



CITY OF CHULA VISTA INTRODUCTION TO THE BUDGET

FEBRUARY 7, 2023

City of Chula Vista
Introduction to the the Budget
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CITY OF CHULA VISTA CITY CHARTER
ARTICLE X FISCAL ADMINISTRATION

ARTICLE X.

FISCAL ADMINISTRATION

Sec. 1000. Fiscal Year.

The fiscal year of the City shall begin on the first day of July each year and end on the thirtieth day of June of the following year.

Sec. 1001. Annual Budget Preparation by the City Manager.

The City Manager shall set a date for obtaining from each department head or other responsible City Officer estimates of revenues and expenditures for their department or office for the upcoming fiscal year in such form the City Manager prescribes. In preparing the proposed budget, the City Manager shall review the estimates and confer with the party submitting such estimates and revise such estimates as the City Manager deems appropriate.

Sec. 1002. Budget Submission to the City Council.

At least thirty-five days prior to the beginning of each fiscal year, the City Manager shall submit the City Manager's proposed budget to the City Council. After reviewing same and making such revisions as it may deem advisable, the City Council shall (1) conditionally approve such budget as the City Council's proposed budget, (2) set a public hearing no sooner than ten days thereafter at which the City Council shall hear and consider all public testimony and be authorized then to take final action to approve a final City budget, and (3) direct that copies of the proposed budget be made available for inspection by the public in the office of the City Clerk at least ten days prior to said hearing.

Sec. 1003. Public Hearing on the City Council's Proposed Budget.

At the properly noticed time and date for the public hearing, or at any time to which such public hearing shall be continued, the City Council shall hold a public hearing on the proposed budget and consider all public testimony presented.

Sec. 1004. Final Budget Consideration and Adoption.

After the conclusion of the public hearing the City Council shall (1) further consider the proposed budget, (2) make any revisions thereto they may deem advisable based on any new information, considerations, or testimony

presented, and (3) adopt the budget with revisions, if any, by the affirmative votes of at least three members. City Council action to approve the budget must be taken by no later than June 30. Upon final adoption, the budget shall be in effect for the ensuing fiscal year. A copy thereof, certified by the City Clerk, shall be placed and shall remain on file in the Office of the City Clerk where it shall be available for inspection. The budget so certified shall be reproduced and copies made available for the use of departments, offices, and agencies of the City.

Sec. 1005. Budget Appropriations; Amendment.

From the effective date of the budget, the several amounts stated therein as proposed expenditures shall be and become appropriated to the several departments, offices, and agencies for the respective objects and purposes therein named. All appropriations shall lapse at the end of the fiscal year to the extent that they shall not have been expended or lawfully encumbered except appropriations for specific capital projects incomplete at the end of the fiscal year. At any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by an affirmative four-fifths vote.

Sec. 1006. Taxes.

(A) *Limits.* The tax limit for any ad valorem tax on real property shall be as prescribed by Article XIII A of the Constitution of the State.

(B) *Procedures.* To the extent permitted by the State Constitution, the procedure for the assessment, levy and collection of taxes upon property, taxable for municipal purposes may be prescribed by ordinance of the City Council.

Sec. 1008. Bonded Debt Limitations.

(A) *Assessed Valuation Limits.* The City shall not incur an indebtedness evidenced by general obligation bonds which shall in the aggregate exceed the sum of 15% of the total assessed valuation, for the purposes of City taxation, of all the real and personal property within the City.

(B) *Voting Requirements.* No bonded indebtedness which shall constitute a general obligation of the City may be created unless authorized by the affirmative votes of two-thirds of the electors voting on such proposition at any election at which the question is submitted to the electors and unless in full compliance with the provisions of the State Constitution and of this Charter. No bonds payable out of any revenues of the City or of any department thereof, shall be issued without assent of a majority of the voters voting upon the proposition of issuing the same, at an election at which such propositions shall have been duly submitted to the qualified electors of the City, except to the extent State law provides otherwise for general law cities.

(C) *Special Rules for Public Utilities and Industrial or Commercial Facilities.* The City may issue bonds, notes or other obligations, any portions of the proceeds of which will be used to finance in whole or in part the acquisition, construction, equipping or improvement of any public utility, industrial or commercial facility and which will be

payable in whole or in part out of any revenues derived from the operation of such public utility system or payments received from such industrial or commercial facility without the assent of the voters provided that neither the faith and credit of the City or any department thereof nor the taxing power of the City is pledged to the payment of principal or interest of such bonds, notes or other obligations.

(D) *Other Limitations.* All other limitations, terms and procedures for the City's issuance of debt shall be governed by State law applicable to Charter cities and/or to the extent allowed by State law or City ordinance.

Sec. 1009. Contracts on Public Works.

When the City contracts for the construction, reconstruction, improvement or repair (excluding routine maintenance) of public buildings, streets, drains, sewers, utilities, parks, playgrounds and similar public facilities (each a "Public Work" and collectively, "Public Works"), the furnishing of labor, supplies, materials, equipment or other contractual services for same shall be done by written contract approved as to form and legality by the City Attorney.

The City Council shall, by ordinance, adopt specific policies and procedures for the award of Public Works contracts. This ordinance must contain provision for the following:

- (A) City Council reservation of authority to approve what it defines as "major" contracts or "special" contracts, based on factors such as contract cost, value or other relevant factors;
- (B) competitive bid processes for all contracts, with formal advertisement for bids and sealed bids required for all "major" contracts;
- (C) the award of contracts to the lowest responsive and responsible bidder;
- (D) the ability to reject any and all bids, to re-advertise for bids, or to waive minor defects in any bid, where determined by the designated contract-approving authority that such action is necessary or appropriate for the benefit of the public;
- (E) emergency authority to waive the applicable competitive bid process requirements if the City Manager determines that the work required is of urgent necessity for the preservation of life, health or property; and
- (F) such other provisions consistent with this section as may be necessary or appropriate to implement a Public Works procurement process that is consistent with best practices.

The ordinance may also provide for one or more exceptions to the approval and competitive bid processes described in (A) through (C), above, provided that any such exception is implemented as part of a City-wide policy or program that has been approved and determined to be in the best overall interests of the City by a four-fifths vote of the City Council.

Notwithstanding any provisions of this Charter to the contrary, the City may employ a design-build process for the construction, reconstruction or repair of public works. A "design-build process" shall mean a process in which the design and construction of a project are procured from a single entity. Prior to employing the design-build

process, the City shall establish, by ordinance, specific procedures and standards to be used to solicit, qualify, evaluate and select design-build proposals by competitive bid or negotiation process.

Sec. 1010. Procurement System and Competitive Bidding for Non-Public Works.

The following provisions shall apply with respect to the procurement of non-public works:

(A) A purchasing system shall be established for the purchase, lease or other acquisition of all property, supplies, materials or equipment required by all City departments, offices and agencies.

(B) The City Manager shall recommend and the City Council shall consider and adopt, by ordinance, rules and regulations governing the purchase, lease or other acquisition of all such property, supplies, materials and equipment.

(C) The ordinance described in Charter Section [1010\(B\)](#), shall include provisions for competitive bidding. It shall also include such other provisions as may be necessary or appropriate to implement a procurement process that is consistent with best practices. The ordinance may also provide for one or more exceptions to the competitive bidding procedures, provided that any such exception is implemented as part of a City-wide policy or program that has been approved and determined to be in the best overall interests of the City by a four-fifths vote of the City Council.

Sec. 1011. Property Storage, Distribution, Inventory and Disposition.

The City Manager shall establish a system for the storage, distribution and inventory of all City property. The City Manager shall also prepare and recommend for City Council approval policies and procedures for the disposition of surplus City property.

Sec. 1012. Independent Audit.

The City Council shall employ, at the beginning of each fiscal year, a qualified accountant who, at such time or times as may be specified by the City Council, shall examine the books, records, inventories and reports of all Officers and employees who receive, handle or disburse public funds and all such other Officers, employees, or departments as the City Council may direct. As soon as practicable after the end of the fiscal year, a final audit and report shall be presented to the City Council at a public meeting and a copy shall be made available to each City Council member, to the City Manager, Director of Finance and City Attorney, respectively. One additional copy shall be placed on file in the office of the City Clerk where it shall be available for inspection by the general public.

Latest amendments were approved by the electorate on November 8, 2022.

Recommended by Charter Committee 1949. Approved by a special election, November 8, 1949, with a vote of 2068 YES to 1101 NO, presented to the House by Assemblyman Ralph R. Cloyed and to the Senate by Senator Fred H. Kraft. Ratified by the Legislature of the State of California on December 15, 1949.

[City Website: www.chulavistaca.gov](http://www.chulavistaca.gov)

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CITY OF CHULA VISTA CITY CHARTER
SECTION 505 DIRECTOR OF FINANCE

Sec. 505. Director of Finance; Powers and Duties.

There shall be a Finance Department headed by a Director of Finance, who shall have power and be required to:

- (A) administer the financial affairs of the City under the direction of the City Manager;
- (B) compile the budget expense and income estimates for the City Manager;
- (C) supervise and be responsible for the disbursement of all monies and have control over all expenditures to ensure that budget appropriations are not exceeded; review all purchase orders before issuance; review and approve before payment all bills, invoices, payrolls, or demands against the City government and with the advice of the City Attorney, when necessary, determine the regularity, legality and correctness of such claims, demands or charges;
- (D) maintain a general accounting system for the City government and each of its offices, departments and agencies;
- (E) keep separate accounts for the items of appropriation contained in the City budget, each of which accounts shall show the amount of the appropriation, the amounts paid therefrom, the unpaid obligations against it and the unencumbered balance; require reports of the receipts and disbursements from each receiving and expending agency of the City government to be made daily or at such intervals as deemed appropriate;
- (F) submit to the City Council, through the City Manager, a quarterly statement of all receipts and disbursements in sufficient detail to show the exact financial condition of the City; as of the end of each fiscal year and within 120 days thereafter, submit to the City Council a summary statement of receipts and disbursements by departments and funds, including opening and closing fund balances in the treasury, and cause said statement to be made available for inspection by the public;
- (G) collect all taxes, assessments, license fees and other revenues of the City, or for whose collection the City is responsible, and receive all taxes or other money receivable by the City from the County, State or federal government; or from any court or from any office, department or agency of the City;
- (H) have custody of all public funds belonging to or under the control of the City or any office, department or agency of the City government and deposit all funds in such depository as may be designated by resolution of the City Council, or if no such resolution be adopted, by the City Manager, and in compliance with all the provisions of the State Constitution and the laws of the State governing the handling, depositing and securing of public funds; and
- (I) supervise the keeping of current inventories of all personal property of the City by all City departments, offices and agencies.

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CITY OF CHULA VISTA MUNICIPAL CODE
CHAPTER 2.56 PURCHASING SYSTEM

Chapter 2.56

PURCHASING SYSTEM*

Sections:

- 2.56.010** Centralized purchasing system established.
- 2.56.020** Purchasing Agent – Appointment – Powers, duties, and authority.
- 2.56.030** Option to delegate authority for purchases of supplies and equipment.
- 2.56.040** Requisitions or estimates – Required revisory changes permitted.
- 2.56.050** Required contract forms – City Attorney.
- 2.56.060** Budget, availability of funds required.
- 2.56.070** Contracts for supplies, equipment, or services exceeding \$100,000 – Formal competitive bid procedure.
- 2.56.080** Contracts for supplies, equipment, or services exceeding \$100,000 – Competitive bidding process – City Council or City Manager approval required.
- 2.56.090** Contracts for supplies, equipment, or services of \$100,000 or less – Open market procedure and Purchasing Agent approval required.
- 2.56.100** Emergency purchases.
- 2.56.110** Professional services exception – Selection process for architectural, engineering, environmental, land surveying, legal, construction project management, and other professional services.
- 2.56.120** Supplies, materials, and equipment no longer used – Disposition procedure.
- 2.56.130** Sale of real property – Procedure.
- 2.56.135** Acquisition of real property interests.
- 2.56.140** Cooperative purchasing agreements.
- 2.56.145** Job order contracts.
- 2.56.150** Reports to City Council.
- 2.56.160** Contracts on public works.
- 2.56.170** Automatic indexed adjustments.

* For Charter provisions for centralized purchasing by the City, see § [1010](#); for Charter provisions regarding City finances generally, see Charter §§ [1000](#) – 1017; for statutory provisions regarding financial powers of cities generally, see Gov. Code § [37201](#), et seq.

Cross Reference: Lost or Stolen Property, see Ch. [2.60](#) CVMC.

Prior legislation: Prior code §§ 2.501 – 2.516; Ords. [1197](#), [1821](#), [1891](#), [1977](#), [2310](#), [2369](#) and [2517](#).

2.56.010 Centralized purchasing system established.

Pursuant to Section [1010](#) of the City Charter, there is established a centralized purchasing system for City departments, offices, and agencies, in order to (1) establish procedures for the purchase, lease or other acquisition of services, supplies and equipment, at the lowest possible cost commensurate with quality needed, (2) exercise positive financial control over purchases, (3) clearly define authority for the purchasing function, and (4) assure the quality of purchases. Pursuant to Section [1100.7](#) of the Public Contract Code and the City Charter, except as provided by ordinance or as required by law, the City of Chula Vista is exempt from the requirements of the California Public Contract Code. (Ord. 3420 § 1(A), 2018; Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.020 Purchasing Agent – Appointment – Powers, duties, and authority.

The Director of Finance shall appoint, in accordance with Section [507](#) of the Charter, a Purchasing Agent, who shall be in the unclassified service as provided in Section [500](#) of the City Charter, and such deputies as may be necessary. The Purchasing Agent shall be the head of the purchasing division of the Finance Department and shall conduct a centralized purchasing system. The Purchasing Agent shall have the power, and it shall be his or her duty, to purchase or contract for all supplies, equipment, and services needed by any and all departments, offices, and agencies of the City, subject to the terms and conditions provided for in this chapter. The Purchasing Agent shall have the authority to:

- A. Negotiate, purchase, and obtain supplies, equipment, and contractual services used by the City in accordance with City and state law, and such rules and regulations as are prescribed by the Director of Finance, subject to the review of the City Manager or by the City Council;
- B. Act to procure for the City the needed quality in supplies, equipment, and contractual services, at least expense to the City;
- C. Endeavor to obtain as full and open competition as possible on all purchases and sales;
- D. Prepare and recommend to the Director of Finance rules, regulations and procedures governing the purchase of supplies, equipment, and services for the City, and amendments thereto as necessary;
- E. Keep informed of current developments in the field of purchasing, prices, market conditions, and new products, and secure for the City the benefits of research done in the field of purchasing by other governmental jurisdictions, national technical societies, trade associations having national recognition, and by private businesses and organizations;
- F. Prescribe and maintain such standardized contracts, subject to the approval of the City Attorney, and other rules and regulations as are reasonably necessary for the operation of the purchasing system;
- G. Prepare and adopt a standard purchasing nomenclature for City departments and suppliers;

- H. Exploit the possibilities of various cost-effective purchasing strategies, such as buying “in bulk” and cooperative purchasing, to take full advantage of favorable pricing;
- I. Recommend the transfer of surplus or unused supplies and equipment between departments as needed and the sale of all supplies and equipment which cannot be used by any department or which have become unsuitable for City use and the scrapping or surveying of unsalable surplus items;
- J. Take such other actions consistent with the provisions of this chapter, all other applicable laws, and current good purchasing practices that are reasonable and appropriate to effectively operate the City’s centralized purchasing system;
- K. Control and supervise all existing and future storerooms and warehouses of regularly purchased City supplies and equipment. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.030 Option to delegate authority for purchases of supplies and equipment.

The Purchasing Agent may authorize a department, office, or City agency to purchase supplies, services and equipment directly when he or she determines that direct purchasing can improve efficiency and/or reduce costs and is in the best overall interests of the City. All direct purchasing authorized by the Purchasing Agent under this section shall be carried out in compliance with the procedures established by this chapter and on such forms or through such purchasing mechanisms as shall be determined by the Purchasing Agent. Direct purchases may be effected through the use of procurement cards or other similar mechanisms. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.040 Requisitions or estimates – Required revisory changes permitted.

All City departments and offices shall file with the Purchasing Agent detailed requisitions or written estimates of their requirements for supplies, equipment, and services, in such manner, and at such times, as the Purchasing Agent shall prescribe. The Purchasing Agent shall examine each requisition or estimate and shall have the authority to revise it as to quantity, quality, or estimated cost; provided, however, that a change in quality will not vary substantially from the standards of the using department or office; and provided further, that the using department head, or designee, is first consulted. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.050 Required contract forms – City Attorney.

All purchase orders and contracts for purchase of supplies, equipment or services shall be on forms prescribed or approved by the Purchasing Agent and City Attorney. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.060 Budget, availability of funds required.

For all purchases or contracts for services, the Purchasing Agent shall certify that (1) the required purchase price or compensation is provided for in the budget of the using department or has been approved by the City Council by resolution, and (2) there is to the credit of each using department concerned a sufficient and appropriate unencumbered balance in excess of all unpaid obligations to defray the cost of such purchase or contract. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.070 Contracts for supplies, equipment, or services exceeding \$100,000 – Formal competitive bid procedure.

A. In General. All supplies, equipment, and services (except professional services per CVMC [2.56.110](#)), when the maximum amount to be paid by the City during the term of the contract (including all optional term extensions and scope of work expansions), as determined by the Purchasing Agent, after consultation with the Director of the procuring department, (the “maximum contract amount”) exceeds \$100,000, shall be awarded to the lowest responsive and responsible bidder submitting the best bid in accordance with the competitive bidding process set forth in CVMC [2.56.080](#).

B. *Exceptions.* The following purchases contain exceptions to the standard competitive bidding requirements:

1. *Public Works.* Contracts on public works are governed by Section [1009](#) of the Charter, as implemented by CVMC [2.56.160](#), City Council policies, and departmental procedures.
2. *Professional Services.* Contracts for certain professional services that are governed by CVMC [2.56.110](#).
3. *City Council Waiver.* The City Council may waive the competitive bidding requirements if determined by resolution of the City Council that the competitive bidding requirements as applied to that contract are impractical, impossible or that City interests would be materially better served by applying a different purchasing procedure approved by the Purchasing Agent as being consistent with good purchasing practices.
4. *Single/Sole Source.* A commodity or service available from only one known source as the result of unique performance capabilities, manufacturing processes, compatibility requirements or market conditions, or as the result of a single, unsolicited proposal, shall not be subject to competitive bidding requirements, in the discretion of the Purchasing Agent, after consultation with the Director of the procuring department.
5. *Emergency.* Emergency purchases are governed by CVMC [2.56.100](#).
6. *Design-Build Projects.* Projects for which the City is utilizing a design-build process, as defined in Charter Section [1009](#), shall adhere to the alternative processes set forth in applicable City ordinances, policies, procedures, and standards. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.080 Contracts for supplies, equipment, or services exceeding \$100,000 – Competitive bidding process – City Council or City Manager approval required.

The following competitive bidding and award process shall apply to contracts for supplies, equipment and services with a maximum contract amount in excess of \$100,000:

- A. *Notice Inviting Bids.* Notices inviting bids shall include a general description of the article or service, and shall be published by the Purchasing Agent at least once on the City's Internet website, or in a newspaper of general circulation in the City, and any other method of advertising that is determined by the Purchasing Agent to be in the City's best interest, at least 10 days prior to the bid opening date.
- B. *Bidder's Security.* The Purchasing Agent may require a bidder's security in an amount equal to 10 percent of the bid, either in cash, certified or cashier's check, or surety bond approved by the City Attorney and the Risk Manager. In the event a bidder's security is required, no bid shall be considered unless the required security is submitted therewith. All bidder's security is refundable, except in the case of a successful bidder who shall forfeit this security if the bidder fails to execute a contract within 10 days after the notice of award has been mailed or personally delivered, or otherwise fails to comply with the requirements to complete the transaction.
- C. *Bid Opening.* Sealed bids shall be submitted to the Purchasing Agent, who shall open them in public at the time and place stated in the public notices. A secure, Internet-based system or other appropriate medium may be used in lieu of sealed bids opened in public; provided, that the Purchasing Agent has approved the system for accuracy, confidentiality, and reliability. A tabulation of all bids received shall be available for public inspection in the office of the Purchasing Agent, or on the City's Internet website, for a period of not less than 30 calendar days after the bid opening. The Purchasing Agent may delegate this responsibility hereunder to responsible assistants and deputies.
- D. *Compilation of Bids and Recommendations.* Following the opening of formal bids, the Purchasing Agent shall compile all of the bids and submit them to the requesting department head, together with a recommendation as to which bid he or she considers best, taking into consideration the amount of money bid, compliance with specifications, and responsiveness and responsibility of the bidder. The responsiveness of the bidder shall be determined by comparing the bid to the bid specifications and bid submittal requirements. In determining the responsibility of the bidder, the Purchasing Agent will be guided by, but not limited to, a consideration of the following factors:
1. The experience of the City in dealing with the low bidder;
 2. The experience of other governmental agencies known to the Purchasing Agent in their previous transactions with the low bidder;
 3. Knowledge of the quality and fitness of the product offered by the low bidder, substantiated by reports of using departments within the City or other governmental agencies;

4. Options to renew contracts for continuing purchases at the same bid price or with reasonable fixed or capped increases, in those circumstances where price increases are expected or have been experienced in the past;
5. Financial stability and business standing of the low bidder.

The requesting department head shall forward the compilation of bids and his or her recommendation with respect to an award to the City Manager, who in turn, will forward a recommendation for award to the City Council. The Purchasing Agent may reject any or all bids, or any one or more commodities or contractual services included in the proposed contract, if it is determined that the public interest will be served thereby.

E. *Contract Awarding Authority.* The City Council shall be the authority responsible for awarding contracts ("awarding authority") with a maximum contract amount over \$250,000; the City Manager shall be the authority responsible for awarding contracts with a maximum contract amount over \$100,000 and up to \$250,000. (For purposes of this chapter, City Manager authority shall include the City Manager's designation of authority to the Purchasing Agent, or other designee, in accordance with an administrative City policy.) The awarding authority may make an award of contract to the lowest responsive and responsible bidder submitting the best bid in all respects.

F. *Rejection of Bids – Alternative Procedures.* The awarding authority may reject any or all bids, direct City forces to provide the required commodity or service, authorize the readvertising of bids, or authorize the purchase of supplies or services pursuant to the open market procedure set forth in CVMC [2.56.090](#).

G. *Tie Bids.* In the event two or more bids are received which are for the same total amount or unit price and in all other respects are equal, the contract shall be awarded to a local bidder. In the event, however, that such tie bids are all from vendors either wholly inside or all outside of the City, then the contract shall be awarded by drawing lots in public.

H. *Performance Bond.* The Purchasing Agent shall have authority to require a performance bond in such amount as he or she shall find reasonably necessary to protect the best interests of the City. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.090 Contracts for supplies, equipment, or services of \$100,000 or less – Open market procedure and Purchasing Agent approval required.

A. *In General.* Purchases of supplies, equipment, and services (except professional services, pursuant to CVMC [2.56.110](#)) with a maximum contract amount in the amount of \$100,000 or less may be made by the Purchasing Agent in the open market without observing the formal bidding procedure prescribed in CVMC [2.56.080](#). Notwithstanding the foregoing, for contracts in excess of \$10,000, informal bidding shall be required, and, whenever practical, be based on at least three bids.

Contracts shall be awarded to the lowest responsive and responsible bidder submitting the best bid in all respects, except as provided below. Responsiveness and responsibility shall be determined pursuant to the standards set forth in CVMC [2.56.080\(D\)](#). The Purchasing Agent shall keep a record of all open market orders and the bids submitted in competition thereon, and such records shall also be open to public inspection.

B. *Exceptions.* The following purchases shall be exempt from the requirements in subsection [\(A\)](#) of this section:

1. *Ten Thousand Dollars or Less.* Contracts for a commodity or service costing \$10,000 or less, in which case the contract may be awarded by the Purchasing Agent based upon suitability of the item and market rates in the case of a commodity, and demonstrated competence at reasonable fees in the case of services;
2. *Impractical or Impossible.* When it is determined by the Purchasing Agent that the competitive bidding requirements are impractical, or impossible, or that City interests would be materially better served by applying a different purchasing procedure, the Purchasing Agent may award the contract consistent with best purchasing practices;
3. *Certain CVMC 2.56.070 Exemptions.* Those exemptions set forth in CVMC [2.56.070\(B\)\(1\)](#), [\(2\)](#), [\(4\)](#) and [\(5\)](#) shall also apply to contracts of \$100,000 or less. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.100 Emergency purchases.

A. *By City Manager or Purchasing Agent Permitted When.* In case of an emergency which poses an immediate threat to public health, safety or welfare and which requires immediate purchase of supplies, equipment, or contractual services, the City Manager or Purchasing Agent are authorized to secure in the open market at the lowest obtainable price any supplies, equipment, or contractual services, regardless of the amount of the expenditure; provided, however, that a full explanation of the circumstances of such emergency shall be entered in the minutes of the Council at the first available meeting following the commitment to the expenditure and shall be open to public inspection.

B. *By Using Department – Procedure.* In case of an emergency, and with the prior consent of the City Manager or Purchasing Agent, any using department may purchase directly any supplies, equipment, or services when the maximum contract amount thereof does not exceed \$100,000, whose immediate procurement is essential to prevent delays in the work of the using department which may affect the life, health, or public safety of citizens. The head of such using department shall send to the Purchasing Agent a copy of the delivery record, together with a full written explanation of the circumstances of the emergency, which shall be filed by the Purchasing Agent as a permanent and public record of the purchase. The Purchasing Agent shall, by rules and regulations, prescribe the procedures under which such emergency purchases may be made. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.110 Professional services exception – Selection process for architectural, engineering, environmental, land surveying, legal, construction project management, and other professional services.

A. *In General.*

1. Except as otherwise provided in this section, architectural, engineering, environmental, land surveying, legal, construction project management, and other professional consultant services (collectively “professional services”) provided to the City shall not be governed by the bidding requirements set forth in CVMC [2.56.080](#) or [2.56.090](#), but shall be negotiated on the basis of demonstrated competence and qualifications for the services required and at fair and reasonable fees in accordance with the procedures set forth in this section. Notwithstanding the foregoing, once demonstrated competence and qualifications have been established, expense may be considered as one factor in the selection of a consultant hereunder.
2. Notwithstanding the above requirement, the Purchasing Agent may require competitive bidding, pursuant to the requirements of CVMC [2.56.080](#) or [2.56.090](#), upon a finding by the Purchasing Agent after consultation with the Director of the procuring department that the professional services required are of more of a technical nature or involve little professional judgment, and requiring bids would be in the public interest.
3. If the maximum contract amount of the professional services contract exceeds \$50,000, it shall be awarded by the City Council after compliance with the procedures specified in subsection [\(C\)](#) of this section. Contracts for professional services with a maximum contract amount of \$50,000 or less may be awarded pursuant to subsection [\(D\)](#) of this section. The awarding authority for such contracts in excess of \$50,000 shall be the City Council; for contracts in the amount of \$50,000 or less, the awarding authority shall be the City Manager.

B. *Definitions.* For purposes of this chapter, the following terms have the following meanings:

1. “Architectural, engineering, environmental, and land surveying services” includes those professional services of an architectural, engineering, environmental, or land surveying nature as well as incidental services that members of these professions and those in their employ may logically or justifiably perform.
2. “Construction project management” means those services provided by a licensed architect, registered engineer, or licensed general contractor which meet the requirements of Government Code Section [4529.5](#) for management and supervision of work performed on construction projects.
3. “Environmental services” means those services performed in connection with project development and permit processing in order to comply with federal and state environmental impact laws, and the analysis of hazardous material.
4. “Legal services” are those of a specialized legal nature as determined by the City Attorney.

5. "Other professional services" include services which provide intellectual products of a specialized nature unique to a given situation or requirement.

C. *Selection Process for Contracts of Greater than \$50,000.*

1. Any department head desiring to enter into a contract for professional consultant services whose maximum contract amount exceeds \$50,000 shall first analyze the cost effectiveness of having the proposed service completed.
2. Public announcement of all projects of an estimated cost in excess of \$50,000 requiring architectural, engineering, environmental, land surveying, construction project management, or other professional consultant services shall be made by the City through notice to the respective professional societies, advertisement on the City's Internet website, or publication in a newspaper of general circulation, and any other method of advertising that is determined by the Purchasing Agent to be in the City's best interest. The notice shall invite service providers to submit letters of interest for specific projects.
3. The recommendation to City Council for the award of the contract shall be made by a selection committee. The responsible department head, or designee, and two or more staff members shall perform the duties of the selection committee.
4. After reviewing all proposals submitted, the selection committee may choose the most qualified firms for personal interviews to discuss anticipated concepts and the relative utility of alternative methods of approach for furnishing the required services. The selection committee shall evaluate and rank the firms based upon criteria established in advance by the City. Cost comparisons between service providers may also be considered as a factor. A list containing the ranking information will be sent to the responsible department head.
5. The responsible department head shall negotiate a contract with the firm ranked the highest by the selection committee at a price determined to be fair and reasonable to the City. The agreement shall define the conditions of the contract scope, work plan, schedule, costs, method of payment, duration, insurance, indemnification and other appropriate matters.
6. If the department head is unable to negotiate a satisfactory contract with the highest ranked firm, negotiations shall be formally terminated.
7. The department head shall then undertake negotiations with the next highest ranked firm. This process shall continue until a satisfactory contract is negotiated.
8. If the list of qualified firms is exhausted without a contract being negotiated, the selection committee shall choose additional firms, and the process shall continue until a satisfactory contract is negotiated.

D. *Selection Process for Contracts of \$50,000 or Less.* Purchases of professional services with a maximum contract amount of \$50,000 or less shall be made after informal solicitation of proposals, in accordance with the same standards and exceptions set forth in CVMC [2.56.090](#).

E. *Prequalification Lists.* Solicitations may be made using prequalification lists maintained and approved by the Purchasing Agent. The Purchasing Agent shall review types of services required and determine for which types of services prequalification lists would be appropriate. Prequalification lists may be used in lieu of open advertisement.

F. *Legal Services.* In accordance with Section [503](#) of the City Charter, the City Attorney oversees contracts for legal and related professional services. Whenever practical, and in consultation with the Purchasing Agent, requests for outside attorney or professional services shall be based on a competitive solicitation of proposals. Otherwise, justification shall be provided based on unique qualifications or performance characteristics of the attorney or consultant recommended. Except for contracts for the retention of special counsel pursuant to Chapter [2.52](#) CVMC, contracts for legal and related professional services in excess of \$50,000 shall be approved by the City Council. Contracts for the retention of special counsel pursuant to Chapter [2.52](#) CVMC in excess of \$100,000 shall be approved by the City Council.

G. *Unlawful Acts and Conflicts of Interest Prohibited.*

1. In the selection and award of professional consultant contracts pursuant to this exception, all unlawful activity, including, but not limited to, rebates, kickbacks, or other unlawful consideration, is prohibited.
2. No City officer or employee shall be a member of a selection committee, or otherwise participate in the selection process, when they have a relationship with a person or business entity seeking a contract which would constitute a conflict of interest under Government Code Section [87100](#) or under City conflict of interest rules.

H. *Exceptions.* The following purchases shall be exempt from the requirements in subsections [\(C\)](#) and [\(D\)](#) of this section:

1. *Ten Thousand Dollars or Less.* Contracts for professional service contracts with a maximum contract amount of \$10,000 or less may be awarded by the Purchasing Agent based upon demonstrated competence at reasonable fees;
2. *Impractical or Impossible.* When it is determined by the Purchasing Agent (for contracts with a maximum contract amount of \$100,000 or less) or by resolution of the City Council (for contracts with a maximum contract amount in excess of \$100,000) that the competitive bidding requirements are impractical, or impossible, or that City interests would be materially better served by applying a different purchasing procedure, the Purchasing Agent or City Council, respectively, may award the contract utilizing alternative procedures consistent with best purchasing practices;
3. *Certain CVMC 2.56.070 Exemptions.* Those purchases exempted under CVMC [2.56.070\(B\)\(1\)](#), [\(2\)](#), [\(4\)](#) and [\(5\)](#). (Ord. 3400 § 1, 2017; Ord. 2956 § 1, 2004; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.120 Supplies, materials, and equipment no longer used – Disposition procedure.

- A. *General Procedures.* All using departments shall submit to the Purchasing Agent, at such times and in such form as he or she shall prescribe, reports showing stocks of all supplies, materials, and equipment which are no longer used or which have become obsolete, worn out, or scrapped. The Purchasing Agent may transfer such stock to other departments which have need for and can use it. The Purchasing Agent shall also have the power to sell all supplies, materials, and equipment which have been unsuitable for public use, or to exchange for, or trade-in the same on, new supplies, materials, and equipment.
- B. *Approval Required – Competitive Process.* Where the value of an item, or a group of items expected to be sold to one bidder, exceeds \$100,000, such sale must be approved by resolution of the City Council. Any such sale, exchange, or trade-in shall be made to the highest responsive and responsible bidder, in accordance with the competitive bid procedures established by the Purchasing Agent.
- C. *Donations.* Supplies, materials, and equipment, when the estimated value involved is \$10,000 or less, may be donated, or sold for less than fair market value, to local civic or social organizations, where it is deemed by the City Manager that such a disposition of property would best serve the City's public interests. Such donations or discounted sale of items valued in excess of \$10,000 must be approved by resolution of the City Council.
- D. *Worthless Property.* In the case of scrap or survey items having no estimated or appraised value and which have not been desired by any civic or social organization, the Purchasing Agent may dispose of such items in any manner he or she deems appropriate, keeping full records of such disposition.
- E. *Special Procedures for Disposition of Library Materials.* The City Librarian shall submit to the Purchasing Agent reports showing used, damaged, or unneeded library materials and indicating disposition thereof. The Librarian may, at his or her discretion, donate such materials to the Friends of the Chula Vista Public Library for such book sales as they may desire, or he or she may offer such materials to any bona fide charitable or nonprofit institutional organizations serving primarily the interests of the City. If at any time the Librarian chooses to dispose of such materials other than as provided herein, he or she shall follow the general procedures set forth hereinabove. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.130 Sale of real property – Procedure.

The Purchasing Agent, with the recommendation of the City Manager and approval of the City Council, shall have the power to sell for fair value any real property owned by the City which has been declared by the City Council to have no present or future use for public purposes. Notice of such sale shall be published at least once on the City's Internet website, or in a newspaper of general circulation in the City, and any other method of advertising that is determined by the Purchasing Agent to be in the City's best interest. Real property may be sold for less than fair market value upon a determination by the City Council that such sale will be in the public interest. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.135 Acquisition of real property interests.

A. *CIP Projects.* The Public Works Director, or City Engineer, shall have authority to acquire interests in real property that are necessary for the construction, repair, operation, or maintenance of City facilities without City Council approval; provided, that:

1. A CIP project has been established for the construction, repair, operation, or maintenance of City facilities and funds have been appropriated to that CIP budget;
2. Sufficient funds are available in the approved CIP budget to acquire the real property interest(s) and the use of such funds will not materially impact the City's ability to fully implement the CIP project with the remaining funds;
3. The purchase price for the real property interests being acquired does not exceed \$100,000 per parcel; and
4. The purchase price for the real property interests being acquired does not exceed 125 percent of the appraised value of the interests to be acquired.

B. Notwithstanding the limitation in subsection [\(A\)\(4\)](#) of this section, the purchase price may exceed 125 percent of the appraised value of the real property interests to be acquired where subsections [\(A\)\(1\)](#) through [\(3\)](#) of this section have been satisfied and the purchase is approved by the City Manager. This section does not apply to acquisitions of real property interests by eminent domain. (Ord. 3500 § 1, 2021).

2.56.140 Cooperative purchasing agreements.

No provision of this chapter shall be interpreted or construed to prohibit or prevent the City from purchasing supplies, equipment, and services by contracts, arrangements, and agreements for cooperative purchasing programs with the state of California, the county of San Diego, the city of San Diego, or any other public agency, including a joint exercise of powers authority, school district, or water authority within the United States; provided, that such items are purchased through a competitive process that the Purchasing Agent determines to be consistent with good purchasing practices. If the contract, agreement, or arrangement exceeds \$2,000,000, then City Council approval is required. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.145 Job order contracts.

A. *In General.* City of Chula Vista Charter Sections [1009](#), [1010](#), and [1011](#) (Measure A), among other things, delegate authority to the City Council to establish procurement policies and procedures for awarding City construction contracts. The purpose of this section is to add job order contracting procurement policies and procedures and to provide definitions and guidelines for the award, use, and evaluation of job order contracts.

B. *Definitions.* "Job order contract" means a construction contract for minor or recurring construction tasks, including repairs, renovations, and alterations, with minimal design requirements, at a fixed price and for an

indefinite quantity which are awarded on a unit price basis for all necessary labor, materials, and equipment. "Task order" means an authorization to perform construction work under a job order contract.

C. *Implementation.*

1. *Job Order Contracts.*

- a. *Competitive Process.* Job order contracts shall be procured through a competitive process that the Purchasing Agent determines to be consistent with good procurement practices.
- b. *Term.* Job order contracts shall have a term of no longer than four years. Job order contracts may have a duration of more than four years only if necessary to complete outstanding task orders issued during the four-year term, or as otherwise approved by the City Council.
- c. *Specifications.* The advertisement for bids and specifications shall include line item unit prices and detailed technical specifications for each construction task to be performed under the job order contract.
- d. *Contractor Adjustment.* Contractors submitting bids on a job order contract shall state in their bids an adjustment on a percentage basis either increasing or decreasing the preset unit prices for all construction tasks in the bid documents.
- e. *Awarding Authority.* The awarding authority for job order contracts shall be as follows: Purchasing Agent for contracts with a maximum contract amount of \$2,000,000 or less; City Council for contracts with a maximum contract amount of more than \$2,000,000 ("job order contract awarding authority").
- f. *Periodic Review.* The City Manager, or his designee, shall monitor the City's use of job order contracts and provide periodic informational reports regarding the observed advantages and disadvantages of the use of job order contracts.

2. *Task Order(s).*

- a. *Scope.* Each task order shall include a detailed scope of work and time certain for completion of the work.
- b. *Task Order Price.* The task order price shall be no more than the sum of the applicable unit prices and the contractor's bid adjustment factor. The task order price shall not exceed \$2,000,000 ("maximum task order amount").
- c. *No Subdivision of Work.* City staff shall not subdivide work that logically should be performed as a single task order into multiple task orders for purposes of avoiding the task order limits in this section.
- d. *Awarding Authority.* The awarding authority for task orders shall be the Purchasing Agent ("task order awarding authority").
- e. *Change Orders.* The task order awarding authority shall have the authority to approve change orders for a task order up to the maximum task order amount. The City Council shall have sole authority to approve change orders that exceed the maximum task order amount.

f. *Rejection of Task Order Proposals.* The task order awarding authority may reject any and all task order proposals, waive minor defects in any task order proposal, or complete the scope of work contained in a task order proposal by means of other authorized procurement methods, if the task order contract awarding authority determines that such action is necessary or appropriate for the benefit of the public. (Ord. 3420 § 1(B), 2018).

2.56.150 Reports to City Council.

The Director of Finance shall provide the City Council with reports regarding City purchasing practices in such form and at such intervals as the City Council may direct. (Ord. 3400 § 1, 2017; Ord. 2899 § 1, 2003; Ord. 2766 § 1, 1998).

2.56.160 Contracts on public works.

The provisions of this section shall apply to contracts on public works, as defined in City Charter Section [1009](#).

A. *Competitive Bid Processes.* The informal bidding process set forth in CVMC [2.56.090\(A\)](#) shall apply to public works contracts with a maximum contract amount of \$250,000 or less. For public works with a maximum contract amount in excess of \$250,000, the competitive bidding process set forth in CVMC [2.56.070\(A\)](#) and [2.56.080](#) shall apply.

B. *Contract Awarding Authority.* Notwithstanding subsection [\(A\)](#) of this section, the contract awarding authority for public works contracts shall be as follows: maximum contract amount of \$100,000 or less: Purchasing Agent; maximum contract amount over \$100,000 and up to \$250,000: City Manager; maximum contract amount in excess of \$250,000: City Council ("public works awarding authority").

C. *Capital Improvement Projects (CIP).* Notwithstanding anything else in this section, public works contracts for capital improvement projects shall be subject to the following:

1. *Awarding Authority.* The public works awarding authority shall be: the Purchasing Agent, for public works contracts with a maximum contract amount up to \$2,000,000; the City Council for public works contracts with a maximum contract amount in excess of \$2,000,000.
2. *Change Orders.* The Public Works Director, or City Engineer, shall have authority to approve change orders up to the remaining CIP budget available for any CIP project.

D. *Rejection of Bids.* The public works awarding authority may reject any and all bids, authorize the readvertising for bids, or waive minor defects in any bid, if the public works awarding authority determines that such action is necessary or appropriate for the benefit of the public.

E. *Emergency Waiver.* For contracts on public works, emergency purchases shall be authorized pursuant to CVMC [2.56.100](#).

F. *Professional Services*. The selection process for professional services for public works projects shall be awarded pursuant to CVMC [2.56.110](#).

G. *"Special" Public Works Contracts*. The City Council retains the authority to require its approval of the award of any public works contract it defines as "special," based on factors such as contract cost, value, or other relevant factors, either by amendment to this chapter or adoption of a City Council policy.

H. *Developer-Performed Public Works*. This section shall apply to public works (as defined by the Charter of the City of Chula Vista, as amended) that are to be constructed, or designed and constructed, by or at the direction of a developer or private property owner and subsequently accepted by, dedicated to, or acquired by the City of Chula Vista ("developer-performed public work").

1. *Procurement*. A developer-performed public work shall be procured pursuant to one of the following project contracting methods:

a. *Competitive Bid or Solicitation*. A developer may award a contract for a developer-performed public work by competitive bid or solicitation in compliance with all applicable requirements of this section.

b. *Sole Source*. A developer may award a contract for a developer-performed public work on a sole source basis where, in addition to compliance with all applicable requirements of this section:

i. City makes findings that an award of a sole source contract is in the best interest of the public because of the particular (A) performance capabilities of the proposed entity or contractor, (B) project characteristics, (C) manufacturing processes, (D) compatibility requirements, and/or (E) market or other conditions/circumstances that render the award of a sole source contract to be in the best interest of the public; and

ii. The entity or contractor awarded a contract for a developer-performed public work competitively bids all subcontracts for the developer-performed public work.

c. *Developer as Design-Build Entity or Prime Contractor*. A developer may act as a design-build entity or prime contractor for a developer-performed public work where, in addition to compliance with all applicable requirements of this section:

i. Developer provides written notice to City of its intent to act as a design-build entity or prime contractor and provides information demonstrating its competence and qualifications to perform the developer-performed public work;

ii. City determines, in City's sole discretion, that the developer is competent and qualified to complete the developer-performed public work and authorizes the developer to proceed with the developer-performed public work; and

iii. Developer competitively bids all subcontracts for the developer-performed public work.

2. *Bid and Award*.

- a. *Authorization to Proceed.* If a developer-performed public work is not otherwise authorized by means of an approved agreement with the City or other approved action of the City, a developer shall be required to: (i) obtain prior written approval of the City Manager, or designee, to proceed with a developer-performed public work with an estimated maximum contract value of \$2,000,000 or less; or (ii) obtain approval of the City Council, by resolution, to proceed with a developer-performed public work with an estimated maximum contract value of more than \$2,000,000. Failure to comply with the procedures in this section may, in City's discretion, result in a waiver of all claims for payments by City, bond drawdowns, or development credits (as hereinafter defined) to developer in connection with a developer-performed public work.
- b. *Bid and Contract Documents.* Developer shall prepare, or cause to be prepared, bid documents (except with respect to prime contracts awarded pursuant to subsection [\(H\)\(1\)\(b\)](#) of this section) and contract documents for a developer-performed public work in accordance with all local codes, City design guidelines, and project-specific design guidelines, subject to City approval. The bid and contract documents shall include, without limitation, detailed plans and technical specifications, bonding requirements, insurance requirements, prevailing wage requirements, mandates for timely completion, and remedies for untimely completion.
- c. *Competitive Solicitation of Bids.* Developer shall solicit, or cause to be solicited, sealed competitive bids for prime contracts (except for prime contracts awarded pursuant to subsection [\(H\)\(1\)\(b\)](#) of this section) and subcontracts for a developer-performed public work on a guaranteed maximum price, lump sum price, or per unit, line item basis and in accordance with industry standard procurement practices as determined by City. A developer may combine into one bid solicitation the construction of a developer-performed public work and other development work, but the bid and contract documents must clearly separate the developer-performed public work from other development work to be performed, in a manner and form as approved by City. Any consultant retained by a developer to assist in the preparation of bid or contract documents (including without limitation preliminary/concept designs), or to assist in the solicitation of bids for a developer-performed public work, shall not be eligible to submit a bid for or be awarded a subsequent contract for that developer-performed public work.
- d. *Award of Contract.* Developer shall award contracts (except for contracts awarded pursuant to subsection [\(H\)\(1\)\(b\)](#) of this section), and shall award, or shall cause the applicable entity or contractor to award, subcontracts for a developer-performed public work to the lowest responsive and responsible bidder, or the bidder that is determined by developer to be the "best qualified contractor," subject to City approval. When determining the "best qualified contractor," developer shall consider, without limitation, a bidder's demonstrated competence, qualifications, ability to achieve timely completion, capacity, skill, compliance with bid documents, costs, and other relevant criteria. If a developer awards a prime contract or subcontract to a bidder other than the lowest responsive and responsible bidder for an item or unit of work, then all payments, reimbursements, and credits against developer impact fees or other developer fees or obligations ("development credits") shall not exceed the amount of the lowest responsive bid for that item or unit of work. This not-to-exceed limitation may be waived where:
- i. The amount of the bid does not exceed the engineer's estimate or other approved estimate for the developer-performed public work by more than 10 percent; and

- ii. City approves the waiver in accordance with subsection [\(H\)\(6\)](#) of this section.
- e. *Design-Build Contracts.* Where a design-build contract is utilized to complete a developer-performed public work, a developer is not required to comply with subsection [\(H\)\(2\)\(b\)](#) or [\(H\)\(2\)\(c\)](#) of this section; provided, that developer complies with:
 - i. All remaining requirements of this subsection H;
 - ii. The City's design-build procurement requirements set forth in CVMC [2.57.030](#);
 - iii. The City's qualification and selection process set forth in CVMC [2.57.040](#); and
 - iv. All other applicable City policies, procedures, and standards for design-build projects.
- 3. *Construction and Acceptance.*
 - a. *Payments.* City shall have the authority to audit and determine the acceptable amounts of all payments by City, bond drawdowns, and/or development credits for a developer-performed public work.
 - b. *Change Orders.* Any change to the contract documents or improvements for a developer-performed public work ("change order") shall be subject to City's prior written approval, except for change orders that: (i) result in no additional payment by City, bond drawdown, or development credits to developer; (ii) result in no additional maintenance or overhead costs to the City; (iii) result in no material delay to the completion date; and (iv) result in no material modifications to the design or construction. City shall have the sole discretion to determine whether subsections (H)(3)(b)(i), (ii), (iii), and (iv) of this section have been satisfied. All change order requests shall be submitted in writing in advance of performing any work or incurring any increased costs for a change order, and substantiated with supporting documentation justifying the request. Cumulative change orders resulting in a total project amount of less than \$2,000,000 shall be considered by and subject to approval of the City Manager, or designee. Cumulative change orders resulting in a total project amount of \$2,000,000 or more shall be considered by and subject to approval of the City Council. Failure to comply with the procedures in this section may, in City's discretion, result in a waiver of all claims for additional payments by City, bond drawdowns, or development credits to developer in connection with a change order.
 - c. *Post-Construction.* City shall have the discretion to accept a developer-performed public work based on City's determination of compliance with local codes, City's general design and construction standards, and project-specific design and construction standards. City shall have the discretion to release all bonds for a developer-performed public work.
- 4. *Other Obligations.* Nothing in this section shall limit or relieve a developer of other obligations or restrictions applicable to the performance of a developer-performed public work, including, without limitation, obligations or restrictions required by a funding source for the developer-performed public work.
- 5. *Agreement.* Where otherwise required or advisable, in City's sole discretion, City may require a developer to enter into an agreement prior to commencement of a developer-performed public work to implement the developer-performed public work in accordance with the terms of this section and/or in accordance with

other obligations or restrictions applicable to the developer-performed public work. Such agreement may: (a) clarify or modify the application of and/or waiver of the requirements of this section to a developer-performed public work, and/or (b) clarify, establish, or modify the procedures to be undertaken by developer and City in connection with this section (including but not limited to the procedures and approvals described in subsection [\(H\)\(3\)](#) of this section). City Council's approval of an agreement that clarifies and establishes such procedures constitutes the City Council's determination and finding that such procedures satisfy all applicable requirements of this subsection H.

6. *Waiver.* The requirements of this section may be waived, in whole or in part, solely as follows:

- a. For developer-performed public works with an original project award amount of more than \$2,000,000, by resolution of the City Council making findings that (i) the waiver is in the best interest of the public after consideration of factors including, without limitation, project costs, time for completion, and other relevant criteria, and (ii) appropriate safeguards are in place to protect the public interest.
- b. For developer-performed public works with an original project award amount of \$2,000,000 or less, by written determination of the City Manager, or designee, that (i) the waiver is in the best interest of the public after consideration of factors including, without limitation, project costs, time for completion, and other relevant criteria, and (ii) appropriate safeguards are in place to protect the public interest.
- c. For post-award waiver requests, if the estimated total project amount, including all change orders, is more than \$2,000,000, post-award waiver requests shall be considered by and subject to approval of the City Council and require the findings stated in subsection [\(H\)\(6\)\(a\)](#) of this section. If the estimated total project amount, including all change orders, is \$2,000,000 or less, post-award waiver requests shall be considered by and subject to the approval of the City Manager, or designee, and require the findings stated in subsection [\(H\)\(6\)\(b\)](#) of this section. Nothing in this section shall subject previously approved waivers to further consideration and/or approval.
- d. For a "special purpose project," by resolution of the City Council making findings that: (i) the waiver is in the best interest of the public after consideration of factors including, without limitation, the total project costs, City's share of project costs, time for project completion, public benefits of the project, and other relevant criteria and circumstances, and (ii) appropriate safeguards are in place to protect the public interest. For purposes of this section, "special purpose project" means a developer-performed public work that is intended to be owned, leased, and/or operated by a party or parties other than the City for a period of no less than 10 years after completion of the developer-performed public work. (Ord. 3420 §§ (1)(C), (D), 2018; Ord. 3400 § 1, 2017).

2.56.170 Automatic indexed adjustments.

The limits set forth in CVMC [2.56.140](#), [2.56.145](#) and [2.56.160](#) shall automatically increase annually based on the Engineering News Record (ENR) Construction Index. These limits will increase by administrative action of the City Manager, starting on October 1, 2018, and again on each October 1st thereafter, based on the one-year change

(from July to July) in the Los Angeles Construction Cost Index as published monthly in the Engineering News Record ("LA ENR CCI") by rounding up to the nearest \$1,000. (Ord. 3420 § 1(E), 2018; Ord. 3400 § 1, 2017).

The Chula Vista Municipal Code is current through Ordinance 3527, passed November 1, 2022.

Disclaimer: The City Clerk's Office has the official version of the Chula Vista Municipal Code. Users should contact the City Clerk's office for ordinances passed subsequent to the ordinance cited above.

To be notified when additions, amendments, or revisions are made to the code, send your e-mail address to (be sure to add "Chula Vista Municipal Code" in the subject line) CPC@codepublishing.com.

[City Website: www.chulavistaca.gov](http://www.chulavistaca.gov)

[Code Publishing Company](#)

SUMMARY OF CITY PURCHASING PROCEDURES (CVMC 2.56)

Maximum Contract Amount	Bid Process	Awarding Auth
General Supplies, Services & Equipment - service examples include, auto and equipment repair, janitorial and printing services		
> \$ 250k	Formal Competitive Bid (2.56.070 & 080)	City Council (2.56.080.E.)
\$ 100k+ to ≤ \$ 250k	Formal Competitive Bid (2.56.070 & 080)	City Manager (2.56.080.E.)
\$ 10k+ to ≤ \$ 100k	Informal Bidding/ three bids (2.56.090.A.)	Purchasing Agent (2.56.090.A.)
≤ \$ 10k	Based on market rates/competence (2.56.090.B.I.)	Purchasing Agent (2.56.090.A.)
Emergency Services		
ALL	Open Market (2.56.100.A.)	City Manager or Purchasing Agent (2.56.100.A.)
≤ \$ 100k	Per Purchasing Agent Procedures (2.56.100.B.)	Using Department, with prior consent of City Manager or Purchasing Agent
Professional Services - architectural, engineering, audit, financial and other consulting services		
>\$ 50k	Selection Committee (2.56.110.C.)	City Council (2.56.110.A.3)
\$ 10 - \$ 50k	Informal Solicitation (2.56.110.D.)	City Manager (2.56.110.A.3)
<\$ 10k	Demonstrated Competence (2.56.110.H.1.)	Purchasing Agent (2.56.110.H.1.)
Legal Services - attorney services, court reporting, courier, and arbitration services		
\$ 50k	Competitive Solicitation (2.56.110.F.)	City Council (2.56.110.F.)
\$ 50k	Competitive Solicitation (2.56.110.F.)	City Attorney (2.56.110.F.)
Public Works (non-CIP), Landscape services, construction, building maintenance, painting, electrical services		
> \$ 250k	Competitive Bid (2.56.160.A.; 2.56.070.A. & 2.56.080)	City Council (2.56.160.B.)
\$ 100k+ to ≤ \$ 250k	Informal Bid (2.56.160.A.; 2.56.090.A.)	City Manager (2.56.160.B.)
≤ \$ 100k	Informal Bid (2.56.160.A.; 2.56.090.A.)	Purchasing Agent (2.56.160.B.)
Public Works - CIP Programs*		
> \$ 2 mill.	Per 2.56.160.A., based on contract value	City Council (2.56.160.C.1.)
≤ \$ 2 mill.	Per 2.56.160.A., based on contract value	Purchasing Agent (2.56.160.C.1.)
Change Orders - PW CIP Programs		
\$ Remaining in CIP Project	Quote from existing contractor	Director of Public Works or City Engineer
Cooperative Purchasing Agreements		
> \$ 2 mill.	Per 2.56.140, based on contract value	City Council (2.56.140)
≤ \$ 2 mill.	Per 2.56.140, based on contract value	Purchasing Agent (2.56.140)
*Subject to automatic annual adjustment based on the Engineering News Record (ENR) Construction Index each fiscal year (rounded to the nearest \$1,000)		

February 10, 2022

CITY OF CHULA VISTA COUNCIL POLICY

159-04 FUND BALANCE POLICY FOR GOVERNMENTAL FUNDS

**COUNCIL POLICY
CITY OF CHULA VISTA**

**SUBJECT: Fund Balance Policy for Governmental
Funds per Governmental Accounting
Standards Board Statement No. 54**

**POLICY
NUMBER**

159-04

**EFFECTIVE
DATE**

06/07/2011

PAGE

1 OF 3

ADOPTED BY: Resolution No.: 2011-098

DATED: 06/07/11

AMENDED BY: Resolution No. (date of resolution)

BACKGROUND

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This new standard does not change the total amount of a given fund balance, but it substantially alters the categories and terminology used to describe the components that make up a fund balance. The new categories and terminology reflect an approach that focuses, not on financial resources available for appropriation within a fund, but on the extent to which the City is bound to honor constraints on the specific purposes from which amounts in the fund can be spent.

The term fund balance is used to describe the difference between assets (what is owned) and liabilities (what is owed) reported within a fund. In the past, fund balances have been classified into three separate components: Reserve, Designated and Undesignated. There are almost always important limitations on the purpose for which all or a portion of the resources of a fund can be used. The force of these limitations can vary significantly, depending on their source. The various components of the new fund balance reporting standard are designed to indicate the extent to which the City is bound by these limitations placed upon the resources.

PURPOSE

This fund balance policy establishes the procedures for reporting the various components of fund balance for the City's governmental funds. This policy does not apply to proprietary funds which were not addressed by GASB 54.

The policy also authorizes and directs the Director of Finance to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

POLICY

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GASB Statement No. 54 defines five new components of fund balance that will replace the current existing three components. The five new components are:

Nonspendable Fund Balance

The portion of a fund balance that includes amounts that cannot be spent because they are either (a) not in a spendable form, such as prepaid items, inventories of supplies, or loans receivable; or (b) legally or contractually required to be maintained intact such as the principal portion of an endowment. This category was traditionally reported as a “reserved” fund balance under the old standard.

Restricted Fund Balance

The portion of a fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. This category was traditionally reported as a “reserved” fund balance under the old standard.

Committed Fund Balance.

The City Council, as the City’s highest level of decision making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however that amount can be determined subsequently.

This category was traditionally reported as “designated” fund balance under the old standard.

Assigned Fund Balance.

The portion of a fund balance that includes amounts that are constrained by the government’s intent to be used for specific purposes, but that are neither restricted nor committed. Such intent needs to be established at either the highest level of decision making authority, or by an official designated for that purpose. This policy hereby delegates the authority to assign amounts to be used for specific purposes to the Director of Finance for the purpose of reporting these amounts in the annual financial statements. Examples of assigned fund balance follow.

- Continuing Appropriations. Fund balance levels must be sufficient to meet fundir requirements for projects approved in prior years and which must be carried forward into the new fiscal year. This would include capital projects and purchase orders.

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- Debt Service. Established to provide for future debt service obligations.
- Budget Balancing Measures. Funds set aside for the purpose of stabilizing the delivery of City services during natural disasters or periods of operational budget deficits and to mitigate the effects of major economic uncertainties resulting from unforeseen changes in revenues and/or expenditures.

Unassigned Fund Balance. The portion of a fund balance that includes amounts that do not fall into one of the above four categories. The General Fund is the only fund that should report a positive balance in this category of fund balance.

The general fund, as the principal operating fund of the government, often will have net resources in excess of what can properly be classified in one of the four categories already described. If so, that surplus is presented as *unassigned fund balance*.

If resources were not at least assigned, they could not properly be reported in a fund other than the general fund to begin with. Therefore, only the general fund can report a positive amount of *unassigned fund balance*. Conversely, any governmental fund in a deficit position could report a negative amount of *unassigned fund balance*.

This category was traditionally reported an "undesignated" fund balance under the old standard.

Fund Balance Classification

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance (committed, assigned or unassigned) could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The policy of the City of Chula Vista is to follow the guidelines of GASB Statement No. 54 and its required practices. No other policy or procedure supersedes the authority and provisions of this policy.

CITY OF CHULA VISTA COUNCIL POLICY
220-01 INVESTMENT POLICY AND GUIDELINES

**COUNCIL POLICY
CITY OF CHULA VISTA**

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ADOPTED BY: Resolution No. 17578

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1.0 Purpose:

This “Investment Policy and Guidelines” (the “Investment Policy”) Policy is intended to provide guidelines for the prudent investment of the City of Chula Vista’s (the “City”) cash balances, and outline policies to assist in maximizing the efficiency of the City’s cash management system, while meeting the daily cash flow demands of the City.

2.0 Policy:

The investment practices and policies of the City of Chula Vista are based upon state law and prudent money management.

3.0 Scope:

This Investment Policy applies to all financial assets of the City of Chula Vista, as indicated in 3.1 below. These funds are accounted for in the City’s Comprehensive Annual Financial Report.

3.1 Funds:

The Director of Finance/Treasurer is responsible for investing the unexpended cash in the City Treasury for all funds, except for the employee’s retirement funds, which are administered separately, and those funds which are managed separately by trustees appointed under indenture agreements. The Director of Finance/Treasurer will strive to maintain the level of investment of this cash as close as possible to 100%. These funds are described in the City’s annual financial report and include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Trust and Agency Funds
- Any new fund created by the legislative body, unless specifically exempted

This Investment Policy applies to all transactions involving the financial assets and related activity of the foregoing funds.

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Bond proceeds shall be invested in the investments permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, the bond proceeds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed elsewhere in this Policy do not apply to bond proceeds.

4.0 Prudence:

The standard of prudence to be used by the Director of Finance/Treasurer shall be the “**prudent investor standard**”. This shall be applied in the context of managing an overall portfolio. The “**prudent investor standard**” is applied to local agencies, pursuant to California Government Code Section 53600.3 which provides, in pertinent part:

“ ... 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...”

4.1 Personal Responsibility:

The Director of Finance/Treasurer, Assistant Director of Finance, Treasury Manager and Finance Manager as investment officers acting in accordance with written procedures and the Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported to the City Council in a timely fashion and appropriate action is taken to control adverse developments.

5.0 Objective:

Consistent with this aim, investments are made under the terms and conditions of California

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Government Code Section 53600, et seq. Criteria for selecting investments and the absolute order of priority are:

5.1 Safety:

Safety of principal is the foremost objective of the investment program. Investments of the City of Chula Vista shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

5.2 Liquidity:

The City of Chula Vista's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated and to maintain compliance with any indenture agreement, as applicable. Liquidity is essential to the safety of principal.

5.3 Return on Investments:

The City of Chula Vista's investment portfolio shall be designed with the objective of attaining a market-average rate of return throughout budgetary and economic cycles (market interest rates), within the City's Investment Policy's risk parameters and the City's cash flow needs. See also Section 16.0.

6.0 Delegation of Authority:

The City Council delegates responsibility for the investment program to the Director of Finance/Treasurer for a period of one year. Subject to review, the City Council may renew the delegation of authority each year. The Director of Finance/Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls and written procedures to regulate the activities of subordinate officials. The responsibility for the day-to-day investment of City funds will be delegated to the Assistant Director of Finance or their designee. The Director of Finance/Treasurer may delegate day-to-day investment decision making and execution authority to an investment advisor. The advisor shall follow the Investment Policy and such other written instructions as are provided.

7.0 Ethics and Conflicts of Interest:

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In addition to state and local statutes relating to conflicts of interest, all persons involved in the investment process shall 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. Employees and investment officers, including investment advisors, are required to file annual disclosure statements as required for “public officials who manage public investments” [as defined and required by the Political Reform Act and related regulations, including Government Code Sections 81000, *et seq.*, and the rules, regulations and guidelines promulgated by California’s Fair Political Practices Commission (FPPC)].

8.0 Authorized Financial Dealers and Institutions:

For any transactions executed by the City, the City’s Director of Finance/Treasurer will maintain a list of the financial institutions and brokers/dealers authorized to provide investment and depository services and will perform an annual review of their financial condition. The City will utilize Moody’s Securities or other such services to determine financially sound institutions with which to do business. The City shall annually send a copy of the current Investment Policy to all financial institutions and brokers/dealers approved to do business with the City.

As far as possible, all money belonging to, or in the custody of, a local agency, including money paid to the City’s Director of Finance/Treasurer or other official to pay the principal, interest, or penalties of bonds, shall be deposited for safekeeping in state or national banks, savings associations, federal associations, credit unions, or federally insured industrial loan companies in this state selected by the City’s Director of Finance/Treasurer; or may be invested in the investments set forth in Section 9.0. To be eligible to receive local agency money, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California’s communities, including low- and moderate-income neighborhoods.

To provide for the optimum yield in the investment of City funds, the City’s investment procedures shall encourage competitive bidding on transactions. Any transactions not executed directly with the issuer shall be made with approved brokers/dealers. In order to be approved by the City, the broker/dealer must meet the following criteria: (i) the broker/dealer must be a “primary” dealer or regional broker/dealer that qualifies under Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule); (ii) the broker/dealer must be experienced in institutional trading practices and

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familiar with the California Government Code as related to investments appropriate for the City; and (iii) all other applicable criteria, as may be established in the investment procedures. All brokers/dealers and financial institutions who desire to become qualified bidders for investment transactions must submit documents relative to eligibility including U4 form for the broker, proof of Financial Industry Regulatory Authority (FINRA) certification and a certification of having read and understood the City's Investment Policy and agreeing to comply with the Investment Policy. The City's Director of Finance/Treasurer shall determine if they are adequately capitalized (i.e. minimum capital requirements of \$10,000,000 and five years of operation).

If the City has an investment advisor, the investment advisor may use its own list of authorized issuers and broker/dealers to conduct transactions on behalf of the City.

9.0 Authorized and Suitable Investments:

The City is authorized by California Government Code Section 53600, *et. seq.*, to invest in specific types of securities. Where this section specifies a percentage limitation for a particular security type, that percentage is applicable only on the date of purchase. Credit criteria listed in this section refers to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the Director of Finance/Treasurer will perform a timely review and decide whether to sell or hold the investment.

Investments not specifically listed below are deemed inappropriate and prohibited:

- A. **BANKERS' ACCEPTANCES.** A maximum of 40% of the portfolio may be invested in bankers' acceptances. The maximum maturity is 180 days. No more than 30% of the agency's moneys may be invested in the bankers' acceptances of any one commercial bank. See Government Code Section 53601(g).
- B. **NEGOTIABLE CERTIFICATES OF DEPOSIT.** A maximum of 30% of the portfolio may be invested in negotiable certificates of deposit (NCD's). The maximum maturity of a NCD issue shall be 5 years. These are issued by commercial banks and thrift institutions against funds deposited for specified periods of time and earn specified or variable rates of interest. Negotiable certificates of deposit (NCD's) differ from other certificates of deposit by their liquidity. NCD's are traded actively in secondary markets. See Government Code Section 53601(i).

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C. **COMMERCIAL PAPER.** Per Government Code Section 53601(h), a maximum of 25% of the portfolio may be invested in commercial paper. No more than 10% of the outstanding commercial paper of any single issuer may be purchased. The maximum maturity is 270 days. Commercial paper of prime quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

1) The entity meets the following criteria:

- a. Is organized and operating in the United States as a general corporation.
- b. Has total assets in excess of five hundred million dollars (\$500,000,000).
- c. Has debt other than commercial paper, if any, that is rated in a rating category of "A" or higher, or the equivalent, by a NRSRO.

2) The entity meets the following criteria:

- a. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
- b. Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
- c. Has commercial paper that is rated in a rating category of "A-1" or higher, or the equivalent, by a NRSRO.

D. **BONDS ISSUED BY THE CITY OR ANY LOCAL AGENCY WITHIN THE STATE OF CALIFORNIA.** There is no limit on the percentage of the portfolio that can be invested in this category. See Government Code Section 53601(a) and 53601(e).

E. **OBLIGATIONS OF THE UNITED STATES TREASURY.** 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. There is no limit on the percentage of the portfolio that can be invested in this category. See Government Code Section 53601(b).

F. **FEDERAL AGENCIES.** 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 is no limit on the percentage of the portfolio that can be invested in this category. See Government Code Section 53601(f).

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G. REPURCHASE AGREEMENT, maximum term 1 year. Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed 1 year. A Master Repurchase Agreement must be signed with the bank or broker/dealer who is selling the securities to the City. There is no limit on the percentage of the portfolio that can be invested in this category. See Government Code Section 53601(j).

H. REVERSE-REPURCHASE AGREEMENTS (Requires Council approval for each transaction). Per Government Code Section 53601(j), reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:

- a) The security to be sold on reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.
- b) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20% of the base value of the portfolio.
- c) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.
- d) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counter party by way of a reverse repurchase agreement or securities lending agreement, shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.
- e) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security shall only be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.
- f) For purposes of this policy, "significant banking relationship" means any of the following activities of a bank:

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- i. Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.
 - ii. Financing of a local agency's activities.
 - iii. Acceptance of a local agency's securities or funds as deposits.
- I. **MEDIUM-TERM CORPORATE NOTES.** A maximum of 30% of the portfolio may be invested in medium-term corporate notes, with a maximum remaining maturity of five years or less. Notes eligible for investment shall be rated in a rating category of "A," its equivalent or better by a NRSRO. See Government Code Section 53601(k). No more than 10% of the City's total investment assets may be invested in the commercial paper and the medium-term notes of any single issuer.
- J. **NON-NEGOTIABLE CERTIFICATES OF DEPOSIT.** The maximum maturity is 5 years. Certificates of deposit are required to be collateralized as specified under Government Code Section 53630 et seq. The City, at its discretion, may waive the collateralization requirements for any portion that is covered by Federal Deposit Insurance Corporation (FDIC) insurance. There is no limit on the percentage of the portfolio that can be invested in this category.
- K. **OBLIGATIONS OF THE STATE OF CALIFORNIA.** Including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state, or by a department, board, agency or authority of the state. The maximum maturity is 5 years. There is no limit on the percentage of the portfolio that can be invested in this category. See Government Code Section 53601(d).
- L. **OBLIGATIONS OF THE OTHER 49 STATES.** Including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by any of these states, or by a department, board, agency or authority of the state. The maximum maturity is 5 years. There is no limit on the percentage of the portfolio that can be invested in this category. See Government Code Section 53601(d).
- M. **MONEY MARKET FUNDS.** A maximum of 20% of the portfolio may be invested in money market funds. No more than 10% of the agency's funds may be invested in shares of beneficial interest of any one mutual fund. Local agencies may invest in "shares of beneficial interest" issued by diversified management companies which invest in the securities and obligations as authorized by California Government Code Section 53601, subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive. They must have the highest rating from two NRSRO's or have retained an

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AMENDED BY: Resolution Nos. 18571 (2/4/97); 19375 (2/16/99); 2000-050 (2/15/00); 2001-026 (2/13/01); 2002-039 (2/12/02); 2005-184 (6/7/05); 2006-176 (6/13/06); 2008-054 (2/12/08); 2010-045 (3/2/10); 2011-020 (2/22/11); 2012-034(3/13/12); 2013-020 (2/26/13); 2014-039 (3/11/14); 2014-191 (10/28/14); 2015-041 (3/03/2015); 2016-046 (03/15/2016); 2017-078 (05/23/2017); 2018-090 (05/22/2018); 2019-086 (05/21/2019); 2020-024 (02/18/2020); 2021-022 (02/16/2021); 2022-052 (03/01/2022)

investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds and with assets under management in excess of \$500,000,000. The purchase price of the shares may not include commission. See Government Code Section 53601(l).

N. SAN DIEGO COUNTY TREASURER'S POOLED MONEY FUND. Also known as the San Diego County Investment Pool, the pool is a local government money fund created to invest the assets of the County of San Diego and other public agencies located within the County. The three primary objectives of the County Pool are to safeguard principal; to meet liquidity needs of Pool participants; and to achieve an investment return on the funds within the guidelines of prudent risk management. Investment in the County Pool is highly liquid and the City may invest with no portfolio percentage limit. See Government Code Section 27133.

O. THE LOCAL AGENCY INVESTMENT FUND (LAIF). LAIF is a special fund of the California State Treasury through which any local government may pool investments. The City may invest up to \$75 million in this fund. Investments in LAIF are highly liquid and may be converted to cash within 24 hours. See Government Code Section 16429.1.

P. SHARES OF BENEFICIAL INTEREST ISSUED BY A JOINT POWERS AUTHORITY (Local Government Investment Pools [LGIP]). Per Government Code Section 53601(p), there is no limit on the percentage of the portfolio that can be invested in this category. LGIP's organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q) of California Government Code Section 53601, inclusive. Each share will represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section the joint powers authority issuing the shares will have retained an investment adviser that meets all of the following criteria:

- The adviser is registered or exempt from registration with the Securities and Exchange Commission.
- The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q) Government Code Section 53601, inclusive.
- The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

Q. ASSET BACKED SECURITIES (ABS). A maximum of 20% of the portfolio may be invested in ABS. The maximum maturity is five years. Securities eligible for investment under this subdivision

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shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO. ABS constitutes 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. See Government Code Section 53601(o).

- R. SUPRANATIONALS. A maximum of 30% of the portfolio may be invested in supranationals. The maximum maturity is five years. Securities eligible for purchase under this subdivision shall be United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank that are eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA," its equivalent or better by an NRSRO. See Government Code Section 53601(q).
- S. PLACEMENT SERVICE DEPOSITS. A maximum of 30% of the portfolio may be invested in placement service deposits. The maximum maturity is 5 years. Deposits placed through a deposit placement service shall meet the requirements under Government Code Section 53601.8 and 53635.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance.
- T. COLLATERALIZED BANK DEPOSITS. Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by California Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by California Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation. The maximum maturity is 5 years. There is no limit on the percentage of the portfolio that can be invested in this category. See Government Code Section 53601(n) and 53630 et seq.

9.1 Investment Pools:

The City's Director of Finance/Treasurer or designee shall be required to investigate all local government investment pools and money market mutual funds prior to investing and performing at least a quarterly review thereafter while the City is invested in the pool or the money market fund. LAIF is

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authorized under provisions in Section 16429.1 of the California Government Code as an allowable investment for local agencies even though some of the individual investments of the pool are not allowed as a direct investment by a local agency.

10.0 Portfolio Adjustments:

Should any investment listed in section 9.0 exceed a percentage-of-portfolio limitation due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Director of Finance/Treasurer shall consider reconstructing the portfolio basing his or her decision on the expected length of time the portfolio will be unbalanced. If this occurs, the City Council shall be notified.

11.0 Collateralization:

Under provisions of the California Government Code, California banks, and savings and loan associations are required to secure the City's deposits by pledging letters of credit issued by the Federal Home Loan Bank of San Francisco with a value of 105% of the principal and accrued interest, government securities with a value of 110% of principal and accrued interest or first trust deed mortgage notes having a value of 150% of the City's total deposits. Collateral will be handled as required by the California Government Code. The Director of Finance/Treasurer, at his or her discretion, may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The market value of securities that underlay a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. Collateral will always be held by an independent third party. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The right of collateral substitution is granted.

12.0 Safekeeping and Custody:

All City investments shall identify the City of Chula Vista as the registered owner, and all interest and principal payments and withdrawals shall indicate the City of Chula Vista as the payee. All securities

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shall be safe kept with the City itself or with a qualified financial institution, contracted by the City as a third party. All agreements and statements will be subject to review annually by external auditors in conjunction with their audit. In the event that the City has a financial institution hold the securities, a separate custodial agreement shall be required. All deliverable securities shall be acquired by the safekeeping institution on a "Delivery-Vs-Payment" (DVP) basis. For Repurchase Agreements, the purchase may be delivered by book entry, physical delivery or by third-party custodial agreement consistent with the Government Code. The transfer of securities to the counter party bank's customer book entry account may be used for book entry delivery.

13.0 Diversification:

The City's investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks associated with concentrating investments in specific security types, maturity segment, or in individual financial institutions. No more than 5% of the investment portfolio shall be in securities of any one issuer except for U.S. Treasuries, U.S. Government Agency issues, and investment pools such as LAIF, the San Diego County Pool, money market funds, and local government investment pools (LGIP's).

- A. Credit risk, defined as the risk of loss due to failure of the insurer of a security, shall be mitigated by investing in those securities with an "A" or above rating and approved in the Investment Policy and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the City's cash flow.
- B. Market risk, defined as the risk of market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by implementing a long-term investment strategy. It is explicitly recognized herein, however, that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of overall investment return. The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

14.0 Maximum Maturities:

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. The City will not directly invest in securities maturing more than five (5) years from the date of purchase, unless, the legislative body has granted express authority to make that investment either specifically, or as a part of an investment program approved by the City Council at least three (3)

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months prior to the investment.

15.0 Internal Control:

The Director of Finance/Treasurer shall establish a system of internal controls designed to prevent loss of public funds due to fraud, employee error, or misrepresentation by third parties. No investment personnel, including an investment advisor, may engage in an investment transaction except as provided for under the terms of this Investment Policy and the procedure established by the Director of Finance/Treasurer.

The external auditors shall annually review the investments with respect to the Investment Policy. This review will provide internal control by assuring compliance with policies and procedures for the investments that are selected for testing. Additionally, account reconciliation and verification of general ledger balances relating to the purchasing or maturing of investments and allocation of investments to fund balances shall be performed by the Finance Department and approved by the Director of Finance/Treasurer. To provide further protection of City funds, written procedures prohibit the wiring of any City funds without the authorization of at least two of the following six designated City staff:

1. Director of Finance/Treasurer
2. Assistant Director of Finance
3. Treasury Manager
4. Finance Manager
5. Revenue Manager
6. Budget and Analysis Manager

16.0 Performance Standards:

The investment portfolio shall be managed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow. Investment return becomes a consideration only after the basic requirements of investment safety and liquidity have been met. In evaluating the performance of the City's portfolio in complying with this policy, the City shall establish an appropriate performance benchmark and compare the return of its portfolio to the return of the benchmark.

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17.0 Reporting:

The Director of Finance/Treasurer shall submit a quarterly investment report to the City Council and City Manager following the end of each quarter. This report will include the following elements:

- Type of investment
- Institutional issuer
- Purchase date
- Date of maturity
- Amount of deposit or cost of the investment
- Face value of the investment
- Current market value of securities and source of valuation
- Rate of interest
- Interest earnings
- Statement relating the report to its compliance with the Statement of Investment Policy or the manner in which the portfolio is not in compliance
- Statement on availability of funds to meet the next six month's obligations
- Monthly and year-to-date budget amounts for interest income
- Percentage of portfolio by investment type
- Days to maturity for all investments
- Comparative report on interest yields
- Monthly transactions
- Compare portfolio total return to market benchmark total return

In addition, a commentary on capital markets and economic conditions may be included with the report.

18.0 Investment Policy Review and Adoption:

This Investment Policy shall be reviewed at least annually by the Director of Finance/Treasurer to ensure its consistency with the overall objective of preservation of principal, liquidity, and return, and its relevance to current law and financial and economic trends. Each fiscal year, the Finance Director shall provide a copy of the City's current Investment Policy and Guidelines to the City Council. By virtue of a resolution of the City Council of the City of Chula Vista, the Council shall acknowledge the receipt of the Policy for the respective fiscal year.

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GLOSSARY

AGENCIES: Federal agency securities.

ASKED: The price at which securities are offered. (The price at which a firm will sell a security to an investor.)

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. The drafts are drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. An acceptance is a high-grade negotiable instrument.

BASIS POINT: One one-hundredth of a percent (*i.e.*, 0.01 %).

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.)

BROKER: A broker brings buyers and sellers together for a commission. He does not take a position.

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

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

COMMERCIAL PAPER: Short term unsecured promissory note issued by a corporation to raise working capital. These negotiable instruments are purchased at a discount to par value or at par value with interest bearing. Commercial paper is issued by corporations such as General Motors Acceptance Corporation, IBM, Bank of America, etc.

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

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

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of a signed receipt for the securities.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions (*e.g.*, S&L's, small business firms, students, farmers, farm cooperatives, and exporters).

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

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C.; 12 regional banks and about 5,700 commercial banks are members of the system.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): An investment pool offered by a state or local agency to public entities for the investment of public funds.

MARKET VALUE: The price at which a security is trading and could presumable be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS (NRSROs): Credit rating agencies that issue credit ratings that the Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes.

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NEGOTIABLE CERTIFICATES OF DEPOSIT: Unsecured obligations of the financial institution, bank or savings and loan, bought at par value with the promise to pay face value plus accrued interest at maturity. They are high-grade negotiable instruments, paying a higher interest rate than regular certificates of deposit.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer).

PORTFOLIO: Collection of securities held by an investor.

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

PRUDENT INVESTOR STANDARD: An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state-the so-called "legal list". In other states, the trustee may invest in a security if it is one that would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See "Uniform Net Capital Rule".

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TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: Intermediate-term coupon bearing U.S. Treasury having initial maturities of one year to ten years.

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

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security. (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

CITY OF CHULA VISTA COUNCIL POLICY
220-02 FINANCIAL REPORT AND TRANSFER AUTHORITY

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ADOPTED BY: Resolution No. 18191 (01/23/96)

DATED: 1/23/1996

AMENDED BY: 2022-250 (11/08/2022)

Purpose

To clarify the authority for budget transfers which may be required to fund needed services in each city department within a given fiscal year.

Reference

City Charter Section 504.c - the Finance Director shall... have control over all expenditures to ensure that budget appropriations are not exceeded...

Section 504.f - Submit to the City Council through the City Manager a quarterly statement of all receipts and disbursements in sufficient detail to show the exact financial condition of the City

Policy

It is the intent of the City Council that the budget authorization be maintained and that transfers should be limited and used only when it is necessary to continue the effective operations of the City. This policy shall establish guidelines for determining the authority level of transfers within the departments.

It is the City Manager's responsibility to maintain the integrity of the adopted budget and to allow transfers only as a means for continuing the programs and policies of the City Council as approved via the budgetary process. Department heads shall be held responsible to exercise adequate financial controls to ensure the accomplishment of scheduled work programs within available appropriations. Departments shall maintain budgetary control at the budget category level rather than by line item to give flexibility to operations. Toward this end, the following guidelines are established:

1. Budgetary control shall be established at the budget category level, i.e. Personnel Services, Supplies & Services Utilities, etc., giving departments the flexibility to manage within broader limits, rather than controlling at the individual line item account level.
2. Council approval shall be required for all transfers of appropriations between departments, regardless of the amount.
3. Council approval shall be required for transfers of appropriations that are greater than \$75,000 between summary accounts within a department.
4. The City Council delegates authority to the City Manager for approval of transfers of appropriations up to and including \$75,000 between budget categories within the same department upon certification by the Director of Finance that appropriations are available.

**COUNCIL POLICY
CITY OF CHULA VISTA**

**SUBJECT: FINANCIAL REPORTING AND
TRANSFER AUTHORITY**

**POLICY
NUMBER**

220-02

**EFFECTIVE
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11/08/2022

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ADOPTED BY: Resolution No. 18191 (01/23/96)

DATED: 1/23/1996

AMENDED BY: 2022-250 (11/08/2022)

5. The City Council shall receive a quarterly status report [required by Charter section 504(f)], from the Director of Finance which provides actual vs. budgetary comparisons by department, as well as projections for the fiscal year. This report will include a listing of any transfers within departments.

CITY OF CHULA VISTA COUNCIL POLICY
220-03 GENERAL FUND RESERVES

**COUNCIL POLICY
CITY OF CHULA VISTA**

SUBJECT: General Fund Reserves – Fiscal Health Plan	POLICY NUMBER	EFFECTIVE DATE	PAGE
	220-03	11/05/09	1 of 5

ADOPTED BY: Resolution 18358

DATED: 07/09/96

AMENDED BY: Resolution No. 2020-254, November 3, 2020

AMENDED BY: Resolution No. 2009-264 , November 5, 2009

The City Council specifically amended this policy on November 3, 2020 with the adoption of Pension & OPEB Reserve Fund Policy No. 220-09, which provides, in relevant part, that:

- (i) Allocations for the Pension Reserve Fund (“PRF”) will only occur after the full funding of the 15% General Fund Operating Reserves; and
- (ii) Upon meeting the 15% General Fund Operating Reserves, 75% of all future surplus funds will be transferred to the PRF, and the remaining 25% will be allocated to the Economic Contingency Reserves and Catastrophic Event Reserves in accordance with this Policy; and
- (iii) In the event all three General fund reserve accounts are fully funded at the stated policy percentage, 100% of surplus funds will be transferred to the PRF until it reaches 15% of General Fund Expenses (excluding Measure A & P, identical dollar amount to the General Fund Operating Reserves)..

The City Council amended this policy on November 5, 2009 with the acknowledgement that the reserve level established by this policy is a long-term goal.

PURPOSE:

Public entities purposely accumulate and then maintain adequate reserves to help ensure both financial stability and the continued ability to provide core services in difficult times. Sufficient reserves create financial stability resulting in increased credit quality and allows the public entity to better weather downturns in the economy and the impacts of negative events, both major and minor. Properly funded reserves allow for the continued maintenance of property, the replenishment of vehicles and equipment, and payment of expenses beyond the amount of the funds available for a single fiscal year.

BACKGROUND:

The General Fund Reserve policy is established to ensure that the City’s finances are managed in a manner which will (1) continue to provide for the delivery of quality services, (2) maintain and enhance service delivery as the community grows in accordance with the General Plan, (3) minimize or eliminate the need to raise taxes and fees because of temporary revenue shortfalls, and (4) establish the reserves necessary to meet known and unknown future obligations and ability to respond to unexpected opportunities.

**COUNCIL POLICY
CITY OF CHULA VISTA**

SUBJECT: General Fund Reserves – Fiscal Health Plan

**POLICY
NUMBER**

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ADOPTED BY: Resolution 18358

DATED: 07/09/96

AMENDED BY: Resolution No. 2020-254, November 3, 2020

AMENDED BY: Resolution No. 2009-264 , November 5, 2009

Fiscal stability is an important factor in operating a City. Establishing certain financial reserves would protect the City against unexpected interruptions in revenues, vulnerability to Federal or State actions, adverse economic conditions, unpredictable one-time costs, and exposure to natural disasters and emergencies.

There are additional benefits to establishing a minimum General Fund reserve. Credit rating agencies carefully monitor levels of reserves in a government's General Fund to evaluate a government's continued creditworthiness. A higher credit rating results in savings to the taxpayer when the City issues debt or participates in short-term borrowing. Finally, reserve levels are a crucial consideration in long-term financial planning.

The Government Finance Officers Association (GFOA), an international organization that promotes the professional financial management of governments for the public interest, recommends maintaining a minimum unreserved fund balance (reserves) in the General Fund of no less than 5% to 15% of general fund operating revenues, or no less than one to two months of regular general fund operating expenditures. A government's particular situation may require levels of unreserved fund balance in the general fund significantly in excess of these recommended minimum levels. Cities with higher reserve levels are better positioned to protect public services during economic downturns. GFOA recommends that in establishing a policy governing the level of unreserved fund balance in the general fund, a government should consider a variety of factors, including:

- The predictability of its revenues and the volatility of its expenditures (i.e. higher levels of unreserved fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile.)
- The availability of resources in other funds as well as the potential drain upon general fund resources from other funds (i.e. the availability of resources in other funds may reduce the amount of reserves needed in the general fund, just as deficits in other funds may require that a higher level of reserves be maintained in the general fund).
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained).
- Designations (i.e. governments may wish to maintain higher levels of unreserved fund balance to compensate for any portion of unreserved fund balance already designated for a specific

**COUNCIL POLICY
CITY OF CHULA VISTA**

SUBJECT: General Fund Reserves – Fiscal Health Plan	POLICY NUMBER	EFFECTIVE DATE	PAGE
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ADOPTED BY: Resolution 18358

DATED: 07/09/96

AMENDED BY: Resolution No. 2020-254, November 3, 2020

AMENDED BY: Resolution No. 2009-264 , November 5, 2009

purpose).

POLICY:

This Policy establishes three (3) distinct General Fund Reserves:

1. General Fund Operating Reserves – minimum 15%
2. Economic Contingency Reserves – minimum 5%
3. Catastrophic Event Reserves – 3%

The total recommended minimum reserve level for the three categories combined is 23%.

General Fund Operating Reserves

The General Fund Operating Reserves represent unrestricted resources available for appropriations by the City Council to address extraordinary needs of an emergency nature.

The City shall maintain General Fund Operating Reserve levels of no less than 15% of the annual operating budget. This level of reserves represents approximately 1.8 months of General Fund operating expenditures. The reserves may be used to provide temporary financing for unanticipated extraordinary needs of an emergency nature, such as major storm drain repairs, litigation or settlement costs or an unexpected liability created by Federal or State legislative action.

If funds are appropriated (spent) from the operating reserves due to unanticipated needs, the funds should be replenished in the budget process during the subsequent fiscal year to maintain the minimum reserve balance. If the magnitude of the event caused the General Fund Operating Reserves to be deeply reduced, the City Manager and Finance Director shall provide the City Council with a plan to incrementally replenish the reserves to the minimum 15% level.

Authorized use (mid-year appropriations) of the General Fund Operating Reserves will require approval by four/fifths (4/5) vote of the City Council.

Economic Contingency Reserve

The Economic Contingency Reserve represents monies set aside to mitigate service impacts during a significant downturn in the economy which impacts City revenues such as sales tax, property tax,

**COUNCIL POLICY
CITY OF CHULA VISTA**

**SUBJECT: General Fund Reserves – Fiscal Health
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ADOPTED BY: Resolution 18358

DATED: 07/09/96

AMENDED BY: Resolution No. 2020-254, November 3, 2020

AMENDED BY: Resolution No. 2009-264 , November 5, 2009

business license tax etc.

The City shall maintain General Fund Economic Contingency Reserve levels of no less than 5% of the annual operating budget to provide for unexpected financial impacts related to a significant economic slowdown.

Funds may be appropriated from the Economic Contingency Reserves only after the City Manager and the Finance Director have prepared an analysis providing sufficient evidence that the remaining reserves are adequate to offset potential downturns in revenue sources and provide sufficient cash balance for the daily financial needs of the City for the remainder of the fiscal year. Once the analysis has been presented to the City Council, action to appropriate from the reserves will require a declaration that a fiscal emergency or extraordinary need exists through an affirmative vote by 4/5ths of the City Council.

If the Economic Contingency Reserves should ever drop below the minimum reserve level, the City Manager and Finance Director will develop a plan to replenish the reserves. The plan will be included in the adoption of the City's annual operating budget and Long-Term Financial Plan.

Catastrophic Event Reserves

The Catastrophic Event Reserves are monies set aside to fund unanticipated expenses related to a major natural disaster in the City.

A reserve level of 3% of the General Fund operating budget should be maintained as Catastrophic Event Reserves. These funds are associated with the City's Disaster Preparedness Program. The City is susceptible to earthquakes, fires, floods and terrorist threats. In the event that the City Council proclaims a local emergency, the Catastrophic Event Reserves can be utilized to fund recovery costs until reimbursements from federal and/or state agencies can be recovered.

Authorized use of the Catastrophic Event Reserves will require a Proclamation of a Local Emergency by the City Council or Director of Emergency Services. In addition, authorized use (mid-year appropriations) of the Catastrophic Event Reserves will require approval by four/fifths (4/5) vote of the City Council.

Calculation of Reserves

The reserves will be calculated using the following year's Adopted General Fund budgeted operating

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CITY OF CHULA VISTA**

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ADOPTED BY: Resolution 18358

DATED: 07/09/96

AMENDED BY: Resolution No. 2020-254, November 3, 2020

AMENDED BY: Resolution No. 2009-264 , November 5, 2009

expenditures. Reserves will be evaluated annually in conjunction with the development of the City's 10 Year Financial Forecast and Annual Operating Budget process. There is no maximum reserve level as any additional reserves would provide a greater level of fiscal security.

CITY OF CHULA VISTA COUNCIL POLICY
220-04 SEWER SERVICE REVENUE FUND RESERVE POLICY

SUBJECT: Sewer Service Revenue Fund Reserve Policy	POLICY NUMBER	EFFECTIVE DATE	PAGE
	220-04	04/26/22	1 of 3

ADOPTED BY: Resolution No. 2013-265

DATED: December 17, 2013

AMENDED BY: Resolution No. 2022-093 (4/26/2022)

PURPOSE:

Public entities accumulate and maintain adequate reserves levels to help ensure both financial stability and the ability to provide core services during difficult times. Adequately funded reserves allow for: 1) funding infrastructure replacement, 2) economic uncertainties and other financial hardships, 3) future debt and capital obligations, 4) cash flow requirements, 6) improved credit ratings, 5) unfunded mandates including costly regulatory requirements.

BACKGROUND:

The City's Sewer Enterprise Funds account for specific services funded directly by fees and charges users of the City's sewer system. These funds are intended to be self-supporting as well as restricted and cannot be used for other City services. They account for revenues and expenses related to the City's sewer programs, including maintenance and expansion of the City's conveyance system and payment of San Diego Metro wastewater treatment costs.

The Sewer Service Revenue Enterprise Fund accounts for revenue collected from monthly sewer service charges for all properties that are connected to the City's sewer system. These funds can only be used for sewer related operations and maintenance. The primary use of these funds is payment for the City's annual San Diego Metropolitan Sewer Capacity and to fund maintenance and operational costs associated with the sewer collection system.

The Government Finance Officers Association (GFOA), an international organization that promotes the professional financial management of governments for the public interest, recommends maintaining minimum reserve balances. A government's particular situation may require levels of reserves significantly in excess of their recommended minimum levels. Cities with higher reserve levels are better positioned to protect public services during economic downturns.

GFOA recommends that in establishing a policy governing the level of reserves or working capital in enterprise funds, a government should consider a variety of factors, including but not limited to the following:

- The predictability of its revenues and the volatility of its expenditures (i.e. higher levels of reserves may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).
- Liquidity (i.e. a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained).
- Designations (i.e. governments may wish to maintain higher levels of reserves to compensate for any portion of available fund balance already designated for a specific purpose).

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	220-04	04/26/22	2 of 3

ADOPTED BY: Resolution No. 2013-265

DATED: December 17, 2013

AMENDED BY: Resolution No. 2022-093 (4/26/2022)

POLICY:

This Policy establishes four distinct reserves within the Sewer Service Revenue Fund:

1. Working Capital and Rate Stabilization Reserve
2. Emergency Reserve
3. Vehicle Replacement Reserve

Working Capital and Rate Stabilization Reserve

Working Capital and Rate Stabilization reserves in the Sewer Service Revenue Fund will be restricted to maintaining and operating the wastewater collection system and paying treatment charges to City of San Diego Metropolitan Wastewater ("Metro"). The reserve will be funded from revenues accumulated in the Sewer Service Revenue Fund. It is intended to accommodate any natural variability in revenues and expenditures, including potential disruptions of cash flows due to varied billing methodology, short term fluctuations and annual cycles. The reserve will also assist in addressing shortfalls which may occur due to unanticipated cost increases in labor or energy and other consumption based goods and services, such as wastewater treatment services provided by Metro. The reserves represent unrestricted resources available for appropriation by the City Council addressing unforeseen needs for sewer services.

The Working Capital and Rate Stabilization Reserves will assist the City in addressing the following items:

- Rate Stabilization – the reserves will allow the City the flexibility to “smooth” rates and phase increases in over multiple years, which is prudent given the potential variability in the City’s payments to Metro.
- Revenue Collection Fluctuations - the reserves will be used to protect the City from natural fluctuations in revenue and expenditure cycles which is prudent given that the City bills customers at different points in time but incurs expenses continuously throughout the year.
- Rates of delinquencies – delays in collection of outstanding revenues.
- Payroll cycles – the timing of a fixed cash requirement for payroll, as related to the timing of revenue cycles.
- Unanticipated expenses - expenses whose characteristics make accurate estimation difficult, such as increases in wastewater treatment services provided by the City of San Diego, energy costs, labor benefits and other consumption based goods and services.

The City shall maintain a Sewer Revenue reserve equivalent to 90 days of operating expenditures and a Rate Stabilization reserve equivalent to 90 days of operating expenditures for a minimum combined total of 180 days and a maximum reserve balance of 125% of the minimum balance.

If funds are appropriated from the Sewer Revenue Working Capital and Rate Stabilization Reserves,

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<p>the funds should be replenished in the budget process during subsequent fiscal years to the minimum reserve balance. If the magnitude of the event caused the Sewer Revenue Working Capital and a Stabilization Reserves to be less than 30 days of the operating and maintenance budget, the Finance Director shall provide the City Council with a plan to incrementally replenish the reserves to the 180 days minimum reserve balance.</p>			
<p><u>Emergency Reserve</u></p> <p>The Sewer Service Revenue Fund Emergency Reserve is necessary to secure funding for insurance deductibles, unforeseen liabilities/litigation and settlement costs related to the City’s wastewater system.</p> <p>The City shall maintain a minimum Sewer Service Revenue Fund Emergency Reserve target level of 5% of the operating and maintenance budget and a maximum reserve balance of 125% of the minimum balance. If funds are appropriated from the Sewer Revenue Emergency Reserves due to unanticipated needs, the Finance Director shall provide the City Council with a plan to incrementally replenish the reserves to the minimum reserve balance.</p>			
<p><u>Vehicle Replacement Reserve</u></p> <p>The Sewer Service Revenue Fund Vehicle Replacement Reserves represents monies set aside to fund the replacement of aging vehicles. The allocation is funded from revenues accumulated in the Sewer Service Revenue Fund.</p> <p>The City shall maintain a minimum Sewer Service Fund Vehicle Replacement Reserve target of 2% of the operating and maintenance budget. This reserve will ensure that vehicles utilized for sewer operations are replaced as scheduled and available to deploy as needed.</p> <p>To achieve a minimum impact to cost of services and rates, funds will be included in the proposed budget on an annual basis as identified in the City’s Vehicle Replacement schedule. The cost of replacing all the vehicles will be averaged over the lifespan of the existing fleet. This will generate a more normalized cost of services by evenly distributing revenue requirements on a year-to-year basis offsetting temporary cash flow deficiencies and avoid significant increases in rates charges to customers in the years the replacement cost are incurred.</p>			

CITY OF CHULA VISTA COUNCIL POLICY
220-05 CITY DEBT POLICY

**COUNCIL POLICY
CITY OF CHULA VISTA**

SUBJECT: City Debt Policy

**POLICY
NUMBER**

220-05

**EFFECTIVE
DATE**

2/07/2017

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ADOPTED BY: Resolution No. 2014-012

DATED: January 14, 2014

AMENDED BY: Resolution No. 2017-029 (2/07/2017)

BACKGROUND

The following policies have been developed to provide guidance in the issuance and management of debt by the City of Chula Vista. The main objectives are to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the City's interest and issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting and; to maintain financial flexibility for the City.

Debt, properly issued and managed, is a critical element in any financial management program. It assists in the City's effort to allocate limited resources to provide the highest quality of service to the public. The City understands that poor debt management can have ripple effects that hurt other areas of the City. On the other hand, a properly managed debt program promotes economic growth and enhances the vitality of the City of Chula Vista for its residents and businesses.

This Debt Policy will also apply to any debt issued by the Successor Agency, the Chula Vista Public Financing Authority, the Chula Vista Municipal Financing Authority or any Mello-Roos Community Facilities District formed by the City, as applicable.

The Debt Policy has been developed to provide guidance in the issuance and management of debt by the City of Chula Vista or its related entities and is intended to comply with Government Code Section 8855(i), effective on January 1, 2017.

PURPOSE

To establish a formal City debt policy.

POLICY

GENERAL POLICIES

The Finance Team

All debt issued by the City of Chula Vista or its related entities shall be under the direction of the City Manager or Director of Finance /Treasurer, with the Mayor and City Council providing final approval at a public meeting. The City Manager or Finance Director/Treasurer will determine the composition of the "Finance Team" involved in each issuance. The Finance Team may consist of both City Staff and outside finance professionals. The Finance Director/Treasurer shall decide which City Staff to include on the Finance Team. Critical outside finance professionals include:

- Underwriter: markets and sells debt to investors
- Financial Advisor: independent financial expert providing advice to the City on all aspects of debt

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- Bond Counsel: legal counsel that prepares the resolutions, ordinances, agreements and other legal documents required
- Disclosure Counsel: provides legal advice on all disclosure documents and issues in connection to the financing. May be same entity that provides Bond Counsel services.
- Trustee: typically a commercial bank or trust company responsible for the collection and repayment of principal and interest to bondholders, as well as administering the investment of reserve funds, accounting and disbursement of bond proceeds.
- District Consultant: provide special district expertise, statistics, data analysis, and disclosure support in the issuance of Special District debt.

Selection of Outside Professionals

When identifying members of the Financing Team, the selection of underwriters and financial consultants providing professional services shall be based upon qualifications, experience, and cost; typically through a formal Request for Proposal (RFP) Process. Procurement of other services related to the issuance of debt shall be through a competitive bidding process whenever reasonable.

Depending on circumstances it may be advantageous for the City to participate in a pooled debt issuance with a number of local agencies where issue costs are shared and the underwriters and/or financial consultants are pre-selected by the managing organization. Due to the overall cost savings involved, programs such as the California Statewide Communities Development Authority's "Tax and Revenue Anticipation Note" program are options for the City to consider.

Use of Debt

The City will consider the use of debt financing primarily for capital improvement projects (CIP) when the project's useful life will exceed the term of the financing and when resources are identified sufficient to fund the debt service requirements. Some exceptions to this CIP driven focus are the issuance of debt such as Pension Obligation Bonds, where the financial benefits are significantly greater than the costs and where the benefits are determined to be a financially prudent option; and short-term instruments such as tax and revenue anticipation notes, which are to be used for prudent cash management purposes. Bonded debt should not be issued for projects with minimal public benefit or support, or to finance normal operating expenses.

If a department has any project which is expected to use debt financing, the department director is responsible for expeditiously providing the Finance Department with reasonable cost estimates, including specific revenue accounts that will provide payment for the debt service. This will allow the Finance Department to do an analysis of the project's potential impact on the City's debt capacity and limitations.

Relationship of Debt to Capital Improvement Program and Budget

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ADOPTED BY: Resolution No. 2014-012

DATED: January 14, 2014

AMENDED BY: Resolution No. 2017-029 (2/07/2017)

The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's capital budget and the capital improvement plan.

The City shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The City shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear, unless a specific revenue source has been identified for this purpose, such as Gas Tax.

The City shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the City's public purposes.

The City shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

Policy Goals Related to Planning Goals and Objectives

The City is committed to financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's annual operating budget.

It is a policy goal of the City to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The City will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

Except as described under the caption "DEBT ISSUANCE" below, when refinancing debt, it shall be the policy goal of the City to realize, whenever possible, and subject to any overriding non-financial policy considerations, minimum net present value debt service savings equal to or greater than 5% of the refunded principal amount.

TYPES OF DEBT INSTRUMENTS

In order to maximize the financial options available to benefit the public, it is the policy of the City to allow for the consideration of issuing all generally accepted types of debt, including, but not exclusive to the following:

- General Obligation (GO) Bonds: General Obligation Bonds are suitable for use in the

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CITY OF CHULA VISTA**

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construction or acquisition of improvements to real property that benefit the public at large. Examples of projects include libraries, parks, and public safety facilities. All GO bonds require a 2/3 vote in order to pass.

- Revenue Bonds: Revenue Bonds are limited-liability obligations tied to a specific enterprise revenue stream where the projects financed clearly benefit or relate to the enterprise. An example of projects that would be financed by a Revenue Bond would be improvements to the sewer system, which would be paid back with money raised from the property owner's sewer bills. Generally, no voter approval is required to issue this type of obligation but must comply with proposition 218 regarding rate adjustments.
- Lease Revenue Bonds/Certificates of Participation (COP): Lease Revenue Bonds (LRB) and COPs are commonly used to allow the City to finance projects. The LRBs and the COPs are secured by a lease from the City pursuant to which lease payments are made and budgeted for annually in an appropriation typically from the General Fund. These lease financings do not constitute indebtedness under the State Constitution or the City Charter and do not require voter approval.
- Special Assessment/Special District Debt: the City will consider requests from developers for the use of debt financing secured by property based assessments or special taxes in order to provide for necessary infrastructure for new development only under strict guidelines adopted by the City Council, which may include minimum value-to-lien ratios and maximum tax burdens. Examples of this type of debt are Assessment Districts (AD) and Community Facilities Districts (CFD) or more commonly known as Mello-Roos Districts. In order to protect bondholders as well as the City's credit rating, all Rate and Method of Apportionment (RMA) documents must include provisions that will result in maximum projected annual special tax revenues equal to but not less than 110% of the projected annual gross debt service on any bonds of the CFD. The City will also comply with all State guidelines regarding the issuance of special district or special assessment debt. For further information, refer to the City of Chula Vista Statement of Goals and Policies Regarding the Establishment of Community Facility Districts.
- Industrial Development Bonds – Industrial Development Bonds (IDBs) are tax-exempt securities which can fund manufacturing businesses or energy development projects which provides a public benefit. While the authorization to issue IDBs is provided by a state statute, the tax-exempt status of these bonds is derived from federal law (IRS Code Section 103(b) (2)).
- Tax Allocation Bonds – Tax Allocation Bonds are special obligations that are secured by the allocation of tax increment revenues that were generated by increased property taxes in the designated redevelopment area. Tax Allocation Bonds are not debt of the City. Due to changes in the law affecting California Redevelopment agencies with the passage of ABX1 26 as codified in the California Health and Safety Code, the City of Chula Vista Redevelopment Agency (RDA) was dissolved as of February 1, 2012, and its operations substantially eliminated but for the continuation of certain enforceable RDA obligations to be administered by the City of Chula Vista Successor Agency. The terms of ABX 1 26 requires successor

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DATED: January 14, 2014

AMENDED BY: Resolution No. 2017-029 (2/07/2017)

agencies perform all obligations with respect to enforceable debt obligations, which include Tax Allocation Bonds.

- Multi-Family Mortgage Revenue Bonds – The City Housing Authority is authorized to issue mortgage revenue bonds to finance the development, acquisition and rehabilitation of multi-family rental projects. The interest on the bonds can be exempt from Federal and State taxation. As a result, bonds provide below market financing for qualified rental projects. In addition, the bonds issued can qualify projects for allocations of Federal low-income housing tax credits, which can provide a significant portion of the funding necessary to develop affordable housing. For further information, refer to the Chula Vista Housing Authority – Multi-Family Administrative Bond Policies.
- HUD Section 108 Loan Guarantee Program – The U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program allows cities to use their annual Community Development Block Grant (CDBG) entitlement grants to obtain federally guaranteed funds large enough to stimulate or pay for major community development and economic development projects. The program does not require a pledge of the City's General Fund, only of future CDBG entitlements. By pledging future CDBG entitlement grants as security, the City can borrow at favorable interest rates because of HUD's guarantee of repayment to investors.
- Pension Obligation Bonds – Pension Obligation Bonds (POB) are bonds (usually taxable) which are issued to finance an unfunded pension liability of the entity.

DEBT AFFORDABILITY AND LIMITATIONS

Debt capacity and affordability will be determined by conducting various analyses prior to the issuance of bonds. The analysis of debt capacity should cover a broad range of factors including but limited to the following:

- Statutory or constitutional limitations affecting the amount that can be issued, such as legally authorized debt limits and tax or expenditure ceilings.
- Other legal limitations, such as coverage requirements or additional bonds tests imposed by bond covenants.
- Evaluation of trends relating to the government's financial performance, such as revenues and expenditures, net revenues available after meeting operating requirements, reliability of revenues expected to pay debt service and unreserved fund balance levels.
- Debt service as a percentage of total General Fund Revenues.

The City will attempt to limit the total amount of annual debt service payments payable by the General Fund to no more than 10% of estimated total General Fund revenues. Under state law, general obligation bonds shall not exceed 15% of total assessed valuation within the City.

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DATED: January 14, 2014

AMENDED BY: Resolution No. 2017-029 (2/07/2017)

An analysis using current market rates and conservative projections showing compliance with the debt affordability limitations included in this Debt Policy shall be conducted before the issuance of any debt with a maturity longer than two years from date of issue.

Data showing direct and overlapping debt levels for the City of Chula Vista and surrounding agencies that affect the residents of the City shall be compiled for inclusion in the Comprehensive Annual Financial Report (CAFR) of the City.

DEBT STRUCTURING

In order to maximize financial flexibility in a constantly-changing debt market, the City shall be allowed to structure its debt issuances using generally accepted methods.

The guiding principal shall be to structure debt issuances so that the City's overall costs are minimized while still maintaining or increasing the City's credit rating. Allowable structures include, but are not limited to the issuance of:

- Serial and/or Term Bonds: Serial Bonds are those in an issue that mature in consecutive years, whereas Term Bonds come due in a single maturity but are paid in part each year from sinking fund installments.
- Fixed and Variable Rate Debt: Fixed rate debt is when an interest rate on a security does not change for the remaining life of the security, where Variable rate debt or "floating rate" changes at intervals according to market conditions or a predetermined index or formula.
- Capital Appreciation/Zero Coupon Bonds: Capital Appreciation/Zero Coupon Bonds are bonds sold at an original issue discount on which no periodic interest payments are made prior to maturity. Interest compounds semiannually at a stated interest rate. At maturity the original principal amount plus all accreted interest is paid to the investor.
- Bonds with Capitalized Interest: Bonds with capitalized interest have a portion of the proceeds of an issue set aside to pay interest on the bonds for a specified period of time.
- Senior and Junior Lien Structures: Senior Lien bonds have a priority claim against pledged revenues, while Junior Lien bonds have a subordinate claim against pledged revenues or other security.

Debt service should be structured so that annual combined principal and interest payments do not dramatically vary year over year. This provides greater budget stability. Limited exceptions from level debt service will be allowed for individual debt issues when level debt service is unsuitable; for instance in the case of some refunding of debt, or when a policy decision is made to use variable rate debt.

Redemption provisions should generally be included in most issuances, providing they are structured in a reasonable and cost-efficient manner as determined by the Director of Finance/Treasurer, or designee. Redemption options include but are not limited to:

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- Optional Redemption: a call or prepayment provision option that is giving to the issuer, often only on or after a specified date.
- Mandatory Redemption: a call or prepayment provision requiring the issuer to redeem or call the bond "in-whole" which is all at once, or "in part" which is only a portion on a scheduled basis.

Credit enhancement, such as letters of credit or bond insurance, may be purchased when the cost of enhancement is more than recovered by the debt service savings created. Entering into a financing utilizing letters of credit or insurance must be planned for and determined to be feasible by the Director of Finance/Treasurer, or designee.

Maximum Maturity

Debt obligations shall have a maximum maturity of the earlier of:

- the reasonably estimated useful life of the Capital Improvements being financed; or,
- thirty years; or,
- in the event they are being issued to refinance outstanding debt obligations the final maturity of the debt obligations being refinanced, unless a longer term is recommended by the Finance Team.
- Such other terms which meet the financing goals of the debt issuance.

DEBT ISSUANCE

The City will strive to minimize borrowing costs by:

- Seeking the highest credit rating possible;
- Maintaining transparency and excellent communications with credit rating agencies regarding the City's fiscal condition;
- Purchasing bond insurance or taking action to upgrade the City's current credit rating

It shall be the policy of the City to allow the issuance of debt through public sale or private placement, and via competitive or negotiated sales underwriting methods. Consistent with the goal of minimizing costs, competitive sale shall be evaluated and utilized unless the Director of Finance/Treasurer decides that a negotiated sale is warranted. Factors that may impact this decision include:

- Issuer/Issue Recognition: competitive sales are easier for an issuer that investors and underwriters are familiar with. If extensive marketing is needed to educate the market about the issuer, a negotiated sale maybe more appropriate. Similarly, even if the issuer is well-known, if the issue itself has a "story" that needs to be told, a negotiated sale may be needed to enhance the marketing and acceptance of the debt.
- Issue Size: very large or very small deals may benefit from a negotiated sale over a competitive sale.
- Debt Type: GO bonds and other well-known and accepted debt structures are suitable for

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competitive sales. Others such as CFDs, variable rate, or innovative structures may benefit from a negotiated sale.

- Credit Ratings: issuers with high credit ratings and insured bonds lend themselves to competitive sales. Uninsured or lower rated issues are often more suitable for negotiated sales.
- Sale Timing: during times of market uncertainty when conditions are volatile, the flexibility of a negotiated sale may allow an issuer to adjust the sale date and capture additional interest rate savings.

The City will seek to issue refunding bonds with the minimum goal of 5% net present value savings of the par value of the proposed bonds. Anything less than an anticipated 5% savings will require additional analysis discussing the benefits of the refunding due to the cost associated with refunding debt. Consideration shall be given to the benefit of delaying a refunding in a declining interest rate environment to capture maximum savings at the least cost.

DEBT MANAGEMENT PRACTICES

Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the City shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. The Director of Finance/Treasurer shall be the Officer of the City charged with primary responsibility for administering and implementing these internal control procedures.

The City will periodically review the requirements of and will remain in compliance with the following:

- any continuing disclosure undertakings under Rule 15c2-12 of the Securities and Exchange Commission (SEC),
- any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and
- the City's investment policies as they relate to the investment of bond proceeds.

- **Disclosure**

The City will comply with SEC Rule 15(c) 2-12 and provide timely disclosure of relevant information on an annual basis as well as any event notices as required. The City will fulfill its obligations as covenanted in all the Continuing Disclosure Agreements associated with any active issuance. Documents are distributed through Electronic Municipal Market Access (EMMA) which can be viewed at any time by the public.

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The City recognizes the importance of accuracy in disclosure documents and will strive to provide full and complete disclosure. To ensure accuracy of stated facts, directors of any department that originally provided or produced any data appearing in a disclosure document will provide a written statement certifying the accuracy of their department's data along with a statement denying knowledge of any misstatements or material omissions in the remainder of the disclosure document.

The City will determine on a case-by-case basis whether or not to retain the services of an independent disclosure counsel.

- **Arbitrage**

In the past, agencies took advantage of their ability to borrow at tax-exempt rates and invest the proceeds at higher rates, thus earning positive arbitrage. Since 1986, the federal tax code requires issuers of long-term, tax-exempt debt to rebate positive arbitrage to the federal government. The City will diligently monitor its compliance with all federal arbitrage regulations. Due to the complex nature of arbitrage calculations, the City may elect to hire an outside expert consultant to perform this function.

- **Compliance with Tax Law Provisions**

The City will diligently monitor its compliance with all bond legal covenants, as well as Federal and State requirements, with the assistance of its Finance Team and consultants. Furthermore, recognizing that the smallest of mistakes can lead to the appearance of conflicts of interest or wrongdoing, which in turn may lead to severe consequences, including criminal charges, the City will make every effort to ensure its debt financing conduct is above reproach.

- **Investment of Bond Proceeds**

The City shall comply with Federal and State regulations governing the investment of bond proceeds. Each issue shall detail allowable investments within the authorizing resolution or Trust Agreements, which the City will adhere to. Where not specifically spelled out, the City will apply the City investment policy guiding principal commonly referred to as "SLY"; Safety, Liquidity, and Yield, in that order of priority.

- **Records Retention**

The City will retain records sufficient to demonstrate compliance with the requirements of federal and State law necessary to preserve the tax-exempt nature of any City Bonds or other debt for the period required by law, presently understood to be the life of the debt obligations or any succeeding refunding obligations plus 3 years.

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- **Other Provisions**

Bond proceeds, reserve, and repayment funds, should have separate accounting from operating or other funds, at a level distinct enough to facilitate arbitrage compliance calculations and ease debt service and expenditure tracking. Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the City will submit written requisitions for such proceeds. The City will submit a requisition only after obtaining the signature of the City Manager or the Director of Finance/Treasurer.

If any part of this Debt Policy conflict with Federal or State laws, or the City of Chula Vista Municipal Code, or Charter, such provisions will take precedence over this Debt Policy.

RELATIONSHIP TO OTHER POLICIES

The City has adopted a Statement of Goals and Policies for the Use of The Mello-Roos Community Facilities Act of 1982, included as Exhibit A hereto. Special Tax Bonds issued on behalf of a CFD will also comply with these policy requirements.

WAIVERS OF DEBT POLICY

- There will be circumstances from time to time when strict adherence to a provision of this Debt Policy is not possible or not in the best interest of the City.
- If the City Manager or Director of Finance/Treasurer has determined that a waiver of one or more provisions of this Debt Policy should be considered by the City Council, it will include in the agenda bill the rationale for the waiver and the impact of the waiver on the proposed debt issuance and on taxpayers, if applicable.
- Upon a majority vote of the City Council, one or more provisions of this Debt Policy may be waived for a debt financing.
- The failure of a debt financing to comply with one or more provisions of this Debt Policy shall in no way affect the validity of any debt issued by the City in accordance with applicable laws.

CITY OF CHULA VISTA COUNCIL POLICY
220-06 INTERFUND LOAN POLICY

**COUNCIL POLICY
CITY OF CHULA VISTA**

SUBJECT: Interfund Loan Policy

**POLICY
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220-06

**EFFECTIVE
DATE**

2/17/2015

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ADOPTED BY: Resolution No. 2015-028

DATED: February 17, 2015

AMENDED BY:

BACKGROUND

In order to achieve important public policy goals, and in accordance with generally accepted accounting principles (GAAP) and applicable legal requirements, the City has established various special revenue, capital project, debt service, and enterprise funds to account for revenues whose use should be restricted to certain activities. Accordingly, each fund exists as a separate financing entity from other funds, with its own revenue sources, expenditures, and fund equity.

On occasion, cash flow constraints in a particular fund may necessitate interim financing of capital projects. Interfund borrowings are an appropriate capital project financing alternative to incurring external debt, provided that the fiduciary purpose of the loaning fund is not negatively impacted. Interfund borrowings should be limited to one-time capital expenditures and are not an appropriate funding source for ongoing operations and maintenance activities.

PURPOSE

To establish an interfund loan policy, including the standard terms and documentation required for interfund borrowings.

POLICY

All interfund loans require approval of the City Council. At the time of City Council consideration, the following information shall be provided, at minimum:

1. The purpose of the loan
2. The principal amount borrowed
3. The expected repayment term
4. The most recent monthly pooled investment earning rate
5. The estimated total financing cost
6. A proposed repayment plan, reflecting the above factors
7. The existing interfund loan and external debt obligations of the borrowing fund
8. The existing balance of interfund loan advances from the loaning fund

No fund should profit nor be penalized for internal borrowings. As such, all financing costs shall be calculated using the City's actual pooled investment earning rate, as determined by the Finance Director/Treasurer. Following Council approval, throughout the life of the loan, the actual financing cost shall be calculated based upon the City's actual pooled investment earning rate on a quarterly basis.

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ADOPTED BY: Resolution No. 2015-028

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In order to limit impacts to loaning funds, the shortest reasonable repayment term is preferred. The repayment of interfund loans shall, therefore, be considered priority expenses for debtor funds during the annual budget process.

CITY OF CHULA VISTA COUNCIL POLICY
220-09 PENSION & OPEB RESERVE FUND POLICY

CITY OF CHULA VISTA

SUBJECT: Pension & OPEB Reserve Fund Policy

**POLICY
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220-09

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11/3/2020

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ADOPTED BY: Resolution No. 2020-254

DATED: November 3, 2020

AMENDED BY:

BACKGROUND

The following policy has been developed in response to large annual pension cost increases as a result of current and retired employees living longer, lower than anticipated investment returns by CalPERS over the last several years, and CalPERS policies adopted that require all cities to payback all unfunded pension liability over the next thirty years for existing unfunded liability and over twenty years for any new unfunded liability. This policy will formalize a funding mechanism for the establishment of a Pension Reserve Fund (PRF) to be used at the City's discretion to help offset future pension cost increases. As of June 30, 2020 the total Miscellaneous plan Unfunded Actuarial Liability (UAL) was \$190,478,272 and the total Safety plan UAL was \$163,766,889.

The City also provides certain Other Pension Employment Benefits (OPEB) in the form of subsidized health care rates for tier 1 retirees. As of June 30, 2019 the total OPEB liability for the City is \$15,938,213. The City budgets the implied subsidy amounts on an annual basis.

PURPOSE

To establish a formal City Pension Reserve Fund Policy and OPEB Reserve Fund Policy.

POLICY

Allocation Methodology

This policy amends the General Fund Reserve Policy – Fiscal Health Plan, all allocations for the PRF will only occur after the full funding of the 15% General Fund Operating Reserves.

Upon meeting the 15% General Fund Operating Reserves 75% (seventy-five percent) of all future surplus funds shall be transferred to the PRF for the purposes of that fund while the remaining 25% (twenty-five percent) is allocated to the Economic Contingency Reserves and Catastrophic Event Reserves in accordance with the General Fund Reserve Policy- Fiscal Health Plan. In the event all three General fund reserve accounts are fully funded at the stated policy percentage, 100% of surplus funds will be transferred to the PRF until it reaches 15% of General Fund Expenses (excluding Measure A & P, identical dollar amount to the General Fund Operating Reserves).

Ongoing surplus funds are determined upon the close of the fiscal year if revenues exceed actual expenditures within the General Fund. Special consideration shall be made by the Finance Director each year when determining potential Surplus Funds so as not to leave any General Fund supported funds (Workers Compensation, Public Liability, Insurance Fund) with a negative fund balance.

In addition, if Pension Obligation Bonds are issued, the City shall budget a minimum of 75% of the net annual savings (determined at bond issuance for years 1-10, not adjusted annually for any new unfunded liability or change in actuarial assumptions) for bond fiscal years 1 through 10 to be transferred to the

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DATED: November 3, 2020

AMENDED BY:

Pension Reserve Fund on an annual basis. This fund will take the form of a Section 115 Trust and will replace the Pension Reserve Fund described above. Upon full funding of the 15% Pension Reserve Fund in the 115 Trust, all surplus funds will be allocated 50% to an OPEB Reserve Fund and 50% to an POB Bond Call Fund. Once 75% funding of outstanding OPEB liability is achieved, all remaining surplus funds will be deposited into the POB Bond Call Fund. The Finance Department shall provide a comprehensive reserve fund status report, including five-year reserve fund balance projections, annually to the City Council along with the Comprehensive Annual Financial Report.

In the event of an economic hardship, or other unanticipated fiscal emergency, the City Council may make an emergency declaration to reduce the annual transfer to the PRF, only if all funds in the Emergency Reserve and Economic Contingency Reserve have been depleted. This declaration will only apply to the fiscal year in which it was made. Ongoing fiscal challenges will require a second or third emergency declaration.

Other Provisions

PRF funds may be used towards: repayment of future CalPERS unfunded liability in part or whole; the issuance of debt for the purposes of refinancing or issuing pension obligation bonds or other similar debt instruments; establishment of an OPEB reserve fund; to pay off any outstanding POB's; and any other unanticipated pension related cost or charge. The Finance Department shall create the PRF in the fiscal year in which the first scheduled transfer is to occur.

It is anticipated that pension fund contributions will eventually stabilize around the year 2030 and will slowly be reduced until the outstanding unfunded pension liability is paid in full by the year 2045. Pension Obligation Bonds may be considered to smooth the impacts over that twenty-four-year period. This PRF will remain in place until such time pension contributions have stabilized and the City has no remaining unfunded liability or projected liability in the future.

If any part of this Policy conflicts with Federal or State laws, or the City of Chula Vista Municipal Code, or Charter, those laws will take precedence over this Pension Reserve Fund Policy.

Definitions:

Surplus Funds – Actual revenues exceeding expenditures, if applicable, for each fiscal year. The surplus funds determination is typically made around October of each year for the prior fiscal year.

Bond Fiscal Year – Begins the first fiscal year immediately following the issuance of pension obligation bonds.

CITY OF CHULA VISTA COUNCIL POLICY
220-10 MEASURE A RESERVE FUND POLICY

**COUNCIL POLICY
CITY OF CHULA VISTA**

SUBJECT: Measure A Reserve Fund Policy

**POLICY
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5/24/2022

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ADOPTED BY: Resolution No. 2022-130

DATED: 5/24/2022

AMENDED BY: Resolution No. (date of resolution)

BACKGROUND

On June 15, 2018, Chula Vista voters approved Measure A Sales and Use Tax, a one-half (½) cent Public Safety General Transactions and Use Tax (Sales Tax) in the City of Chula Vista. The Measure A Reserve Fund policy is established to avoid any impacts to the General Fund due to temporary sales tax revenue shortfalls, and to establish the reserves necessary to meet known and unknown future obligations for the City's Police and Fire Departments.

PURPOSE

To establish a formal Measure A Sales Tax Reserve Fund Policy.

POLICY

This policy establishes s Measure A Fund Economic Contingency Reserve:

Measure A Fund Economic Contingency Reserve

The City shall maintain a Measure A Fund Economic Contingency Reserve levels of no less than 60 days (approximately 16% of the annual operating budget) of operations to provide for unexpected financial impacts related to a significant economic slowdown. The reserve level is defined as the number of days of operation in its normal course of business and shall be calculated based on the annual operating budget for the fiscal year, less any budgeted debt service. If funds are appropriated (spent) from the operating reserves due to unanticipated needs, the funds should be replenished by that department in the budget process during the subsequent fiscal year to maintain the minimum reserve balance. If the magnitude of the event caused the Measure A Fund Economic Contingency Reserve to be deeply reduced, the City Manager and Finance Director shall provide the City Council with a plan to incrementally replenish the reserves to the minimum level.

Authorized use (mid-year appropriations) of the Measure A Economic Contingency Reserve will require approval by a (4/5) vote of the City Council.

Calculation of Reserves

The reserves will be calculated using the following year's Adopted Measure A Fund budgeted operating expenditures. Reserves will be evaluated annually in conjunction with the development of the Annual Budget process. There is no maximum reserve level as any reserves above the required minimum would provide a greater level of fiscal security in the case of an unexpected economic slowdown. Any reserves above the required minimum could also be used to support public safety, consistent with the Measure A Public Safety Expenditure Plan through the application of Measure A sales tax revenues that will ensure the best return on investment in terms of staffing improvements for

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ADOPTED BY: Resolution No. 2022-130

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AMENDED BY: Resolution No. (date of resolution)

the improved deployment of resources and include the used of these non-recurring funds for one-time essential public safety purchases (i.e., capital, consulting, software, etc.

**CITY OF CHULA VISTA FINANCE DEPARTMENT POLICIES &
PROCEDURES**

100-01 GENERAL FINANCIAL POLICIES

Purpose:

It is the expectation and general understanding the City Council and the citizens of Chula Vista that the City conducts its financial affairs in a thoughtful and prudent manner. The following financial policies are established to provide the direction and limits within which the City is to fulfill its fiscal responsibilities.

Background:

The City of Chula Vista has historically managed its finances responsibly. Reserves have been established and policies have been developed to overcome economic uncertainty.

This Policy establishes guiding principles for future staff, sets forth guidelines against which current budgetary performance can be measured, and provides values to assist with evaluation of future programs.

Policy:

The City's financial assets will be managed in a sound and prudent manner in order to ensure the continued viability of the organization. This will be achieved through the implementation of the following policies:

I. Balanced Budget

1. A comprehensive operating and capital budget for all City funds will be developed annually and presented to the City Council for approval. The purpose of the annual budget will be to:
 - A. Identify community needs for essential services.
 - B. Identify the programs and specific activities required to provide these essential services.
 - C. Establish program policies and goals that define the nature and level of program services required.
 - D. Identify alternatives for improving the delivery of program services.
 - E. Identify the resources required to fund identified programs and activities, and enable accomplishment of program objectives.
 - F. Set standards to facilitate the measurement and evaluation of program performance.
2. The City will maintain a balanced operating budget. Operating revenues will fully cover operating expenditures, including debt service, each fiscal year.
3. Recurring revenues will fund recurring expenditures. One-time revenues will be used for capital, reserve augmentation, or other non-recurring expenditures.
4. Current expenditures should be paid with current revenues or cash reserves in excess of minimum reserve requirements.

5. Current expenditures should not be balanced by postponing needed expenditures, accruing future revenues, issuing short-term debt, or paying for routine operating costs out of minimum cash reserves.
6. The operating budget should provide for adequate maintenance of fixed assets and equipment and provide for their orderly replacement.
7. City will track revenues and expenditures on an on-going basis, and attempt to anticipate future trends beyond the current budget cycle in order to maintain a balanced budget.
8. Ending fund balance must meet minimum policy levels. See City Council Policies 220-03 and 220-04 (General Fund Reserves – Fiscal Health Plan and Sewer Service Revenue Fund Reserve).

II. Budget Development

1. Budget development will take place in an open and publicly accessible forum.
2. Public involvement is encouraged.
3. The City will use a five-year financial plan and a long-term financial forecast model to promote orderly spending patterns, engage in long-range planning, and reduce the time and resources spent preparing annual budgets.

III. Financial Reporting

1. The City will contract for an annual audit by a qualified independent certified public accountant and will strive for an unqualified auditor's opinion. See City Charter § 1017 (Independent Audit).
2. The City's relationship with its independent public accounting firm will be reviewed every five years, at minimum.
3. Accounting systems will be maintained in accordance with Generally Accepted Accounting Principles (GAAP).
4. The City will adhere to a policy of full and open disclosure of all financial activity and information.
5. The City will strive to meet the requirements of the GFOA awards program for financial reporting.

IV. Minimum Fund Balance and Reserves

1. The City will maintain a minimum unreserved, undesignated fund balance as established by City Council Policy 220-03 (General Fund Reserves – Fiscal Health Plan).
2. The City will maintain a minimum unreserved, undesignated fund balance in the sewer enterprise fund as established by City Council Policy 220-04 (Sewer Service Revenue Fund Reserve).

V. Revenue Management

1. The City will endeavor to maintain a diversified and stable revenue base in order to minimize the impact to programs from short-term fluctuations in any one source of revenue.
2. Revenue projections will be maintained for the current year and four future fiscal years, and estimates will be based on a conservative, analytical, and objective process.

3. One-time and non-sustainable revenues will be excluded as a source to fund ongoing programs, debt service, or other long-term obligations.
4. In order to maintain flexibility, except as required by law or funding source, the City will avoid earmarking any restricted revenues for specific purpose or program.
5. All available funding from federal and state sources will be pursued to finance appropriate programs, services and capital improvement projects, including those mandated by statute.
6. Fees will be reviewed and updated regularly to ensure that program costs continue to be recovered and that the fees reflect changes in levels of service delivery.
7. The City will make conscious decisions about cost recovery and/or general tax subsidy of those services that benefit only portions of the tax-paying public. See City Council Policy 159-03 (Citywide Cost Recovery Policy).
8. A comprehensive analysis of City costs and fees should be made every 5 to 10 years.
9. The City will recover the cost of new facilities and infrastructure necessitated by new development consistent with State law and the City's Growth Management Program. Development Impact Fees will be closely monitored and updated to ensure that they are maintained at a level adequate to recover costs. See Chula Vista Municipal Code (CVMC) Chapter 19.09 (Growth Management Ordinance).
10. When considering new development alternatives, the City will attempt to determine the fiscal impact of proposed projects, annexations, etc. to ensure that mechanisms are put in place to provide funding for any projected negative impacts on City operations. See CVMC Chapter 19.09 (Growth Management Ordinance).

VI. Fiscal Constraints and Expenditure Management

1. Budgetary control will be exercised at the Department/Category level, meaning that each department is authorized to spend up to the total amount appropriated for that department within the expenditure categories of Personnel Services, Supplies & Services, Other Charges, Utilities, and Capital. Transfers and appropriations between expenditure categories of up to \$15,000 may be approved by the City Manager. Transfer of appropriations between expenditure categories in excess of \$15,000, or between departments, require City Council approval. See City Charter § 401(b) and City Council Policy 220-02 (Financial Reporting and Transfer Authority).
2. Appropriations, other than for capital projects, remaining unspent at the end of any fiscal year will be cancelled and returned to Available Fund Balance with the exception of any appropriations encumbered as a result of a valid purchase order as approved for a specific project or purpose by the City Council or the City Manager. Appropriations for capital projects will necessarily be carried over from year to year until the project is deemed completed. See City Charter § 1005 (Budget Appropriations).
3. The City will utilize a competitive procurement process as set forth in a purchasing policy. See City Charter § 1011 (Competitive Bidding).
4. The City will continue to search for viable opportunities to privatize or outsource services, where appropriate.
5. The City will track expenditures to evaluate trends and identify potential problems.
6. Acquisition of real property or facilities shall be tied to a specific objective, with adequate funds identified and taking into account long-term fiscal and policy impacts.

7. All agenda staff reports shall include an analysis of current year and ongoing fiscal impacts.
8. All retirement systems should be financed in an actuarially sound manner in accordance with state law to achieve the goal of systematically funding future liabilities.

VII. Enterprise Funds

1. User fees and charges will fully cover direct and indirect costs, including operations, capital outlay, long-term maintenance and debt service.
2. Enterprise funds will not be subsidized by the General Fund without explicit action by the Council.
3. Costs of general government services will be allocated to the enterprise funds based on an approved methodology.

VIII. Internal Service Funds

1. The City will establish and maintain equipment replacement and facility maintenance funds as deemed necessary to ensure that monies are set aside and available to fund ongoing replacement needs.
2. Rates shall be established to recover the replacement cost of each piece of equipment at the end of its useful life.
3. Facilities will be amortized to cover ongoing maintenance and cyclical repairs and, to the extent possible, the replacement or expansion of major structures.

IX. Debt Management – See Council Policy 220-05 (City Debt Policy)

1. The City will consider the use of debt financing only for one-time capital improvement projects when the project's useful life will exceed the term of the financing and when resources are identified sufficient to fund the debt service requirements. The only exception to this limitation is the issuance of short-term instruments, such as tax and revenue anticipation notes, which will only be considered in order to meet legitimate cash flow needs occurring within the fiscal year.
2. Debt financing is not appropriate for any recurring purpose, such as operating and maintenance expenditures.
3. The City will evaluate pay-as-you-go versus long-term financing in funding capital improvements.
4. The City will strive to maintain a high reliance on pay-as-you-go financing. This may be accomplished through inter-fund loans to reduce borrowing costs or provide for shorter term loans. When interest is charged on internal loans, it is done so at the same rate the City earns from its pooled investments.
5. The City will attempt to limit the total amount of annual debt service payments guaranteed by the General Fund to no more than ten percent (10%) of estimated General Fund revenues.
6. The City will consider requests from developers for the use of debt financing secured by property based assessments or special taxes in order to provide for necessary infrastructure for new development only under strict guidelines adopted by Council, which may include minimum value-to-lien ratios and maximum tax burdens. See Community Facility District Ordinance.

7. The City will use financing mechanisms that appropriately spread the cost of facilities and services to current and future benefitting residents.
8. The City will strive to minimize borrowing costs by:
 - A. Seeking the highest credit rating possible.
 - B. Procuring credit enhancement, such as letters of credit or insurance, when cost effective.
 - C. Maintaining good communications with credit rating agencies regarding the City's fiscal condition.
9. The City will diligently monitor its compliance with bond legal covenants, including adherence to continuing disclosure requirements and federal arbitrage regulations.

Procedures:

Not applicable.

Forms:

Not applicable.

Government Code References:

1. City Charter § 401(b): Financial Reporting
2. City Charter § 1005: Budget Appropriations
3. City Charter § 1011: Competitive Bidding
4. City Charter § 1017: Independent Audit
5. [Chula Vista Municipal Code Chapter 19.09: Growth Management](#)
6. [City Council Policy 159-03: Citywide Cost Recovery Policy](#)
7. City Council Policy 220-02: Transfer Authority
8. City Council Policy 220-03: General Fund Reserves – Fiscal Health Plan
9. City Council Policy 220-04: Sewer Service Revenue Fund Reserve
10. City Council Policy 220-05: City Debt Policy

Policy History:

1. Issued 03/01/2015