



**City of Emeryville
Finance Advisory Committee**

William C Reuter, Chairperson & Resident
Nora Davis, Council Member
Jac Asher, Council Member
Fran Quittel, Resident

Elizabeth Altieri, ViceChair & Business Rep
Benay Curtis-Bauer, Business Rep
Stephen Cutty, Labor Rep

AGENDA

Regular Meeting of the Finance Advisory Committee
GARDEN ROOM, OLD TOWN HALL
1333 Park Avenue, Emeryville, CA 94608
Monday, August 19, 2013, 5:30 p.m.

All Advisory Committee meetings are noticed as Special City Council Meetings so that any or all of the City Council may attend and participate in the Advisory Committee's deliberations. However, actions taken by Advisory Committees are not official actions of the City Council but must be ratified at a regular City Council. All writings that are public records and relate to an agenda item below which are distributed to a majority of the Finance Committee (including writings distributed to a majority of the Finance Committee less than 72 hours prior to the meeting noticed below) will be available at the Information Counter, 1333 Park Avenue, Emeryville, California during normal business hours (9am to 5pm, Monday through Friday, excluding legal holidays).

In compliance with the Americans with Disabilities Act, a person requiring an accommodation, auxiliary aid or service to participate in this program should contact the sponsoring department or the City Clerk at (510) 596-7800, as far in advance as possible, but no later than 72 hours before the scheduled event. The best effort to fulfill the request will be made.

No dogs, cats, birds or any other animal or fowl shall be allowed at or brought in to a public meeting by any person except (i) as to members of the public or City staff utilizing the assistance of a service animal, which is defined as a guide dog, signal dog, or other animal individually trained to provide assistance to an individual with a disability, or (ii) as to police officers utilizing the assistance of a dog(s) in law enforcement duties.

The **AGENDA** for this meeting is as follows:

- I. **CALL TO ORDER**
- II. **PUBLIC COMMENTS**
- III. **APPROVE MINUTES FROM MAY 20, 2013 MEETING**
- IV. **AGENDA ITEMS**
 - A. Discussion of Emeryville Center of Community Life (ECCL)
 - B. Investment Policy Review
 - C. Audit Planning for the Year Ended June 30, 2013
 - D. Status of Alameda County Fire Services Contract
 - E. Update on Redevelopment Dissolution Actions
- V. **STAFF COMMENTS**
- VI. **COMMITTEE MEMBER COMMENTS**
- VII. **ADJOURNMENT**

FURTHER INFORMATION may be obtained by contacting Debra Auker, Director of Administrative Services, at (510) 596-4352. The next regular scheduled meeting is **November 18, 2013 at 5:30 p.m.**

DATED: August 9, 2013

Karen Hemphill, City Clerk

Post on: Aug 12, 2013
Post until: Aug 20, 2013

City of Emeryville
Finance Advisory Committee Meeting Minutes
May 20, 2013, 5:30pm

Members Present:

William C Reuter, Chairperson
Nora Davis, Council Member
Benay Curtis-Bauer, Business Rep
Fran Quittel, Resident
Stephen Cutty, SEIU 1021
Jac Asher, Vice-Mayor, Council liaison

Staff Present:

Debra Auker, Director of Administrative Services
Michelle Strawson O'Hara, Accounting Supervisor

Excused:

Elizabeth Altieri, Vice Chairperson

- I. **Call to Order:** The meeting was called to order at 5:35 p.m.
- II. **Public Comments:** Resident Ken Bukowski commented on the idea of publicly owned banks and why he believes the City should look into this further.
- III. **Minutes from February 25, 2013 Meeting:** Approved
- IV. **Agenda Items:**
 - a. **Fiscal Year 2012-13 and 2013-14 Mid-cycle Budget Review** - Debra Auker presented the proposed budgeted adjustments for FY13 & FY14.
 - Resident Bukowski pointed out that Transient Occupancy Tax may be impacted by possible labor issues at the Hyatt House hotel in Emeryville and recommended looking at historical numbers to see how this impacted hotel revenues when there was picketing at Woodfin several years ago.
 - Member Fran Quittel requested less acronyms be used when presenting budget data.
 - Member Nora Davis requested an analysis of staff turnover by department for next Finance Committee meeting. Members expressed concern over the costs of moving a part-time HR staff member to full-time to cover what may be a temporary need for handling recruitments. Ms. Auker explained that for this position it was only an increase of 5 hours per week. Members requested a staff report for approval for any part-time to full-time staffing changes.
 - Member Davis questioned the status of the City's disaster preparedness manual. Debra clarified that the City (not Alameda County Fire Department) is preparing this manual and also coordinating staff trainings on May 23.
 - Member Davis requested staff to look at payments made to Townsend Public Affairs for lobbying services during the past five years and compare to the City's return. Discuss at next meeting.
 - A member suggested reviewing the \$4,000 budget increase for Utilities under Community Services as these may relate to the pool which is now closed.
 - Member Davis inquired about the reason for the \$6,000 increase for Glashauss Homeowners Association fees. She was curious whether any staff attend the HOA meetings and how the HOA is being overseen. Staff will follow-up.
 - Members questioned the new Affordable Housing Capital Residual fund (299) proposed budgeted expenditures for FY13-14. Ms. Auker responded that these amounts were taken from the Recognized Obligation Schedule (which were declined by the Department of Finance) and may need to be reviewed again to confirm they are not overstated.

- b. **FY 2013 Third Quarter (Q3) Financial Update** – Informational item only. Ms. Auker presented the report and there was a discussion as to how the \$3.2M one-time Property Tax Residual Payment should be used. She suggested allocating to the City's Housing and Capital Improvement Projects programs. Ms. Auker will be making a recommendation to Council. Members suggested that staff consider paying down long term debt, specifically the City Hall loan.
 - c. **Status of Alameda County Fire Services Contract** - Informational item only. Ms. Auker presented the third Quarterly Report from Alameda County Fire Department. Member Davis requested that staff look at the statistics for Worker's Compensation claims for the County. Member Asher would like to know more about what the county is doing to mitigate overtime costs. The Committee agreed to keep a close watch over the contact costs and review the annual costs for FY 2012-13 in the summer.
 - d. **Single Audit and TDA Audit for year ended June 30, 2013** – Ms. Auker presented the results and Committee Members approved and accepted the final audits.
 - e. **Recommend Appointment of Finance Committee Member to Economic Development Committee** – The members recommended appointing William Reuter to the Economic Committee.
 - f. **Information on City and Successor Agency Debt Portfolio** – Informational item only. Ms. Auker presented a handout on the Long Term debt of the City and Successor Agency. Member Quittel requested that bond ratings, interest rates, and the name of the rating agency be added to future debt reports. Member also requested a link to the agency website which provides current bond information.
 - g. **Update on Redevelopment Dissolution Actions** - Informational item only. Ms. Auker provided an update on the RDA dissolution lawsuit. Members requested more information on the recent check payment to the County for Non-Housing accounts asset distribution per DOF AB1484.
- V. **Staff Comments:** None
- VI. **Committee Member Comments:** There was a discussion about the May 21, 2013 Agenda item on the Note Payoff Agreement between Madison Bay Street, LLC and the City of Emeryville as Successor Agency for \$11,500,000 and the related pros and cons. Member Fran Quittel requested City staff to notify Finance Committee members of any future Council agenda items that they should be aware of.
- VII. **Adjournment:** The meeting was adjourned at 7:25 p.m.

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CITY OF EMERYVILLE

MEMORANDUM

DATE: August 19, 2013
TO: Finance Advisory Committee
FROM: Debra Auker, Director of Administrative Services
SUBJECT: Annual Review of Investment Policy

RECOMMENDATION/REQUESTED ACTION

Staff recommends that the Finance Advisory Committee review the attached Statement of Investment Policy and provide comments for consideration by the City Council.

DISCUSSION

The State of California Government Code Section 53646, requires the Treasurer to render to the Council at a public meeting an annual investment policy. The intent is to provide the local governing body with the authority to accept the policy. In the past, the Finance Committee has reviewed the policy and provided a recommendation to the City Council. The City last adopted its investment policy in June 2012.

In past years, the City and Redevelopment Agency pooled cash and investments; however, with the dissolution of redevelopment, the former RDA cash and investment balances will now be classified as accounts under the control of the City as Successor Agency to the RDA and not pooled with City assets. These Successor Agency assets will continue to be invested by the Treasurer and will follow the investment policy.

The Investment Policy affirms the Treasurer's fiduciary responsibility to safeguard public assets. The policy places a high priority on insuring safety of principal first and then insuring that the liquidity needs for payment of City obligations are met prior to considering yield on investments.

The City continues to abide by the highest professional standards in the management of public funds. While investment strategy is flexible and can change based on market and economic conditions, the legal and policy guidelines governing these investment decisions remains relatively static. There are no significant changes to overall investment objectives or legal guidelines;

however, the language of the policy has been updated and red-lined version is attached to this report.

Summary of the City's Policy

The objectives of the City's Investment Policy include capital preservation (safety of principal); minimizing the potential for capital losses from market changes by remaining sufficiently liquid to meet operating requirements (liquidity) and achieving a reasonable rate of return (yield).

Allowable Investments:

- California State Local Agency Investment Pool (LAIF)
- U.S. Treasuries maturing within five years
- Money market mutual funds whose portfolios are made up of U.S. Treasuries
- Insured or fully collateralized certificates of deposit or passbook savings accounts
- Obligations issued by agencies of instrumentalities of the U.S. Government
- Prime commercial paper
- Negotiable certificates of deposit
- Medium term corporate notes rated "AA" or better
- Money market mutual funds

There is a five year maximum maturity unless specifically extended by grant of the City Council.

Certain investments allowed by State Code will continue to be excluded from the policy. These include: Repurchase agreements, reverse repurchase agreements, collateralized mortgage obligations, County investment pools, other investment pools, notes and bonds issued by the State of California and local agencies within California.

Attachments:

- A. Draft Statement of Investment Policy 2013
- B. Treasurer's Report for June 2013

**CITY OF EMERYVILLE
STATEMENT OF INVESTMENT POLICY
August 2013 July 2012**

POLICY

It is the policy of the City to invest public funds in a manner which will safely preserve portfolio principal, provide adequate liquidity to meet the City's cash flow needs and optimize returns while conforming to all federal, state, and local statutes governing the investment of public funds.

SCOPE

This investment policy applies to all cash and financial investment of the various funds of the City of Emeryville as reported in the City's Comprehensive Annual Financial Report, with the exception of those financial assets explicitly excluded from coverage for legal or operational reasons. The provisions of the related bond indentures or resolutions shall govern investments of bond proceeds. City funds to which this policy applies are as follows:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Debt Service Funds
- Internal Service Funds
- Enterprise Funds
- Fiduciary Funds
- Any new fund created by the City Council unless specifically exempted.

PRUDENCE

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

The standard of prudence to be used by investment officials shall be the "prudent person" and/or "prudent investor" standard in accordance with CA Government Code Section 53600.3, and shall be applied in the context of managing an overall portfolio.

53600.3. [. . . all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like

character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.]

Investment officers acting in accordance with 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.

INVESTMENT OBJECTIVES

The criteria for investing and managing public funds and the order of priority are as follows:

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

Liquidity:

Liquidity is the ability to change an investment into its cash equivalent on short notice at its prevailing market value. The City's investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonable anticipated. This is accomplished by structuring the portfolio so that securities mature concurrently with anticipated cash needs. Since all possible cash demands cannot be anticipated, the portfolio will maintain a liquidity "buffer" equivalent to six months of expenses and invest in short-term, highly liquid vehicles such as LAIF and/or money market funds.

Rate of Return (Yield): The portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, taking into account safety and liquidity requirements. The benchmark may vary from time to time depending on the economic and budgetary conditions present.

DELEGATION OF AUTHORITY

Authority to manage the City's investment program is derived from the California Government Code Section 53607. Management responsibility is hereby delegated by the City Council to the Treasurer, who shall establish procedures for the operation of the investment program consistent with this investment policy. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates. The Treasurer can designate a staff person(s) to be responsible for investment transactions. Any and all independent investment managers used by the City must be approved by the City Council. No persons may engage in an investment transaction for the City except as provided under the terms of this policy.

ETHICS AND CONFLICTS OF INTEREST

The Treasurer and all investment personnel shall refrain from personal business activities that could conflict with proper execution of the investment program and/or which could impair their ability to make impartial investment decisions. The Treasurer and all investment personnel shall disclose to the City Manager and the City Council any material financial interests in financial institutions that conduct business within this jurisdiction and shall disclose any material investment positions which could be related in a conflicting manner to the performance of the City's investment portfolio.

The State of California Fair Political Practices Commission Statement of Economic Interests shall be completed on an annual basis by the Treasurer.

AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience, references and minimal capitalization that are authorized to provide investment capacity. No public deposit shall be made except in a qualified public depository as established by state laws.

An annual audited financial statement is required to be submitted by each financial institution and broker/dealer. The registration status and standing of all brokers/dealers shall be verified with the Financial Industry Regulatory Authority (FINRA)~~National Association of Securities Dealers~~, the Securities and Exchange Commission (SEC), or other applicable self-regulatory organizations.

Annually and before engaging in investment transactions with a broker/dealer, the firm shall sign a certification form, attesting that the individual responsible for the City's account with that firm has reviewed the investment policy and that the firm understands the policy and intends to present only those investment transactions appropriate under the policy.

AUTHORIZED AND SUITABLE INVESTMENTS

The City is empowered by California Government Code Section 53601 to invest in the following types of securities:

- United States Treasury bills, notes, bonds, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest with a maximum maturity of five (5) years.
- Obligations issued by agencies or instrumentalities of the U.S. Government with a maximum maturity of five (5) years.
- Bonds, notes, warrants or other evidence of debt issued by a City of -Emeryville entity with a maximum maturity of five (5) years.
- The Local Agency Investment Fund (LAIF) maintained by the State of California.

- Prime commercial paper with a term not to exceed 270 days and the highest rating issued by Moody's Investors Service or Standard & Poor's Corporation. Commercial paper cannot exceed 15% of total surplus funds, provided that if the average maturity of all commercial paper does not exceed 31 days, up to 30% of surplus funds can be invested in this type of security. Eligible paper shall be issued by corporations that are organized and operating within the United States, having total assets in excess of \$500,000,000 and having an "AA" or higher rating for the debt, other than commercial paper, if any, as provided by Moody's Investors Service or Standard & Poor's Corporation.
- Negotiable certificates of deposit issued by federally or state chartered banks or associations or by a state licensed branch of a foreign bank with a maximum maturity of five (5) years. Purchases may not exceed 30% of surplus funds.
- Medium term notes with a maximum maturity of five (5) years, by corporations organized and operating in the United States and rated "AA" or better by a recognized rating service. No more than 15% of surplus funds can be invested in this type of security.
- Money Market Mutual Funds. Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this section. Such funds must carry the highest rating of at least two of the largest national rating agencies. No more than 20% of surplus funds can be invested in such funds. The companies shall retain an investment adviser registered with the Securities and Exchange Commission with not less than five (5) years' experience investing in the securities and obligations as authorized by this section, and with assets under management in excess of \$500,000,000. The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that these companies may charge.
- Insured or collateralized time deposits or savings accounts secured in accordance with the provisions of Sections 53651 and 53652 of the California Government Code. If the collateral is government securities, 110% of market value to the face amount and accrued interest of the deposit is required. If secured by first mortgages and first deeds of trust, the market value must be 150% of the face amount and accrued interest of the deposit. The collateral must be held by a third party.

Required ratings will be deemed to be the rating on the date of purchase.

A five (5) year maximum remaining maturity is allowed unless an extension of maturity is granted by the City Council.

PROHIBITED INVESTMENTS

Certain investments allowed by California Government Code will continue to be excluded from the policy. These include: repurchase agreements, reverse repurchase agreements, interest only strips, collateralized mortgage obligations, County investment

pools, other investment pools, notes and bonds issued by the State of California and local agencies within California.

COLLATERALIZATION

California Government Code Section 53652, et seq. requires depositories to post certain types of collateral for public funds above the Federal Deposit Insurance Corporation (FDIC) insurance amounts. The collateral requirements apply to bank deposits, both active (checking and savings accounts) and inactive (non-negotiable certificates of deposit).

SAFEKEEPING AND CUSTODY

In accordance with California Government Code Section 53601, all securities owned by the City shall be held in safekeeping by the City's custodial bank or a third party bank trust department, acting as an agent for the city under terms of the custody agreement.

All securities will be received and delivered using a delivery vs. payment (DVP) basis, which ensures that securities are deposited with the third party custodian prior to the release of funds. Securities held by the third party custodian will be evidenced by safekeeping receipts and/or bank statements. Investments in the State Local Agency Investment Fund (LAIF) or money market mutual funds are undeliverable and are not subject to delivery or third party safekeeping.

Investment trades shall be verified against bank transactions and broker confirmation tickets. On a monthly basis, the custodial asset statement shall be reconciled with the month-end portfolio holdings.

DIVERSIFICATION AND OTHER GUIDELINES

The City will diversify its investments by security type, except for securities issued by the U.S. Government and its agencies, and by institution to reduce or eliminate risk of loss. The following guidelines shall apply:

- Maturities shall be matched against projected liabilities to avoid an over-concentration in a specific series of maturities.
- Maturities selected shall provide for stability and liquidity.
- Every transaction will be reviewed by the Treasurer and City Manager.
- Expenditures and revenues will be carefully monitored and forecast to allow as much money to be invested as possible.
- In general, securities will be bought and kept to maturity.
- The City's cash should be pooled.

- The Local Agency Investment Fund should be used to provide daily liquidity to the portfolio. The portfolio will be diversified to balance yield with other objectives.

PERFORMANCE STANDARDS

The investment portfolio will be managed in accordance with the standards established within this investment policy and should obtain a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints, cash flow needs and maturities of the investments. The basis to determine whether market yields are being achieved shall be the total return of the portfolio. The U.S. Treasury and U.S. Government agency securities yield curves shall be considered useful benchmarks of the City's portfolio performance.

REPORTING

The Treasurer shall submit to each member of the City Council a monthly report. The report shall contain a complete description of the portfolio, including the types of investments, issuers, maturity dates, par values and current market values. The report will also include a certification of the following:

- All investments meet the requirements of the City's investment policy.
- Sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

ADOPTION

The investment policy shall be adopted annually by resolution of the City Council.

GLOSSARY

The attached Glossary is incorporated as part of the policy.

GLOSSARY

The following technical words are included in the policy because they are common treasury and investment terminology.

Agencies: Debt instruments issued by the U.S. government agencies, departments, government-sponsored corporations and related instrumentalities to finance their own programs. Some examples of these agencies are Federal Farm Credit, Federal Home Loan and Student Loan Marketing Association.

Asked: The price at which securities are offered. The offer price is the cost of the security to the buyer.

Bankers' Acceptance (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Basis Point: A basis point equals one one-hundredths of 1% (.01%).

Bid: The price offered by a buyer of securities. This is payment that the seller gets when a security is sold.

Broker: A broker brings a buyer and seller together for a commission.

Callable: Securities subject to payment of the principal amount and accrued interest prior to the stated maturity date, with or without premium.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate issued by commercial banks and savings institutions. The first \$250,000 is insured by the FDIC. For governmental agency, deposits in excess of \$250,000 are required to be collateralized by the financial institutions.

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

Comprehensive Annual Financial Report (CAFR): The official annual report for the City of Emeryville. It includes basic financial 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.

Commercial Paper: An unsecured promissory note with a fixed maturity no longer than 270 days. Usually sold in discount form.

Coupon: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. A certificate attached to a bond evidencing interest due on a payment date.

CUSIP Number: An identifying number developed by the Committee on Uniform Security Identification Procedures, under the auspices of the American Bankers

Association to provide a uniform method of identifying municipal, U.S. government, and corporate securities.

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 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 below the face amount and redeemed at maturity at full face value, such as Treasury Bills.

Diversification: Dividing investments of funds among a variety of securities offered independent returns, maturity and market risks.

Duration: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits currently up to \$250,000 per deposit.

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 members who must purchase stock in their district bank.

Federal National Mortgage Association (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing & Urban Development, H.U.D. 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 are security holders will receive timely payment of principal and interest.

Federal Home Loan Mortgage Corporation (Freddie Mac): A Government Sponsored Enterprise that provides liquidity to the mortgage markets, much like FNMA and FHLB.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

Governmental 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 FHA, VA or FmHM mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

Liquidity: Liquidity is the ability to change an investment into its cash equivalent on short notice at its prevailing market value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Local Agency Investment Fund (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment.

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

Master Repurchase Agreement: A secured contractual obligation between an investor and an issuing financial institution establishing each party's rights in the transactions. It specifies the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower. The investor exchanges cash for temporary ownership of the collateral securities with an understanding the seller-borrower (financial institution) will repurchase the securities. Interest income earned during the term belongs to the investor.

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 instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

Offer: The price asked by a seller of securities. When buying securities the investor asks for an offer.

Portfolio: Collection of securities held by an investor.

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

Prudent Person Rule: A standard followed by a person of discretion and intelligence seeking a reasonable income and preservation of capital.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Safekeeping: A service to customers rendered by financial institutions for a fee whereby securities and valuables of all types and descriptions are held in the bank's vault for protection. Other services which are normally provided are marking the portfolio to market value, reporting investments held and investment activities.

Securities & Exchange: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

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

Treasury Bond: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

Treasury Notes: Intermediate term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of one to ten years.

Variable rate note: Securities which pay interest at rates that can fluctuate during the life of the security.

When issued: A conditional transaction that takes place between the time a new issue is offered and the time of physical delivery of the bonds. It is understood between the buyer and the seller that transactions will occur when and if the bonds are issued.

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

Yield to Maturity: The rate of return yielded by a debt security held to maturity when both interest payments and the investor's capital gain or loss on the security are taken into account.

CITY OF EMERYVILLE



MEMORANDUM

DATE: August 5, 2013

TO: Sabrina Landreth, City Manager

FROM: Debra Auker, Director of Administrative Services/Treasurer 

SUBJECT: Highlights of the June 2013 Treasurer's Report

The monthly Treasurer's Reports for the City of Emeryville and the Emeryville Successor Agency are attached. Please note the following highlights:

Transactions:

Benchmark five-year Treasury yield increased 38 basis points from last month of 1.02% to a June close of 1.40%. The spread between agencies and treasuries increased 4 basis points to 13 basis points at the close of June; five-year agencies being at 1.53% vs. five-year treasuries at 1.40%. The monthly average rate of return reported by LAIF was 0.244%.

City of Emeryville - In June there were no called securities. Two purchases were made totaling \$4.0 million during the month with coupon rates ranging from 1.25% to 1.40%.

Emeryville Successor Agency – During June the Successor Agency received the semi-annual RPTTF allocation as approved by the Department of Finance in the amount of \$13.4 million, the majority was invested in the LAIF account in order to provide a short-term investment option. The September 1 debt service bond payments will utilize \$10.5 million of these funds.

Yield and Average Portfolio Maturity:

- Overall yields on the value of our portfolios are as follows:

	Average Yield Excluding Bond Funds	Total Investments Average Yield Current Month	Total Investments Average Yield Prior Month	Change in Total Yield
City	0.65%	0.73%	0.64%	0.09%
Successor Agency	0.24%	0.14%	0.11%	0.03%

- City of Emeryville - Average Portfolio Maturity, if all securities were held to maturity increased from 792 days to 924 days. The average life of the portfolio to the shorter of the call or maturity is 146 days. This number reflects the expectation that certain securities may be called before the stated maturity date.

Approximately 42% of our portfolio is available for immediate needs with maturities under ninety days.

3. Emeryville Successor Agency - Average Portfolio Maturity is one day due to investments being held in LAIF and money market accounts. Therefore, 100% of our portfolio is available for immediate needs with maturities under ninety days. This high percentage includes \$35.1 million of unspent bond proceeds and bond reserves.
4. We expect that there is sufficient investment liquidity and anticipated revenues to meet the budgeted expenditures for the City and the Successor Agency for the next six months.

APPROVED AND FORWARDED TO THE CITY COUNCIL



Sabrina Landreth, City Manager

CITY OF EMERYVILLE
Treasurer's Report
As of 06/30/13

Current Portfolio Description of Investment/Asset	Percentage of Portfolio	Face Value	Coupon Rate	Investment Rating Moody's / S&P	Purchase Date	Maturity Date	Cost Basis	Current Yield	Estimated Market Value	Estimated Annual Income	Weighted Average Maturity in Days	Fund (if not in General Treasury)
Cash-Wells Fargo Bank		2,687,912.17	N/A	N/A	N/A	N/A	2,687,912	N/A	2,687,912	N/A	N/A	
Local Agency Investment Fund												
City Account		34,636,744	Varies	NR	Varies	Daily	34,636,744	Varies	34,636,744	84,514	1	
Redevelopment Agency (account closed)			Varies	NR	Varies	Daily	0		0	0	1	
Sub-Total - LAIF	39.6%	34,636,744					34,636,744	0.244%	34,636,744	84,514		
Note: Monthly average rate of return reported by LAIF.												
Certificates of Deposits												
Summit Bank - CD		100,000	0.45%	AAA	04/27/13	04/27/14	100,000	0.45%	100,000	450	301	
Bank of Alameda-CD		100,000	0.30%	AAA	04/24/13	10/24/13	100,000	0.30%	100,000	300	116	
Sub-Total - CDs	0.2%	200,000					200,000		200,000	750		
Government/Agency Issues												
FFCB		2,000,000	0.71%	Aaa / Aaa+	7/19/2012	7/19/2018	2,000,000	0.71%	1,992,300	14,200	1115	
FFCB		2,000,000	0.97%	Aaa / Aaa+	7/24/2012	7/24/2017	2,000,000	0.97%	985,970	8,700	1485	
FFCB		2,000,000	0.98%	Aaa / Aaa+	8/7/2012	8/7/2017	2,000,000	0.98%	1,968,120	19,400	1499	
FFCB		2,000,000	0.90%	Aaa / Aaa+	9/18/2012	9/18/2017	2,000,000	1.00%	1,961,740	19,600	1541	
FFCB		2,000,000	0.92%	Aaa / Aaa+	10/10/2012	10/10/2017	2,000,000	0.92%	1,950,520	18,000	1563	
FFCB		2,000,000	0.70%	Aaa / Aaa+	10/11/2012	7/11/2017	2,000,000	0.84%	1,953,380	16,400	1472	
FFCB		2,000,000	0.87%	Aaa / Aaa+	10/11/2012	4/11/2017	2,000,000	0.71%	1,958,120	14,000	1381	
FFCB		2,000,000	0.88%	Aaa / Aaa+	10/16/2012	10/16/2017	2,000,000	0.85%	1,961,800	17,400	1571	
FFCB		2,000,000	0.90%	Aaa / Aaa+	10/30/2012	10/30/2017	2,000,000	0.89%	1,959,440	17,500	1583	
FFCB		1,998,700	1.25%	Aaa / Aaa+	12/25/2012	12/25/2017	2,000,000	0.92%	1,951,340	18,000	1640	
FFCB		2,000,000	0.50%	Aaa / Aaa+	6/4/2013	6/4/2018	1,998,700	1.27%	1,962,140	24,984	1800	
FFCB		2,000,000	0.50%	Aaa / Aaa+	10/11/2012	10/11/2018	2,000,000	0.51%	1,979,820	12,000	1199	
Sub-Total - FFCB	25.3%	22,998,700					22,998,700		22,998,700	201,184		
Money Market Funds												
FHFB		1,000,000	2.00%	Aaa / Aaa+	3/25/2010	10/30/2013	1,000,000	1.99%	1,006,140	20,000	122	
FHFB		2,000,000	1.00%	Aaa / Aaa+	6/28/2012	6/28/2017	2,000,000	1.02%	1,988,960	20,000	1520	
FHFB		1,998,750	0.99%	Aaa / Aaa+	9/14/2012	9/11/2017	1,998,750	1.00%	1,959,940	19,580	1534	
FHFB		2,000,000	0.95%	Aaa / Aaa+	10/23/2012	10/23/2017	2,000,000	0.92%	1,957,680	18,048	1576	
FHFB		2,000,000	1.00%	Aaa / Aaa+	11/1/2012	11/1/2017	2,000,000	0.97%	1,958,860	19,000	1585	
FHFB		1,000,000	1.15%	Aaa / Aaa+	1/16/2013	1/16/2018	2,000,000	1.02%	1,955,620	20,000	1661	
FHLCB		2,000,000	0.85%	Aaa / Aaa+	2/22/2013	2/22/2018	2,000,000	1.17%	880,840	11,500	1698	
FHLCB		2,000,000	1.00%	Aaa / Aaa+	10/24/2012	7/24/2017	2,000,000	0.97%	1,963,020	17,000	1485	
FHLMC		2,000,000	1.02%	Aaa / Aaa+	2/21/2013	2/21/2018	2,000,000	1.02%	1,955,080	20,000	1697	
FHLMC		2,000,000	1.40%	Aaa / Aaa+	4/30/2013	4/30/2018	2,000,000	1.05%	1,938,400	20,400	1765	
FHLMC		2,000,000	1.40%	Aaa / Aaa+	6/25/2013	6/25/2018	2,000,000	1.43%	1,961,200	28,000	1822	
Sub-Total - FHFB	22.8%	19,987,750					19,987,750		19,987,750	213,529		
Money Market Funds												
FNMA		2,000,000	0.80%	Aaa / Aaa+	11/27/2012	11/27/2017	2,000,000	0.82%	1,851,040	18,000	1611	
FNMA		2,000,000	1.00%	Aaa / Aaa+	4/30/2013	4/30/2018	2,000,000	1.03%	1,838,800	20,000	1785	
FNMA-STEPUP		1,000,000	0.75%	Aaa / Aaa+	5/23/2013	5/23/2018	1,000,000	0.77%	974,330	7,500	1794	
FNMAC		1,000,000	1.05%	Aaa / Aaa+	5/30/2013	5/25/2018	1,000,000	1.08%	971,680	10,500	1790	
Sub-Total - FNMA	6.9%	6,000,000					6,000,000		5,635,860	56,000		
Sub-Total - Gov't Agency Issues	56.0%	48,996,450					48,996,450		48,917,490	470,713		
Money Market Funds												
Fidelity Institutional Money Market Government Fund-Union Bank		2,215,889	0.02%	Aaa / Aaa+	Varies	Daily	2,215,889	0.01%	2,215,889	442	1	Custodian: Union Bank
Money Market Funds-Cash with Fiscal Agent		43	0.01%	Aaa / Aaa+	Varies	Daily	43	0.01%	43	0	1	Custodian: US Bank
Fidelity Treasury Portfolio Money Market Government Fund-US Bank		71,535	0.00%	Aaa / Aaa+	Varies	Daily	71,535	0.00%	71,535	0	1	Trustee: Bank of New York
Dreyfus Money Market Fund		71,535	0.01%	Aaa / Aaa+	Varies	Daily	71,535	0.01%	71,535	7	1	Trustee: Bank of New York
Goldman Sachs Inst Money Market Fund		71,535	0.01%	Aaa / Aaa+	Varies	Daily	71,535	0.01%	71,535	7	1	Trustee: Bank of New York
Sub-Total - Money Market Funds	2.6%	2,287,567					2,287,567		2,287,567	449		

CITY OF EMERYVILLE
Treasurer's Report
As of 06/30/13

Description of Investment / Asset	Percentage of Portfolio	Face Value	Coupon Rate	Investment Rating Moody's / S&P	Purchase Date	Maturity Date	Cost Basis	Current Yield	Estimated Market Value	Estimated Annual Income	Weighted Average Maturity in Days	Fund (if not in General Treasury)
Corporate Issues												
Sub-Total - Corporate Portfolio												
	0.0%	0					0		0	0		
Investment Contracts												
Morgan Guaranty Trust/Chase		498,130	5.56%	Aaa	07/02/88	06/01/28	498,130	5.56%	498,130	27,671	5,419	1998A Bond Reserve
Westdeutsche LBank		487,921	5.66%	A	08/06/88	09/02/21	487,921	5.66%	487,921	27,616	2,886	1996 AD Reserve Fd
Westdeutsche LBank		464,779	5.66%	A	08/06/88	09/03/19	464,779	5.66%	464,779	26,308	2,256	1996 AD Reserve Fd
Sub-Total - Investment Contracts	1.7%	1,450,829					1,450,829		1,450,829	81,594		
Total Investments	100%	87,571,591					87,571,591	0.73%	85,592,631	638,020	924	
Non-Bond proceeds and reserve investments (memo only)												
- Bond reserve investments		86,049,183					86,049,183	0.85%	85,070,233	556,419	Average Life of Portfolio to in Days	
Total Cash & Investments		90,259,503					90,259,593		89,280,543		145	

Market value information obtained from Trustee Statements and Custodian Statements in compliance with California Code Section 53646. I certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months. Investments in the report meet the requirements of the City of Emeryville's adopted investment policy.

Debra C. Auker
 Debra C. Auker, Director of Administrative Services/Treasurer

Approved and Forwarded to the City Council

 Sabrina Landreth, City Manager

CITY OF EMERYVILLE **Treasurer's Report**
As of **06/30/13**

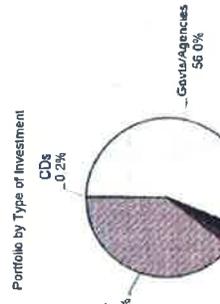
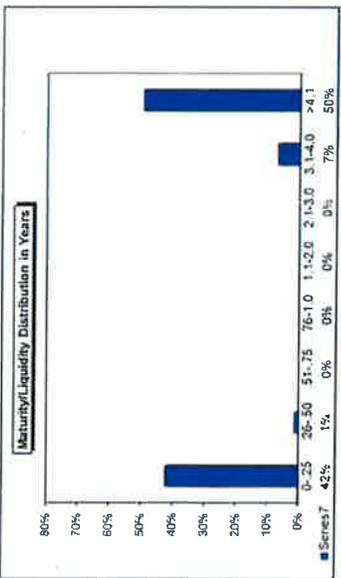
Maturities, Sales and Purchases During the Month

Description of Investment	Maturity, Sale or Purchase/Renewal/Withdrawal / Funding	Face Value	Coupon Rate	Investment Rating Moody's / S&P	Purchase Date or Funding Date	Maturity or Withdrawal Date	Call Basis	Call Date	Face Amount
FFCB	Purchase	1,998,700	1.25%	Aaa / AA+	6/4/2013	6/4/2018	1,998,700		
FHLMC	Purchase	2,000,000	1.40%	Aaa / AA+	6/28/2013	6/28/2018	2,000,000		

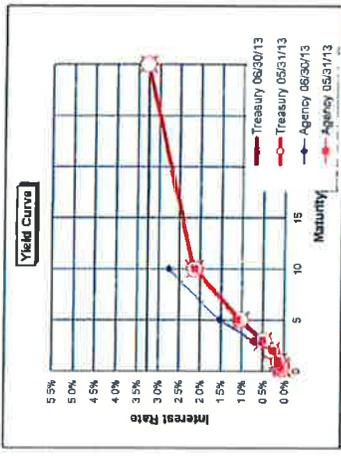
CITY OF EMERYVILLE
Treasurer's Report
As of 06/30/13

Portfolio Statistics
 06/30/13

Term	0-25	26-50	51-75	76-100	1.1-2.0	2.1-3.0	3.1-4.0	>4.1	Total
LAF	34,636,744			100,000					34,636,744
Certificates of Deposit		100,000							200,000
Money Market Funds	2,287,567								2,287,567
Government/Agency Issues		1,000,000					6,000,000	41,986,450	48,986,450
Corporate Issues									
Investment Contracts	36,924,311	1,100,000		100,000.00	0	0	6,000,000	1,450,829	43,447,279
% of Portfolio	42%	1%	0%	0%	0%	0%	7%	50%	100%



	Treasury 06/30/13	Treasury 05/31/13	Agency 06/30/13	Agency 05/31/13
3 Month	0.03%	0.03%	0.09%	0.07%
6 Month	0.09%	0.06%	0.14%	0.11%
1 Year	0.15%	0.13%	0.17%	0.14%
2 Year	0.36%	0.30%	0.29%	0.26%
3 Year	0.65%	0.49%	0.71%	0.60%
5 Year	1.40%	1.02%	1.59%	1.11%
10 Year	2.46%	2.13%	2.76%	2.13%
30 Year	3.50%	3.28%	NA	NA



	Investment by Fund Type (at cost)
General Fund	12,843,490
Special Revenue Funds	18,089,858
Debt Service Funds	336,901
Capital Projects Funds	14,174,800
Enterprise Funds	4,464,276
Internal Service Funds	20,846,814
Trust and Agency Funds	16,815,451
	<u>\$ 87,571,591</u>

City of Emeryville as Successor Agency to the Emeryville RDA As of **Treasurer's Report 06/30/13**

Description of Investment	Maturity, Call Sale or Purchase/Renewal/Withdrawal / Funding	Face Value	Coupon Rate	Investment Rating Moody's / S&P	Purchase Date or Funding Date	Maturity or Withdrawal Date	Cost Basis	Sale Call Date	Sale Amount
Maturities, Sales and Purchases During the Month									
None									

Current Portfolio Description of Investment / Asset	Percentage of Portfolio	Face Value	Coupon Rate	Investment Rating Moody's / S&P	Purchase Date	Maturity Date	Cost Basis	Current Yield	Estimated Market Value	Estimated Annual Income	Weighted Average Maturity in Days	Fund (if not in General Treasury)
Cash- Wells Fargo Bank		2,014,294	N/A	N/A	N/A	N/A	2,014,294	N/A	2,014,294	N/A	N/A	
Local Avenue Investment Fund		49,259,816	Varies	NR	Varies	Daily	49,259,816	Varies	49,306,505	120,194		
Sub-Total - LAIF	58.4%	49,259,816					49,259,816	0.244%	49,306,505	120,194		
Money Market Funds												
*Fidelity Treasury Portfolio Money Market Government Fund-US Bank		20,840,722	0.01%	Aaa/AA+	Varies	Daily	20,840,722	0.01%	20,840,722	2,084		Customized US Bank
*Dreyfus Money Market Fund		13,663,554	0.00%	Aaa/AA+	Varies	Daily	13,663,554	0.00%	13,663,554	0		Trustee: Bank of New York
*Goldman Sachs Inst Money Market Fund		595,250	0.00%	Aaa / AA+	Varies	Daily	595,250	0.00%	595,250	0		Trustee: Bank of New York
Sub-Total - Money Market Funds	41.6%	35,099,526					35,099,526		35,099,526	2,084		
Total Investments	100.0%	84,359,342					84,359,342	0.14%	84,406,031	122,278		
Non-Bond proceeds and reserve investments (memo only)		49,855,066					49,855,066	0.24%	49,891,755	120,194		
* Bond proceeds and/or reserves investments												
Total Cash & Investment		86,373,636					86,373,636		86,420,326	120,194		

Market value information obtained from Trustee Statements and Custodian Statements. In compliance with California Code Section 53646, I certify that sufficient investment liquidity and anticipated revenues are available to meet the Successor Agency expenditure requirements for the next six months. Investments in the report meet the requirements of the City of Emeryville's adopted investment policy.


Debra C. Aufer, Director of Administrative Services/Treasurer

Approved and Forwarded to the City Council

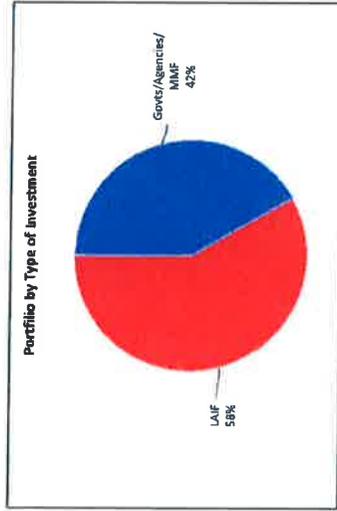
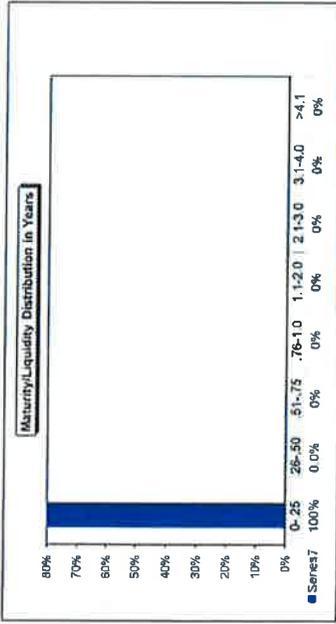
Sabrina Landreth, City Manager

Average Life of Portfolio to in Days
1

**City of Emeryville as Successor Agency
to the Emeryville RDA As of
06/30/13**

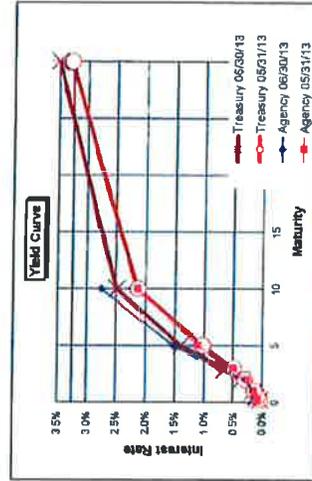
**Portfolio Statistics
06/30/13**

Term	Face Value Maturity/Liquidity Distribution in Years							Total
	0-25	26-50	51-75	76-10	1.1-2.0	2.1-3.0	3.1-4.0	
LAIF	49,259,816							49,259,816
Certificates of Deposit								
Money Market Funds	35,099,536							35,099,536
Corporate Issues								
Investment Contracts								
Total	84,359,342							84,359,342
% of Portfolio	100%	0.0%	0%	0%	0%	0%	0%	100%



**Comparative Market Rates
Treasury and Agency Markets**

	Treasury 06/30/13	Treasury 05/31/13	Agency 06/30/13	Agency 05/31/13
3 Month	0.03%	0.03%	0.08%	0.07%
6 Month	0.09%	0.06%	0.14%	0.11%
1 Year	0.15%	0.13%	0.17%	0.14%
2 Year	0.36%	0.30%	0.29%	0.26%
3 Year	0.65%	0.48%	0.71%	0.50%
5 Year	1.40%	1.02%	1.53%	1.11%
10 Year	2.49%	2.13%	2.76%	2.13%
30 Year	3.50%	3.28%	NA	NA



	Investment by Fund Type (at cost)
Special Revenue Funds	-
Debt Service Funds	-
Capital Projects Funds	-
Fiduciary Funds	84,359,342
	<u>84,359,342</u>
	\$

CITY OF EMERYVILLE

MEMORANDUM

DATE: August 19, 2013
TO: Finance Advisory Committee
FROM: Debra Auker, Director of Administrative Services
SUBJECT: **Audit Planning for Fiscal Year Ended June 30, 2013**

Recommendation

Staff recommends that the Finance Advisory Committee review and accept the Auditor's Communication with Those Charged with Governance Memo from the City's Auditors Lance, Soll & Lunghard (LSL).

Discussion

The City entered into a multi-year contract with Lance Soll & Lunghard to provide independent audit services. Each year the auditors are on site in the Spring to perform interim test of internal controls and document procedures. They return in the Fall to complete the financial audit of all the accounts of the City of Emeryville and the City of Emeryville as Successor Agency to the Emeryville Redevelopment Agency, along with various other special audits.

The Auditing Standards Board (AICPA) issued Statement on Auditing Standards (SAS) 114 - The Auditor's Communication with Those Charged with Governance. SAS 114 outlines the auditor's responsibilities of communication under generally accepted auditing standards, the planned scope and timing of the audit, independence, and the significant findings from the audit. SAS 114 outlines the auditor's responsibility for communicating independence. The auditor should communicate significant matters relevant to the audit with those charged with governance on a timely basis and in writing. When matters are communicated orally, the auditor should document them. The appropriate timing for communications will vary with the circumstances of the engagement. The auditor may consider communicating:

- Planning matters early in the audit engagement and, for an initial engagement, as part of the terms of the engagement.
- Significant difficulties encountered during the audit as soon as practicable.

Attachments: LSL Audit Planning Letter dated July 15, 2013

- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

Brandon W. Burrows, CPA, Retired

July 15, 2013

To the Honorable Mayor and Members of the City Council
City of Emeryville, California

We are engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Emeryville for the year ended June 30, 2013. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. In planning and performing our audit, we will consider the internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with OMB Circular A-133, we will examine, on a test basis, evidence about compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



To the Honorable Mayor and Members of the City Council
City of Emeryville, California

Our responsibility for the other information included in documents containing audited financial statements, and our report thereon, is to read the other information for any material inconsistency with the audited financial statements. We have no responsibility for determining whether such other information contained in these documents is properly stated.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to issue our report by the date previously agreed to by management.

This information is intended solely for the use of the governing board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Lance, Soll & Lughard, LLP

CITY OF EMERYVILLE

MEMORANDUM

DATE: August 19, 2013
TO: Finance Advisory Committee
FROM: Debra Auker, Director of Administrative Services
SUBJECT: Status of Alameda County Fire Services Contract

Recommendation

This is an information item only.

Discussion

Staff has attached the FY 2012-13 Fourth Quarter Report from Alameda County Fire Department as a discussion item. The Alameda County Fire Department (ACFD) started providing fire and emergency response services to the City of Emeryville on a contract basis beginning July 1, 2012. The contract requires that ACFD provide a quarterly report in order to monitor the service levels and contract costs. The results of the current and prior reports are reflected below:

Summary of Fire Service Costs	Budgeted Expenditures	Actual Expenditures	Year End Estimate favorable/ (unfavorable)	Notes
First Quarter	\$1,330,015	\$1,291,355	\$85,642	1.6% under budget
Second Quarter	\$1,330,015	\$1,285,580	(\$28,326)	.05% over budget
Third Quarter	\$1,330,015	\$1,290,517	\$36,286	0.7% under budget
Fourth Quarter	\$1,330,015	\$1,345,738	\$106,870	2.0% under budget
Total	\$5,320,060	\$5,213,190	\$106,870	2.0% under budget

The Contract also anticipated \$284,510 in start-up costs. The actual cost was \$203,425.

Attachments: FY 2012-13 Fourth Quarter and Year End Estimated Expenditures Report, and Start-up Cost info.



Alameda County Fire Department

835 E. 14th Street, Suite 200 - San Leandro, CA 94577

Tel (510) 618-3490 · Fax (510) 618-3445

www.acgov.org/fire

July 29, 2013

DEMETRIOS N. SHAFFER
Fire Chief

SERVING:

City of Dublin

City of Emeryville

City of Newark

City of San Leandro

City of Union City

Lawrence Berkeley
National Laboratory

Lawrence Livermore
National Laboratory

Unincorporated Areas
of Alameda County

Alameda County
Regional Emergency
Communications Center
"Accredited Center
of Excellence"

Sabrina Landreth, City Manager
City of Emeryville
1333 Park Avenue
Emeryville, CA 94608

Dear Sabrina:

Subject: 2012-13 Fourth Quarter and Year End Estimated Expenditures Report

Attached for your review are the Fourth Quarter and Year End Estimated Expenditures Report for the City of Emeryville. ACFD had prepared the report using the assumption that the cost of living adjustment (COLA) for the Representative group effective January 2013 is 3.7%. The COLA is still to be determined. ACFD will provide the City a true-up expenditures report once the rate is finalized.

The 2012-13 approved City contract amount is \$5,320,060, year-end projection for the City's contract is \$5,213,190, and it is estimated to be 2% or \$106,870 under budget. The Fourth Quarter expenditures were \$1,345,808 or 25% of budget.

The level of spending during the Fourth Quarter was consistent with initial contract projections:

- Salaries and Benefits are estimated to be 1% or \$44,580 over budget due to the net change of the following:
 - Salary is estimated to be close to budget due to unfilled positions and cancellation of recruit academy offset the 3.7% assumed COLA rate;
 - Actual health premium costs are lower than budgeted Kaiser Family rate;
 - Overtime is estimated to be over budget due to higher than anticipated leave usage, # of personnel on workers compensation and assumed 3.7% COLA;
 - Workers compensation allocation is over budget due to higher than anticipated Occupational Health chargeback from County.
- Services and Supplies expenditures are 31.9% or \$149,159 under budget due to:
 - Buildings & Ground program is under budget due to costs for station signs are included in start-up costs;
 - PPE program and Training & Staff Development program both are under budget due to cancellation of Recruit Academy;
 - Building Lease is under budget due to timing of moving into new Administration Office, it is anticipated to be Q3 FY 2013-14;

- IT program is under budget due to lower than anticipated system maintenance costs;
 - Emergency Disaster Preparedness program is over budget due to utilization of consultant for the program offset cost savings for Disaster Preparedness Manager in personnel costs;
 - EMS program is under budget due to re-stocking of medical supplies for apparatus from new ambulance provider;
 - Hazardous Materials program is under budget due to the delay on equipment replacement;
 - Laundry program is over budget due to higher fuel surcharge for delivery;
 - SCBA program is under budget due to grant funded new SCBAs require fewer repairs;
 - Staff Vehicle program is over budget due to aging fleet requires more repairs;
 - Wildland program is over budget due to hose and fitting project to replace aging and failing hoses.
- Countywide Overhead is close to budget based on County allocation for FY 12-13.

Quarterly Payment Reconciliation

The method of payment used by the City is to make monthly payment to the ACFD; the first two month's payment is based on the monthly average of the annual budget amount. The ACFD provides the City with a quarterly expenditure report that reconciles actual expenditures with payments made by the City and invoices the City the difference.

The City has paid \$886,676.66 for the Fourth quarter, the Fourth Quarter actual expenditures were \$1,345,738.00. The following is a summary of year-to-date reconciliation:

Service for FY 2012-2013	Monthly Budget Payment	City YTD Payments	Actual Expenditures	Quarter-end Invoice Amount
1 st Quarter	\$443,338.33	\$886,676.66	\$1,291,355.00	\$404,678.34
2 nd Quarter	\$443,338.33	\$886,676.66	\$1,285,580.00	\$398,903.34
3 rd Quarter	\$443,338.33	\$886,676.66	\$1,290,517.00	\$403,840.34
4 th Quarter	\$443,338.33	\$886,676.66	\$1,345,738.00	\$459,061.34

Should you have questions or require additional information concerning this report, please feel free to contact me or Shu-Mei Chen.

Sincerely,



Demetrious N. Shaffer
Fire Chief

DNS\SC:sc
Attachments

cc: Debra Auker, Administrative Services Director, City of Emeryville
Accounts Payable, City of Emeryville
Rob Schnepf, Division Chief, ACFD

ALAMEDA COUNTY FIRE DEPARTMENT

CITY of EMERYVILLE CONTRACT COSTS FOR FY 2012-13

PROGRAM	2012-13 Contract	2012-13 Estimated Actual				Total Estimated Actual	Variance (Over)/Under Budget	COMMENTS
		Jul - Sept 12 Actual	Oct - Dec 12 Actual	Jan - Mar 13 Actual	Apr - Jun 13 Actual			
Allocated %	5.51%	5.51%	5.51%	5.51%	5.51%			
PROGRAM SERVICES & SUPPLIES	\$468,192	\$71,066	\$66,838	\$81,435	\$99,694	\$149,159	31.9%	Contract proposal is based on projections using FY 11-12 budget due to FY 2012-13 was not available at the time of proposal submittal
APPARATUS & EQUIPMENT	\$78,578	\$3,626	\$3,602	\$11,444	\$15,793	\$44,113	56.1%	
BUILDINGS & GROUNDS	\$13,025	\$0	\$0	\$0	\$0	\$13,025	100.0%	Under budget due to less than anticipated apparatus repair costs
PPE & UNIFORMS	\$28,281	\$2,078	\$3,005	\$5,321	\$7,164	\$10,713	37.9%	Under budget due to cancellation of Recruit Academy
EQUIP & BLDG RENTS & LEASES	\$27,550	\$1,375	\$1,102	\$1,110	\$1,330	\$22,633	82.2%	Under budget due to lower than anticipated system maintenance costs
RADIOS	\$24,659	\$65	\$123	\$4,200	\$725	\$19,546	79.3%	Under budget due to not moving to new admin facility until FY 13-14
INFORMATION TECHNOLOGY	\$92,043	\$17,339	\$17,875	\$17,753	\$20,427	\$18,649	20.3%	Under budget due to lower than anticipated system maintenance costs
DISPATCH CONTRACT	\$70,000	\$17,500	\$17,500	\$17,500	\$17,500	\$0	0.0%	Under budget due to utilization of consultant for the program and offset cost savings for Disaster Preparedness Manager in personnel costs
PROFESSIONAL SERVICES CONTRACTS	\$11,956	\$2,754	\$1,564	\$1,482	\$3,120	\$3,036	25.4%	Under budget due to less contract needs
DISASTER PREPAREDNESS	\$434	\$1,109	\$1,047	\$935	\$2,648	(\$5,305)	-1222.4%	Over budget due to re-stocking of medical supplies for apparatus from new ambulance provider
EMTS	\$14,267	\$2,754	\$1,424	\$1,845	\$3,535	\$4,709	33.0%	Under budget due to re-stocking of medical supplies for apparatus
FIRE PREVENTION	\$1,654	\$49	\$85	\$236	\$314	\$970	58.6%	
FUEL/TRANSP	\$29,827	\$7,371	\$6,136	\$7,020	\$8,368	\$932	3.1%	
HAZARDOUS MATERIALS	\$5,602	\$265	\$109	\$1,104	\$1,011	\$3,113	55.6%	Under budget due to delay on equipment replacement
HOUSEHOLD SUPPLIES	\$8,054	\$1,294	\$1,531	\$1,922	\$1,591	\$1,716	21.3%	
LAUNDRY	\$8,836	\$2,441	\$2,433	\$2,591	\$3,749	(\$2,378)	-26.9%	Over budget due to higher fuel surcharge for delivery
MAPPING	\$2,262	\$0	\$24	\$572	\$0	\$1,666	73.7%	Under budget due to map book update was completed in FY 11-12
ADMINISTRATION	\$4,329	\$914	\$349	\$784	\$589	\$1,493	34.5%	
PUB ED & COMM RELATIONS	\$11,269	\$2,738	\$1,039	\$1,902	\$5,526	\$64	0.6%	
SCBA	\$11,251	\$2,656	\$3,485	\$267	\$2,048	\$2,795	24.8%	Under budget due to grant funded new SCBAs require fewer repairs
STAFF VEHICLES	\$3,498	\$1,842	\$978	\$923	\$837	(\$1,082)	-30.9%	Over budget due to aging fleet requires more repairs
TRG & STAFF DEV.	\$11,586	\$2,345	\$1,861	\$1,350	\$1,519	\$4,511	38.9%	Under budget due to cancellation of Recruit Academy
RESCUE	\$2,016	\$248	\$353	\$531	\$451	\$433	21.5%	
WILDLAND	\$632	\$144	\$0	\$151	\$1,138	(\$801)	-126.7%	Over budget due to hose and fitting project to replace aging and failing hoses
HUMAN RESOURCES	\$3,360	\$159	\$1,013	\$440	\$279	\$1,469	43.7%	
RESERVE	\$413	\$0	\$0	\$32	\$32	\$329	79.7%	
STRATEGIC PLANNING INITIATIVES	\$2,810	\$0	\$0	\$0	\$0	\$2,810	100.0%	
NONDISCRETIONARY SERVICES & SUPPLIES (COUNTY RISK MGMT. COUNSEL)	\$79,777	\$20,931	\$20,931	\$20,931	\$21,561	(\$4,577)	-5.7%	Based on County allocation
COUNTY INDIRECTS	\$41,030	\$9,038	\$9,038	\$9,038	\$7,046	\$6,870	16.7%	Based on County allocation

CITY of EMERYVILLE CONTRACT COSTS FOR FY 2012-13

PROGRAM	2012-13 Contract	2012-13 Estimated Actual					Total Estimated Actual	Variance (Over)/Under Budget	COMMENTS
		Jul - Sept 12 Actual	Oct - Dec 12 Actual	Jan - Mar 13 Actual	Apr - Jun 13 Actual	Estimated Actual			
ALL PROGRAMS AND OVERHEAD	\$588,999	\$101,035	\$96,807	\$111,404	\$128,301	\$437,547	\$151,452	25.7%	
SUBTOTAL:									
SALARIES AND BENEFITS									
SALARIES & OVERTIME:									
BASE SALARY	\$2,614,198	\$640,188	\$640,803	\$642,160	\$657,102	\$2,580,253	\$33,945	1.3%	Close to budget due to unfilled positions and cancellation of recruit academy offset the 3.7% assumed COLA rate
OVERTIME	\$473,609	\$162,058	\$156,970	\$147,776	\$138,110	\$604,914	(\$131,305)	-27.7%	Over budget due to higher than anticipated leave usage # of personnel on workers compensation and assumed 3.7% COLA
HOLIDAY PAY	\$146,464	\$38,589	\$38,588	\$32,982	\$34,200	\$144,359	\$2,105	1.4%	
PERS	\$669,179	\$164,925	\$165,046	\$162,670	\$168,918	\$661,559	\$7,620	1.1%	
PAYROLL TAXES	\$46,898	\$10,116	\$10,132	\$10,100	\$10,450	\$40,798	\$6,100	13.0%	
HEALTH INSURANCE	\$421,326	\$84,420	\$87,318	\$92,670	\$92,260	\$356,668	\$64,658	15.3%	Under budget due to budget all employees at Kaiser Bay Area Family rate and not all employees choose Kaiser or at family rate
50% COLA INCREASE APPLIED TO OPEB/HEALTH PREMIUM	\$11,829	\$0	\$0	\$0	\$23,524	\$23,524	(\$11,695)	-98.9%	Over budget due to assumed 3.7% COLA rate
DENTAL	\$36,026	\$7,869	\$7,885	\$7,662	\$7,573	\$30,989	\$5,037	14.0%	Under budget due to budget all employees at 3-party rate and not all employees have family coverage
401A CONTRIBUTION	\$2,430	\$0	\$0	\$0	\$653	\$653	\$1,777	73.1%	401A contribution will be reinstated until FY 13-14
OTHER BENEFITS	\$31,844	\$7,780	\$7,656	\$8,718	\$8,783	\$32,937	(\$1,093)	-3.4%	Over budget due to increase in Carerra Plan contribution effective 01/01/13 per MOU extension
WORKERS COMP	\$131,452	\$37,923	\$37,923	\$37,923	\$39,412	\$153,181	(\$21,729)	-16.5%	Over budget due to higher than anticipated Occupational Health chargeback cost
SALARIES & BENEFITS TOTAL:	\$4,585,255	\$1,153,868	\$1,152,321	\$1,142,661	\$1,180,985	\$4,629,835	(\$44,580)	-1.0%	
CONTRACT WITH OAKLAND FIRE DEPARTMENT FOR ADDITIONAL COVERAGE	\$145,807	\$36,452	\$36,452	\$36,452	\$36,452	\$145,808	(\$1)	0.0%	
APPROVED CONTRACT TOTAL:	\$5,220,060	\$1,291,355	\$1,285,580	\$1,290,517	\$1,345,738	\$5,213,190	\$106,870	2.0%	
RECONCILIATION									
Month 1 of Quarterly Payment		443,338.33	443,338.33	\$443,338.33	\$443,338.33				
Month 2 of Quarterly Payment		443,338.33	443,338.33	\$443,338.33	\$443,338.33				
Quarter-end True-up Invoice Amount		404,678.34	398,903.34	\$403,840.34	\$459,061.34				

Emerystille Quarterly Report

R/O	Unit	ALCO Identifier	Date	Labor	OT Labor	Parts	Freight	OSR	Tax	R/O total	Reg Hrs	OT Hrs	Reason for repair	
130366	171	E35	4/18/2013	\$3,765.50	\$	\$1,054.82	\$ 25.77		\$ 94.93	\$ 4,941.02	44.3	0.0	Service	
<p>Annual service.</p> <p>Pump test.</p> <p>Steam clean.</p> <p>Secure turbo oil line to not rub on inlet.</p> <p>Tighten loose foam hose clamps to repair leak.</p> <p>Fuel tank level not correct, replaced sensor.</p> <p>Rear 2 1/2" on inside is leaking, rebuilt valve.</p> <p>Add rear 5" hose holder.</p> <p>Install lock out kit.</p> <p>Secure left side upper compartment bracket loose, repair.</p> <p>Remove old call phone holder.</p> <p>Move radios.</p> <p>Change door code to 00451.</p> <p>headlights dim. Adjust and replace one.</p> <p>Add ZDA auto eject unit.</p> <p>Replace upper hose clamp.</p> <p>Radiator neck leaking. Solder in new neck.</p> <p>Install ALCO identifiers.</p> <p>Replaced broken exhaust strap.</p> <p>Weld hole in exhaust.</p> <p>Repair loose 2/1/2" suction flange.</p>														
130253	170	E34	5/5/2013	\$3,468.00	\$					\$141.91	\$ 5,186.74	40.8	0.0	
130737	200	T535	5/29/2013	\$ 365.50	\$					\$ 365.50	4.3	0.0	Repair	
130687	170	E34	6/28/2013	\$ 127.50	\$					\$ 127.50	1.5	0.0	Repair	
Total for Quarter											\$ 10,620.77			



ALAMEDA COUNTY FIRE DEPARTMENT

835 East 14th Street, Suite 200

San Leandro, CA 94577

Tel: (510) 618-3490

Fax: (510) 618-3445

Date: June 14, 2013

Invoice No: 2012-13-263

To: City of Emeryville
Attn: Debra Auker, Director of Administrative Services
1333 Park Avenue
Emeryville, CA 94608

Federal Tax ID #: 94-3175000

RE: City of Emeryville Fire Department Consolidation Start-up Cost

Description of Invoice:

City of Emeryville start-up cost is budgeted at \$284,510.00. This invoice covers expenses up to 4/29/13.

Total Amount Due and Payable **\$203,424.76**

**Please remit payment to:
Alameda County Fire Department
835 East 14th Street, Suite 200, San Leandro, CA 94577
Attn: Accounts Receivable**