securities may be sold at a loss in order to improve the risk or return characteristics of the portfolio, to prevent anticipated further erosion of principal or when trading for securities that result in an expected net economic gain to the City. If securities owned by the City are downgraded by both Moody's and S&P to a level below the quality required by this Investment Policy, it shall be the City's policy to sell such securities promptly.

Exemptions - Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

Prohibited Investments - The list of eligible securities contained in the California Government Code is extensive and includes a number of categories which are not suitable investments for funds of the City. The categories in the list which have such limitations are as follows:

The City shall not invest any funds pursuant to Section 53600, et. seq., in inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.

9.0 Collateralization:

All investments of the City shall be collateralized to the extent required by the State Government Code. (E.g., repurchase agreements, and deposits exceeding the maximum amount insured by the FDIC.)

The collateral for deposits exceeding the maximum amount insured by the FDIC in local savings associations is held at the Federal Home Loan Bank of San Francisco. The collateral for such deposits in local banks is held in the City's name in the trust department of one of the banks with which the City has a current safekeeping agreement (so long as the issuer of the deposit is not the same bank as the bank holding the collateral) and is authorized pursuant to Government Code Sections 53656(b) and 53657 by the Administrator of Local Agency Security designed by Government Code Section 53661 (presently, the Commissioner of Business Oversight) or with the Federal Reserve Bank of San Francisco.

Acceptable collateral instruments are U.S. Treasury or Federal Agency or GSE issues of the types authorized by Government Code Sections 53651(a) and 53651(f), respectively, equal in market value to at least 110% of the deposit of the City. Alternatively, prime seasoned first trust deeds meeting the requirements of Government Code Section 53651.2 and equal in value to at least 150% of the deposit of the City

may also be placed by savings associations with the Federal Home Loan Bank of San Francisco to cover collateral requirements for City deposits.

Securities which serve as collateral for repurchase agreements with banks may be held in the issuing bank's trust department, provided that a master repurchase agreement has been executed ensuring the fiduciary separation of these assets from other bank assets.

10.0 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. Securities will be held by a third party custodian and evidenced by safekeeping receipts. Pursuant to Government Code Section 53608, the third party custodian shall be a federal or state association (as defined by Section 5102 of the Financial Code), a trust company or a state or national bank located within the State of California, the Federal Reserve Bank of San Francisco or any branch thereof within the State of California, or any Federal Reserve Bank or any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System.

The transferring of investment funds will be carried out exclusively by use of the Federal Reserve Bank's electronic wire transfer system. Each Banker or Primary Dealer with which the City does business shall receive in writing from the City Treasurer and City Manager or designee a listing which limits transfers of funds to pre-authorized bank accounts only.

The listing will also contain the names of the City staff authorized to request such transfers and will be updated in writing for changes of authorized staff and bank accounts as necessary.

Transfers from one account of the City to another shall require the request of only one authorized staff member. Transfers from the City's account to third parties shall require the request of two authorized staff members.

11.0 Maximum Maturities:

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Pursuant to Government Code Section 53601, if not otherwise specified herein, no investment shall be made in any security, other than a security underlying a repurchase agreement authorized by Section 8.3, that at the time of the investment has a term remaining to maturity in excess of five (5) years from the date of purchase, unless the City Council has granted express authority to make that investment either specifically or as a part of an investment program approved by the City Council no less than three months prior to the investment.

12.0 Internal Control and Audits:

The City Treasurer shall establish an annual process of independent review by an external auditor. This review may be part of the City's annual financial audit performed by an independent certified public accountant which is designed to meet the requirements of the federal Single Audit Act of 1984 and related Office of Management and Budget Circular A-128 or at any other time as determined by the City Treasurer.

13.0 Reporting and Investment Policy Adoption:

The City Treasurer in conjunction with the City Manager and City Attorney shall review and update this Investment Policy annually and present the written, updated policy to the City Council, for consideration and adoption as provided in Government Code Section 53646 et al.

14.0 Interest Earnings:

All moneys earned and collected from investments authorized in this policy shall be allocated yearly to various fund accounts based on the monthly cash balance in each fund as a percentage of the entire pooled portfolio.

15.0 Reporting and Reviews:

The City Treasurer shall make a monthly report to the City Council of the transactions to invest or reinvest surplus funds, and to sell or exchange securities so purchased for and on behalf of the City, in compliance with California Government Code Section 53607.

The City Treasurer shall review and render quarterly reports to the City Manager and City Council in compliance with California Government Code Section 53646(b). These reports will include the face amount and the purchase price of the cash investment, the classification of the investment, the name of the issuer institution or entity, the rate of interest, the maturity date, the current market value and accrued interest due for all securities.

The quarterly report will include a statement of the portfolio's compliance with the City's investment policy and a statement denoting the City's ability to meet its expenditure requirements for the next six months. Additionally and if applicable, the report will include the amount held by the City's deferred compensation administrator(s).

16.0 Legislative Changes:

Any State of California legislative action, that further restricts allowable maturities, investment type or percentage allocations, will be incorporated into the City of Hidden Hills' Investment Policy and supersede any and all previous applicable language.

17.0 Investment Policy Adoption:

The City's Investment Policy shall be adopted by Resolution of the City Council on an annual basis. This Investment Policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to City Council for approval.

TABLE 1

Investment Type:	Dollar or Percent Limits (calculated separately for each agency's portfolio)	Maturity (Not to Exceed)	Liquid
1. General Instruments			
State Investment Fund (LAIF)	The maximum set by LAIF	On demand	Yes
U.S. Treasury Bonds, Notes & Bills	None	5 yrs.	Yes
Federal Agency or U.S. Government Sponsored-Enterprises	None (subject to Sections 8.2 and 8.6 (mortgage-backed securities) of the investment policy)	5 yrs.	Yes
Obligations of the State of California, any of the other 49 states, or any local agency of the State of California with a rating of "BBB" or above (or equivalent) before insurance.	5% of total portfolio with respect to obligations of a single local agency within the State of California or of a single state 15% of total portfolio with respect to obligations rated "BBB" or "BBB+" ("BBB-" is not eligible)	5 yrs.	Yes
2. Collateralized Investments			
Repurchase Agreements	20% of total portfolio	7 days	Yes
Deposit accounts	Amounts above FDIC-insurance must be collateralized	On demand	Yes
3. Uncollateralized Instruments			
Non-negotiable, FDIC-insured CDs or Time Deposits	30% of total portfolio*	5 years	No
Negotiable Certificates of Deposit (CDs)	30% of total portfolio*	5 years	Yes
Medium Term Corporate Notes* and Bonds*	30% of total portfolio**	5 years	Yes
Commercial Paper	25% of total portfolio	270 days	Yes
Mortgage-Backed Securities	Not to exceed 20%	5 yrs.	Yes
*Percent Limit (30% of total portfolio) is a collective limit as to Time Deposits, non-negotiable FDIC-insured CDs, and negotiable CDs.			
** Percent Limit is a collective limit as to Medium Term Corporate Notes & Corporate Bonds, which are governed by Gov. Code Sec. 53601(k).			
4. Other Instruments			
Shares of "money market funds" which are sold without any sales commission or sales charge of any kind (true no-load funds) and rated the highest ranking or highest letter and numerical rating provided by at least two NRSROs	20% of total portfolio	On demand	Yes
Shares of beneficial interest issued by a JPA	None	On demand	Yes



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