City of Oxnard

RIVER RIDGE GOLF COURSE

Background: The Grand Jury received several detailed Citizen Complaints questioning the award, administration and the financing of the City of Oxnard's (the City) contract with the company of High Tide & Green Grass, Inc. (High Tide or the Operator) to manage the City's River Ridge Golf Course (River Ridge or the Golf Course). The complaints specifically questioned the City's financial oversight of River Ridge operations and alleged that the arrangement was a "sweetheart deal" to the detriment of the City.

Methodology: The Grand Jury met several times with various City officials and discussed various financial and operational contractual aspects of River Ridge management with them. The Jury obtained documentation relevant to the subjects of the inquiry and acquired certain detailed written explanations and analyses from the City departments involved. With respect to the relevant bond financing, the Jury took advice from knowledgeable persons familiar with public bond financing. With respect to accounting relevant to River Ridge financial transactions, the Jury took advice from knowledgeable persons familiar with public entity accounting practices. With respect to certain contractual issues, the Jury took advice from counsel versed in the law relevant to public institutions in the State of California. The Jury met several times with the Complainants and other interested persons who accompanied the Complainants. The Jury met with a Vice President of High Tide who is also employed as the General Manager of River Ridge and visited the River Ridge site.

Findings:

Contract History & Lock-In Provisions

F-1. High Tide and Green Grass, Inc. filed for incorporation with the Secretary of State of California on November 24, 1993.

F-2. The Original Agreement between the City and High Tide states at subparagraph 2.a. that "City hereby grants to Operator an exclusive contract to operate, maintain and manage the Golf Course for a period of five (5) years, beginning December 1, 1993…"

F-3. Under Article 2.a. of that Agreement the full term of the contract was stated to be for five (5) years with the "opportunity to request renewal…" of the Agreement for two additional terms of ten (10) years each.

F-4. The Second Agreement was agreed upon and came into effect on December 15, 1998.

F-5. Article 3.a. of the Second Agreement grants Operator the exclusive right to operate, manage and maintain the Golf Course for ten (10) years and seven (7) months ending June 30, 2009.

F-6. Article 3.b. gives the Operator "an opportunity to request [within a stipulated time period] extension of this Agreement for an additional ten years…" until June 30, 2019.

F-7. Article 3.c. excluded the "opportunity to request an extension of this Agreement…under three circumstances outlined in subparagraphs d., e. and f. See, Attachment A.

F-8. In fact, the second and third exceptions are the same except that in the second, if a third party pays the entire cost of constructing the additional 18 holes, that party has the first right to negotiate with the City for the operation, maintenance and management of the Golf Course.

F-9. The Original Agreement and the Second Agreement characterize the Agreements as unique personal service agreements and stipulate that if during the term of the Agreement three named individuals "individually or collectively," are no longer involved "in the operation, maintenance and management…, the City may terminate…" the Agreement upon ninety days written notice.

F-10. A "Termination Without Cause" article was included in the Original Agreement but was omitted from the Second Agreement.

F-11. According to City management the "Termination Without Cause" article was omitted because "The City is sufficiently protected…" by the Termination for Cause Article and the unique personal services termination article.

Accounting Records, Recording and Statements

F-12. The Second Agreement states that "Operator shall maintain a method of accounting in accordance with generally accepted accounting principles [GAAP] which accurately reflects the gross receipts and disbursements of Operator in connection with Golf Course Operations…" Article 20. Accounting Records and Reporting.

F-13. It further states that "Operator shall submit…a financial statement for the fiscal year then ended…" Article 21. Financial Statements.

F-14. The Original Agreement required that "annual revenues as indicated on the financial statement shall be certified by an independent auditor and shall include a statement that the financial statements are in compliance with generally accepted accounting principles." Article 22. Financial Statements.

F-15. The Second Agreement states that "The financial statement shall be audited by an independent auditor and shall include a statement that the financial statements were prepared in compliance with generally accepted accounting principles." Article 21. Financial Statements.

F-16. The independent audit submitted to the City for the year ending June 30, 2002 in accordance with Article 21 included, among other things, the statement **"SELECTED INFORMATION-SUBSTANTIALLY ALL DISCLOSURES REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ARE NOT INCLUDED FOR THE YEAR ENDED JUNE 30, 2000."** (Emphasis supplied).

F-17. The independent audit for the year ending June 30, 2002 was merely an audit of the "the accompanying schedule of base revenues of High Tide…." and stated that the referenced schedule was the responsibility of High Tide's management and limited the auditor's responsibility to "express[ing] an opinion on this schedule based on our audit."

F-18. "Subject to City Manager approval Operator agrees to develop, install and maintain necessary accounting, operating and administrative controls governing the financial affairs of the Golf Course…" Article 22. Internal Control.

F-19. There is no indication that the Operator ever drafted and submitted the necessary accounting, operating and administrative controls governing the financial affairs of the Golf Course to the City.

F-20. There is no indication that the City Manager or his designated Project Manager ever received a written internal control plan or ever approved one.

F-21. A cursory examination on site revealed a serious lack of internal controls at River Ridge.

F-22. "City or its authorized auditors and representatives shall have access to and the right to audit and reproduce any of Operator's records related to gross receipts and expenses, to the extent the City deems necessary to ensure City is receiving all monies to which City is entitled…or for other purposes relating to this Agreement." Article 24. a. Inspection of Records.

F-23. The City has never audited or had audited the Operator's records related to gross receipts and expenses to ensure that the City is receiving all monies to which it is entitled.

F-24. A partial examination of High Tide financial records, relative to Golf Course operations, disclosed that from a formal accounting standpoint, certain practices can be characterized as inaccurate and undisciplined bookkeeping.

The "Joint Account" Banking Provisions

F-25. Both the Original Agreement and Second Agreement state that Operator is an Independent Contractor and not an agent of the City (except as the City may specify in writing).

F-26. Under both the Original Agreement and the Second Agreement the Operator was required to "establish in the name of the City and the Operator, jointly, such bank accounts as required for the operation, maintenance and management of the Golf Course…"

F-27. When it was recognized by the City that the Agreement's "joint accounts" arrangement was improper, as between a municipality and a private corporation, the City entered into a letter agreement appointing High Tide the

agent and/or partner of the City for management of the Golf Course and its operations.

F-28. By letter dated November 30, 1993, High Tide and Green Grass, Inc. (soon to be the Operator) informed its bank that it was in "a partnership with the City of Oxnard to manage…the River Ridge Golf Club..." and agreed "to provide [the City] complete access to any and all activity involving [its] corporate accounts…"

F-29. In the November 30, 1993 letter High Tide also stated "this letter serves as notice that our company authorizes Ms. Belcher [then City Treasurer] to suspend financial activity in our accounts."

F-30. By letter dated February 7, 1994 the City Treasurer informed Operator's bank that the City had "conveyed to [Operator] the right to act as the City's agent for the River Ridge Golf Club…" and that the City agreed that the title of the account would be "High Tide & Green Grass, Inc. as agent for River Ridge Golf Club and River Ridge Golf Course."

F-31. By its letter of February 7, 1994 the City Treasurer also provided that the letter gave Operator "the ability to accept checks as River Ridge Golf Club or River Ridge Golf Course."

F-32. Article 10 of the Second Agreement provides for deposit of all Golf Course revenues in "the joint account established for the City and Operator."

F-33. The City plays no role in reconciling the "joint accounts."

F-34. The City has never written a check on the "joint accounts."

F-35. There is no evidence that a true "joint account" exists or has ever existed.

F-36. High Tide maintains two River Ridge accounts; one for Golf Course revenue and one for restaurant and restaurant related revenue.

F-37. High Tide has stated that all Golf Course revenue, except golf lesson fees, is deposited in Operator's River Ridge "joint accounts."

F-38. High Tide controls the River Ridge revenue "joint accounts."

Revenue Management

F-39. Under the Second Agreement High Tide is to collect "all revenues from the operation of the Golf Course and deposit such revenues in the joint account…."

F-40. The Second Agreement requires High Tide to submit an Annual Business Plan that includes a Facilities Maintenance Plan and a Marketing Plan.

F-41. The Agreement also requires the annual submission of an Operations Budget and a Capital Improvements Budget in conjunction with the Annual Business Plan.

F-42. Under the Second Agreement the City is to pay High Tide a "minimum yearly amount" from which High Tide is to receive "minimum monthly payments" out of which it must pay all expenses incurred to operate the Golf Course.

F-43. The "minimum yearly amount" is to be called out in the Annual Business Plan submitted by High Tide to the City Manager and approved by the City Council.

F-44. In practice the Operations Budget is submitted as part of the annual budget of the Parks and Facilities Division of Public Works for approval by City Council.

F-45. In practice a "minimum yearly amount" is not called out in the Annual Business Plan. The Operations Budget submitted by High Tide is treated as the "minimum yearly amount."

F-46. In practice the City does not pay High Tide the "yearly minimum amount" since all City Golf Course revenue, except golf lesson fees, is kept in the High Tide corporate "joint accounts."

F-47. The Second Agreement provides that High Tide pay itself the "minimum monthly amount" from the "joint account" into which the City, presumably, would have paid the "minimum yearly amount."

F-48. In practice High Tide pays its operating expenses as they arise and as are necessary directly from the "joint accounts."

F-49. Under the wording of the Second Agreement these budgets are merely intended as reasonable estimates.

F-50. The Second Agreement further provides that High Tide makes "no guarantee, warranty or representation whatsoever in connection with the budgets…." and may reallocate money within the budgets.

F-51. There have been under-runs of the Operating Budget.

F-52. The City states that budget amounts resulting from under-runs remain as City revenue in the River Ridge "joint accounts" under an oral agreement between the parties.

F-53. High Tide states that though the budget amounts resulting from under-runs remained as City revenue under the Original Agreement, under the Second Agreement such money is taken as profit by High Tide.

City Treasurer's Management Re: River Ridge Revenue

F-54. By its letter of February 7, 1994 the then City Treasurer, apparently in accordance with Article 52 of the Second Agreement, appointed High Tide an agent for the City for the limited purpose of operating River Ridge.

F-55. The Treasurer's letter of February 7, 1994 specifically extended the agency appointment to the collection of money for the City in connection with River Ridge operations.

F-56. High Tide & Green Grass collected money at River Ridge as the agent of the City.

F-57. It appears to the Grand Jury that under California law local agencies may not delegate the power to control or supervise municipal corporation money to a private person or body. See, Attachment B.

F-58. Under California law local agencies may deposit money in specified classes of banking, lending and investment businesses but only in accordance with stringent controls set forth in the Government and Finance Codes. See, Attachment C.

F-59. The Government Code requires that "Any officer or employee collecting or receiving any money belonging to,…, the city shall deposit it immediately in

the treasury in the manner prescribed by the ordinance for the benefit of the funds to which it belongs…." See, Attachment D.

F-60. The Government Code provides that "The city treasurer shall receive and safely keep all money coming into his hands as treasurer."

F-61. The Government Code provides that "He [the treasurer] shall comply with all laws governing the deposit and securing of public funds …in his possession."

F-62. The California Government Code provides that "He [the treasurer] shall pay out money only on warrants signed by legally designated persons."

F-63. Sections of the Government Code referred to above are internal controls mandated by State law to protect the assets of the State and local agencies.

F-64. California law provides that "An officer or employee of a local agency who deposits money belonging to, or in the custody of, the local agency in any other manner than prescribed in this article is subject to forfeiture of his office or employment." Government Code 53681.

Payment of Percentage of "Gross Receipts"

F-65. In addition to the "yearly minimum amount" to be paid to High Tide, the City is obligated to pay High Tide a percentage of the "annual gross receipts…as described in Exhibit C,…" to the Second Agreement.

F-66. Exhibit C defines "gross receipts" and establishes "Minimum Base Revenues" for ten years beginning July 1, 1999.

F-67. "Gross receipts" as defined in Exhibit C is different than "all revenues from the operation of the golf course…."

F-68. "Base Revenue" is defined in Exhibit C as "the Gross Receipts derived from all Golf Course operations except receipts from golf lessons."

F-69. The amount of the Gross Receipts to be paid to High Tide, in addition to the "minimum yearly amount," is determined by a percentage of the extent to which "Base Revenue" exceeds the stated "Minimum Base Revenue" for the year in which the payment is to be made.

F-70. In practice, rather than the City paying High Tide its Exhibit C "profit share" as required under the Agreement, High Tide pays the City's share of Exhibit C money to the City out of the High Tide corporate "joint accounts" in a highly publicized ceremony.

F-71. The percentage of excess "Base Revenue" to be paid is inversely scaled starting at fifty percent (50%) of any excess between $1 and $300,000 and ending at twenty-five percent (25%) for such excess over $400,000.

F-72. The "profit sharing" provisions of Exhibit C are apparently calculated at times other than provided for in the Agreement (end of the "Period," the Fiscal year) and are recorded as "Salaries, Wages and Benefits" on the City's books.

F-73. Under Exhibit C payment to High Tide under the Gross Receipts percentage provisions shall not exceed the "minimum yearly amount," apparently referred to in Exhibit C as "the minimum period amount provided for in the Business Plan."

River Ridge Bond Financing & Debt

F-74. In 1984 the City issued $11,890,000.00 in Leasehold Mortgage Revenue Bonds for construction of River Ridge for which the Golf Course was posted as collateral.

F-75. In1988 the debt created in 1984 to build the Golf Course was refinanced at a cost of $16,442,541.34 used to refund bondholders of the original debt issuance in order to reduce interest on the debt and change the call date. The Golf Course remained as collateral for the debt.

F-76. For various reasons, at the time of the issuance of the "Refunding Bonds" in1988 only a nominal amount of the principal had been paid ($65,000.00).

F-77. In 1993 the River Ridge debt, along with other outstanding bond issues of the City, was again refinanced with Lease Revenue Refunding Bonds in the amount of $31,565,000.00, of which $15,795,000.00 was related to Refunding Bonds.

F-78. Under the second refunding debt issue in 1993 the Golf Course was no longer pledged as collateral. The collateral for the 1993 refinancing was the City Hall and other City assets.

F-79. As of October of 2002 there remains $11,870,000.00 in debt remaining related to River Ridge. This is an obligation of the general fund of the City and not the Golf Course.

F-80. The original projections of the City for sources of repayment of the Golf Course construction debt were excessively optimistic and never realized.

F-81. The City considers River Ridge a recreational resource and part of the City's open space and as such is not expected to repay the bonds with River Ridge revenue.

F-82. The City's general fund has contributed toward the debt service originally incurred for construction of the Golf Course though Golf Course operation's revenues contribute approximately $400,000.00 annually to the general fund.

F-83. The interest on the debt remaining attributable to River Ridge construction is approximately $500,000.00 annually.

Selected Contract Deficiencies

F-84. The provisions for the maintenance of and for the conduct of operations from the "Joint Account" appear to the Grand Jury to be contrary to State law.

F-85. There is no contractual provision that establishes ownership of the money resulting from under-runs of the Operating and Capital Investment Budgets.

F-86. Operator is contractually absolved of accountability for the budgets it presents to the City but takes the under-runs from those budgets as profit.

F-87. Unlike the Original Agreement, there is no Termination for the Convenience of the City in the Second Agreement.

F-88. The Dispute Resolution Procedure Article provides that the City and High Tide will "request the Presiding Judge…to provide a list of names…" as the initial act for the process of selection of an arbitrator for an unresolved dispute and does not delineate governing procedure or restrict venue.

F-89. Though the Second Agreement requires the Operator to maintain appropriate books and records and to set up internal controls, the agreement does not

specifically provide the City with the right to access, examine and copy those books and records in such detail that the City could, if moved to do so, appropriately audit those books and records.

F-90. There is no provision for excluding golf lesson fees from Golf Course revenue to be deposited in the so-called "Joint Account."

F-91. There are no provisions for the exceptional administration and accounting practices presently utilized under oral agreement for special events, tournaments and the like.

Conclusions

C-1. The Agreement's extension provisions shield the venture from competition. (F-2, 3, 5, 6, 8, 10)

C-2. Under current "lock-in" provisions, there is only one very unlikely possibility that the Operator will not have the absolute right, subject only to good faith negotiation, to become the manager of the Golf Course should it be expanded and that is if a third party pays for the entire construction of the added 18 holes and claims the right to operate, maintain and manage the completed Golf Course. (F-5-8)

C-3. Independent Auditor's Reports accepted by the City are not in accordance with Article 21 of the Agreement, cited above, in that they do not constitute an audit of the financial statements of High Tide and do not include a statement that "the financial statements were prepared in compliance with generally accepted accounting principles." (F-15-17)

C-4. The recording of "profit sharing" on the City's records as "Salaries, Wages and Benefits" is improper in that it does not with reasonable accuracy reflect the underlying transaction. (F-12, 13, 15)

C-5. The absence of an independent audit as required by the Agreement has potentially permitted undisciplined accounting practices and procedures. (F-16, 17, 23)

C-6. There are no written internal controls, approved or otherwise, for High Tide Golf Course operations that would permit and facilitate an efficient audit of those operations. (F-18-21)

C-7. Lack of a City approved written internal financial control as required by the Agreement has exposed the system to potential manipulation and would inhibit the performance of any compliance audit. (F-18-21, 23)

C-8. The Agreement's financial accounting processes are unduly vague and arcane. (F-14-17, 22, 23)

C-9. The City has not retained or assured adequate audit rights. (F-19-21, 23, 57, 62)

C-10. The City has not adequately exercised such audit rights as it possesses. (F-22, 23, 33, 34, 38)

C-11. Revenue from Golf Course operations is the City's money. (F-25-32, 37, 45, 46, 51-55, 67-70)

C-12. It appears to the Grand Jury that the Agreement to deposit the City's revenue from the operation of River Ridge Golf Course into the corporate accounts of High Tide is improper under California law. (F-25-32, 38, 53, 54, 57-60, 62, 63)

C-13. The Agreement's provision for a "joint accounts" has never been revised and, though improper, is not followed. (27-30, 34, 37, 47, 48)

C-14. Money in the hands of the City's agent for collection of money is in the hands of the City. (F-26-32, 38, 47, 53-56, 69)

C-15. Permitting High Tide to operate its financial business with City money deposited in its corporate accounts appears to the Grand Jury to be improper under California law, contrary to the provisions of the Agreement and avoids reasonable and mandated internal controls over City money. (F-28-33, 45, 47-49,54, 56-58, 60, 63)

C-16. Permitting High Tide to pay itself and its creditors City money in its operation of River Ridge appears to the Grand Jury to be contrary to the internal controls for the deposit and disbursement of City funds mandated by California law. (F-12, 23, 26, 29, 31, 54-63)

C-17. With respect to the deposit of City funds by the City's agent it appears to the Grand Jury that the City Treasurer has not complied with the requirements of California law as described above. (F-26, 30, 31, 38, 47, 57, 58-60, 62)

C-18. In the case of the bank deposit of City funds by the City's agent it appears to the Grand Jury that the City may not now and may never have been in compliance with California law with respect to the collection and deposit of its money relative to the operation of River Ridge. (F-25-27, 29, 30, 32, 37, 38, 45, 47, 56-60, 62)

C-19. In the opinion of the Grand Jury the City has circumvented the internal controls mandated by the Government and Finance Codes. (F-20, 23, 25-27, 29-34, 37, 38, 45-47, 54, 55, 57-60, 62)

C-20. In the opinion of the Grand Jury, responsible officials with the City have not properly carried out their fiduciary duties with respect to their financial management and the accountability of the River Ridge Golf Course. (F-10, 16, 20, 21, 23, 26, 27, 29-32, 44, 50, 52, 53, 54-56, 57-63)

C-21. Public bond financing of River Ridge, though not improper, has been presented to the public in such a way as to obscure the true cost of River Ridge. (F-69, 77-80)

C-22. Profit accounting processes and the City's presentation of them to the public mislead the public with respect to the "profitability" of River Ridge. (F-69, 77-80)

C-23. The City's and High Tide's divergent statements with respect to the disposition of amounts resulting from budget under-runs further indicates that neither the City nor High Tide understands or adequately controls the revenue stream. (F-23, 52, 53)

C-24. The Agreement to manage River Ridge is severely contractually deficient in many respects. (F-84-91)

C-25. The Agreement to manage River Ridge lacks a Termination for Convenience Article. (F-10, 87)

C-26. The Dispute Resolution Procedure Article is deficient in that the method set forth may not be effective because there is no explicit authority for the Superior Court to appoint an arbitrator or arbitrators except on petition under

certain defined statutory circumstances and then in accordance with procedural rules set forth at Code Civ. Proc., Section 1281.6. (F-88)

C-27. The Dispute Resolution Procedure Article also is deficient in that contrary to good contracting practice it does not provide guidance with respect to what procedural rules will be used in any arbitration nor does it prescribe the venue for resolution of the dispute. (F-88)

Recommendations:

R-1. That the City immediately retains Outside Counsel expert in Government contracting and procurement to assist it in reforming and renegotiating the present Agreement to ensure that it is in conformity with California law and good business practice.

R-2. That the City Treasurer, pending reformation of the River Ridge Agreement, take immediate action to close the "Joint Accounts" and set policies to collect and preserve City revenue in accordance with California law.

R-3. That the City initiate discussions with High Tide & Green Grass, Inc. with a view to reforming the River Ridge management contract.

R-4. That the City review and revise its representation to the public of the River Ridge Golf Course as a profitable City venture and disclose to the public, in understandable terms, the true cost of the Golf Course to include bond debt service attributable to the construction of the Golf Course.

R-5. That the City Manager assign a highly qualified and experienced Contract Administrator as Project Manager to oversee the administration of the River Ridge Agreement and any successor agreement.

R-6. That the City only proceed with its ongoing plan to expand the River Ridge Golf Course after full disclosure to the public of the probable true cost of the venture including consideration of the affect of increased local competition and falling public participation in the sport.

R-7. That the City only proceed with its ongoing plan to expand the River Ridge Golf Course after opening the venture up to competition from other potential managers in addition to High Tide.

R-8. That the City Council require a separate budget presentation to it for its consideration of award of any follow-on River Ridge Golf Course management contract.

R-9. That the City Council require a separate budget presentation to it for its consideration of all budget approvals for River Ridge Golf Course operations.

R-10. That the City Council require open competition for award of any follow-on River Ridge Golf Course management contract.

R-11. That in any contract for management of the River Ridge Golf Course the Operator be made accountable for the budgets presented to the City.

R-12. That the mechanisms for calculation of profit be reformed so that, for example, profit to whatever entity manages the Golf Course reflects incentive based, fixed and scaled percentages of the net profit of Golf Course operations.

R-13. That Golf Course audits be thoroughly and rigorously applied.

R-14. That as a separate and urgent matter the City procures a thorough independent audit of River Ridge operations and accounting to bring the accounting of River Ridge and the City into compliance with GAAP.

R-15. That any audit performed as recommended at Recommendation R-14 be performed for the City by an auditor other than High Tide's outside auditor in order to avoid any possibility of conflict of interests or the appearance of a conflict of interests.

R-16. In addition to any audit performed as recommended at Recommendation R-14, that the City initiate a thorough review and test of the system of internal controls at High Tide.

Required responses:

Mayor, City of Oxnard (R-1, 3, 4, 6-10, 13-16).
City Council (R-1, 3, 4, 6-10, 13-16).
City Treasurer (R-2, 13-16).
City Manager (R-1, 3, 5, 11, 12-16).

Attachment A

Summary of Excluded Opportunities to Extend the Second Agreement.

1. The first exception set forth at subparagraph d. is that Operator would be excluded on the low probability incidence that the additional 18 holes were added to the Golf Course with "no City funds [being] used or City-issued debt instruments [being] issued to pay for the construction… and the entity that paid for the construction "requests the right to operate, maintain and manage all 36 holes…."
2. The second exception set forth at subparagraph e. is that Operator would be excluded on the equally low probability incidence that the additional 18 holes were added to the Golf Course with "no City funds [being] used or City-issued debt instruments [being] issued to pay for the construction… and the entity that paid for the construction did "not request the right to operate, maintain and manage all 36 holes…." Operator has the right to request extension and negotiate changed terms to take into account the additional 18 holes.
3. The third and most likely scenario is set forth at subparagraph f. and is that if the 18 holes are added "and are paid for in whole or part with City funds or the proceeds of City-issued debt instruments…" Operator has the right to request extension and negotiate changed terms to take into account the additional 18 holes.

Attachment B

Selected California Constitutional Provisions

CALIFORNIA CONSTITUTION
ARTICLE 11 LOCAL GOVERNMENT

SEC. 11. (a) The Legislature may not delegate to a private person or body power to make, control, appropriate, supervise, or interfere with county or municipal corporation improvements, money, or property, or to levy taxes or assessments, or perform municipal functions.

(b) The Legislature may, however, provide for the deposit of public moneys in any bank in this State or in any savings and loan association in this State or any credit union in this State or in any federally insured industrial loan company in this State and for payment of interest, principal, and redemption premiums of public bonds and other evidence of public indebtedness by banks within or without this State. It may also provide for investment of public moneys in securities and the registration of bonds and other evidences of indebtedness by private persons or bodies, within or without this State, acting as trustees or fiscal agents.

Attachment C

Selected Government Code Provisions Re: Public Investment and Banking Controls

53630.1. The Legislature hereby finds that the solvency and creditworthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state. Therefore, to protect the solvency and creditworthiness of the state and all of its political subdivisions, the Legislature hereby declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.

* * * * * * * * * *

53646. (a) (1) In the case of county government**,** the treasurer shall annually render to the board of supervisors and any oversight committee a statement of investment policy, which the board shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved by the board at a public meeting.

(2) In the case of any other local agency, the treasurer or chief fiscal officer of the local agency shall annually render to the legislative body of that local agency and any oversight committee of that local agency a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting. Any change in the policy shall also be considered by the legislative body of the local agency at a public meeting.

* * * * * * * * * *

53647. (a) Interest on all money deposited belongs to, and shall be paid quarterly into the general fund of, the local agency represented by the officer making the deposit, unless otherwise directed by law.

(b) Notwithstanding the provisions of subdivision (a), and except as otherwise directed by law, if the governing body of the local agency represented by the officer making the deposit so directs, such interest shall be paid to the fund which contains the principal on which the interest accrued.

* * * * * * * * * *

53681. An officer or employee of a local agency who deposits money belonging to, or in the custody of, the local agency in any other manner than that prescribed in this article is subject to forfeiture of his office or employment.

Attachment D

Selected Government Code Provisions, Re: City Treasurer

36501. The government of a general law city is vested in:
(a) A city council of at least five members.
(b) A city clerk.
(c) A city treasurer.
(d) A chief of police.
(e) A fire chief.
(f) Any subordinate officers or employees provided by law.

* * * * * * * * * *

36522. Any officer or employee collecting or receiving any money belonging to, or for the use of, the city shall deposit it immediately in the treasury in the manner prescribed by ordinance for the benefit of the funds to which it belongs. He shall report such deposits to, and settle with, the city clerk, or director of finance if that office has been established by ordinance, on the first Monday in each month or at such shorter intervals as are prescribed by ordinance.

* * * * * * * * * *

41001. The city treasurer shall receive and safely keep all money coming into his hands as treasurer.

41002. He shall comply with all laws governing the deposit and securing of public funds and the handling of trust funds in his possession.

41003. He shall pay out money only on warrants signed by legally designated persons.

41004. Regularly, at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of all receipts, disbursements, and fund balances. He shall file a copy with the legislative body.