



CITY OF LA VERNE

FINANCE COMMISSION

Jason Simison, Commission Chair

Jaime Riley, Commission Vice Chair
Danny Annabi, Commissioner

Danita Beauchamp, Commissioner
Jessica Chan, Commissioner

**Wednesday, February 18, 2026
Regular Meeting at 6:30 PM
La Verne City Hall - Council Chambers,
3660 D Street, La Verne, CA 91750**

Attendance and participation at the City of La Verne Finance Commission meetings are welcomed and appreciated. Community engagement provides the Committee with valuable information. In compliance with the American Disabilities Act, any person with a disability who requires a modification or accommodation in order to participate in a meeting should contact the City Clerk's Office at (909) 596-8726 at least 48 hours prior to the meeting.

Persons addressing the Finance Commission shall be limited to 3 minutes unless an extension of time is granted by the Chair, subject to approval of the Committee Members. When any group of persons wishes to address the Committee, it shall be proper for the Chair to request that a spokesperson be chosen to represent the group.

Public comments will be allowed on items on this Agenda at the time each item is considered.

Mission of the Finance Commission

To provide oversight and recommendations on City revenues, fiscal sustainability, auditing, investment policy, financial practices, and ensuring Measure LV funds are spent as intended and supporting long-term financial planning.

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

ROLL CALL

PRESENTATIONS

1. **Shuster Advisory Group, LLC Presentation.** Informational presentation from Shuster Advisory Group regarding the City's pooled cash investments, Section 115 Pension Trust, OPEB investment fund, and advisory services provided to the City.

APPROVAL OF MINUTES

2. **Minutes of the Finance Commission on November 19, 2025.** Finance Commission Minutes of the regular meeting November 19, 2025

Recommendation: That the Finance Commission approve the minutes.

DISCUSSION ITEMS

- 3. Review and Advisory Recommendation – Administrative Regulation No. 215 (Investment Policy).** Review proposed modifications to Administrative Regulation No. 215 – Investment Policy and provide an advisory recommendation to the City Council regarding adoption of the updated regulation.
Recommendation: That the Finance Commission review the proposed revisions to Administrative Regulation No. 215 (Investment Policy) and provide an advisory recommendation to the City Council for approval.
- 4. Review of Administrative Regulation – Fund Loan Policy.** The proposed Administrative Regulation establishes a formal policy governing temporary interfund loans.
Recommendation: That the Finance Commission review and recommend the proposed Administrative Regulation – Fund Loan Policy to the City Council for consideration and approval.
- 5. Measure LV Activity Review.** Review final Fiscal Year 2024-25 revenue, expenditure and fund balance activity. Update on anticipated mid-year adjustments and additional expenditures added for Fiscal Year 2025-26. Review latest ten year forecast for Measure LV Revenues and Expenditures.
Recommendation: That the Finance Commission receive and file the activity report.

PUBLIC COMMENT

Public comments will be allowed on items not on the Agenda but within the subject matter jurisdiction of the Committee; however, no action may be taken on off-agenda items except as provided by law.

STAFF/COMMITTEE COMMUNICATION & INFORMATION

Committee members may ask a question for clarification, make a brief announcement, make a brief report on his/her own activities, request staff to report back at a subsequent meeting concerning any matter, or take action to direct staff to place a matter of business on a future agenda.

ADJOURNMENT

The next regularly scheduled meeting of the Finance Commission will be held at 6:30 PM on Wednesday, April 22, 2026, at La Verne City Hall, 3660 D Street, La Verne.

Posting Statement: A true copy of this Agenda was posted on February 12, 2026, on the bulletin board at La Verne City Hall, 3660 D Street, La Verne, and on the City's website at www.laverneca.gov

City of La Verne, Finance Commission Agenda Report



DATE: February 18, 2026
TO: Honorable Mayor and City Council
FROM: Christy Lopez, Finance Director
SUBJECT: **SHUSTER ADVISORY GROUP, LLC PRESENTATION.**

SUMMARY

Receive an informational presentation from Shuster Advisory Group, the City's financial advisors, providing an overview of the City's current investment portfolio. The presentation will include a review of the pooled cash investments, the Section 115 Pension Trust, and the OPEB investment fund, as well as a summary of the investment advisory services provided to the City.

RECOMMENDATION

Presentation, no action or recommendation needed.

DISCUSSION

Representatives from Shuster Advisory Group, the City's financial advisors, will provide a brief overview of the City's current investment portfolio and related advisory services. The presentation will include:

- An overview of the City's pooled cash investments and portfolio allocation
- A review of the Section 115 Pension Trust investment performance and strategy
- A review of the Other Post-Employment Benefits (OPEB) Trust investment fund
- A summary of portfolio diversification, performance benchmarks, and risk management measures
- A brief overview of the advisory services provided to the City, including portfolio monitoring, compliance support, investment strategy guidance, and ongoing reporting assistance

The presentation is informational in nature and is intended to provide context regarding current investment management practices and the advisory support provided to the City.

FISCAL ANALYSIS

NA

ENVIRONMENTAL ANALYSIS

NA

LEGAL REVIEW

NA

ATTACHMENTS

None

Finance Commission Agenda Report



DATE: February 18, 2026

TO: Honorable Chair and Commission Members

FROM:

SUBJECT: MINUTES OF THE FINANCE COMMISSION ON NOVEMBER 19, 2025.

SUMMARY

RECOMMENDATION

That the Finance Commission approve the minutes.

DISCUSSION

FISCAL ANALYSIS

ENVIRONMENTAL ANALYSIS

LEGAL REVIEW

ATTACHMENTS

1. Minutes_11-19-2025



CITY OF LA VERNE

FINANCE COMMISSION

MINUTES OF THE FINANCE COMMISSION ON NOVEMBER 19, 2025

ACTION MINUTES

"See Italics"

CALL TO ORDER AND PLEDGE OF ALLEGIANCE - *meeting called to order at 6:30 PM*

ROLL CALL - Commission Member Daniel Annabi, Commission Member Danita Beauchamp, Commission Member Jessica Chan, Commission Member Jaime Riley, and Commission Member Jason Simison.

Finance Commission Members Present: Annabi, Beauchamp, Chan, Riley, and Simison

Finance Commission Members Absent: None

Advisory Staff Present: Finance Director Lopez

COMMISSIONER SWEAR IN - *Deputy City Clerk Debra Fritz swore in all members.*

OFFICER SELECTION - *Jason Simison was nominated to serve as the Chair and Jaime Riley was nominated to serve as the Vice-Chair, approved by a vote of 5-0.*

PRESENTATIONS

1. Finance Overview Finance Overview

Finance Director Lopez presented a Financial Overview which reviewed Measure LV Oversight, Audit Oversight, Fiscal Sustainability Advisory, and a Funding and Budget Overview.

PUBLIC COMMENT

Public comments will be allowed on items not on the Agenda but within the subject matter jurisdiction of the Committee; however, no action may be taken on off-agenda items except as provided by law.

Public Comments: None

STAFF/COMMITTEE COMMUNICATION & INFORMATION

Committee members may ask a question for clarification, make a brief announcement, make a brief report on his/her own activities, request staff to report back at a subsequent meeting concerning any matter, or take action to direct staff to place a matter of business on a future agenda.

Staff/Committee Communication & Information: None

ADJOURNMENT - *meeting adjourned at 8:18 PM.*

Finance Commission Agenda Report



DATE: February 18, 2026
TO: Honorable Chair and Commission Members
FROM: Christy Lopez, Finance Director
SUBJECT: **REVIEW AND ADVISORY RECOMMENDATION – ADMINISTRATIVE REGULATION NO. 215 (INVESTMENT POLICY).**

SUMMARY

Administrative Regulation No. 215 establishes the City’s investment objectives, authorized investment instruments, internal control standards, reporting requirements, and delegated authority for the prudent investment of public funds.

Staff has completed a comprehensive review of the Investment Policy in collaboration with Shuster Advisory Group, the City’s financial advisors, to ensure continued compliance with the California Government Code, alignment with best practices for municipal investment management, and clarity in governance and delegation of authority.

The proposed modifications are technical and clarifying in nature and do not materially change the City’s conservative investment philosophy. The updates strengthen statutory alignment, modernize regulatory references, enhance structured security monitoring language, and clarify administrative responsibilities.

Staff recommends the Finance Commission review the proposed changes and provide an advisory recommendation to the City Council for approval.

RECOMMENDATION

That the Finance Commission review the proposed revisions to Administrative Regulation No. 215 (Investment Policy) and provide an advisory recommendation to the City Council for approval.

DISCUSSION

California Government Code Sections 53600 et seq. authorize local agencies to invest public funds and establish standards governing allowable investment types, maturities, diversification, delegation of authority, and reporting requirements. Best practices recommend periodic review of an agency’s Investment Policy to ensure continued statutory compliance, alignment with regulatory standards, and appropriate internal controls.

Administrative Regulation No. 215 was last updated in October 2024. Staff initiated a comprehensive review to confirm statutory alignment, enhance clarity regarding administrative authority, and modernize regulatory references. The review was conducted in consultation with Shuster Advisory Group to incorporate professional municipal portfolio management guidance

and ensure consistency with current investment practices.

The proposed revisions strengthen the regulatory framework while maintaining the City's conservative investment philosophy and prioritization of safety and liquidity. Key updates include:

1. Statutory Alignment and Maturity Clarifications

- Clarified that no investment may exceed the five-year statutory maturity limitation unless expressly authorized by the City Council pursuant to Government Code Section 53601.
- Updated commercial paper maturity language to reference the maximum permitted under Government Code Section 53601(h), ensuring compliance with any future statutory amendments.
- Clarified Weighted Average Life (WAL).

2. Delegation and Governance Clarity

- Reaffirmed delegation of investment authority to the Finance Director pursuant to Government Code Section 53607.
- Clarified that any external investment advisor acts under the direction and delegated authority of the Finance Director.
- Clarified the procedure in the event of future legislative changes affecting authorized investment types or maturity limits.

3. Risk Management and Internal Controls

- Enhanced due diligence requirements for investment pools and mutual funds.
- Maintained prudent diversification controls, including a 75% cap on Joint Powers Authority pool investments.
- Updated deposit collateral language consistent with Government Code Sections 53630 and 53652.

4. Regulatory Modernization

- Updated broker/dealer regulatory references to reflect current oversight entities.
- Removed outdated language and strengthened clarity regarding maturity measurement standards.

Importantly, the proposed revisions do not expand the types of authorized investments nor increase the City's risk tolerance. The updates are intended to strengthen compliance, clarify governance, and ensure continued prudent stewardship of public funds.

FISCAL ANALYSIS

There is no direct fiscal impact associated with this item.

ENVIRONMENTAL ANALYSIS

NA

LEGAL REVIEW

NA

ATTACHMENTS

1. La Verne IPS 2-18-2026



Administrative Regulation

Number: 215

Issued: 07-01-2018

Effective Date: ~~2-18-2026~~10-07-2024

Revised:10-02-2023

Subject: **INVESTMENT POLICY**

: 10-07-2024

PURPOSE

This statement is intended to provide guidelines for the prudent investment of the City of La Verne's temporary idle cash and outline the policies for maximizing the efficiency of the cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled cash.

SCOPE

Included in the scope of the City's investment policy are the following major guidelines and practices which are to be used in achieving the City's primary investment objectives:

- Investment Authority and Responsibilities
- Eligible Financial Institutions
- Authorized Investments
- Investment Maturities
- Cash Management
- Evaluation of Investment Performance
- Investment Reporting
- Investment Policy Review and Adoption

It is intended that this policy cover all funds and investment activities under the direct authority of the City. These funds are accounted for in the City's Annual Comprehensive Financial Report (ACFR) and include the general fund, special revenue funds, debt service funds, capital project funds, enterprise funds, internal service funds and agency funds. Funds excluded from this policy include proceeds of debt issuance, retirement/pension funds and deferred compensation funds, and pension or other post-employment benefit funds held in a trust.

OBJECTIVES

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City

attempts to obtain a market rate of return on funds as long as investments meet the criteria established for safety and liquidity.

POLICY AND INVESTMENT PHILOSOPHY

The City of La Verne's investment philosophy is to invest conservatively to minimize risk. Investments shall be made in the context of the Prudent Investor Rule for trustees of local government money, which is defined in Government Code Section 53600.3:

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 like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

The fundamental principles of the City's philosophy are:

- Diversification of the portfolio by investment type or maturity;
- Quality standards for securities issuers;
- Limits on the maximum maturity of investments; and
- Passive investment strategy of purchasing investments with the intent to hold them until maturity.

Portfolio diversification in terms of maturity, instrument types and issuer helps to reduce the overall risk while obtaining an average market rate of return. Therefore, the portfolio should consist of a mix of various types of securities, issuers and maturities. Occasional measured losses are inevitable and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

DELEGATION OF AUTHORITY

Investment authority and responsibility to invest or reinvest the funds of the City of La Verne is hereby delegated by the City Council to the Finance Director. The Finance Director is a trustee and a fiduciary subject to the prudent investor standard.

The City may retain the services of an outside investment advisor or manager as approved by the City Council to act in an advisory capacity to assist with the City's investment program who under the direction and delegated authority of the Finance Director shall make all investment decisions and transactions in strict accordance with State Law, this Policy and such other written instructions as are provided.

AUTHORIZED INVESTMENTS

Investments may be made in the following media:

1. ~~Money Market Account~~
2. ~~Passbook Savings Account~~

3. U. S. Treasury Issues
4. Federal Agency Securities
5. Certificates of Deposit
- Municipal Bonds
6. Negotiable Certificates of Deposits
7. Bankers Acceptances
8. Commercial Paper
9. Medium Term Corporate Notes
- ~~10. Repurchase Agreements~~
11. Local Agency Investment Fund (LAIF)
- ~~12. Los Angeles County Pooled Funds~~
13. Secured Obligations
14. Money Market Mutual Funds (including money market)
Mortgage or Asset Backed Securities
15. Joint Powers Authority Pools

Descriptions of these investments are listed in Appendix A.

Proceeds from bonds and other obligations of indebtedness that are held by a trustee or fiscal agent may be invested in any instruments as specified in the bond indenture, resolution or issuance agreement.

Criteria for selecting investments and the order of priority are:

1. Safety. The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The City only operates in those investments that are considered very safe.
2. Liquidity. This refers to the ability to convert investments into cash or cash equivalents without significant loss of principal. Liquidity is an important investment quality especially when the need for unexpected funds occurs occasionally.
3. Yield. Yield is the potential dollar earnings an investment can provide, and sometimes is described as the rate of return. Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

INTERNAL CONTROL

The Finance Department is responsible for ensuring compliance with the City's investment policy as well as for establishing systems of internal control designed to prevent loss due to fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by city officers and employees. Timely bank reconciliations are conducted to ensure proper handling of all transactions.

An independent analysis by an external auditor shall be conducted annually to review internal control and compliance with policies and procedures.

CONFLICTS OF INTEREST

The City adopts the following policy concerning conflicts of interest:

1. Officers and employees involved in the investment process shall not conduct personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.
2. Officers and employees involved in the investment process shall disclose to the City Clerk any material financial interests in financial institutions that conduct business with the City of La Verne, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio.

SAFEKEEPING

Securities purchased from brokers/dealers shall be held in third party safekeeping by the trust department of the local agency's bank or other designated third-party trustee/agent in local agency's name and control, whenever possible. All trades where applicable will be executed by delivery vs. payment (DVP). This ensures that securities are deposited in the eligible financial institution prior to the release of funds.

INVESTMENT OBJECTIVE

The cash management system of the City of La Verne is designed to:

- Safeguard and protect the principal of the funds in the City's investment portfolio;
- Ensure that the City has adequate cash to pay budgeted expenditures and other operating costs by selecting maturities that reflect projected future;
- Achieve a return on the funds; and
- Comply with applicable law governing investment of governmental funds.

REPORTING

In accordance with Government Code Section 53646(b)(1), the Treasurer shall render a quarterly report to the City Council. The Treasurer's report shall be submitted to the City Clerk's office within 30 days following the end of the quarter covered by the report. The report on investments shall include the:

- Type of each investment,
- Issuer of each investment,
- Date of purchase and maturity of each investment,
- Par value and dollar amount invested on each security, investment and moneys held by local agency,

- Interest rate or yield on each investment,
- Current market value of the investment portfolio as of the date of the report and the source of the valuation.

In addition, the report on investments shall include a statement:

- As to whether the City's investments comply with this Statement of Investment Policy, and if not, why not,
- Denoting the ability of the City to meet its expenditure requirement for the next six months.

The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. The City may invest to the maximum limits with LAIF. Investments made through Broker/Dealers shall be made through firms that are members of the New York Stock Exchange, registered with the Securities and Exchange Commission (SEC), members of the Financial Industry Regulatory Authority (FINRA), and subject to applicable Municipal Securities Rulemaking Board (MSRB) regulations.~~will be made through firms who are members of the New York Stock Exchange or regulated by either the Securities Exchange Commission or the National Association of Securities Dealers.~~—In addition, investment advisors must have at least five years' experience investing in the securities and obligations authorized under this policy and managing assets in excess of five hundred million dollars (\$500,000,000).

No investment (except for those made from the proceeds of bonds) will be made in any security which at the time of the investment has a term remaining to maturity in excess of five years.

The City strives to maintain the level of investment of all funds as near 100 percent as possible through daily and projected cash flow determinations. Idle cash management and investment transactions are the responsibility of the City Treasurer and Finance Director.

The basic premise underlying the City's investment philosophy is, and will continue to be, to ensure that money is always safe and available when needed.

The Investment Advisor shall report to the City, on a monthly basis, the weighted-average life for each structured security to ensure compliance with the individual 5-year weighted average-life limitation. Weighted-Average-Life (WAL) measures the average length of time for anticipated principal repayments to measure a bond's risk and liquidity. In order to calculate a bond's WAL, assumptions must be made regarding prepayment event probabilities, prepayment amounts, prepayment speed, underlying asset leverage, and other collateral features as well as macroeconomic drivers such as, but not limited to, interest rate expectations, home prices, and mortgage rates. Institutionally, proprietary models use these various assumed inputs to estimate the amount and timing of principal repayments in order to produce a WAL output that functions as a useful metric to understand interest rate risk, prepayment risk, and extension risk.

All data shall be maintained by the Investment Advisor for record-keeping purposes. If a structured security is reported to have a weighted-average-life greater than 5 years, it shall be flagged for

immediate discussion with both the City and Investment Advisor to determine if the security shall be held or liquidated, depending on underlying risk and broader market conditions. Notwithstanding the aforementioned process, any security with a weighted-average-life greater than 4 years shall be monitored on a monthly basis to note any reporting trends. WAL monitoring is used solely as a supplemental risk metric and does not supersede statutory maturity limitations.

DEPOSITS

Money must be deposited in a nationally or state-chartered commercial bank, savings bank, savings and loan association, or credit union in the state. It may be in inactive deposits, active deposits, or interest-bearing active deposits. All deposits shall be made in accordance with California Government Code Sections 53630 et seq. and 53652 et seq., and shall be secured through the State of California's collateralization program for public deposits. Deposits shall be collateralized at the level required by law and monitored by the California Department of Financial Protection and Innovation or its successor.~~The deposits cannot exceed the amount of the bank's, savings and loan's, or credit union's paid-up capital and surplus.~~

~~The bank or savings and loan must secure the active and inactive deposits with eligible securities having a market value of 110 percent of the total amount of the deposits. State law also allows, as an eligible security, first trust deeds having a value of 150 percent of the total amount of the deposits.~~

The Finance Director or Treasurer may at his/her discretion waive security for that portion of a deposit, which is insured pursuant to federal law. Currently, the first \$250,000 of a deposit is federally insured. It is to the City of La Verne's advantage to waive this collateral requirement for the first \$250,000 because we receive a higher interest rate.

DEPOSITORY SERVICES

ACTIVE DEPOSITS are demand or checking accounts, which receive revenues and pay disbursements.

INTEREST-BEARING ACTIVE DEPOSITS are money market accounts at a financial institution (i.e., bank, savings and loan, credit union). These accounts are demand accounts (i.e., checking accounts) with restricted transaction activity.

INACTIVE DEPOSITS are certificates of deposits issued in any amount for periods of time as short as fourteen days and as long as several years. Interest must be calculated on a 360-day basis, actual number of days. At any given time, the City may have certificates of deposit in numerous financial institutions. As a matter of policy, we do not invest in Certificate of Deposits (CDs) for longer than ~~one~~five years or invest through an outside CD broker.

We require that each financial institution submit current financial statements, which are evaluated by staff prior to the investment of funds. We use the following criteria:

1. The institution must have been in business at least four years.
2. The institution must have assets of at least \$500 million and a net worth to asset value greater than 3.5 percent.

3. Investments in Credits Unions require an equity (net worth) to asset value of 5.0 percent.

PASSBOOK SAVINGS ACCOUNT is similar to an inactive deposit except not for a fixed term. The interest rate is generally lower than CDs, but the savings account allows us flexibility. Funds can be deposited and withdrawn according to City needs.

INVESTMENT SECURITIES

Investment of City funds is governed by the California Government Code Sections 16429.1 and 53601. Investments may not have a term or maturity at the time of investment of longer than that authorized by Section 53601 or five years (measured by settlement date) unless the City Council has granted express authority, no less than three (3) months prior to the investment, for a specific investment to exceed such limit. It should be noted that while the Government Code specifies the maximum percentage of the portfolio which may be held in each type of investment at any one time, fluctuations in the portfolio balance will prevent strict adherence to such restrictions. Therefore, percentage limitations shall apply to investments at the time of purchase. The City will diversify its investments by security type and institution. Within the context of the State limitations, the following investments are authorized:

1. U.S. TREASURY OBLIGATIONS

Government Code Section 53601(b): are direct obligations of the United States Government. These issues are called bills, notes, and bonds. The maturity range of new issues is from thirteen weeks (T-bills) to thirty years (T-bonds). These are highly liquid and are considered the safest investment security. There is no limit as to the amount of the investment portfolio that may be invested in US Treasury Obligations. The City will not invest in U.S. Treasury Obligations having a final stated maturity greater than five (5) years from the settlement date, unless expressly authorized by the City Council pursuant to Government Code Section 53601. Weighted Average Life (WAL) may be utilized as a supplemental risk measurement but shall not replace or supersede statutory maturity limitations..

2. U.S. GOVERNMENT SECURITIES

Government Code Section 53601(f): are issued by direct U. S. Government agencies or quasi-government agencies. The United States Government guarantees these issues directly or indirectly. Examples of these securities are Federal Home Loan Bank (FHLB) notes, Federal National Mortgage Associations (FNMA) notes, Federal Farm Credit Bank (FFCB) notes, Federal Intermediate Credit Bank (FICB) debentures, Small Business Administration (SBA) notes, Government National Mortgage Association (GNMA) notes and Student Loan Association (SALLMAE) notes, and other US Government Agency Securities. Securities eligible for investment under this subdivision shall have a final stated maturity of five (5) years or less from the settlement date. Agency Mortgage-Backed or Asset-Backed Securities shall have a maximum remaining maturity of five years or less measured on a weighted average life (WAL) basis. There is no limitation as to the percentage of the City's portfolio that may be invested in this category.

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3. CERTIFICATES OF DEPOSIT

Government Code Section 53635 are investments for inactive funds issued by banks, savings and loans and credit unions. Investments of \$250,000 are insured respectively by Federal Deposit Insurance Corporation (FDIC). Federal Savings and Loan Insurance Corporation (FSLIC) and the National Credit Union Share Insurance Fund (NCUSIF). Certificates of Deposit can be issued from fourteen days to several years in maturity allowing the City investment of funds to be matched to cash flow needs. For deposits exceeding \$250,000 we require the financial institution to collateralize with 110 percent government securities collateral. The City of La Verne will not accept 150 percent collateral (First Trust Deeds) or 105 percent Letters of Credit (LC). There is no limit as to the amount of the investment portfolio that may be deposited in certificates of deposit, however the City may invest up to the maximum amount permitted by Government Code and prudent diversification practices. The maximum maturity for this investment is five years from the time of purchase.

4. CALIFORNIA STATE, CALIFORNIA LOCAL GOVERNMENT AGENCIES, and other UNITED STATES STATE BONDS

Government Code Sections 53601(c) through (e): ~~Thir~~twenty percent (320%) of the City's portfolio may be invested in this category having at the time of investment minimum "AA" or its rating equivalent or better by an NRSRO. This category includes:

- Registered state warrants or treasury notes or bonds of the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state or by a department, board, agency, or authority of the state.
- Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
- Bonds, notes, warrants, or other evidence of indebtedness of a local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

5. BANKERS ACCEPTANCES

Government Code Section 53601(g) are short-term credit arrangement to enable business to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument. Acceptances are purchased in various denominations for 30 to 270 days. The City cannot purchase banker's acceptances with a maturity longer than 180 days. The interest is calculated on 360-day discount basis similar to Treasury Bills. Local agencies cannot invest more than 40 percent of their excess funds in banker's acceptances and no more than 30 percent of the agency's funds in any one commercial bank.

6.COMMERCIAL PAPER

Government Code Section 53601(h):

is short term unsecured promissory note issued by a corporation to raise working capital. These negotiable instruments may be purchased at a discount to par value or interest bearing. Commercial paper is issued by corporations such as General Motors Acceptance Corporation (GMAC), Shearson-American Express, Bank of America, Wells Fargo Bank, etc.

Twenty-five percent (25%) of the City's portfolio may be invested in "Prime" commercial paper as rated by a nationally recognized statistical-rating organization (NRSRO). Issuing corporations must be organized and operating in the United States, have \$500 million total assets, and have at least an "A1" rating by an NRSRO on debt other than commercial paper. No more than 10% of the portfolio may be invested in the commercial paper and medium-term notes of any single issuer. The maturity period shall not exceed the maximum permitted by Government Code Section 53601(h)cannot exceed 270 days.

7. NEGOTIABLE CERTIFICATES OF DEPOSIT

Government Code Section 53601(i): Thirty percent (30%) of the City's portfolio may be invested in Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or a state or federal association or by a state-licensed branch of a foreign bank. These securities shall be rated in a ratings category of "A" or its equivalent or better by an NRSRO.

8. MEDIUM TERM CORPORATE NOTES

Government Code Section 53601(k) are unsecured promissory notes issued by a corporation operating in the United States. These are negotiable instruments and are actively traded in the secondary market. Medium Term Corporate Notes (MTN) can be defined as extended maturity commercial paper. Corporations use these MTNs to raise capital. Examples of MTN issuers are General Electric, GMAC, Citibank, Wells Fargo Bank, etc.

Defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less (measured by settlement date), issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision must be rated in a rating category of "A" or its equivalent or better by an NRSRO. No more than 10% of the portfolio may be invested in the commercial paper and medium-term notes of any single issuer. Up to 30% of the City's portfolio may be so invested.

9.LOCAL AGENCY INVESTMENT FUND (LAIF)

Government Code Section 16429.1: is a special fund in the California State Treasury, which local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of \$75 million (except for proceeds from bonds) for any agency. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by amounts deposited and the length of time they are deposited. Interest is paid quarterly via direct deposit to the LAIF account.

The State keeps an amount for reasonable cost of making the investments, not to exceed one-quarter of one percent of the earnings.

10. SECURED OBLIGATIONS

Government Code Section 53601 (m) & (n)N, are notes, bonds, or other obligations which are at all times secured by a valid first priority security interest in eligible securities pursuant to Section 53651. The securities serving as collateral shall be in the custody of a trust company or the trust department of a bank, which is not affiliated with the issuer of the secured obligations. ~~Also included are mortgage pass-thru investments and collateralized mortgage obligation (CMO). The CMO is a cash flow bond in which mortgage payments from the underlying mortgage pools pay principal and interest to the CMO bondholder. Investments in secured obligations, et al, may not exceed 20 percent of the local agency's excess funds.~~

11. MONEY MARKET MUTUAL FUNDS

Government Code Section 53601(l) are "shares of beneficial interest issued by diversified management companies." in order to invest in a mutual fund, it must be restricted by its by-laws to the same investments as the Government Code allows local agencies. These investments include treasury debt obligations, banker's acceptances, commercial paper, certificates of deposit, negotiable certificates of deposit, repurchase agreements, secured obligations, and medium term corporate notes. The quality rating and percentage restrictions in each investment category applicable to the local agency also applies to the mutual fund.

A further restriction is that the purchase price of the shares of the mutual funds shall not include any sales commission. Investments in mutual funds shall not exceed twenty percent of the local agency's excess funds pursuant to this section and no more than ten percent may be invested in shares of beneficial interest of any one mutual fund.

12. MORTGAGE OR ASSET BACKED SECURITIES

Government Code Section 53601(o): Up to twenty percent (20%) of the City's portfolio may be invested in mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable passthrough certificates, or consumer receivable-backed bonds. The 20% limit does not apply to securities issued by the US Government or any US Agency. Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO. Securities eligible for investment under this subdivision shall have a maximum remaining maturity of five years or less measured on a weighted average life (WAL) basis.

13. JOINT POWERS AUTHORITY POOLS

Government Code Section 53601(p): Shares of beneficial interest issued by a Joint Powers Authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions 53601(a) to 53601(r), inclusive (e.g. Cal Trust, CAMP, CLASS). Each share shall represent an equal proportional interest in the underlying pool of securities owned by the Joint Power's Authority. There is no maximum limit for JPA investments however the City will limit the investment to no more than 75% of the City's surplus funds.

DUE DILIGENCE REQUIREMENT

The Finance Director shall make a thorough investigation of an investment pool or mutual fund prior to investing funds and on a continual basis. At a minimum, the following information shall be on file for each pool and/or mutual fund:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations, how interest is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, and the size of deposits and withdrawals.
5. A schedule for receiving statements and portfolio listings.
6. Whether reserves, retained earnings, etc. are utilized by the pool/fund.
7. A fee schedule, and when and how fees are assessed.
8. Whether the pool/fund is eligible for bond proceeds and/or will it accept such proceeds.

PROHIBITED INVESTMENTS

In compliance with Government Code Section 53631.5, the City of La Verne

shall not invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. Additionally, the City shall not invest in any security that could result in zero interest accrual if held to maturity.

The City does not participate in any form of portfolio leverage, including but not limited to securities lending programs, reverse repurchase agreements and margin accounts.

Unless otherwise authorized above by the City Council pursuant to Government Code Section 53601, no investment may have a final stated maturity greater than five (5) years from the settlement date.

DERIVATIVE INVESTMENTS

Derivatives are investments whose value is "derived" from or based upon the value of other assets or on the level of an interest rate index. The City of La Verne does not invest in derivative instruments whose value is derived from speculative leverage. Mortgage-backed

securities permitted under §53601(o) are not considered derivatives for purposes of this policy products.

LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment types or percentage allocations will be incorporated into the City of La Verne Statement of Investment Policy and supersede any and all previous applicable language. If the City is holding an investment that is subsequently prohibited by a legislative change, the City may hold that investment, if it is deemed prudent by the Finance Director with notification to the City Council Investment Review Committee, until the maturity date to avoid an unnecessary loss.

CASH MANAGEMENT

In order to obtain a reasonable return on public funds, the following cash management practices will be followed:

1. Maintain maximum investment of all City funds not required to meet immediate cash flow needs.
2. Pool cash from all City administered funds for investment purposes with interest earnings allocated monthly, distributed quarterly based on the average cash balance of each fund at month end as a percentage of the entire pooled portfolio.
3. Maximize the City's cash flow through immediate deposit of all cash receipts, use of direct deposit when available, and appropriate timing of payment to vendors.
4. Maximize cash flow information available through the use of only one operating bank account.

City Manager

Date

Finance Commission Agenda Report



DATE: February 18, 2026
TO: Honorable Chair and Commission Members
FROM: Christy Lopez, Finance Director
SUBJECT: **REVIEW OF ADMINISTRATIVE REGULATION – FUND LOAN POLICY.**

SUMMARY

The proposed Administrative Regulation establishes a formal policy governing temporary interfund loans to address short-term cash flow needs, including within enterprise funds such as the Water Fund, while ensuring transparency, defined repayment terms, and City Council approval. The Finance Commission is requested to review the policy for fiscal soundness and recommend its adoption to the City Council for final approval.

RECOMMENDATION

That the Finance Commission review and recommend the proposed Administrative Regulation – Fund Loan Policy to the City Council for consideration and approval.

DISCUSSION

The Finance Department has developed a proposed Administrative Regulation establishing a formal Fund Loan Policy for the City of La Verne. The purpose of the policy is to provide a structured and transparent framework for the temporary lending of funds between City funds to address short-term cash flow needs.

The need for this policy has been identified in connection with timing differences between operating expenditures and revenue receipts, particularly within enterprise funds such as the Water Fund. While revenues are sufficient on an annual basis, cash flow timing may occasionally require short-term internal financing to support ongoing operations.

The proposed Administrative Regulation:

- Establishes criteria under which fund loans may occur
- Includes enterprise funds as eligible borrowing and lending funds when legally permissible
- Requires City Council approval for all interfund loans
- Ensures repayment terms, interest considerations, and accounting treatment are clearly defined
- Aligns with GAAP and audit best practices

The Finance Commission's role is to review the policy for fiscal soundness and transparency and provide a recommendation to the City Council. The Finance Commission does not approve Administrative Regulations.

FISCAL ANALYSIS

The adoption of the Administrative Regulation itself does not have a direct fiscal impact. Any future fund loans would require separate City Council approval and would include defined repayment terms to protect the financial position of all affected funds.

ENVIRONMENTAL ANALYSIS

N/A

LEGAL REVIEW

N/A

ATTACHMENTS

1. La Verne Fund Loan Policy Draft 2-18-2026



Administrative Regulation

Number:

Issued:

Effective Date:

Subject: **FUND LOAN POLICY**

1. PURPOSE

- 1.1. The purpose of this Fund Loan Policy is to establish clear guidelines for the temporary lending of funds between City funds to address short-term cash flow needs or to finance one-time expenditures. This policy is intended to promote transparency, fiscal discipline, and compliance with applicable provisions of California law, including Government Code sections governing the use of restricted and unrestricted funds.

This policy applies to all interfund loans entered into by the City of La Verne.

2. SCOPE

- 2.1. This Administrative Regulation establishes a citywide framework governing temporary interfund loans between City funds for short-term cash flow purposes. The policy applies to all City funds, including the General Fund, Special Revenue Funds, Capital Project Funds, Internal Service Funds, and Enterprise Funds such as the Water and Sewer Funds.
- 2.2. The regulation defines the conditions under which fund loans may occur, establishes required City Council approval, outlines repayment and interest considerations, and sets accounting and reporting standards consistent with applicable laws and Generally Accepted Accounting Principles (GAAP).
- 2.3. This Administrative Regulation does not approve a specific interfund loan, does not authorize permanent transfers between funds, and does not alter existing budget authority. Any future interfund loan will require separate City Council action in accordance with this policy.

3. POLICY OBJECTIVES

- 3.1. The City's objectives in authorizing fund loans are to:
 - 3.1.1. Ensure sufficient liquidity for all City funds;
 - 3.1.2. Avoid unnecessary external borrowing and associated financing costs;
 - 3.1.3. Protect the long-term financial stability of lending funds;
 - 3.1.4. Ensure timely repayment with appropriate interest;
 - 3.1.4.3.1.5. Ensure transparency and public awareness; and
 - 3.1.5.3.1.6. Maintain compliance with legal, accounting, and auditing standards.

4. CONDITIONS FOR FUND LOANS

- 4.1. Interfund loans may be authorized only when all of the following conditions are met:
- 4.2. Temporary Need
The borrowing fund demonstrates a temporary cash flow shortfall or a short-term financing need, and identifies a specific and reliable source for repayment.
- 4.3. Availability of Lending Funds
The lending fund has sufficient cash reserves in excess of its operational, capital, and reserve requirements to accommodate the loan without impairing its financial integrity.
- 4.4. Legal Allowability
Loaned funds must be legally available for lending. Restricted, special revenue, or enterprise funds may only be used if the loan complies with all applicable legal and contractual restrictions.
- 4.5. One-Time or Short-Term Use
Fund loans are intended for short-term or interim financing purposes and shall not be used to address ongoing structural budget imbalances.

5. AUTHORIZATION USES

- 5.1. Fund loans may be used for:
- 5.2. Temporary cash flow support for operating expenditures
- 5.3. Interim financing pending receipt of revenues
- 5.4. One-time or timing-related funding needs
- 5.5. Fund loans are not intended to replace long-term financing solutions or permanently subsidize another fund.

6. AUTHORIZATION REQUIREMENTS

- 6.1. City Council Approval is required for all interfund loans.
- 6.2. All fund loans require City Council approval by resolution.
- 6.3. Each resolution shall specify:
- 6.4. Borrowing fund and lending fund
- 6.5. Loan amount
- 6.6. Purpose of the loan
- 6.7. Repayment schedule and term
- 6.8. Source of repayment
- 6.9. Interest rate, if applicable

7. LOAN TERM AND REPAYMENT

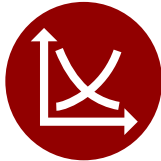
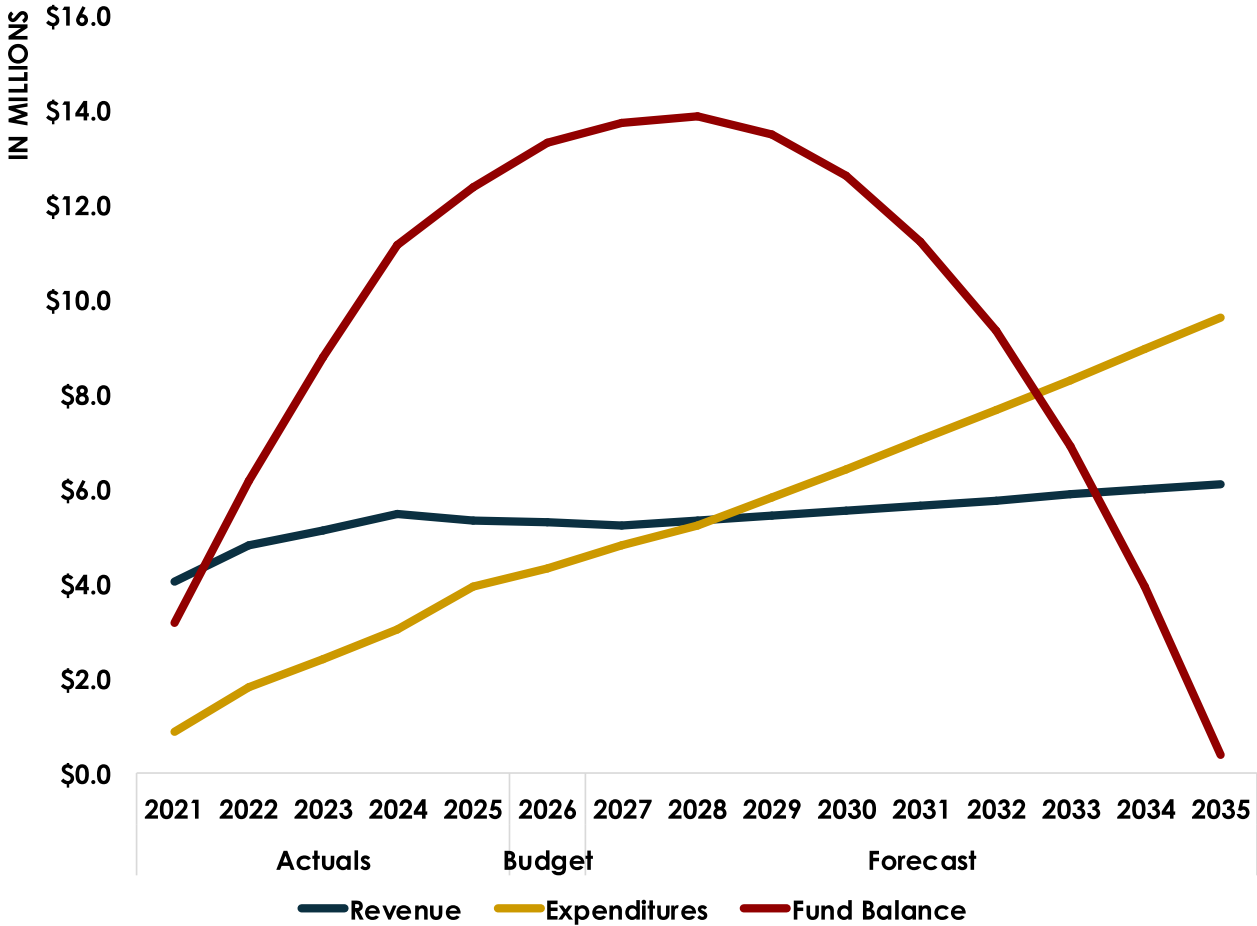
- 7.1. Loan Term - Interfund loans shall generally not exceed five (5) years, unless otherwise approved by the City Council.
- 7.2. Repayment Schedule - A defined repayment schedule shall be established at the time of approval. Repayment shall commence as soon as sufficient revenues are available in the borrowing fund.
- 7.3. Early Repayment - Loans may be repaid early without penalty.

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	FY2023-24 2YEAR'S AGO ACTUALS	FY2024-25 LAST YEARS ACTUALS	FY2025-26 ORIGINAL BUDGET	FY2025-26 ADJUSTED BUDGET	FY2025-26 YEAR TO DATE ACTUALS
REVENUE						
107-0000-313.12-00	MEASURE LV	5,061,078-	4,882,911-	5,087,000-	5,087,000-	1,524,240-
107-0000-361.00-00	INTEREST REVENUES	370,525-	455,536-	300,000-	300,000-	223,973-
107-0000-361.15-00	MARKET VALUE ADJUSTMENT	61,860-	171,634-	0	0	0
* 107-MEASURE LV		5,493,463-	5,510,081-	5,387,000-	5,387,000-	1,748,213-
** REVENUE		5,493,463-	5,510,081-	5,387,000-	5,387,000-	1,748,213-
EXPENDITURE						
107-7830-421.74-12	FIRE SAFETY UNIFORMS & EQ	12,569	10,234	0	0	0
107-7830-421.75-00	***CAPITAL OUTLAY	0	9,374	0	17,302	16,084
107-7830-510.75-00	***CAPITAL OUTLAY	0	6,712	0	0	0
107-7831-406.74-07	EQUIP-COMPUTERS	5,084	71,760	0	49,751	0
107-7831-422.61-20	FURNITURE SUPPLIES	418	0	0	0	0
107-7831-422.64-07	UNIFORM/SAFETY EQUIPMENT	74	0	0	0	0
107-7831-422.69-18	SUBSCRIPTIONS,DUES,PERMIT	7,560	0	0	0	0
107-7831-422.74-05	OFFICE EQUIP & FURNITURE	17,570	0	0	0	0
107-7831-422.74-14	POLICE WEAPONS & ATTACHMT	54,489	0	0	0	0
107-7832-421.69-11	MISCELLANEOUS EXPENSE	10,001	4,606	0	0	0
107-9892-550.91-01	GENERAL FUND	3,073,407	3,991,116	3,991,117	4,119,281	1,995,559
* 107-MEASURE LV		3,181,172	4,093,802	3,991,117	4,186,334	2,011,643
** EXPENDITURE		3,181,172	4,093,802	3,991,117	4,186,334	2,011,643

FUND 107 107-MEASURE LV		DEBIT	CREDIT
ACCOUNT	ACCOUNT DESCRIPTION	BALANCE	BALANCE
101 00 00	CASH & EQUIVALENT / CASH IN BANK	11,724,996.23	
106 10 00	INTEREST RECEIVABLE / ACCRUED INTEREST	4,556.91	
126 10 00	INTERGOVERNMENTAL REC / DUE FROM OTHER GOVTS	883,234.85	
201 10 00	ACCOUNTS PAYABLE / ACCOUNTS PAYABLE-GENERAL		72,422.42
242 00 00	SUMMARY / EXPENDITURE SUMMARY	4,093,801.50	
244 00 00	SUMMARY / REVENUE SUMMARY		5,510,080.79
253 00 00	FUND EQUITY / FUND BALANCE	1,416,279.29	
253 20 00	FUND BALANCE / RESTRICT SPECIAL PURPOSE		12,540,365.57
	FUND TOTALS	18,122,868.78	18,122,868.78
	FUND IS IN BALANCE		

Measure LV Fund Balance

10-YEAR FORECAST



Managing Long-Term Obligations

Continuous control of Measure LV Spending



Expenditures vs Revenues

Forecasted Expenses exceed Revenues in 2028



Limits to Revenues

Measure LV is set at a 0.75% tax
0.25% tax is open to County/State if new measure is passed

Assumptions: Actual % increases if known ; Salary 2% & Benefits 3% if unknown