

KERMAN REDEVELOPMENT AGENCY

AGENDA

**August 20, 2008– Regular Meeting
6:30 PM**

Community Teen Center
15101 Kearney Plaza
Kerman, CA 93630

Agency Members: Chairperson Trinidad Rodriguez, Richard Stockwell, Raj Dhaliwal, Jack Sidhu, Charlie Jones.

Kerman RDA meetings are intended to be accessible to all persons. Please let us know if you require any accommodation to allow you to access and participate in this meeting. For assistance, please call (559) 846-9380 two days prior to the meeting.

Materials related to an item on this agenda that are public documents and are submitted after distribution and posting of the agenda are available for public inspection in the City Clerk's office at 942 South Madera Avenue, Kerman, during normal business hours. Documents that are public documents provided by others during a meeting will be available at the same location during business hours after the meeting.

Present:

Absent:

Also Present:

WELCOME – Chairperson Trinidad M. Rodriguez

CALL TO ORDER

ROLL CALL – Agency Secretary Renee Holdcroft

A. AGENDA APPROVAL

B. MINUTES – Last Regular Meeting

Minutes - 7-16-08

C. REQUEST TO ADDRESS AGENCY

This portion of the meeting is reserved for members of the public to address the Redevelopment Agency on items of interest that are not on the Agenda and are within the subject matter jurisdiction of the Redevelopment Agency. Speakers shall be limited to three minutes. It is requested that no comments be made during this period on items on the Agenda. Members of the public wishing to address the Redevelopment Agency on items on the Agenda should notify the Chairperson when that Agenda item is called, and the Chairperson will recognize your discussion at that time. It should be noted that the Redevelopment Agency is prohibited by law from taking any action on matters discussed that are not on the Agenda. Speakers are asked to please use the microphone, and provide their name and address.

D. PUBLIC HEARINGS

E. ORDER OF BUSINESS

1. Agency Treasurer's Report:

Warrant Nos. 692-698 \$26,453.15

2. Approving Agreement for Auditing Services Between the City of Kerman and Bryant L. Jolley, CPA for Kerman RDA auditing services [RM]

At the earlier City Council meeting (August 20, 2008) an agreement between the City of Kerman and Bryant L. Jolley, CPA was considered for approval. This agreement includes services for the Kerman RDA. This action simply confirms by the RDA Board of Directors that agreement.

Recommendation: Kerman RDA acknowledge that the City of Kerman agreement for auditing services with Bryant L. Jolley also covers auditing services for the Kerman RDA

3. Resolution Approving Kerman Redevelopment Agency Investment Policy [TLP]

The Investment Policy that was approved by the Kerman City Council on August 6, 2008 is being presented to this Agency for approval at this time.

Recommendation: Agency approve Resolution Approving the Kerman RDA Investment Policy for Fiscal Year 2008-09, as presented.

F. WRITTEN COMMUNICATIONS

G. REQUEST FOR CLOSED SESSION

H. ADJOURNMENT

AGENDA POSTING CERTIFICATION

I, L. RENEE HOLDCROFT, Secretary for the City of Kerman Redevelopment Agency, do hereby declare under penalty of perjury that I caused the above agenda to be posted at Kerman City Hall, 942 So. Madera Avenue, and at Kerman Community/Teen Center, 15101 Kearney Plaza, Kerman Ca., at least 72 hours before the meeting for which this agenda was prepared.

Date: _____

L. Renee Holdcroft
City Clerk

KERMAN REDEVELOPMENT AGENCY

MINUTES

July 16, 2008– Regular Meeting
6:30 PM

Community Teen Center
15101 Kearney Plaza
Kerman, CA 93630

Agency Members: Chairperson Trinidad Rodriguez, Richard Stockwell, Raj Dhaliwal, Jack Sidhu, Charlie Jones.

Kerman RDA meetings are intended to be accessible to all persons. Please let us know if you require any accommodation to allow you to access and participate in this meeting. For assistance, please call (559) 846-9380 two days prior to the meeting.

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Present: Vice-Chairperson Richard Stockwell, Raj Dhaliwal, Charlie Jones, Jack Sidhu	
Absent: Chairman Trinidad M. Rodriguez	
Also Present: City Manager, City Attorney, City Clerk, City Engineer, Sergeant Kirk Collins for Police Chief, Parks and Community Services Director, Finance Director, Ken Cox for Public Works Director.	
WELCOME – Chairperson Richard Stockwell	
CALL TO ORDER	9:40 p.m.
ROLL CALL – Agency Secretary Renee Holdcroft	Performed.
A. AGENDA APPROVAL	Approved.
B. MINUTES – Last Regular Meeting	Approved: CJ/JS (4-0-1 Absent)
RDA Minutes - 6-18-08	
C. REQUEST TO ADDRESS AGENCY	
D. PUBLIC HEARINGS	
1. Public Hearing - Consideration of Final RDA Budget 2008-09	PH Opened: 10:04 pm PH Closed: 10:05 pm Approved: CJ/JS (4-0-1 Absent)
OPEN PUBLIC HEARING - CLOSE PUBLIC HEARING [RM]	
Recommendation: Council approve final RDA Budget.	
E. ORDER OF BUSINESS	

1. Agency Treasurer's Report:	Approved: CJ/JS (4-0-1 Absent)
Warrant Nos. 676 - 691 \$141,139.38	
F. WRITTEN COMMUNICATIONS	None.
G. REQUEST FOR CLOSED SESSION	None.
H. ADJOURNMENT	10:06 p.m.

MINUTES CERTIFICATION

I, L. RENEE HOLDCROFT, Secretary for the Kerman Redevelopment Agency, do hereby declare under penalty of perjury that the above Minutes are a true depiction of all actions taken at the Kerman Redevelopment Agency Meeting held on the date first above mentioned at the Kerman Community/Teen Center, 15101 Kearney Plaza, Kerman Ca.

Date: _____

L. Renee Holdcroft
Agency Secretary

Run date: 08/14/2008 @ 10:41
 Bus date: 08/14/2008

City of Kerman
 Check - Complete Detail

CITIBANK RDA

Check-Run	Seq#	Date	Vendor / Name / Obligat'n Description	Net amount	Invoice number
692- 1370	1	7/10/2008	3143 CITY OF KERMAN		
	1		35330 REIMB PAYROLL EXPENSE	2,592.82	P/E 7/4/08
692- 1370	1	7/10/2008	Logged	*** Total ***	2,592.82
693- 1370	2	7/10/2008	10028 HENRY, LOGOLUSO, & BLUM		
	2		35331 RDA LEGAL EXP JUNE 08	1,010.10	14441
693- 1370	2	7/10/2008	Logged	*** Total ***	1,010.10
694- 1374	1	7/23/2008	3219 CALIFORNIA CONSULTING, LLC		
	1		35438 JULY MONTHLY RETAINER	1,500.00	6/30/08
694- 1374	1	7/23/2008	Logged	*** Total ***	1,500.00
695- 1374	2	7/23/2008	3143 CITY OF KERMAN		
	2		35439 ADMIN AND OVERHEAD	441.00	1ST QTR 08-09
	2		35440 VEH OPS/REPLACEMENT	679.50	1ST QTR 08-09
	2		35441 TECH MAINT FUND	575.00	1ST QTR 08-09
	2		35442 REIMBURSE PAYROLL EXP 7/18/08	6,291.63	P/E 7/18/08
695- 1374	2	7/23/2008	Logged	*** Total ***	7,987.13
696- 1374	3	7/23/2008	25001 YAMABE & HORN ENGINEERING		
	3		35437 SURVEY RDA HOUSE/CALIF STREET	671.41	21805
696- 1374	3	7/23/2008	Logged	*** Total ***	671.41
697- 1381	1	8/14/2008	3143 CITY OF KERMAN		
	1		35693 REIMBURSE PAYROLL EXP 8/1/08	6,155.46	P/E 8/1/08
	1		35694 REIMBURSE PAYROLL EXP 8/15/08	6,056.23	P/E 8/15/08
697- 1381	1	8/14/2008	Logged	*** Total ***	12,211.69
698- 1381	2	8/14/2008	10028 HENRY, LOGOLUSO, & BLUM		
	2		35692 RDA ONGOING	480.00	14552
698- 1381	2	8/14/2008	Logged	*** Total ***	480.00
** Total MFP discount **				.00	
** Total MFP amount **				.00	
** Total check discount **				.00	
** Total check amount **				26,453.15	
** Total void discount **				.00	
** Total void amount **				.00	

1 RESOLUTION NO.

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF KERMAN AUTHORIZING EXECUTION
5 OF AN AGREEMENT BETWEEN
6 BRYANT L. JOLLEY, CPA ("AUDITOR") AND THE CITY OF KERMAN FOR
7 AUDITING SERVICES

8 WHEREAS, BRYANT L. JOLLEY, CPA ("AUDITOR") and the CITY OF KERMAN
9 ("City") wish to enter into an agreement for auditing services; and

10 NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Kerman
11 that the City of Kerman has reviewed the AGREEMENT FOR AUDITOR SERVICES between
12 Bryant L. Jolley, CPA (Auditor) and the CITY OF KERMAN ("City") for Auditing Services,
13 attached hereto as Exhibit "A", and the City Manager is authorized to sign on behalf of the City
14 the Agreement attached hereto as Exhibit "A" in substantially the form as it currently exists,
15 together with such modifications or revisions as the City Manager and the City Attorney shall
16 agree are necessary.

17 BE IT FURTHER RESOLVED, that City staff and officers are authorized to take
18 such further actions as may be useful or convenient to the purpose of giving effect to the City's
19 participation in the Agreement.

20 The foregoing resolution was introduced at a regular meeting of the City Council of the
21 City of Kerman held on the 20th day of August, 2008, and passed at said meeting by the
22 following vote:

23 AYES:

24 NOES:

25 ABSENT:

26 ABSTAIN:

27
28 The foregoing resolution is hereby approved.

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Trinidad M. Rodriguez, Mayor

ATTEST:

L. Renee Holdcroft, CITY CLERK

**AGREEMENT FOR AUDITOR SERVICES
BETWEEN
THE CITY OF KERMAN
AND
BRYANT L. JOLLEY, CPA**

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**AGREEMENT FOR AUDITOR SERVICES
BETWEEN
THE CITY OF KERMAN
AND
BRYANT L. JOLLEY, CPA**

This AGREEMENT FOR AUDITOR SERVICES ("AGREEMENT") is made and entered into this 20th day of AUGUST 2008, by and among the City of Kerman, a California municipal corporation ("CITY") and **BRYANT L. JOLLEY, CPA** ("AUDITOR").

In consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

SECTION 1. TERM OF AGREEMENT.

Unless terminated earlier pursuant to the provisions of SECTION 19 "TERMINATION OF AGREEMENT" of this AGREEMENT, the term of this AGREEMENT shall begin on August 20, 2008 and continue until the completion of the Services described for the Fiscal Year ending June 30, 2010.

Such term may be extended upon written agreement of both parties to this AGREEMENT.

SECTION 2. SCOPE OF SERVICES.

AUDITOR agrees to perform the services set forth in EXHIBIT "A" "SCOPE OF SERVICES" attached hereto and made a part of this AGREEMENT throughout the term of this AGREEMENT.

SECTION 3. ADDITIONAL SERVICES.

AUDITOR shall not be compensated for any services rendered in connection with its performance of this AGREEMENT which are in addition to or outside of those set forth in this AGREEMENT or listed in EXHIBIT "A" "SCOPE OF SERVICES", unless such additional services are authorized in advance and in writing by the City Council or City Manager of CITY. AUDITOR shall be compensated for any such additional services in the amounts and in the manner specified in the written authorization for such additional services.

SECTION 4. COMPENSATION AND METHOD OF PAYMENT.

(a) Subject to any limitations set forth in this AGREEMENT, CITY agrees to pay AUDITOR the amounts specified in EXHIBIT "B" "COMPENSATION" attached hereto and made a part of this AGREEMENT. The total compensation, including reimbursement for actual expenses, shall not exceed the amount shown for each fiscal year in EXHIBIT "B", except that additional compensation for additional services may be approved in writing by the City Council or

City Manager as set forth in the preceding Section.

(b) Upon delivery of all required reports, AUDITOR shall furnish to CITY an **original** invoice for all work performed. No billings will be made for out-of-pocket expenses or any other expenses such as typing, clerical, printing and travel costs. CITY shall independently review each invoice submitted by the AUDITOR to determine whether the work performed and expenses incurred are in compliance with the provisions of this AGREEMENT. In the event that no charges or expenses are disputed, the invoice shall be approved and paid according to the terms set forth in subsection (c). In the event that any charges or expenses are disputed by CITY, the original invoice shall be returned by CITY to AUDITOR for correction and resubmission.

(c) Except as to any charges for work performed or expenses incurred by AUDITOR that are disputed by CITY, CITY will use its best efforts to cause AUDITOR to be paid within thirty (30) days of receipt of AUDITOR's invoice.

(d) Payment to AUDITOR for work performed pursuant to this AGREEMENT shall not be deemed to waive any defects in work performed by AUDITOR.

SECTION 5. INSPECTION AND FINAL ACCEPTANCE.

CITY may inspect and accept or reject any of AUDITOR's work under this AGREEMENT, either during performance or when completed. CITY shall reject or finally accept AUDITOR's work within forty-five (45) days after submitted to CITY. CITY shall reject work by a timely written explanation, otherwise AUDITOR's work shall be deemed to have been accepted. CITY's acceptance shall be conclusive as to such work except with respect to latent defects, fraud and such gross mistakes as amount to fraud. Acceptance of any of AUDITOR's work by CITY shall not constitute a waiver of any of the provisions of this AGREEMENT including, but not limited to, sections 15 and 16, pertaining to indemnification and insurance, respectively.

SECTION 6. OWNERSHIP OF DOCUMENTS.

All original maps, models, designs, drawings, photographs, studies, surveys, reports, data, notes, computer files, files, working papers and other documents prepared, developed or discovered by AUDITOR in the course of providing any services pursuant to this AGREEMENT shall become the sole property of CITY and may be used, reused or otherwise disposed of by CITY without the permission of the AUDITOR. Upon completion, expiration or termination of this AGREEMENT, AUDITOR shall turn over to CITY all such original maps, models, designs, drawings, photographs, studies, surveys, reports, data, notes, computer files, files and other documents.

SECTION 7. AUDITOR'S BOOKS AND RECORDS.

(a) AUDITOR shall maintain any and all documents and records demonstrating or relating to AUDITOR's performance of services pursuant to this AGREEMENT. AUDITOR shall maintain any and all ledgers, working papers, books of account, invoices, vouchers, canceled checks, or other documents or records evidencing or relating to work, services, expenditures and disbursements charged to CITY pursuant to this AGREEMENT. Any and all such documents or records shall be maintained in accordance with generally accepted accounting principles and shall be sufficiently complete and detailed so as to permit an accurate evaluation of the services provided by AUDITOR pursuant to this AGREEMENT. Any and all such documents or records shall be maintained for at least three years from the date of termination of this AGREEMENT and for any additional period as may be required by laws relating to audits of public agencies and their expenditures.

(b) Any and all records or documents required to be maintained pursuant to this section shall be made available for inspection, audit and copying, at any time during regular business hours, upon written request by CITY or its designated representative with reasonable notice. Copies of such documents or records shall be provided directly to the CITY for inspection, audit and copying when it is practical to do so; otherwise, unless an alternative is mutually agreed upon, such documents and records shall be made available at AUDITOR's address indicated for receipt of notices in this AGREEMENT.

(c) Where CITY has reason to believe that any of the documents or records required to be maintained pursuant to this section may be lost or discarded due to dissolution or termination of AUDITOR's business, CITY may, by written request, require that custody of such documents or records be given to CITY.

SECTION 8. STATUS OF AUDITOR.

(a) AUDITOR is and shall at all times remain a wholly independent contractor and not an officer, employee or agent of CITY. AUDITOR shall have no authority to bind CITY in any manner, nor to incur any obligation, debt or liability of any kind on behalf of or against CITY, whether by contract or otherwise, unless such authority is expressly conferred under this AGREEMENT or is otherwise expressly conferred in writing by CITY.

(b) The personnel performing the services under this AGREEMENT on behalf of AUDITOR shall at all times be under AUDITOR's exclusive direction and control. Neither CITY, nor any of CITY's elected or appointed boards, officers, officials, employees or agents shall have control over the conduct of AUDITOR or any of AUDITOR's officers, employees or agents, except as set forth in this AGREEMENT. AUDITOR shall not at any time or in any manner represent that AUDITOR or any of AUDITOR's officers, employees or agents are in any manner officials, officers, employees or agents of CITY.

(c) Neither AUDITOR, nor any of AUDITOR's officers, employees or agents,

shall obtain any rights to retirement, health care or any other benefits that may otherwise accrue to CITY'S employees. AUDITOR expressly waives any claim AUDITOR may have to any such rights.

SECTION 9. STANDARD OF PERFORMANCE.

AUDITOR represents and warrants that it has the qualifications, experience, resources, personnel, and facilities necessary to properly perform the services required under this AGREEMENT in a thorough, competent and professional manner. AUDITOR shall at all times faithfully, competently and to the best of its ability, experience and talent, perform all services described herein. In meeting its obligations under this AGREEMENT, AUDITOR shall employ, at a minimum, generally accepted standards and practices utilized by persons engaged in providing services similar to those required of AUDITOR under this AGREEMENT.

SECTION 10. COMPLIANCE WITH APPLICABLE LAWS; PERMITS AND LICENSES.

AUDITOR shall keep itself informed of and comply with all applicable federal, state and local laws, statutes, codes, ordinances, regulations and rules in effect during the term of this AGREEMENT. AUDITOR shall obtain any and all licenses, permits and authorizations necessary to perform the services set forth in this AGREEMENT. Neither CITY nor any elected or appointed boards, officers, officials, employees or agents of CITY shall be liable, at law or in equity, as a result of any failure of AUDITOR to comply with this section.

SECTION 11. NONDISCRIMINATION.

AUDITOR shall not discriminate, in any way, against any person on the basis of race, color, religious creed, national origin, ancestry, sex, age, physical handicap, medical condition or marital status in connection with or related to the performance of this AGREEMENT.

SECTION 12. UNAUTHORIZED ALIENS.

AUDITOR hereby promises and agrees to comply with all of the provisions of the Federal Immigration and Nationality Act, 8 U.S.C.A. §§ 1101, et seq., as amended, and in connection therewith, shall not employ unauthorized aliens as defined therein. Should AUDITOR so employ such unauthorized aliens for the performance of work and/or services covered by this AGREEMENT, and should the any liability or sanctions be imposed against CITY for such use of unauthorized aliens, AUDITOR hereby agrees to and shall reimburse CITY for the cost of all such liabilities or sanctions imposed, together with any and all costs, including attorneys' fees, incurred by CITY.

SECTION 13. CONFLICTS OF INTEREST.

(a) AUDITOR covenants that neither it, nor any officer or principal of its firm, has or shall acquire any interest, directly or indirectly, which would conflict in any manner with the interests of CITY or which would in any way hinder AUDITOR's performance of services under this AGREEMENT. AUDITOR further covenants that in the performance of this AGREEMENT, no person having any such interest shall be employed by it as an officer, employee, agent or subcontractor without the express written consent of the City Manager. AUDITOR agrees to at all times avoid conflicts of interest or the appearance of any conflicts of interest with the interests of CITY in the performance of this AGREEMENT.

(b) CITY understands and acknowledges that AUDITOR is, as of the date of execution of this AGREEMENT, independently involved in the performance of non-related services for other governmental agencies and private parties. AUDITOR is unaware of any stated position of CITY relative to such projects. Any future position of CITY on such projects shall not be considered a conflict of interest for purposes of this section.

(c) If the AUDITOR, and any of his officers, employees, or agents make recommendations concerning the investments or business relationships of CITY, then that person shall make an annual or more frequent disclosure of any financial interest that may be impacted by such recommendations.

SECTION 14. CONFIDENTIAL INFORMATION; RELEASE OF INFORMATION.

(a) All information gained or work product produced by AUDITOR in performance of this AGREEMENT shall be considered confidential, unless such information is in the public domain or already known to AUDITOR. AUDITOR shall not release or disclose any such information or work product to persons or entities other than CITY without prior written authorization from the City Manager, except as may be required by law.

(b) AUDITOR, its officers, employees, agents or subcontractors, shall not, without prior written authorization from the City Manager or unless requested by the City Attorney of CITY, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories or other information concerning the work performed under this AGREEMENT. Response to a subpoena or court order shall not be considered "voluntary" provided AUDITOR gives CITY at least 10 days written notice of such court order or subpoena.

(c) If AUDITOR, or any officer, employee, agent or subcontractor of AUDITOR, provides any information or work product in violation of this AGREEMENT, then CITY shall have the right to reimbursement and indemnity from AUDITOR for any damages, costs and fees, including attorneys fees, caused by or incurred as a result of AUDITOR's conduct.

(d) AUDITOR shall promptly notify CITY should AUDITOR, its officers,

employees, agents or subcontractors be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions or other discovery request, court order or subpoena from any party regarding the work performed pursuant to this Agreement. CITY retains the right, but has no obligation, to represent AUDITOR or be present at any deposition, hearing or similar proceeding. AUDITOR agrees to cooperate fully with CITY and to provide CITY with the opportunity to review any response to discovery requests provided by AUDITOR. However, this right to review any such response does not imply or mean the right by CITY to control, direct, or rewrite said response.

SECTION 15. INDEMNIFICATION.

(a) CITY and its respective elected and appointed boards, officials, officers, agents, employees and volunteers (individually and collectively, "CITY") shall have no liability to AUDITOR or any other person for, and AUDITOR shall indemnify, defend, protect and hold harmless CITY from and against, any and all liabilities, claims, actions, causes of action, proceedings, suits, damages, losses, penalties, fines, judgments, liens, levies, costs and expenses of whatever nature, including reasonable attorneys' fees and disbursements (collectively "CLAIMS"), which CITY may suffer or incur or to which CITY may become subject by reason of or arising out of any injury to or death of any person(s), damage to property, loss of use of property, economic loss or otherwise occurring as a result of the AUDITOR's performance of or failure to perform any services under this AGREEMENT or by the negligent or willful acts or omissions of AUDITOR, its agents, officers, directors, subcontractors or employees, committed in performing any of the services under this AGREEMENT.

(b) If any action or proceeding is brought against CITY by reason of any of the matters against which AUDITOR has agreed to indemnify CITY as provided above, AUDITOR, upon notice from CITY, shall defend CITY at AUDITOR's expense by counsel acceptable to CITY, such acceptance not to be unreasonably withheld. CITY need not have first paid for any of the CLAIMS to which CITY is entitled to indemnification in order to be so indemnified. The insurance required to be maintained by AUDITOR under Section 16 shall ensure AUDITOR's obligations under this section, but the limits of such insurance shall not limit the liability of AUDITOR hereunder. The provisions of this section shall survive the expiration or earlier termination of this AGREEMENT.

(c) The provisions of this section do not apply to CLAIMS occurring as a result of the CITY's sole negligence or willful acts or omissions.

(d) AUDITOR and its respective elected and appointed boards, officials, officers, agents, employees and volunteers (individually and collectively, "AUDITOR") shall have no liability to CITY or any other person for, and CITY shall indemnify, defend, protect and hold harmless AUDITOR from and against, any and all liabilities, claims, actions, causes of action, proceedings, suits, damages, judgments, liens, levies, costs and expenses of whatever nature, including reasonable attorneys' fees and disbursements (collectively "CLAIMS"), which AUDITOR may suffer or incur or to which AUDITOR may become subject by reason of or

arising out of any injury to or death of any person(s), damage to property, loss of use of property, economic loss or otherwise occurring as a result of the CITY's performance of or failure to perform any services under this AGREEMENT or by the negligent or willful acts or omissions of CITY, its agents, officers, directors, subcontractors or employees, committed in performing any of the services under this AGREEMENT.

(e) If any action or proceeding is brought against AUDITOR by reason of any of the matters against which CITY has agreed to indemnify AUDITOR as provided above, CITY, upon notice from AUDITOR shall defend AUDITOR at CITY's expense by counsel acceptable to AUDITOR, such acceptance not to be unreasonably withheld. AUDITOR need not have first paid for any of the matters to which AUDITOR is entitled to indemnification in order to be so indemnified. The provisions of this section shall survive the expiration or earlier termination of this AGREEMENT.

(f) The provisions of this section do not apply to CLAIMS occurring as a result of the AUDITOR's sole negligence or willful acts or omissions.

SECTION 16. INSURANCE.

AUDITOR agrees to obtain and maintain in full force and effect during the term of this AGREEMENT the insurance policies set forth in EXHIBIT "C" "INSURANCE" and made a part of this AGREEMENT. All insurance policies shall be subject to approval by CITY as to form and content. These requirements are subject to amendment or waiver if so approved in writing by the City Manager. AUDITOR agrees to provide CITY with copies of required policies upon request.

SECTION 17. ASSIGNMENT.

The expertise and experience of AUDITOR are material considerations for this AGREEMENT. CITY has an interest in the qualifications of and capability of the persons and entities that will fulfill the duties and obligations imposed upon AUDITOR under this AGREEMENT. In recognition of that interest, AUDITOR shall not assign or transfer this Agreement or any portion of this AGREEMENT or the performance of any of AUDITOR's duties or obligations under this AGREEMENT without the prior written consent of the City Council. Any attempted assignment shall be ineffective, null and void, and shall constitute a material breach of this AGREEMENT entitling CITY to any and all remedies at law or in equity, including summary termination of this AGREEMENT.

SECTION 18. CONTINUITY OF PERSONNEL.

AUDITOR shall make every reasonable effort to maintain the stability and continuity of AUDITOR's staff assigned to perform the services required under this AGREEMENT. AUDITOR shall notify CITY of any changes in AUDITOR's staff assigned to perform the services required under this AGREEMENT, prior to any such performance.

SECTION 19. TERMINATION OF AGREEMENT.

(a) CITY may terminate this AGREEMENT, with or without cause, at any time by giving thirty (30) days written notice of termination to AUDITOR. In the event such notice is given, AUDITOR shall cease immediately all work in progress.

(b) AUDITOR may terminate this AGREEMENT at any time upon thirty (30) days written notice of termination to CITY.

(c) If either AUDITOR or CITY fails to perform any material obligation under this AGREEMENT, then, in addition to any other remedies, either AUDITOR, or CITY may terminate this AGREEMENT immediately upon written notice.

(d) Upon termination of this AGREEMENT by either AUDITOR or CITY, all property belonging exclusively to CITY that is in AUDITOR's possession shall be returned to CITY. AUDITOR shall furnish to CITY a final invoice for work performed by AUDITOR, prepared as set forth in SECTION 4 of this AGREEMENT. This final invoice shall be reviewed and paid in the same manner as set forth in SECTION 4 of this AGREEMENT.

SECTION 20. DEFAULT.

In the event that AUDITOR is in default under the terms of this AGREEMENT, the CITY shall not have any obligation or duty to continue compensating AUDITOR for any work performed after the date of default and may terminate this AGREEMENT immediately by written notice to the AUDITOR.

SECTION 21. EXCUSABLE DELAYS.

AUDITOR shall not be liable for damages, including liquidated damages, if any, caused by delay in performance or failure to perform due to causes beyond the control of AUDITOR. Such causes include, but are not limited to, acts of God, acts of the public enemy, acts of federal, state or local governments, acts of CITY, court orders, fires, floods, epidemics, strikes, embargoes, and unusually severe weather. The term of this AGREEMENT shall be equitably adjusted for any delays due to such causes.

SECTION 22. COOPERATION BY CITY.

All public information, data, reports, records, and maps as are existing and available to CITY as public records, and which are necessary for carrying out the work as outlined in the EXHIBIT "A" "SCOPE OF SERVICES", shall be furnished to AUDITOR in every reasonable way to facilitate, without undue delay, the work to be performed under this AGREEMENT.

SECTION 23. NOTICES.

All notices required or permitted to be given under this AGREEMENT shall be in writing and shall be personally delivered, or sent by telecopier or certified mail, postage prepaid and return receipt requested, addressed as follows:

To CITY: City Manager
 City of Kerman
 850 S. Madera Ave.
 Kerman, California 93630

To AUDITOR: Bryant L. Jolley, CPA
 901 "N" Street, Suite 104
 Firebaugh, CA 93622

Notice shall be deemed effective on the date personally delivered or transmitted by facsimile or, if mailed, three (3) days after deposit of the same in the custody of the United States Postal Service.

SECTION 24. AUTHORITY TO EXECUTE.

The person or persons executing this AGREEMENT on behalf of AUDITOR represents and warrants that he/she/they has/have the authority to so execute this AGREEMENT and to bind AUDITOR to the performance of its obligations hereunder.

SECTION 25. BINDING EFFECT.

This AGREEMENT shall be binding upon the heirs, executors, administrators, successors and assigns of the parties.

SECTION 26. MODIFICATION OF AGREEMENT.

No amendment to or modification of this AGREEMENT shall be valid unless made in writing and approved by the AUDITOR and by the City Council. The parties agree that this requirement for written modifications cannot be waived and that any attempted waiver shall be void.

SECTION 27. WAIVER.

Waiver by any party to this AGREEMENT of any term, condition, or covenant of this AGREEMENT shall not constitute a waiver of any other term, condition, or covenant. Waiver by any party of any breach of the provisions of this AGREEMENT shall not constitute a waiver of any other provision, nor a waiver of any subsequent breach or violation of any provision of this AGREEMENT. Acceptance by CITY of any work or services by AUDITOR shall not

constitute a waiver of any of the provisions of this AGREEMENT.

SECTION 28. LAW TO GOVERN; VENUE.

This AGREEMENT shall be interpreted, construed and governed according to the laws of the State of California. In the event of litigation between the parties, venue in state trial courts shall lie exclusively in the County of Fresno. In the event of litigation in a U.S. District Court, venue shall lie exclusively in the Eastern District of California, in Fresno.

SECTION 29. ATTORNEYS FEES, COSTS AND EXPENSES.

In the event litigation or other proceeding is required to enforce or interpret any provision of this AGREEMENT, the prevailing party in such litigation or other proceeding shall be entitled to an award of reasonable attorney's fees, costs and expenses, in addition to any other relief to which it may be entitled.

SECTION 30. ENTIRE AGREEMENT.

This AGREEMENT, including the attached EXHIBITS "A" through "C", is the entire, complete, final and exclusive expression of the parties with respect to the matters addressed herein and supersedes all other agreements or understandings, whether oral or written, or entered into between AUDITOR and CITY prior to the execution of this AGREEMENT. No statements, representations or other agreements, whether oral or written, made by any party, which are not embodied herein shall be valid and binding. No amendment to this AGREEMENT shall be valid and binding unless in writing duly executed by the parties or their authorized representatives.

SECTION 31. SEVERABILITY.

If a term, condition or covenant of this AGREEMENT is declared or determined by any court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions of this AGREEMENT shall not be affected thereby and the AGREEMENT shall be read and construed without the invalid, void or unenforceable provision(s).

IN WITNESS WHEREOF, the parties hereto have caused this AGREEMENT to be executed the day and year first above written.

CITY OF KERMAN

AUDITOR:

By _____
City Manager

By _____
_____,

APPROVED AS TO FORM

Mark A. Blum, City Attorney

EXHIBIT “A”

Scope of the Work

The Auditor will perform an audit of all funds of the City of Kerman and the Kerman Redevelopment Agency, for the fiscal year ended June 30, 2008 and each of the subsequent years of the audit firm’s contract with the City. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States. The City’s Comprehensive Annual Financial Report (CAFR) will be prepared and word processed by the Auditor. The CAFR will be in full compliance with GASB 34. The Auditor will render their auditors’ report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. The Auditor will also apply limited audit procedures to Management’s Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the City.

The Auditor will conduct a financial and compliance audit of the Kerman Redevelopment Agency. The compliance audit shall include the provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller. The Auditor shall prepare GASB 34 compliant component unit financial statements for each year of the engagement.

The Auditor will perform a single audit on the expenditures of federal grants in accordance with OMB Circular A-133 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the City’s financial statements in accordance with *Government Auditing Standards* and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133. The single audit report will include appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, including reportable conditions and material weaknesses, and follow up on prior audit findings where required.

The Auditor shall perform agreed-upon auditing procedures pertaining to the City’s GANN Limit (Appropriations Limit) and render a letter annually to the City regarding compliance.

The Auditor shall issue a separate “management letter” that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letters shall be addressed to the City Manager.

The audit firm shall prepare the Annual State Controller’s Reports for the City of Kerman and the Kerman Redevelopment Agency as part of their Audit & Related Reports and at no additional cost to either entity.

EXHIBIT "B"

COMPENSATION

Service	2007/08	2008/09	2009/10
City Audit & Related Reports	\$ 22,500	\$ 23,500	\$ 24,500
GANN Limit Review Report	\$ 500	\$ 500	\$ 500
Single Audit & Related Report, if necessary	\$ 0	\$ 0	\$ 0
Redevelopment Audit and Related Reports	\$ 3,000	\$ 3,000	\$ 3,000
City State Controllers Report	\$ 0	\$ 0	\$ 0
RDA State Controllers Report	\$ 0	\$ 0	\$ 0
Total	\$ 26,000	\$ 27,000	\$ 28,000

HOURLY RATES

Bryant Jolley - Partner/Reviewer	\$180
Darryl Smith - Senior Manager	\$150
Ryan Jolley - Manager	\$130

EXHIBIT "C"

INSURANCE

A. Insurance Requirements. AUDITOR shall provide and maintain insurance, acceptable to the City Manager or City Counsel, in full force and effect throughout the term of this AGREEMENT, against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work hereunder by AUDITOR, its agents, representatives or employees. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII. AUDITOR shall provide the following scope and limits of insurance:

1. Minimum Scope of Insurance. Coverage shall be at least as broad as:

(1) Insurance Services Office form Commercial General Liability coverage (Occurrence Form CG 0001).

(2) Insurance Services Office form number CA 0001 (Ed. 1/87) covering Automobile Liability, including code 1 "any auto" and endorsement CA 0025, or equivalent forms subject to the written approval of the City.

(3) Workers' Compensation insurance as required by the Labor Code of State of California and Employer's Liability insurance and covering all persons providing services on behalf of the AUDITOR and all risks to such persons under this AGREEMENT.

(4) Errors and omissions liability insurance appropriate to the AUDITOR's profession.

2. Minimum Limits of Insurance. AUDITOR shall maintain limits of insurance no less than:

(1) General Liability: \$1,000,000 general aggregate for bodily injury, personal injury and property damage.

(2) Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.

(3) Workers' Compensation and Employer's Liability: Workers' Compensation as required by the Labor Code of the State of California and Employers Liability limits of \$1,000,000 per accident.

(4) Errors and Omissions Liability: \$1,000,000 per occurrence.

B. Other Provisions. Insurance policies required by this AGREEMENT shall contain the following provisions:

1. All Policies. Each insurance policy required by this paragraph 15 shall be endorsed and state the coverage shall not be suspended, voided, cancelled by the insurer or either party to this AGREEMENT, reduced in coverage or in limits except after 30 days' prior written notice by Certified mail, return receipt requested, has been given to the City Manager, City of Kerman.

2. General Liability and Automobile Liability Coverage.

(1) CITY, and its respective elected and appointed officers, officials, and employees and volunteers are to be covered as additional insured as respects: liability arising out of activities AUDITOR performs; products and completed operations of AUDITOR; premises owned, occupied or used by AUDITOR; or automobiles owned, leased, hired or borrowed by AUDITOR. The coverage shall contain no special limitations on the scope of protection afforded to CITY, and their respective elected and appointed officers, officials, or employees.

(2) AUDITOR's insurance coverage shall be primary insurance with respect to CITY, and its respective elected and appointed, its officers, officials, employees and volunteers. Any insurance or self insurance maintained by CITY, and its respective elected and appointed officers, officials, employees or volunteers, shall apply in excess of, and not contribute with, AUDITOR's insurance.

(3) AUDITOR's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

(4) Any failure to comply with the reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to CITY, and its respective elected and appointed officers, officials, employees or volunteers.

3. Workers' Compensation and Employer's Liability Coverage. Unless the City Manager otherwise agrees in writing, the insurer shall agree to waive all rights of subrogation against CITY, and its respective elected and appointed officers, officials, employees and agents for losses arising from work performed by AUDITOR.

C. Other Requirements. AUDITOR agrees to deposit with CITY, at or before the effective date of this contract, certificates of insurance necessary to satisfy CITY that the insurance provisions of this contract have been complied with. The City Attorney may require that AUDITOR furnish CITY with copies of original endorsements effecting coverage required by this Section. The certificates and endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. CITY reserves the right to inspect complete, certified copies of all required insurance policies, at any time.

1. AUDITOR shall furnish certificates and endorsements from each subcontractor identical to those AUDITOR provides.

2. Any deductibles or self-insured retentions must be declared to and approved by CITY. At the option of CITY, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects CITY or its respective elected or appointed officers, officials, employees and volunteers or the AUDITOR shall procure a bond guaranteeing payment of losses and related investigations, claim administration, defense expenses and claims.

3. The procuring of such required policy or policies of insurance shall not be construed to limit AUDITOR's liability hereunder or to fulfill the indemnification provisions and requirements of this AGREEMENT.

RESOLUTION NO. 08-

A RESOLUTION OF THE CITY COUNCIL
APPROVING THE 2008/2009 CITY OF KERMAN AND KERMAN REDEVELOPMENT AGENCY
STATEMENT OF INVESTMENT POLICY

WHEREAS, The City of Kerman currently operates under the guidelines of the 1985 Statement of Investment Policy; and

WHEREAS, the Kerman City Council has reviewed the 1985 Policy and wishes to replace it with a more comprehensive investment policy; and

WHEREAS, the City of Kerman Finance Director and City Attorney have prepared and presented to Council a comprehensive 2008/2009 City of Kerman Statement of Investment Policy; and

WHEREAS, the Kerman City Council has reviewed the 2008/2009 City of Kerman and Kerman Redevelopment Agency Statement of Investment Policy and found that it does provide guidelines for the prudent investment of the City's and Agency's temporarily idle cash and outlines the policies for maximizing the efficiency of the City's (and Agency's) cash management system.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KERMAN does hereby approve the 2008/2009 City of Kerman and Kerman Redevelopment Agency Statement of Investment Policy as set forth in Exhibit "A" attached hereto and made a part hereof by this reference.

The foregoing resolution was introduced at a regular meeting of the City Council of the City of Kerman held on the 20th day of August, 2008, and passed at said meeting by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

The foregoing resolution is hereby adopted.

MAYOR, CITY OF KERMAN

ATTEST:

CITY CLERK, CITY OF KERMAN

CITY OF KERMAN
AND THE
KERMAN REDEVELOPMENT AGENCY
INVESTMENT POLICY
FISCAL YEAR 2008-09

**CITY OF KERMAN
KERMAN REDEVELOPMENT AGENCY
STATEMENT OF INVESTMENT POLICY**

PURPOSE:

This Statement is intended to provide guidelines for the prudent investment of the City's and Agency's temporarily idle cash, and outline the policies for maximizing the efficiency of the City's and Agency's cash management system. The ultimate goal is to enhance the economic status of the City and the Agency while protecting each entity's pooled cash.

POLICY:

It is the policy of the City of Kerman and the Kerman Community Development Agency to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow and liquidity demands of the City and Agency and conforming to all State of California and local statutes governing the investment of public funds.

This investment policy applies to all financial assets of the City and the Agency. The funds are accounted for in the City's and Agency's Report on Audited Financial Statements and include the following fund categories as applicable:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Trust and Agency Funds
- Internal Service Funds
- Debt Service Fund

PRUDENCE:

Investments shall be made with judgment and care - under circumstances then prevailing - which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the “**Prudent Person**” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

OBJECTIVE:

The City's and Agency's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City and Agency to invest funds to the fullest extent possible. The City and Agency attempt to obtain the highest yield obtainable as long as investments meet the criteria established for safety and liquidity.

The primary objectives, in priority order, of the City of Kerman and the Kerman Redevelopment Agency's investment activities shall be:

1. Safety. Safety of principal is the foremost objective of the investment program. Investments of the City and Agency shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain 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.
2. Liquidity. This refers to the ability to "cash in" at any moment in time with a minimal chance of losing some portion of principal or interest. The City's and Agency's investment portfolio will remain sufficiently liquid to enable the City or the Agency to meet all operating requirements which might be reasonably anticipated.
3. Return on Investment. The City's and Agency's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's and Agency's investment risk constraints and the cash flow characteristics of the portfolio.

DELEGATION OF AUTHORITY:

Authority to manage the City's and Agency's investment program is assigned to the City Manager/Executive Director respectively and are derived from the City ordinances and resolutions as applicable. The City Manager/Executive Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. City Manager/Executive Director may delegate responsibility for the investment program to the Finance Director as established by this Policy.

INVESTMENT PROCEDURES:

The City Manager/Executive Director shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: Safekeeping, PSA repurchase agreements, wire transfer agreements, banking service agreements, and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Manager/Executive Director.

ETHICS AND CONFLICTS OF INTEREST:

Officers and employees 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 officials shall disclose to the City Manager/Executive Director any material financial interests in financial institutions that conduct business with the City or Agency, and they shall further disclose any material financial investment positions that could be related to the performance of the City or the Agency.

AUTHORIZED & SUITABLE INVESTMENTS:

The City and the Agency is empowered by statute to invest in the following types of securities.

- Securities of the U.S. Government
- Small Business Administration Loans
- Certificates of Deposit (or Time Deposits) placed with commercial banks, credit unions, and savings and loan companies.
- Negotiable Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Master Repurchase Agreements (Repos)
- Governmental Sponsored Investment Pools/Mutual Funds
- Passbook Savings Account Demand Deposit

Master Repurchase Agreements:

If repurchase agreements are utilized a "Master Repurchase Agreement" must be signed with the bank or dealer.

Governmental Sponsored Investment Pools or Mutual Funds:

Due diligence must be exercised if Investment Pools or Mutual Funds are utilized.

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

- A description of eligible investment securities, and written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?

- A fee schedule, when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

COLLATERALIZATION:

Collateralization will be required on two types of investments: Certificates of deposit and repurchase (and reverse) agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least 102% of market value of principal and accrued interest, or at such other amount as may be required by law.

The City and the Agency, however choose to limit the collateral requirements on federally insured Certificates of Deposit of \$100,000 or less.

Collateral will always be held by an independent third party with whom the City or the Agency has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The right of collateral substitution is granted.

SAFEKEEPING AND CUSTODY:

All security transactions, including collateral for repurchase agreements, entered into the City or the Agency shall be conducted on a **delivery-versus-payment (DVP)** basis. Securities will be held by a third party custodian designated by the City Manager/Executive Director or his/her designee and evidenced by safekeeping receipts.

DIVERSIFICATION:

The City and the Agency will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's and Agency's total investment portfolio will be invested with a single financial institution, or in a single security type, with the exception of Certificates of Deposit.

MAXIMUM MATURITIES:

To the extent possible, the City and the Agency will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City and the Agency will not directly invest in securities maturing more than 5 years from the date of purchase. However, the City may collateralize its repurchase agreements using longer-dated investments not to exceed 25 years to maturity.

Reserve funds may be invested as permitted by law in securities exceeding 5 years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

INTERNAL CONTROL:

The City Manager/Executive Director shall establish an annual process of independent review by an external auditor. This review will evaluate internal control by assuring compliance with policies and procedures.

PERFORMANCE STANDARDS:

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and the cash flow needs.

MARKET YIELD (BENCHMARK):

The City’s and Agency’s investment strategy is active. Given this strategy, the basis used by the City Manager/Executive Director to determine whether market yields are being achieved shall be the six months U.S. Treasury Bill.

REPORTING:

The City Manager/Executive Director or his/her designee shall provide the City Council and the Agency Board of Directors quarterly investment reports which provide a clear picture of the status of the current investment portfolio. The management report shall include:

- A listing of individual securities held at the end of the reporting period, the identity of the issuer and the type of investment
- The final maturity of all investments listed.
- Dollar amount of each investment.
- Coupon, discount or earnings rate.
- Par Value, Amortized Book Value and Market Value of all investments and the basis or source of such valuation.
- Identity of any third party fund managers other than other governmental agencies or LAIF

INVESTMENT POLICY ADOPTION:

The City’s and Agency’s investment policy shall be adopted by resolution of the City Council and the Agency Board of Directors. The policy shall be reviewed annually by the City Council and the Board of Directors in a public meeting and any modifications made thereto must be approved by the respective boards.

GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprise.

ASKED: The price at which securities are offered.

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.

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

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large denominations 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.

REPORT ON AUDITED FINANCIAL STATEMENTS: The official annual report for the City of Kerman. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond issuer promises to pay the bondholder on the bond's face value, (b) A certificate attached to a bond evidencing interest due on a payment date, DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

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

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

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

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, 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 \$100,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. The rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was charged under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

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

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United State 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 that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-through" is often used to describe Ginnie Maes.

reasonably large transactions can be completed at those quotes.

LOCAL AGENCY INVESTMENT POOL (LAIF):

The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

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

MASTER REPURCHASE AGREEMENT:

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

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

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers acceptances, etc.) are issued and traded.

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

CITY OF KERMAN
AND THE
KERMAN REDEVELOPMENT AGENCY
INVESTMENT POLICY CHECKLIST

FISCAL YEAR 2008-09

**CITY OF KERMAN
KERMAN REDEVELOPMENT AGENCY
INVESTMENT POLICY STATEMENT CHECKLIST**

I. POLICY

1. Safety. It is the primary duty and responsibility to protect, preserve and maintain intact cash and investments placed in trust with the City Manager on behalf of the citizens of the community.
2. Liquidity. An adequate percentage of the portfolio should be maintained in liquid short-term securities which can be converted to cash if necessary to meet disbursement requirements.
3. Yield. Yield becomes a consideration only after the basic requirements of safety and liquidity have been met.
4. Legal Investment Authority. Invest temporarily idle monies in accordance with State or local statutes, and regulations (California Government Code Section 53646).
5. Statement of Investment Policy. The City Manager shall annually render to the legislative body a "Statement of Investment Policy", updated as necessary.
6. Selling Securities Prior to Maturity. Generally losses are acceptable on a sale before maturity and should be taken if the re-invested proceeds will earn an income flow with a present value greater than the present value of the income flow that would have been generated by the old investment and considering the capital loss or foregone interest on the original investment.
7. Quarterly Report. The City Manager or his/her designee shall file a quarterly report which states its compliance with the Statement of Investment policy with the Legislative Body (California Government Code Section 53646).

II. GUIDELINES - Guidelines are established to direct and control activities in such a manner that insures that the previously established goals are achieved.

1. Investment Transaction. Every investment transaction must be authorized, documented and reviewed by the City Manager or his/her designee.
2. Pooled Cash. Whenever practical, the city cash shall be consolidated into one bank account and invested on a pooled concept basis. Interest earnings may

be allocated according to fund cash and investment balances.

3. Competitive Bids. Purchase and sale of securities should be made on the basis of competitive offers and bids when practical.
4. Cash Forecast. The cash flow for the city should be analyzed with the receipt of revenues and maturity of investments scheduled so that adequate cash will be available to meet disbursement requirements.
5. Investment Limitations. Security purchases and holdings shall be maintained within statutory limits imposed by the California Government Code. Current limits are Banker's Acceptances - 40%, and subject to the limitations of Section 53601 (g), provided that no more than 30 percent of the agency's money may be invested in banker's acceptances of any one commercial bank; Commercial Paper - 25%, subject to the limitations of Section 53601 (h); and Negotiable Certificates of Deposit - 30%, subject to the limitations of Section 53601 (i).
6. Liquidity. The marketability (salability) of a security should be considered at the time of purchase, as the security may have to be sold at a later date to meet unanticipated cash demand.
7. Long-Term Maturities. As a general rule, long term maturities should not represent a significant percentage of the total portfolio, as the principal risk involved can outweigh the potential higher earnings.
8. Authorized Dealers/Brokers. Execute investment transactions only with approved brokers and dealers.
9. Diversification. The portfolio should consist of a mix of various types of securities, issuers, and maturities.
10. Evaluate Certificates of Deposit:
 - (a) Time Certificates of Deposit (TCD) shall be evaluated in terms of FDIC or FSLIC coverage. For deposits in excess of the insured maximum of \$100,000, approved collateral shall be in such amounts as are required by applicable law.
 - (b) Negotiable Certificates of Deposit (NCD) shall be carefully evaluated in terms of the credit worthiness of the issuer prior to the City of Kerman making any such investment, as these deposits are uninsured and un-collateralized promissory notes. Any NCD investment must be authorized by the City Council, prior to purchase.

11. Safekeeping. Securities purchased from brokers/dealers shall be held in third party safekeeping by the trust department of the City's and Agency's bank, by another third party trustee designated by the city, or the trust department of nationally recognized investment brokerage houses. Said securities shall be held in the name of the City with the trustee executing investment transactions as directed by the City Manager or his/her designee. Safekeeping may be held in Finance Department's Safe if there are adequate controls limiting unauthorized access.

III. STRATEGY - Strategy refers to the ability to manage financial resources in the most advantageous manner.

1. Economic Forecasts. Obtain economic forecasts periodically from economists and financial experts through bankers and brokers to assist with the formulation of an investment strategy for the city.
2. Implementing Investment Strategy. Execute investment transactions which conform with anticipated interest rate trends and the current investment strategy plan.
3. Rapport. Maintain a close working relationship with city departments regarding anticipated expenditures. The objective is to pinpoint when large disbursements will need to be made from the City's and Agency's bank account. It is essential for good cash control that such large expenditures be anticipated, estimated as to dollar amount, and be communicated to the Finance Director for liquidity planning purposes.
4. Yield Enhancements. Consider utilizing the following investment techniques to increase yield and to maintain a fully invested position: (a) Weekend Repurchase Agreements; (b) swaps and trades.
5. Preserve Portfolio Value. Develop yield standards in order to maintain earnings near the market and to preserve the value of the portfolio.

CITY OF KERMAN
KERMAN REDEVELOPMENT AGENCY
GUIDELINES
INVESTMENT PROCEDURES, INTERNAL CONTROL

ANALYSIS OF INVESTMENT TYPES

INVESTMENT CRITERIA

1. SAFETY
2. LIQUIDITY
3. YIELD

RATING SCALE

- 0 - NOT ACCEPTABLE
- 1 - POOR
- 2 - AVERAGE
- 3 - ABOVE AVERAGE
- 4 - EXCELLENT

TYPES OF INVESTMENTS	SAFETY	LIQUIDITY	YIELD	TOTAL
TCD (\$100,000/UNDER)	4	2	2	8
TCD (OVER/\$100,000)	2,3*	3	2	7,8
NEGOTIABLE CD (\$100,000/UNDER)	4	4	3	11
NEGOTIABLE CD (OVER/\$100,000)	2,3*	4	3	9,10
GINNIE MAE	4	4	3	11
FANNIE MAE	3	4	3	10
FREDDIE MAC	3	4	3	10
LAIF (UNDER \$5,000,000)	3	4	2,3**	10
LAIF (OVER \$5,000,000)	3	4	2,3**	9
-0- COUPON BONDS	4	2	3	9
REPURCHASE AGREEMENTS	4	2	3	9
SAVINGS ACCOUNTS (INSURED)	4	4	1	9
SAVINGS ACCOUNTS (UNINSURED)	2,3*	4	2	8,9
INTEREST ACCOUNTS (INSURED)	4	4	1	9
INTEREST ACCOUNTS (UNINSURED)	2,3*	4	2	8,9
CORPORATE PAPER (AAA - RATED)	3	3	3	9
CORPORATE PAPER (A, A+ - RATED)	2	2	3	8

INVESTMENTS SHOULD BE MADE BASED ON A SCORE OF "7" OR HIGHER, UNLESS THE SAFETY CRITERIA IS BELOW A "3", IN THAT CASE, THE INVESTMENT IS UNACCEPTABLE. IF THE INVESTMENT FALLS BELOW THE ACCEPTABLE RATING DURING THE LIFE OF THE INVESTMENT, DUE DILIGENCE SHOULD BE EXERCISED IN DETERMINING THE RISK IN RETAINING THE INVESTMENT.

* DETERMINED BY THE FINANCIAL STRENGTH OF THE INSTITUTION.
** BASED ON DECLINING INTEREST RATES.