



CITY OF
HAYWARD
HEART OF THE BAY

CITY COUNCIL AGENDA
OCTOBER 21, 2014

MAYOR BARBARA HALLIDAY
MAYOR PRO TEMPORE GREG JONES
COUNCIL MEMBER FRANCISCO ZERMEÑO
COUNCIL MEMBER MARVIN PEIXOTO
COUNCIL MEMBER AL MENDALL
COUNCIL MEMBER SARA LAMNIN
COUNCIL MEMBER ELISA MÁRQUEZ

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CITY COUNCIL MEETING FOR OCTOBER 21, 2014
777 B STREET, HAYWARD, CA 94541
WWW.HAYWARD-CA.GOV

CLOSED SESSION
Closed Session Room 2B – 5:30 PM

1. PUBLIC COMMENTS

2. Conference with Labor Negotiators

Pursuant to Government Code 54957.6

- Lead Negotiators: City Manager David; City Attorney Lawson; Assistant City Manager McAdoo; Finance Director Vesely; Director of Maintenance Services McGrath; Director of Public Works-Engineering and Transportation Fakhrai; Acting Human Resources Director Collins; Deputy City Attorney Vashi; Senior Human Resources Analyst Monnastes; Community and Media Relations Officer Holland; Jack Hughes, Liebert, Cassidy and Whitmore

Under Negotiation: All Groups

3. Conference with Legal Counsel

Pursuant to Government Code 54956.9

- Anticipated Litigation (One Case)

4. Conference with Legal Counsel

Pursuant to Government Code 54956.9

- Pending Litigation

- Hackney v. City of Hayward, U.S. District Court, N.D. CA, No. C-14-1714

5. Adjourn to Special Joint City Council/Housing Authority/Redevelopment Successor Agency/Hayward Public Financing Authority meeting

**SPECIAL JOINT CITY COUNCIL/HOUSING AUTHORITY/REDEVELOPMENT SUCCESSOR
AGENCY/HAYWARD PUBLIC FINANCING AUTHORITY MEETING**
Council Chambers – 7:00 PM

CALL TO ORDER Pledge of Allegiance Council Member Lamnin

ROLL CALL

CLOSED SESSION ANNOUNCEMENT

PUBLIC COMMENTS

The Public Comment section provides an opportunity to address the City Council on items not listed on the agenda or Work Session or Information Items. The Council welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the City or are within the jurisdiction of the City. As the Council is prohibited by State law from discussing items not listed on the agenda, your item will be taken under consideration and may be referred to staff.

NON-ACTION ITEMS: *(Work Session and Informational Staff Presentation items are non-action items. Although the Council may discuss or direct staff to follow up on these items, no formal action will be taken. Any formal action will be placed on the agenda at a subsequent meeting in the action sections of the agenda.)*

WORK SESSION (60-Minute Limit)

1. BART's Implementation of Parking Fees at the Hayward Station (Report from Public Works - Engineering and Transportation Director Fakhrai)

[Staff Report](#)
[Attachment I](#)
[Attachment II](#)

ACTION ITEMS: *(The Council will permit comment as each item is called for the Consent Calendar, Public Hearings, and Legislative Business. In the case of the Consent Calendar, a specific item will need to be pulled by a Council member in order for the Council to discuss the item or to permit public comment on the item. Please notify the City Clerk anytime before the Consent Calendar is voted on by Council if you wish to speak on a Consent Item.)*

CONSENT

2. Adoption of FY 2015 Statement of Investment Policy and Delegation of Investment Authority

[Staff Report](#)
[Attachment I](#)
[Attachment II](#)
[Attachment III](#)
[Attachment IV](#)
[Attachment V](#)
[Attachment VI](#)

3. Consideration of Resolution in Opposition to Proposition 47: The Safe Neighborhoods and Schools Act (Continued from 10/14/14)

[Staff Report](#)
[Attachment I Resolution](#)
[Attachment II Fact Sheet](#)
[Attachment III Sac Bee Opinion Piece](#)

October 21, 2014



The following order of business applies to items considered as part of Public Hearings and Legislative Business:

- *Disclosures*
 - *Staff Presentation*
 - *City Council Questions*
 - *Public Input*
 - *Council Discussion and Action*
-

PUBLIC HEARING

4. Approval of a Substantial Amendment to the Community Development Block Grant (CDBG)FY 2014-15 Annual Action Plan for the Hayward Promise Neighborhood Street Improvement Project (Report from Library and Community Services Director Reinhart)

[Staff Report](#)

[Attachment I Resolution](#)

[Attachment II HUD Qualified Census Tract 4366.01](#)

[Attachment III Pavement List and Estimated Project Cost](#)

Information items are presented as general information for Council and the public, and are not presented for discussion. Should Council wish to discuss or take action on any of the “information” items, they will direct the City Manager to bring them back at the next Council agenda as an Action Item.

INFORMATION ITEMS

None

CITY MANAGER’S COMMENTS

An oral report from the City Manager on upcoming activities, events, or other items of general interest to Council and the Public.

COUNCIL REPORTS, REFERRALS, AND FUTURE AGENDA ITEMS

Oral reports from Council Members on their activities, referrals to staff, and suggestions for future agenda items.

ADJOURNMENT

NEXT MEETING – 7:00 PM, TUESDAY, October 28, 2014

October 21, 2014



PUBLIC COMMENT RULES: *The Mayor may, at the beginning of the hearing, limit testimony to three (3) minutes per individual and five (5) minutes per an individual representing a group of citizens or organization. Speakers will be asked for their name before speaking and are expected to honor the allotted time. Speaker Cards are available from the City Clerk at the meeting.*

PLEASE TAKE NOTICE *that if you file a lawsuit challenging any final decision on any public hearing or legislative business item listed in this agenda, the issues in the lawsuit may be limited to the issues that were raised at the City's public hearing or presented in writing to the City Clerk at or before the public hearing. PLEASE TAKE FURTHER NOTICE that the City Council has adopted Resolution No. 87-181 C.S., which imposes the 90 day deadline set forth in Code of Civil Procedure section 1094.6 for filing of any lawsuit challenging final action on an agenda item which is subject to Code of Civil Procedure section 1094.5.*

****Materials related to an item on the agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office, City Hall, 777 B Street, 4th Floor, Hayward, during normal business hours. An online version of this agenda and staff reports are available on the City's website. Written comments submitted to the Council in connection with agenda items will be posted on the City's website. All Council Meetings are broadcast simultaneously on the website and on Cable Channel 15, KHRT. ****

Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested persons must request the accommodation at least 48 hours in advance of the meeting by contacting the City Clerk at (510) 583-4400 or TDD (510) 247-3340.

Please visit us on:



DATE: October 21, 2014

TO: Mayor and City Council

FROM: Director of Public Works - Engineering & Transportation

SUBJECT: BART's Implementation of Parking Fees at the Hayward Station

RECOMMENDATION

That Council reviews and comments on the recommended strategies to address potential concerns with BART's implementation of parking fees at the Hayward Station.

BACKGROUND

In August, City staff was informed that the Bay Area Rapid Transit (BART) District will implement daily parking charges at the Hayward BART station on or around September 8, 2014. This change reflects an adopted BART policy of charging patrons to park in its lots and garages. The Hayward BART station is one of four stations within the BART system to yet implement the paid parking policy. Last year, BART implemented paid parking at the South Hayward BART station.

In response to the above notification, staff contacted BART staff and requested a delay in the implementation of parking fees at the Hayward station. Staff also instituted an internal working group to formulate strategies to mitigate potential impacts to Downtown parking areas. Currently, BART has approximately 1,400 parking spaces at the Hayward station. With limited parking areas adjacent to the station (primarily utilized by downtown patrons, merchants, employees, and some residents), a minor 10%-20% shift from the BART lots could quickly overwhelm available parking in Downtown areas.

Staff has developed a short term strategy to mitigate potential impacts to the downtown parking areas. As part of a regional pilot program (Value Parking Pricing) funded through the Metropolitan Transportation Commission (MTC), staff is also developing a long term strategy for the entire Downtown, which may possibly be expanded to the rest of the City.

DISCUSSION

BART has agreed with the City's request to postpone implementing their parking charges to no earlier than December. To evaluate the potential impacts of the pending BART policy change, existing parking supply and demand data in the Downtown was collected in late August through mid-September. The potential areas of impacts of the BART policy change is focused on

commercial areas to the east and residential areas to the west of the Hayward BART station (Attachment I).

Preliminary observations (Attachment I):

- The City Hall parking structure on Watkins has 460 available spaces with approximately 150-170 open spaces at the peak period (12PM)
- On-street parking is 77% occupied during the peak period
- Some on street facilities are nearly fully occupied during the peak period
- Long-term parkers are likely ignoring on-street time restrictions
- Only a few on-street areas within a quarter mile of the Hayward BART Station have no time restrictions; long-term parkers are likely parking here

Potential anticipated impacts

BART's implementation of parking fees may have the following potential impacts:

- Significant impact and influx of BART patrons into the City Hall parking structure
- On-street parking is expected to be over capacity
- Limited parking availability for Downtown business patrons, employees, and visitors
- Residential areas close to the Downtown Hayward BART station are expected to be highly impacted
- Private parking lots (e.g. Lucky's parking lot) are anticipated to be impacted

Several policy options were evaluated to determine how parking might be managed in response to potential increases in demand within a quarter to one half mile of the BART station. Staff has also reviewed case studies from other jurisdictions (e.g. Union City, San Leandro and Dublin) where BART implemented parking charges to identify possible unanticipated impacts and/or mitigation measures.

Temporary Policies to Implement and Evaluate

- Designate and enforce 4-hour parking restrictions in the City Hall parking structure between 9:00 AM and 4:00 PM on weekdays. City employees parking in the structure will receive temporary parking permits for this garage until the evaluation is complete.
- Designate and enforce "time limit" parking from 8:00 AM to 5:00 PM for on-street parking within a quarter mile radius of the Downtown Hayward BART station (Attachment II)
- Designate and enforce 4-hour time restrictions for the commercial and residential areas west of the BART station (along A, B, C, Claire and Alice Streets) between 9:00 AM and 4:00 PM on weekdays
- Improve enforcement to ensure that time restrictions are being observed

Installation of time restricted parking signs throughout the Downtown area and enforcement will be provided by Maintenance Services staff.

FISCAL IMPACT

The revenue to be generated from parking citations will be used to offset the costs incurred by Maintenance Services staff for preparation and installation of signs and enforcement. It is anticipated that revenue generated from enforcement will be higher initially, but will decrease over time. A more complete fiscal impact information will be provided at a later date following completion of the evaluation period.

PUBLIC CONTACT

Staff conducted outreach efforts with downtown businesses to explain potential short term changes to Downtown parking policies during the month of September. A public information meeting was held on October 16th to allow both merchants and nearby residents to comment and provide feedback. Approximately 35 residents and merchants attended the meeting. Attendees reported already being impacted by BART patrons who currently park in their neighborhoods. There was discussion relative to permit parking versus time limitations as the most effective mechanism to address the residents' concerns. There were also suggestions to restrict all parking in the City Hall parking garage to two hours, with validation potentially available for merchants, to further revitalize the Downtown area.

NEXT STEPS

Staff will continue finalizing implementation strategies as directed by Council and in advance of BART parking charge implementation, currently scheduled for no earlier than December .

A comprehensive parking analysis is currently underway for Downtown Hayward to provide recommendations that will evaluate the following long term strategies:

- Develop a downtown parking management plan, which includes the latest technologies to implement Value Parking Pricing strategies
- Evaluate paid parking for off-street garages within the area of influence of BART station
- Develop a Business Improvement District (BID) to improve parking management and local participation
- Explore potential of metering on-street parking along B Street between Foothill Boulevard and Montgomery Avenue

Long term parking programs, including potential costs and revenue, will be detailed and presented to the community and Council throughout the next year and will be completed by next fall.

Prepared by: Fred Kelley, Transportation Manager

Recommended by: Morad Fakhrai, Director of Public Works – Engineering & Transportation

Approved by:



Fran David, City Manager

Attachments:

- Attachment I: Parking Study Area Boundary/Preliminary Observations
- Attachment II: Recommended Strategies

Legend

Percent Occupied

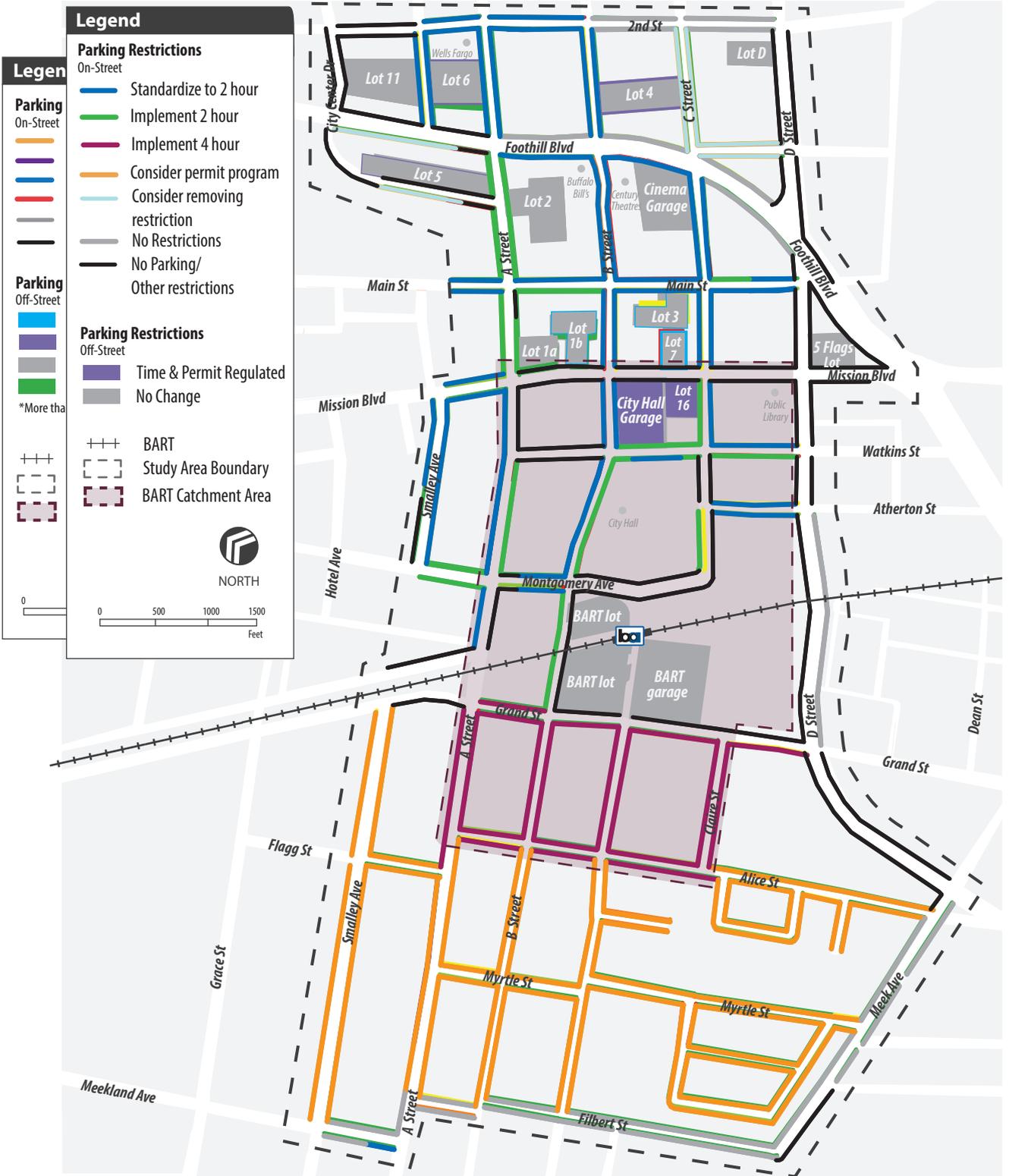
Off-Street	On-Street	Percent Occupied
		0 - 50%
		50 - 70%
		70 - 85%
		85 - 95%
		95 - 100%

+++ BART
 [- -] Study Area Boundary
 [- -] BART Catchment Area

NORTH

0 500 1000 1500 Feet





DATE: October 21, 2014

TO: Mayor and City Council
Housing Authority Board Members
Hayward Redevelopment Successor Agency Members
Public Financing Authority Members

FROM: Director of Finance

SUBJECT: Adoption of FY 2015 Statement of Investment Policy and Delegation of Investment Authority

RECOMMENDATION

That the Council adopts the attached resolutions reaffirming the updated FY 2015 Statement of Investment Policy and extending the delegation of investment authority to the Director of Finance.

BACKGROUND

The City's Statement of Investment Policy requires that staff submit to the City Council any recommended changes to the City's Statement of Investment Policy. In addition, the State statutes that govern investment activity require the City Council to annually affirm the Statement of Investment Policy and to annually confirm the delegation of investment authority, which in the City of Hayward, is to the Director of Finance.

Staff is proposing an update to the Policy in conformance with current statute, with minor adjustments to the City's reporting requirements.

DISCUSSION

Staff recommends that the Committee approve the revised FY 2015 Statement of Investment Policy (Policy). The recommended changes are related to clarifying the composition of the Investment Advisory Committee, the City's reporting requirements, and addition of investment instruments based on current State law.

Staff Recommendation – Changes to Investment Policy

Following review by the Investment Advisory Committee¹ and the Council Budget & Finance Committee, staff is recommending limited updates to the FY 2015 Statement of Investment Policy as represented in Attachment V.

¹ The purpose of the Investment Advisory Committee (IAC) is to oversee the implementation of the City's investment program and ensure compliance with the Statement of Investment Policy.

Section V. Investment Advisory Committee (Policy Page 5). Proposed language allows for the Deputy Director of Finance and Assistant City Attorney to be members on behalf of the Director of Finance and the City Attorney as so designated. The proposed update also includes qualifying language regarding the non-city committee member. While staff have conducted a number of outreach efforts and will continue to do so, the City has had a difficult time identifying a non-city member. Since the Policy states that the committee *shall* consist of the various members, the City is out of compliance with this aspect of the policy. The below language provides flexibility in membership and allows the City to remain in compliance with the Policy during position vacancies.

The IAC shall, at minimum, consist of the Assistant City Manager, Director of Finance or Deputy Director of Finance, City Attorney or Assistant City Attorney, one department head, and a minimum of one non-City employee that possesses financial skills to be chosen by the City Manager as available.

Section IX Reporting (Policy Page 6). Current State law (Government Code section 53646) does not require specific reporting actions by the Director of Finance (Chief Financial Officer) to the City Council and other related bodies of the City. However, as a matter of sound fiscal practice, accountability and transparency, the City of Hayward's Statement of Investment Policy continues to include reporting requirements. City staff provide monthly, periodic and annual investment reporting.

B. Periodic

Proposed language regarding reporting is intended to allow the City to maintain compliance with the policy. Current State statute does not require quarterly reporting. However, if a City chooses to provide quarterly reporting, it shall be done within 30 days of the end of the quarter. This has proven very difficult to comply with. Therefore, proposed language reflects "periodic" reporting so that the City is not bound by statutory reporting deadlines specific to quarterly reporting. All prior reports are posted on the Finance Department website and available to the public at all times regardless of reporting frequency.

Section X. Investment Instruments (Policy Pages 7, 11-12)

This section is updated to include clarifying language to Money Market Funds and the addition of two new statutorily authorized investment instruments: Supranationals and Asset-backed Securities. Attachment X to this report is a Memorandum from The PFM Group (the City's contract investments management firm) that details these proposed changes.

Annual Adoption of Delegation of Investment Authority

The City Council annually affirms the delegation of investment authority in the attached resolutions (Attachments I-IV), authorizing the Director of Finance to conduct investment activities for the City, Successor Agency of the Hayward Redevelopment Agency, Hayward Housing Authority, and the Hayward Public Financing Authority.

FISCAL IMPACT

There is no fiscal impact related to approving the recommended changes to the Statement of Investment Policy and renewing the delegation of authority to the Director of Finance to make investments.

PUBLIC CONTACT

The recommended changes to the Statement of Investment Policy were reviewed and affirmed by the Investment Advisory Committee during its quarterly meeting on July 29, 2014 and by the Council Budget & Finance Committee on September 24, 2014.

Prepared and Recommended by: Tracy Vesely, Director of Finance

Approved by:



Fran David, City Manager

Attachments:

- I. Resolution: City – Reaffirming Statement of Investment Policy and Renewing Delegation of Authority to Make Investments
- II. Resolution: Housing Authority – Reaffirming Statement of Investment Policy and Renewing Delegation of Authority to Make Investments
- III. Resolution: Hayward Successor Redevelopment Agency – Reaffirming Statement of Investment Policy and Renewing Delegation of Authority to Make Investments
- IV. Resolution: Hayward Public Financing Authority – Reaffirming Statement of Investment Policy and Renewing Delegation of Authority to Make Investments
- V. Memorandum from The PFM Group dated September 17, 2014 regarding the City of Hayward Investment Policy Review
- VI. FY 2015 Statement of Investment Policy

HAYWARD CITY COUNCIL

RESOLUTION NO. 14 -

Introduced by Council Member _____

RESOLUTION REAFFIRMING THE STATEMENT OF INVESTMENT POLICY AND RENEWING THE DELEGATION OF AUTHORITY TO MAKE INVESTMENTS TO THE DIRECTOR OF FINANCE

WHEREAS, by Resolution No. 14-012, dated February 4, 2014, the City Council adopted a Statement of Investment Policy for the City of Hayward; and

WHEREAS, under section 53607 of the California Government Code, the authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

NOW, THEREFORE, BE IT RESOLVED that the FY 2015 Statement of Investment Policy is hereby reaffirmed as amended, and that the authority of the Director of Finance, or his or her designee, to make investments pursuant to the Policy is hereby renewed.

BE IT FURTHER RESOLVED that the Director of Finance and his/her successors in office is authorized to order the deposit or withdrawal of money in the accounts of the City of Hayward, the Public Financing Authority, the Successor Agency of the Redevelopment Agency of the City of Hayward, and the Housing Authority within the Local Agency Investment Fund of the State of California for the purpose of investment in accordance with the provisions of Section 16429.1 of the California Government Code; and further authorized to delegate responsibility for daily deposits or withdrawals of money in the above referenced accounts as required to ensure proper functioning of the fiscal operations of the City and these agencies.

IN COUNCIL, HAYWARD, CALIFORNIA October 21, 2014

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City Of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

HOUSING AUTHORITY OF THE CITY OF HAYWARD

RESOLUTION NO. 14-

Introduced by Board Member _____

RESOLUTION REAFFIRMING THE STATEMENT OF INVESTMENT POLICY AND RENEWING THE DELEGATION OF AUTHORITY TO MAKE INVESTMENTS TO THE DIRECTOR OF FINANCE

WHEREAS, by Resolution No. HA 14-01, dated February 4, 2014, the Housing Authority Board of Directors adopted a Statement of Investment Policy for the City of Hayward; and

WHEREAS, under section 53607 of the California Government Code, the authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

NOW, THEREFORE, BE IT RESOLVED by the Housing Authority Board of the City of Hayward that the FY 2015 Statement of Investment Policy is hereby reaffirmed as amended, and that the authority of the Director of Finance, or his or her designee, to make investments pursuant to the Policy is hereby renewed.

BE IT FURTHER RESOLVED that the Director of Finance and his/her successors in office is authorized to order the deposit or withdrawal of money in the accounts of the City of Hayward, the Public Financing Authority, the Successor Agency of the Redevelopment Agency of the City of Hayward, and the Housing Authority within the Local Agency Investment Fund of the State of California for the purpose of investment in accordance with the provisions of Section 16429.1 of the California Government Code; and further authorized to delegate responsibility for daily deposits or withdrawals of money in the above referenced accounts as required to ensure proper functioning of the fiscal operations of the City and these agencies.

IN COUNCIL, HAYWARD, CALIFORNIA October 21, 2014.

ADOPTED BY THE FOLLOWING VOTE:

AYES: BOARD MEMBERS:

CHAIR:

NOES: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ATTEST: _____
Secretary of the Housing Authority
of the City of Hayward

APPROVED AS TO FORM:

General Counsel of the Housing Authority for
the City of Hayward

REDEVELOPMENT SUCCESSOR AGENCY OF THE
CITY OF HAYWARD

RESOLUTION NO. RSA- 14-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HAYWARD,
ACTING AS THE GOVERNING BOARD FOR THE REDEVELOPMENT
SUCCESSOR AGENCY OF THE CITY OF HAYWARD REAFFIRMING THE
STATEMENT OF INVESTMENT POLICY AND RENEWING THE
DELEGATION OF AUTHORITY TO MAKE INVESTMENTS TO THE
DIRECTOR OF FINANCE

WHEREAS, by Resolution No. RSA 14-01 dated February 4, 2014, the Redevelopment
Successor Agency of the City of Hayward adopted a Statement of Investment Policy; and

WHEREAS, pursuant to legislation enacted by the State legislature, the Redevelopment
Agency was dissolved effective February 2012; and

WHEREAS, under section 53607 of the California Government Code, the authority of the
legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so
purchased, may be delegated for a one-year period by the legislative body to the treasurer of the
local agency, who shall thereafter assume full responsibility for those transactions until the
delegation of authority is revoked or expires, and shall make a monthly report of those transactions
to the legislative body. Subject to review, the legislative body may renew the delegation of
authority pursuant to this section each year.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward,
acting as the governing body of the Redevelopment Successor Agency of the City of Hayward, that
the FY2015 Statement of Investment Policy is hereby reaffirmed as amended, and that the authority
of the Director of Finance, or his or her designee, to make investments pursuant to the Policy is
hereby renewed.

BE IT FURTHER RESOLVED that the Director of Finance and his/her successors in
office is authorized to order the deposit or withdrawal of money in the accounts of the City of
Hayward, the Public Financing Authority, the Redevelopment Successor Agency , and the Housing
Authority within the Local Agency Investment Fund of the State of California for the purpose of
investment in accordance with the provisions of Section 16429.1 of the California Government
Code; and further authorized to delegate responsibility for daily deposits or withdrawals of money
in the above referenced accounts as required to ensure proper functioning of the fiscal operations of
the City and these agencies.

HAYWARD, CALIFORNIA October 21, 2014

ADOPTED BY THE FOLLOWING VOTE:

AYES: BOARD MEMBERS:

CHAIR:

NOES: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ATTEST: _____
Secretary of the Redevelopment Successor Agency
of the City of Hayward

HAYWARD PUBLIC FINANCING AUTHORITY

RESOLUTION NO. 14 -

Introduced by Board Member _____

RESOLUTION AFFIRMING THE STATEMENT OF INVESTMENT POLICY AND RENEWING THE DELEGATION OF AUTHORITY TO MAKE INVESTMENTS TO THE DIRECTOR OF FINANCE

WHEREAS, by Resolution No. HPFA 14-01, dated February 4, 2014, the Agency Members adopted a Statement of Investment Policy for the Hayward Public Financings Authority for the City of Hayward; and

WHEREAS, under section 53607 of the California Government Code, the authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Hayward Public Financing Authority that the FY 2014 Statement of Investment Policy is hereby affirmed as amended, and that the authority of the Director of Finance, or his or her designee, to make investments pursuant to the Policy is hereby renewed.

BE IT FURTHER RESOLVED that the Director of Finance and his/her successors in office is authorized to order the deposit or withdrawal of money in the accounts of the City of Hayward, the Public Financing Authority, the Successor Agency of the Redevelopment Agency of the City of Hayward, and the Housing Authority within the Local Agency Investment Fund of the State of California for the purpose of investment in accordance with the provisions of Section 16429.1 of the California Government Code; and further authorized to delegate responsibility for daily deposits or withdrawals of money in the above referenced accounts as required to ensure proper functioning of the fiscal operations of the City and these agencies.

IN COUNCIL, HAYWARD, CALIFORNIA October 21, 2014.

ADOPTED BY THE FOLLOWING VOTE:

AYES: BOARD MEMBERS:
MAYOR:

NOES: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ATTEST: _____
Secretary of the Hayward
Public Financing Authority

APPROVED AS TO FORM:

General Counsel of the Hayward
Public Financing Authority



50 California Street
Suite 2300
San Francisco, CA 94111

415 982-5544
415 982-4513 fax
www.pfm.com

September 17, 2014

Memorandum

To: Tracy Vesely, Director of Finance
Dustin Claussen, Deputy Director of Finance
City of Hayward

From: Nancy Jones, Managing Director
Monique Spyke, Director
Michael Joseph, Senior Analyst
PFM Asset Management, LLC

Re: City of Hayward Investment Policy Review 2014

We have reviewed the City of Hayward (City) FY2014 Statement of Investment Policy (Policy). The Policy is comprehensive and well-written, and is in compliance with all applicable California Government Code (Code) statutes regulating the investment of public funds.

While no changes are required at this time, we are proposing revisions and additions to the Policy that we believe will help to clarify the Policy or that will create additional investment opportunities. Our specific comments are listed below by section. In addition, we have attached a black-lined copy of the Policy to illustrate our suggestions.

For clarity and ease of review, the suggestions are presented in the order in which they appear in the Policy, not necessarily in the order of importance.

Section X. Investment Instruments

1. **Money Market Funds.** We propose adding language to clarify that money market funds are included in the list of securities that are an exception to the 5% investment per issuer limit of the Policy.
2. **Supranationals.** Year-to-date, there has been one key revision to the Government Code Sections that regulate local agency investments. AB 1933, which will take effective January 1, 2015, added subsection (q) to Government Code Section 53601. This subsection will now allow local agencies, such as the City, to invest in the debt issued by three supranational organizations. The bill simply extends to local agencies the same authority to invest in supranationals that the state treasurer (LAIF) has had for decades.

Supranational debt is the term for debt of an international or multi-lateral financial agency. Some issuers are international organizations in which the United States is a participant, such



as the International Bank for Reconstruction and Development (the World Bank), the International Finance Corporation, the Inter-American Development Bank, the African Development Bank, and the Asian Development Bank. Others, such as the European Investment Bank, are non-US multi-lateral organizations. Supranationals have strong credit support from both paid-in and contingent capital calls from their member countries. Much supranational debt is rated AAA by Nationally Recognized Statistical Rating Organizations (NRSRO). In addition, it is issued and available in a wide range of maturities.

From the broader market of supranational debt, the new California Government Code section limits local agency investments in supranationals to the senior debt obligations issued or unconditionally guaranteed by three specific issuers in which the United States is a leading shareholder: the International Bank for Reconstruction and Development (World Bank), International Finance Corporation, and the Inter-American Development Bank. The new Code section 53601(q) reads as follows:

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated “AA” or better by an NRSRO and shall not exceed 30 percent of the agency’s moneys that may be invested pursuant to this section.

One of the primary reasons we recommend the City add this sector to its list of authorized investments is to open up another high quality asset class for the City’s portfolio. The Great Recession and the mandated winding down of Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA) have reduced the available supply of high quality debt in the market. The use of supranational debt will allow the City to widen its options to invest in high quality debt given the decline in supply from other high quality debt issuers.

The use of supranational debt is consistent with the City’s primary objectives of Safety, Liquidity, and Yield. The senior debt issued by the authorized supranationals is rated “AAA” by Moody’s S&P and Fitch. The debt issued has an active secondary market with generally good liquidity—although less liquid than debt issued by Federal Agencies. In addition, they can provide a modest yield advantage over traditional U.S. Agencies—although the yield spreads are very issue/maturity specific. Utilizing supranational debt in a high-quality portfolio can also improve portfolio diversification.

For your information, we have attached some background information of the broader supranational debt market including the three issuers that will be permitted by the Government Code.



Policy Language

PFM recommends that the City incorporate the following language into its Policy and establish the following restrictions:

Supranationals—specifically the International Bank for Reconstruction and Development, International Finance Corporation, and Inter-American Development Bank.

- Purchases restricted to debt denominated in U.S. dollars
- Credit rating of at least “AA” or the equivalent by a NRSRO
- Aggregate investment in Supranational sector shall not exceed 30%

3. **Asset Backed Securities (ABS).** We also recommend the City authorize investment in ABS, which are allowed under the Code in Section 53601 subsection (o). ABS are bonds created from various types of consumer debt. When consumers borrow money, the loans become an asset on the books of the entity that extended the credit. The lending entity can then bundle these assets with those of similar characteristics (e.g., maturity and delinquency risk) and sell them to investors. Returns on these securities come from customer payments on their outstanding loans. The primary types of ABS are mortgages, home equity loans, auto loans, leases, credit card receivables and student loans.

Like supranationals, the ABS sector offers the City another way to diversify its holdings and potentially enhance return while being in alignment with the Investment Policy. This asset class offers yields that may be favorable relative to comparable maturity corporate bonds.

There are risks associated with investing in ABS, including, but not limited to, credit risk and prepayment risk. Prepayment risk means that a borrower has the ability to pay off their loan early. When this happens it reduces the cash flows the investor receives and shortens the maturity of the investment and thus impacts duration. To mitigate volatility with respect to overall portfolio duration, PFM will monitor the prepayment speed of each individual ABS and will limit the amount of this sector in the portfolio.

The features and underlying assets of the ABS must be carefully evaluated before investment in any issuer. As with all securities in the City’s portfolio, PFM’s Credit Committee performs a thorough analysis of potential ABS issuers, evaluating credit fundamentals, balance sheets and asset quality and impairments. It can be noted as well that credit quality of ABS is usually reinforced by various credit enhancements, such as over-collateralization, reserves, subordinated tranches, and/or excess interest—the difference between the rate on the underlying loans and the coupon on the ABS. Additionally, we evaluate macro factors including industry trends, the business cycle, the regulatory environment, and rating agency actions. We will only purchase asset-backed securities for the City’s portfolio that have gone through PFM’s rigorous credit analysis and have been added to PFM’s Approved List.



Policy Language

For ABS, PFM recommends that the City incorporate the following language into its Policy and establish the following restrictions:

Asset-backed securities (ABS).

- Credit rating of the security at least “AA” or the equivalent by a NRSRO
- Credit rating of the issuer’s debt at least “A” or the equivalent by a NRSRO
- Aggregate investment in ABS sector shall not exceed 20%

Summary

Today’s low rates and declining agency supply makes widening the range of opportunities an important consideration. Utilizing supranational and asset-backed securities in a high-quality portfolio can improve diversification and offer various benefits to the portfolio including return enhancement and interest rate risk mitigation. We believe that adding these sectors is a natural next step in the evolutionary process of safely and effectively managing the City’s portfolio. The additional sectors we are recommending are consistent with the City’s primary objectives of safeguarding principal, providing sufficient liquidity, and attaining a market rate of return on investments.

Appendix B. Glossary

4. We are proposing additional language to the Glossary reflecting the additional investment opportunities of Supranationals and Asset-Backed Securities, should the City approve them. We also recommend adding ‘Ask Price’ as a term to the Glossary. The term ‘Offer’ references ‘Asked’ but such an entry is not currently in the Glossary.

As always, we will keep the City apprised of any developments that would impact the City’s investments.

Please contact us if you have any questions.

Attachments.



Important Disclosures

This information provided is only intended for institutional and/or sophisticated professional investors and may not be suitable for all investors. It should not be construed as an offer or to purchase/sell any investment. Any investment or strategy referenced may involve significant risks, including, but not limited to: risk of loss, illiquidity, or failure to achieve desired objectives.

The views expressed within this material constitute the perspective and judgment of PFM at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue, and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.

PFM Asset Management LLC is a U.S. SEC registered investment adviser.



FY 2015

Statement of Investment Policy

Finance Department
Director of Finance, Tracy Vesely
Policy Recommended Changes: October 21, 2014
Policy last amended: February 4, 2014

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I. Introduction

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. Activities that comprise good cash management include accurate cash projections, the expeditious collection of revenue, the control of disbursements, cost-effective banking relations, and arranging for a short-term borrowing program that coordinates working capital requirements and investment opportunities.

A. Included – Funds included in this Statement of Investment Policy are described in the City’s annual financial report, and include: General Fund, Special Revenue Funds, Capital Projects Funds, Enterprise Funds, Internal Service Funds, Fiduciary Funds, Housing Finance Agency Funds, Successor Hayward Housing Authority funds, and Hayward Redevelopment Agency Successor Agency funds. The Statement of Investment Policy applies to all transactions involving the financial assets and related activity of the foregoing funds.

B. Excluded – The following funds are excluded from the Statement of Investment Policy: Deferred Compensation Fund assets and monies held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of the City, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements may be invested in accordance with the ordinance, resolution, indenture or agreement approved by the City Council which govern the issuance of those bonds, or lease installment sale, or other agreement, rather than this Statement of Investment Policy.

II. Statement of Objectives

It is the policy of the City of Hayward to invest public funds not required for immediate day-to-day operations in safe and liquid investments with maturities under five years, in conformance with the California state statutes governing the investment of public funds. Investments are intended to achieve a reasonable rate of return while minimizing the potential for capital losses arising from market changes or issuer default.

In managing the City of Hayward's Investment Portfolio, the City's primary objectives are safety, liquidity, and yield.

1. **Safety** – Safety of principal is the foremost objective of the City, followed by liquidity and yield. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value.
2. **Liquidity** – The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.
3. **Yield** – The City may establish a performance benchmark based on current investment objectives and constraints. The investment portfolio shall be managed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's policy constraints and cash flow requirements. The City should not take undue risk to obtain above-market rates of return.
4. **Diversification** – The City's investment portfolio will be diversified to avoid concentrating investments in specific security types or in individual financial institutions.

While the City will not make investments for the purpose of trading or speculation as the dominant criterion, the Director of Finance shall seek to enhance total portfolio return by means of active portfolio management.

III. Use of State Investment Guidelines

Government Code Sections 53601, 53607, and 53646 of the State of California regulate the investment practices. It is the policy of the City of Hayward to use the State's provisions for local government investments as the base for developing and implementing the City's investment policies and practices.

IV. Delegation of Authority

The responsibility for conducting the City's investment program is hereby delegated to the Director of Finance, who has established written procedures for the operation of the investment program, consistent with this Statement of Investment Policy. The Finance Director has further authority, with consent of the City Council, to engage the services of one or more external investment managers to assist in the management of the City's investment portfolio in a manner consistent with the City's Statement of Investment Policy. Such managers must be registered under the Investment Advisors Act of 1940.

V. Investment Advisory Committee

The City Manager will appoint an Investment Advisory Committee (IAC). The IAC shall, at minimum, consist of the Assistant City Manager, Director of Finance or Deputy Director of Finance, City Attorney or Assistant City Attorney, one department head, and a minimum of one non-City employee that possesses financial skills to be chosen by the City Manager as available.

The IAC shall meet at least quarterly for the purpose of overseeing the implementation of the City's investment program and assuring it is consistent with the Statement of Investment Policy as approved by the Council. The committee shall include in its discussions such topics as economic outlook, portfolio diversification and maturity structure, potential risks to the City's funds, approval of authorized financial institutions, and the performance of the investment portfolio. Written investment procedures must be approved by the IAC.

VI. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program or impair their ability to make impartial decisions.

All members of the City's IAC shall annually file Statements of Economic Interests (SEIs or Form 700) with the California Fair Political Practices Commission.

VII. Investment Policy Adoption

The City's Statement of Investment Policy shall be annually reviewed and approved by the Investment Advisory Committee and thereafter shall be reviewed and approved by the City Council at a public meeting.

VIII. Standard of Prudence

All participants in the investment process shall act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Nevertheless, in a diversified portfolio, it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

The standard of prudence to be used by investment officials shall be the "prudent investor standard," which states:

"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.”

Investment officers acting in accordance with written procedures and the Statement of 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 the liquidity and the sale of securities are carried out in accordance with the terms of this Policy.

IX Reporting

The following investment activity reports will be completed.

A. Monthly

While there is no legislative requirement for monthly investment activity reporting, the Director of Finance shall post a monthly investment and transaction summary to the City's public website that will be available to the City Manager, Investment Advisory Committee, City Council Budget & Finance Committee, City Council, and the general public.

The investment summary will list investment transactions executed during the month, and will report key aspects of the investment portfolio, including the following information about each investment instrument: issuer, par amount, purchase price, sales price, realized gains and losses, maturity dates, credit ratings, and the percentage of the portfolio by each type of investment.

B. Periodic

While there is no legislative requirement for quarterly investment activity reporting, the Director of Finance shall submit periodic investment reports to the City Manager, Investment Advisory Committee, City Council Budget & Finance Committee, and City Council.

A periodic report shall include all components of the City's monthly report, highlight key aspects of information contained in the investment reports, and inform readers of economic conditions affecting the portfolio. The report will present recent investment performance and future investment strategy; disclose any perceived threats to portfolio quality, security or liquidity; compare the portfolio performance to that of the City's established performance benchmark, state compliance with the Investment Policy and include a statement denoting the ability to meet expenditure requirements for the next six months.

C. Annual

While there is no legislative requirement for submission of an annual investment report, the Director of Finance shall present a comprehensive annual report on the investment program and investment activity no later than 180 days following the end of the fiscal year. This report shall be presented to the Investment Advisory Committee. The annual report shall include a performance summary, shall suggest policies and improvements that might enhance the investment program, and include an investment plan for the

ensuing fiscal year. In conjunction with its review of the annual investment report, the Investment Advisory Committee shall review and reaffirm the Statement of Investment Policy of the City, whether or not specific policy modifications are suggested.

Following the annual review of the Statement of Investment Policy by the Investment Advisory Committee, the Investment Policy shall be submitted to the City Council, together with any changes recommended by the Investment Advisory Committee. The City Council shall consider any such recommended changes and approve the Statement of Investment Policy at a public meeting of the City Council.

X. Investment Instruments

A summary and description of authorized investment instruments is below.

INVESTMENT INSTRUMENT SUMMARY				
Security Type	Maximum Maturity	Min Credit Quality	Authorized Investment Limit	Per Issuer Limit
A. US Treasury Notes/Bills	5 Years	None	100%	100%
A. US Agencies–Fully Backed	5 Years	None	100%	100%
B. US Agencies–Sponsored	5 Years	None	100%	40%
C. Banker’s Acceptance (BA)	180 days	Prime	40%	5%
D. Commercial Paper	270 days	Prime	25%	5%
E. Negotiable Certificates of Deposit	5 Years	“A”	30%	5%
F. Repurchase Agreements	1 Year	None	25%	20%
G. Medium Term Notes (MTN)	5 Years	“A”	30%	5%
H. Money Market Fund	N/A	AAAm	20%	10%
I. Alameda County Investment Pool	None	None	10%	10%
J. LAIF	None	None	\$50M per account	N/A
K. Collateralized Certificates of Deposit	5 Years	None	25%	20%
L. Municipal Bonds	5 Years	“A”	20%	5%
M. Supranationals	5 Years	“AA”	30%	100%
N. Asset-Backed Securities	5 Years	“AA”	20%	5%

The following sections describe individual investment types. The sections specify a percentage limitation for a particular category of investment. That percentage is applied on the date of purchase. A later increase in a percentage resulting from a change in values or assets shall not constitute a violation of the Policy restriction.

Notwithstanding anything herein to the contrary, with the exception of the U.S. Treasury, federal agency institutions, and government sponsored enterprises, and money market funds, no more than 5% of the City’s portfolio may be invested in securities issued by any one corporate, financial, or municipal issuer.

The following sections also specify minimum ratings criteria for particular investment categories. That minimum rating criteria is applied on the date of purchase. The City may from time to time be invested in a security whose rating is downgraded. In the event a rating drops below the minimum allowed rating category for that given investment type, the securities shall be reviewed and a plan of action shall be recommended by the Finance Director or investment manager.

A. United States Treasury Notes, Bonds, Bills, or Certificates of Indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest with a final maturity not exceeding five years from the date of trade settlement.

CA Govt Code 53601(b)

B. Federal Agency or United States Government-Sponsored Enterprise (GSE) Obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies, or United States government-sponsored enterprises with a final maturity not exceeding five years from the date of trade settlement. There is no limit to the amount of the City's portfolio that may be invested in Federal Agency or GSE securities, except that the aggregate investment in federal agency mortgage-backed securities shall not exceed 20% of the City's total portfolio. Furthermore, the aggregate investment in any one federal agency or GSE issuer shall not exceed 40% of the City's total portfolio.

CA Govt Code 53601(f) and CA Govt Code 53601(o)

C. Banker's Acceptances, otherwise known as bills of exchange or time drafts, that are drawn on and accepted by a commercial bank with a final maturity not exceeding 180 days from the date of trade settlement, rated at least "A-1" or the equivalent by a nationally recognized statistical-rating organization (NRSRO). The aggregate investment in banker's acceptances shall not exceed 40% of the City's total portfolio.

CA Govt Code 53601(g)

D. Prime Commercial Paper with the highest letter and numerical rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph 1 or paragraph 2 below:

(1) The entity meets the following criteria:

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

(2) The entity meets the following criteria:

- is organized within the United States as a special purpose corporation, trust,

or limited liability company;

- has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond; and
- has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Eligible commercial paper shall have a final maturity not exceeding 270 days from the date of trade settlement. The aggregate investment in Commercial Paper shall not exceed 25% of the City's total portfolio. Furthermore, the City may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.

CA Govt Code 53601(h)

- E. Negotiable Certificates of Deposit** issued by a nationally or state-chartered bank, a savings association or a federal association as defined by Section 5102 of the California Financial Code, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank with a final maturity not exceeding five years from the date of trade settlement. Deposits are limited to institutions which have long-term debt rating of at least "A" or the equivalent by a NRSRO. The aggregate investment in Negotiable Certificates of Deposit shall not exceed 30% of the City's total portfolio.

CA Govt Code 53601(i)

- F. Repurchase Agreements** with a final termination date not exceeding 360 days from the date of trade settlement collateralized solely by United States Treasury, federal agency, or United States government sponsored enterprises permitted by this Statement of Investment Policy. The purchased securities (the "collateral") shall have a minimum market value of 102% of the dollar value of the funds invested. The market value of the collateral securities shall be marked-to-the-market daily and the value shall be adjusted no less frequently than weekly. No substitution of collateral shall be allowed without the prior approval of the Finance Director. All collateral securing Repurchase Agreements must be delivered to the City's custodian bank or handled under a tri-party repurchase agreement. The City or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

Approved Repurchase Agreement counterparties shall have a repurchase agreement counterparty credit rating of at least "A-1" or the equivalent and a long-term credit rating of at least "A" or the equivalent by a NRSRO. Repurchase agreement counterparties shall execute a City approved master repurchase agreement with the City. No more than 20% of the City's total portfolio shall be invested in repurchase agreements.

CA Govt Code 53601 (j)

- G. Medium-Term Notes** issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years

from the trade settlement, and rated at least “A” or the equivalent by a NRSRO at the time of purchase. The aggregate investment in medium-term notes shall not exceed 30% of the City’s total portfolio.

CA Govt Code 53601 (k)

H. Money Market Funds. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either:

- (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized statistical-rating organization, or
- (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds and with assets under management in excess of \$1,000,000,000.

The purchase price of shares shall not exceed 20% of the City’s total portfolio and shall not include any commission that the companies may charge. Furthermore, no more than 10% of the City’s total portfolio may be invested in any one money market fund.

CA Govt Code 53601 (l)

I. Alameda County Investment Pool. The City’s maximum investment in the Alameda County pool is limited to 10% of the City’s total aggregate portfolio.

CA Govt Code 53684

J. State of California’s Local Agency Investment Fund (LAIF). The City’s participation in LAIF shall conform to State Regulation. The City maintains a total of three LAIF investments and may invest up to \$50 million in each account. In general, it is the City’s intention to use investment in LAIF as a temporary repository for short-term funds needed for liquidity purposes. The Finance Director shall maintain appropriate information concerning LAIF’s current investment policies, practices and performance on file. The Finance Director shall also maintain files on LAIF’s requirements for participation, including, but not limited to, limitations on deposits or withdrawals and the composition of the portfolio.

CA Govt Code 16429.1

K. Collateralized Certificates of Deposit in FDIC-insured financial institutions located in California with a maximum maturity no longer than five years from the date of deposit. Deposits are limited to banks who have a long-term debt rating of at least “A” or the equivalent and a short-term debt rating of at least “A-1” or the equivalent

by a NRSRO. The City may waive collateral for any portion of its deposit that is covered by federal deposit insurance.

Money shall not be deposited in any state or federal credit union if a member of the legislative body of the City, or any person with investment decision making authority of the administrative office, manager's office, budget office, auditor-controller's office, or treasurer's office of the City, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the state or federal credit union.

The amount on deposit shall not exceed the total paid-up capital (to include capital notes and debentures) and surplus of any depository bank, or the total of the net worth of any savings and loan association. However, deposits in collateralized certificates of deposit shall not exceed 25% of the City's total portfolio, nor shall the City deposit more than 20% of its total portfolio in the collateralized certificates of deposit in any one bank.

CA Govt Code 53649

- L. Municipal Bonds** issued by the state of California and any local agency within the state, including bonds payable solely out of revenues from a revenue producing property owned, controlled, or operated by the state or any local agency, or by a department, board, agency or authority of the state or any local agency.

Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

The aggregate investment in municipal bonds may not exceed 20% of the City's total portfolio.

CA Govt Code 53601(c), CA Govt Code 53601(d), and CA Govt Code 53601(e)

- M. Supranationals** defined as United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a final maturity not exceeding five years from the trade settlement, and eligible for purchase and sale within the United States. Supranationals shall be rated at least "AA" or the equivalent by a NRSRO at the time of purchase.

The aggregate investment in supranationals may not exceed 30% of the City's total portfolio.

This subsection will become effective as of January 1, 2015.

CA Govt Code 53601(q)

N. Asset-Backed Securities defined as all mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, and consumer receivable-backed bonds, with a final maturity not exceeding five years from the trade settlement.

Asset-backed securities shall be rated at least "AA" or the equivalent by a NRSRO at the time of purchase. Additionally, securities eligible for investment under this subsection shall be issued by an issuer whose debt is rated at least "A" or the equivalent by a NRSRO at the time of purchase.

The aggregate investment in asset-backed securities may not exceed 20% of the City's total portfolio.

CA Govt Code 53601(o)

XI. Prohibited Investments

Investments not specifically approved by this Statement of Investment Policy are prohibited, including inverse floaters, range notes, mortgage derived interest-only strips, and securities that could result in zero interest accrual if held to maturity.

XII. Credit Downgrade

In the event a security held by the City is the subject of a rate drop which brings it below accepted minimums specified herein, or the security is placed on negative credit watch, where a downgrade could result in a rate drop below acceptable levels, the Director of Finance will make and implement an informed decision on whether to sell or retain any security or deposit in the City's portfolio issued or held by such affected financial institution or depository. The Director of Finance may consult the Investment Advisory Committee on the action to be taken and shall advise its Chairman and Members of the final disposition of the matter either by e-mail or fax.

If an investment advisor is used, the investment advisor will immediately notify the Director of Finance if a purchased security has been downgraded below accepted minimums specified herein, or if the security is placed on negative credit watch, where downgrade could result in a rate drop below acceptable levels of that fact. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the rate drop, prognosis for recovery or further drop, and market price of the security. The City Council will be advised of the situation and intended course of action by e-mail or fax.

XIII. Maturity and Diversification

Maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled

to permit the City to meet all projected obligations.

The City may not invest in a security that exceeds five years from the date of purchase unless City Council has granted express authority to make that investment no less than three months prior to the investment.

XIV. Internal Controls

The Finance Director shall establish a system of internal controls. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City. Controls deemed most important include:

- **Clearly delegating authority to subordinate staff members.** Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
- **Separating transaction authority from accounting and record keeping.** By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
- **Delivery versus payment.** All trades where applicable will be executed by delivery vs. payment (DVP). This ensures that securities are deposited in the eligible financial institution before the release of funds. A third party custodian as evidenced by safekeeping receipts will hold securities.
- **Avoiding physical delivery securities.** Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
- **Confirming telephone transactions for investments and wire transfers in writing.** Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and the safekeeping institution has a list of authorized signatures.
- **Developing wire transfer agreements with the lead bank or third party custodian.** This agreement should outline the various controls and security provisions, and delineate responsibilities of each party making and receiving wire transfers.

XV. Banks and Security Dealer Selection

The Investment Advisory Committee shall approve all financial institutions from which securities are purchased or sold.

In selecting financial institutions for the deposit or investment of City funds, the Finance Director shall consider the creditworthiness of institutions. The Finance Director shall continue to monitor financial institutions' credit characteristics and financial history throughout the period in which City funds are deposited or invested.

Only primary government securities dealers that report to the New York Federal Reserve shall be used for the purchase of repurchase agreements. (It is acknowledged that inclusion on the primary dealer listing of the Federal Reserve Bank of New York is not a guarantee of creditworthiness.)

Effective October 14, 1987, the City shall be prohibited from investing funds with any person who is knowingly or intentionally engaged in the development or production of nuclear weapons. Person is defined as any person, private corporation, institution or other entity, which is within the jurisdiction of the City of Hayward.

If a third-party investment advisor is authorized to conduct investment transactions on the City's behalf, the investment advisor may use its own list of approved broker/dealers and financial institutions for investment purposes.

XVI. Risk Tolerance

The City recognizes that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. Investment managers are expected to display prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

The Director of Finance shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity. All investment reports shall specifically address whether current investment results have been affected by any of the foregoing risks, and shall explain what actions investment officials have taken to control or correct for such risks.

A thorough investigation of any money market fund or investment pool, including LAIF and the Alameda County Pool, is required prior to investing, as well as on an ongoing basis. The following information should be obtained and analyzed:

- I. A description of eligible investment securities
- II. A written statement of investment policies and objectives
- III. A description of interest calculation and their distribution, and the treatment of gains and losses
- IV. A description of how the securities are safeguarded and how often the

- securities are priced and the program audited
- V. Information about the size and frequency of deposits and withdrawals allowed, and how much notice is needed for withdrawals
- VI. A schedule for receiving statements and portfolio listings
- VII. A fee schedule, as well as how and when the fees are assessed
- VIII. The rating of the pool/fund
- IX. Information about investment advisers, including registration with the Securities and Exchange Commission, length of experience and total assets under management

In addition to these general policy considerations, the following specific policies will be strictly observed:

1. All investment funds will be placed directly with qualified financial institutions. The City will not deposit or invest funds through third parties or money brokers.
2. A competitive bid process, utilizing financial institutions approved by the Investment Advisory Committee, will be used to place investment purchases. Based on annual evaluation, securities dealers, banks, and other financial institutions will be dropped or continued on the eligibility list. The following criteria will be used in the evaluation:
 - a. Number of transactions competitively won
 - b. Prompt and accurate confirmation of transactions
 - c. Efficient securities delivery
 - d. Accurate market information account servicing

If a third party investment advisor is authorized to conduct investment transactions on the City's behalf, the investment advisor may rely on its review process and use its own list of approved broker/dealers for investment purposes.

3. The Finance Director may designate an official to manage investments and designate a second official to perform investment management during absences of the primary designee. The Finance Director shall ensure that competent investment management is maintained and shall ensure that, if both designated investment officials are replaced or are simultaneously absent, any temporary replacement(s) shall be closely supervised, indoctrinated in the requirements of this Statement of Investment Policy, and given written investment procedures regulating the authority to invest in maturities beyond six months by means of appropriate controls and restraining requirements.
4. In order to assist in identifying "qualified financial institutions," the Finance Director shall forward copies of the City's Statement of Investment Policy to those financial institutions with which the City is interested in doing business and require written acknowledgement of the policy.

XVII. Safekeeping and Custody

To protect against potential fraud and embezzlement, the assets of the City shall be secured through third-party custody and safekeeping procedures.

The investment official shall be bonded to protect the public against possible embezzlement and malfeasance. An independent auditor shall review safekeeping procedures annually. The auditor may conduct surprise audits of safekeeping and custodial procedures.

All cash and securities in the City's portfolio shall be held in safekeeping in the City's name by a third party bank trust department, acting as agent for the City under the terms of a custody agreement executed by the bank and the City.

All securities will be received and delivered using standard delivery versus payment (DVP) procedures; the City's safekeeping agent will only release payment for a security after the security has been properly delivered. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools, and (ii) money market funds, since the purchased securities are not deliverable.

Appendix A

Comparison and Interpretation of Credit Ratings¹

Long-Term Debt Ratings

Rating Interpretation	Moody's	Standard & Poor's	Fitch
Best Quality Grade	Aaa	AAA	AAA
High Quality Grade	Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-
Upper Medium Grade	A1 A2 A3	A+ A A-	A+ A A-
Medium Grade	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-
Speculative Grade	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-
Low Grade	B1 B2 B3	B+ B B-	B+ B B-
Poor Grade to Default	Caa	CCC+	CCC
In Poor Standing	- -	CCC CCC-	- -
Highly Speculative Default	Ca C	CC -	CC -
Default	- - -	- - D	DDD DD D

Short-Term/Commercial Paper Investment Grade Ratings

Rating Interpretation	Moody's	Standard & Poor's	Fitch
Superior Capacity	P-1	A-1+/A-1	F1+/F1
Strong Capacity	P-2	A-2	F2
Acceptable Capacity	P-3	A-3	F3

¹ These are general credit rating guidelines and are for information only.

Glossary

ASK PRICE: The price at which a seller offers to sell a security to a buyer.

ASSET-BACKED SECURITIES: Bonds created from various types of consumer debt. Returns on these securities come from customer payments on their outstanding loans. The primary types of asset-backed securities are mortgages, home equity loans, auto loans, leases, credit card receivables and student loans.

BANKERS' ACCEPTANCE: A letter of credit issued in a foreign trade transaction which allows exporters to receive payment prior to importation of their goods. Banks provide short-term financing to facilitate the transaction and may sell the obligation to a third party. Bankers' Acceptances are secured by the issuer of the bill, while the underlying goods also serve as collateral.

BANK DEPOSITS: Collateral in the form of currency that may be in the form of demand accounts (checking) or investments in accounts that have a fixed term and negotiated rate of interest.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID PRICE: The price at which a buyer offers to purchase a security from the seller.

BOND: A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate called a coupon payment. Bonds are used by companies, municipalities, states and the U.S. government to finance a variety of projects and operating activities.

BROKER: A broker aligns buyers and sellers of securities and receives a commission when a sale occurs. Brokers generally do not hold inventory or make a market for securities.

CALIFORNIA LOCAL AGENCY OBLIGATIONS: Bonds that are issued by a California county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

CD (CERTIFICATE OF DEPOSIT): Time deposits issued by a bank, savings or federal credit union, or state-licensed branch of a foreign bank. Negotiable Certificates of Deposits rely on the credit rating of the issuing entity.

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

to secure deposits of public monies.

COLLATERALIZATION: Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

COMMERCIAL PAPER: Short-term unsecured promissory note issued by a company or financial institution. Commercial paper is issued at a discount and matures at face value. Usually a maximum maturity of 270 days, and given a short-term debt rating by one or more NRSROs

COUNTY POOLED INVESTMENT FUNDS: The aggregate of all funds from public agencies placed in the custody of the county treasurer or chief finance officer for investment and reinvestment.

COUPON: The annual rate of interest that a bond's issuer promises to pay the bondholder, expressed as a percentage of the bond's face value.

CREDIT RISK: Credit risk is the likelihood that an issuer will be unable to make scheduled payments of interest or principal on an outstanding obligation.

CUSTODIAN: An agent such as a broker or a bank that stores a customer's investments for safekeeping. The custodian does not have fiduciary responsibilities.

DEALER: A dealer, as opposed to a broker, acts as a principal in security transactions, selling securities from, and buying securities for his/her own position.

DEFAULT: To default is to fail to repay principal or make timely interest payments on a bond or other debt investment security, or failure to fulfill the terms of a note or contract.

DELIVERY VERSUS PAYMENT (DVP): A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

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

DURATION: The weighted average time to maturity of a bond where the weights are the present values of future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates.

FIDUCIARY: An individual who holds something in trust for another and bears liability for its safekeeping.

FLOATING RATE INVESTMENTS: Notes whose interest rate is adjusted according to the interest rates of other financial instruments. These instruments provide protection against rising or falling interest rates, but may pay lower yield than fixed rate notes.

FUTURES: Commodities, which are sold in the present time and are to be delivered at a future date.

INVERSE FLOATING RATE INVESTMENTS: Variable-rate notes (such as inverse floating rate notes) whose coupon and value increase as interest rates decrease.

INTEREST ONLY STRIPS: Securities with cash flow based entirely on the monthly interest payments received from a mortgage, Treasury, or bond payment. No principal is included in these types of securities.

INVESTMENT PROGRAM: The process of modern portfolio management. The process includes establishing investment policy, analysis of the economic and capital markets environment, portfolio monitoring and rebalancing, and measuring performance.

LOCAL AGENCY BONDS: These bonds are issued by a county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

LOCAL AGENCY INVESTMENT FUND (LAIF): A voluntary investment fund open to state and local government entities and certain non-profit organizations in California in which organization pools their funds for investment. LAIF is managed by the State Treasurer's Office.

LIQUIDITY: The ease with which investments can be converted to cash at their present market value. Liquidity is significantly affected by the number of buyers and sellers trading a given security and the number of units of the security available for trading.

MARKET RISK: Market risk is the risk that investments will change in value based on changes in general market prices.

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

MASTER REPURCHASE AGREEMENT: A written contract which includes provisions specific to the governmental agency that is signed by an authorized officer with each counterparty. A master agreement will often specify details to the nature of transactions, the relationship of the parties to the agreement, parameters pertaining to the ownership and custody of collateral, and remedies in the event of default by either party.

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

MEDIUM TERM NOTES (MTN): Unsecured, investment-grade senior debt securities of major corporations that are sold either on a continuous or an intermittent basis.

MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

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

MORTGAGE BACKED SECURITIES: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the real estate assets are used to pay interest and principal on the bonds.

MORTGAGE PASS-THROUGH SECURITIES: A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUTUAL FUNDS: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

Money market mutual funds invest exclusively in short-term (1-day to 1-year) debt obligations such as Treasury bills, certificates of deposit, and commercial paper. The principal objective is the preservation of capital and generation of current income.

OFFER: The price asked by a seller of securities. See Ask Price and Bid Price.

OPTION: A contract that provides the right or obligation, depending on the buyer or seller's position within the contract, to buy or to sell a specific amount of a specific security within a predetermined time period at a specified price. A call option provides the right to buy the underlying security. A put option provides the right to sell the underlying security. The seller of the contracts is called the writer.

PORTFOLIO: A collection of securities held by an investor.

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

PRINCIPAL ONLY STRIPS: Securities with cash flow based entirely on the principal payments received from an obligation.

RANGE NOTES: A range note is a bond that pays interest if a specified interest rate remains above or below a certain level and/or remains within a certain range.

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

REPURCHASE AGREEMENT (RP, Repo): A contractual transaction between an investor and an issuing financial institution (bank or securities dealer). The investor exchanges cash for temporary ownership or control of collateral securities, with an

agreement between the parties that on a future date, the financial institution will repurchase the securities.

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

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

SECURITIES AND EXCHANGE COMMISSION (SEC): A federal government agency comprised of five commissioners appointed by the President and approved by the Senate. The SEC was established to protect the individual investor from fraud and malpractice in the marketplace. The Commission oversees and regulates the activities of registered investment advisers, stock and bond markets, broker/dealers, and mutual funds.

STATE OBLIGATIONS: Registered treasury notes or bonds of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the 50 United States.

STRIPS: Bonds, usually issued by the U.S. Treasury, whose two components, interest and repayment of principal, are separated and sold individually as zero-coupon bonds. Strips are an acronym for Separate Trading of Registered Interest and Principal of Securities.

SUPRANATIONALS: International financial institutions that are generally established by agreements among nations, with member nations contributing capital and participating in management. Supranational bonds finance economic and infrastructure development and support environmental protection, poverty reduction, and renewable energy around the globe.

TRUSTEE: An individual or organization, which holds or manages and invests assets for the benefit of another. The trustee is legally obliged to make all trust-related decisions with the trustee's interests in mind, and may be liable for damages in the event of not doing so.

U.S. AGENCY OBLIGATIONS: Federal agency or United States government-sponsored enterprise obligations (GSEs), participations, or other instruments. The obligations are issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Issuers include: Fannie Mae, Farmer Mac, Federal Farm Credit Banks, Freddie Mac, Federal Home Loan Banks, Financing Corporation, Tennessee Valley Authority, Resolution Trust Funding Corporation, World Bank, Inter-American Development Bank, and PEFCO.

U.S. TREASURY OBLIGATIONS (TREASURIES): Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are

considered to have no credit risk and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury Bills: All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury Bills (T-bills). The Treasury currently issues 3-month and 6-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth cash flows.

Treasury Notes: All securities issued with initial maturities of 2- to 10-years are called Treasury Notes (T-notes), and pay interest semi-annually.

Treasury Bonds: All securities issued with initial maturities greater than 10-years are called Treasury Bonds (T-bonds). Like Treasury Notes, they pay interest semi-annually.

YIELD: The rate of annual income return on an investment, expressed as a percentage. Yield does not include capital gains.

Income Yield is obtained by dividing the current dollar income by the current market price for the security.

Net Yield or **Yield to Maturity** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

ZERO-COUPON BOND: A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount. Zero-coupon bonds are typically issued at a discount and repaid at par upon maturity.

DATE: October 21, 2014

TO: Mayor and City Council

FROM: Assistant City Manager
Police Chief

SUBJECT: Consideration of Resolution in Opposition to Proposition 47: The Safe Neighborhoods and Schools Act

RECOMMENDATION

That Council adopts the attached resolution (Attachment I) signifying the City's opposition to Proposition 47: "The Safe Neighborhoods and Schools Act," which will reduce sentencing penalties for specified non-serious and non-violent drug and property crimes. This "catch and release" policy will result in as many as 9,000 criminals being released from prison who are likely to recommit crimes and overwhelm our local police department.

BACKGROUND

Proposition 47: "The Safe Neighborhoods and Schools Act" aims to focus prison spending almost exclusively on violent and serious offences while providing more alternative punishments or penalties for non-serious, non-violent crimes. Savings from the reduced enforcement, prosecution, and incarceration costs will then be earmarked toward prevention and support programs in K-12 schools, victim services, and mental health and drug treatment. Preliminary annual savings estimates vary between \$150 million and \$250 million.

The California Legislative Analyst's Office (LAO) estimates that under Proposition 47, upwards of 9,000 incarcerated criminals may be released due in part to sentence reductions. Under these new sentencing guidelines, of the 220,000 Californians convicted of felonies annually, 40,000 would now face misdemeanors rather than felony charges. Punishments for serious dangerous crimes like rape, murder and child molestation will not be changed by this proposition. Local communities throughout the State are already facing an influx of early release criminals from public safety realignment (AB 109); releasing an additional 9,000 criminals will only compound the burden borne by local criminal justice systems like the Hayward Police Department.

DISCUSSION

There is significant opposition toward Proposition 47. The League of California Cities and the entire law enforcement community, including the California District Attorneys' Association, the California State Sheriffs' Association, the California Peace Officers' Association, the California Narcotics Officers' Association, and the California Fraternal Order of Police, as well as victims' rights groups like the Crime Victim Alliance Action, Crime Victims United of California, and the California Coalition Against Sexual Assault all oppose Proposition 47.

Opposition is largely predicated on the reduction of sentencing penalties that will result in more offenses being treated as misdemeanors. Under Proposition 47, the following will be treated as misdemeanors, irrespective of circumstances in most instances (from the California League of Cities): Commercial Burglary; Forgery; Passing Bad Checks; Grand Theft; Receipt of Stolen Property; Petty Theft with a Prior Offense; and Drug Possession.

The 9,000 felons who will be eligible for early release are decidedly not so-called "non-dangerous" felons. In fact, approximately 8,000 of these current inmates have prior convictions for armed robbery, kidnapping, carjacking, child abuse, residential burglary, arson, assault with a deadly weapon and many other serious crimes. While proponents of the Proposition argue that judges will have the ability to block the early release of prisoners, this is only the case if the judges find that the felons are likely to commit a very narrow range of crimes.

In addition, Proposition 47 would eliminate automatic felony prosecution for stealing a gun. People don't steal handguns to add to their own gun collection; they steal them for violent predatory purposes. Under current law, regardless of the value of the gun, stealing a gun is a felony, as it should be. Proposition 47 also allows more dangerous criminals to legally own guns. Felony convictions carry a lifetime prohibition on owning guns. This measure reduces many felony sentences to misdemeanors, which would allow individuals convicted of these offenses to own guns.

Under Proposition 47, all drug possession cases will be reduced to misdemeanors. District attorneys would be stripped of discretion about whether to charge such offenses as felonies. This provision does not distinguish between "simple possession" and "possession for sale" — despite the fact that there can be a quantum difference in the amounts of a controlled substance involved between those two offenses. Proposition 47 makes no distinction based on the nature of the controlled substance, so it would impose misdemeanor penalties even for possession of significant quantities of substances such as methamphetamine, or for possession of ketamine or GHB, both known to be date-rape drugs. Sexual predators found in possession of date rape drugs would only face misdemeanor charges, regardless of how many times the individual was found in possession of date-rape drugs.

Attachment II to this report presents a No on 47 fact sheet that provides more information about this proposition. This Proposition would add significant law enforcement challenges to police departments, like Hayward, that are already challenged to deal with the impacts of AB 109 Realignment and prisoner release. These prior actions by the State have released many prisoners into local communities and many of the individuals have offended again upon release. Proposition 47 is another ill-disguised "cost savings" measure that will have significant and detrimental impacts on public safety.

FISCAL IMPACT

If Prop. 47 passes, it is reasonable to anticipate an increase in misdemeanor criminal activity. As a result, more resources may be required to help the Hayward Police Department address the influx of newly released criminals and to address the crimes they commit.

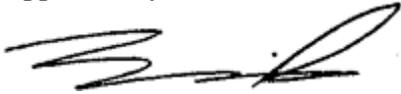
NEXT STEPS

The ballot measure will be voted on by the public in the November 2014 election.

Prepared by: John Stefanski, Management Fellow

Recommended by: Kelly McAdoo, Assistant City Manager
Diane Urban, Police Chief

Approved by:



Fran David, City Manager

Attachments:

Attachment I	Resolution
Attachment II	No on 47 Fact Sheet
Attachment III	Sacramento Bee Opinion Piece on Prop 47

HAYWARD CITY COUNCIL

RESOLUTION NO. 14-

Introduced by Council Member _____

RESOLUTION IN OPPOSITION TO PROPOSITION 47: THE SAFE NEIGHBORHOODS AND SCHOOLS ACT

WHEREAS, Proposition 47 has qualified for the November 4, 2014 Statewide General Election; and,

WHEREAS, Proposition 47 will lessen sentencing penalties for specified non-serious and non-violent drug and property crimes; and,

WHEREAS, upwards of 9,000 felons will become eligible for early release under Proposition 47; and

WHEREAS, with the implementation of Public Safety Realignment in 2011, which altered sentencing policy by shifting all newly convicted non-violent, non-serious, non-sex offenders to county supervision, there is currently a significantly diminished population of non-violent offenders in California’s prisons, and there is a legitimate question as to how many of the 9,000 inmates eligible for early release could be classified as high-risk for committing subsequent violent offenses; and,

WHEREAS, Proposition 47 may further burden our local criminal justice systems by shifting responsibility for additional categories of offenders to already overcrowded county jails; and,

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Hayward does hereby express its opposition to Proposition 47: The Safe Neighborhoods and Schools Act.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2014

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward



PROPOSITION FACT SHEET

Current Law	Proposition 47	Implications
<p>Possession of predatory drugs, commonly referred to as “date-rape” drugs can be charged as a felony</p>	<p>Minimizes the scope of these types of crimes by reducing the penalty for possession of Rohypnol, Ketamine, GHB (date-rape drug) and any other drug designed to render a victim helpless to a simple misdemeanor.</p>	<p>The lack of attention to this specific issue is particularly disturbing when measured against the unhappy reality of the increasing use of these drugs by sexual predator’s intent on engaging in serious criminal conduct.</p>
<p>The theft of any firearm is defined as a felony pursuant Penal Code §§ 487(d)(2) and 489.</p>	<p>Proposed Penal Code § 490.2 would require that any theft, including that of a firearm, valued at less than \$950, shall be punished as a misdemeanor, unless the offender has a conviction for one of a very narrow list of prior violent felonies or is a sex offender.</p>	<p>An individual arrested for stealing a firearm valued under \$950, regardless of it is his or her fifth or fiftieth time being arrested for this act, would be charged with a misdemeanor.</p>
<p>Under Health and Safety Code §11350 possession of methamphetamine, heroin, and cocaine is a felony.</p>	<p>Possession would be a misdemeanor. The initiative limits felony consequences to only those who have a prior particular kind of violent felony or sex offense.</p>	<p>No incentive for rehabilitation. If enacted, this initiative will sound the death knell for Drug Courts, as there is no incentive to do an 18 month to 2 year intensive treatment program when the maximum consequences for a drug conviction is a six month misdemeanor term in county jail.</p>
<p>Under Penal Code §476(a) and 476(b) fraud is a wobbler, depending on the total fiscal value of the offense and prior offenses.</p>	<p>Limits forgery to a misdemeanor, regardless of the number of prior theft convictions, if the amount of loss remains lower than \$950</p>	<p>Has the potential to directly effect large and small business owners, farms, banks and the community by decriminalizing forgery charges.</p>
<p>Under the Three Strikes Reform Act of 2012 (Proposition 36), Penal Code § 1170.126 provides for resentencing petitioners previously sentenced to life terms pursuant to the Three Strikes Law (Penal Code §§ 667(b)-(i) and 1170.12) whose committing of-fense was non-violent and non-serious.</p>	<p>The proposed language in Penal Code § 1170.18(c) would require the prosecution to prove, and the court to find, that the defendant is an unreasonable risk to society because he or she would likely commit a sexually violent offense, murder, certain sex crimes with children under 14, solicitation to commit murder, assault with a machine gun on a peace officer, possession of weapons of mass destruction or a crime punishable by death or life imprisonment.</p>	<p>Many potentially violent individuals will be released– not because they do not pose a violent risk to society, but because the Act has unreasonably limited the scope of what is considered a risk of danger to society and what the prosecution can present to counter the defendant’s eligibility.</p>

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Viewpoints: Prop. 47 would turn criminals loose

BY JAN SCULLY, SCOTT JONES AND CHRIS BOYD - SPECIAL TO THE BEE

10/03/2014 12:00 AM | Updated:10/10/2014 12:03 PM



Jan Scully is Sacramento County district attorney.

In what seems to be a cynical ploy to deceive voters, the proponents of Proposition 47 conjured up the name “Safe Neighborhoods and Schools Act” for a collection of bad ideas that would produce the opposite of what that title portends.

If you are asking yourself how letting as many as 10,000 felons out of prison and decreasing penalties for crimes such as gun theft, possession of date-rape drugs and identity theft would make you safer and protect your children, you are in good company.

We can all agree that at some level criminals must face meaningful consequences for violating the law. Proposition 47 (<http://www.lao.ca.gov/ballot/2014/prop-47-110414.aspx>) turns that idea on its head. The penalties for serious crimes would be reduced, and felons already in prison would be entitled to resentencing to county jail or outright release.

For instance, existing law recognizes the severity of stealing a gun. Proposition 47, however, would turn gun theft into a misdemeanor. Not only can stealing firearms make a community less safe, but the “Safe Neighborhoods and Schools Act” would decrease the penalty for that crime to a mere slap on the wrist.

And speaking of guns, by converting felonies to misdemeanors, criminals who would otherwise be prohibited from possessing a firearm would be allowed to own guns. Misdemeanors generally do not carry the same gun ownership limits that felonies do, so the passage of Proposition 47 would lead to the increased arming of convicted criminals.

Proposition 47 would also severely decrease the penalty for drug possession. Keep in mind we are not talking about possession of marijuana, but rather hard drugs including cocaine, methamphetamine, heroin and GHB (a drug often used to perpetrate date rape). That’s right, a predator who possesses date-rape drugs would be liable only for a misdemeanor.

The measure presents the potential to cripple California’s recovering, yet fragile, economy. By reducing the penalty for commercial burglary to a straight misdemeanor, Proposition 47 would declare open season on retail businesses. Also worth noting is the get-out-of-jail free card given to those who commit forgery or write bad checks. In this time of near-constant data breaches, we should not be putting out the welcome mat for criminals who would steal our identities.

As thousands of felons leave the state prisons, this measure would create even more pressure on our aging and overcrowded jails, putting another unfunded mandate on frontline law enforcement officers.

Proponents will tell you that all this measure does is give first-time offenders and petty criminals a second chance while saving the state hundreds of millions of dollars. The truth is that those types of offenders rarely end up in jails or prison. By law, first-time

drug offenders cannot be sent to jail or prison, and most counties have diversion and probation programs that allow judges and prosecutors to appropriately sanction minor crime by rookie criminals.

And the savings to be generated by Proposition 47 are illusory – a cheap political trick designed to con voters into thinking schools and students would be showered with all of the money saved by releasing felons into our neighborhoods.

It all boils down to the fact that Proposition 47 would result in more crime, new victims and less safety. Safe neighborhoods and schools? Not if Proposition 47 passes. Please vote “no.”



CITY OF
HAYWARD
HEART OF THE BAY

DATE: October 21, 2014
TO: Mayor and City Council
FROM: Director of Library and Community Services
SUBJECT: Approval of a Substantial Amendment to the Community Development Block Grant (CDBG) FY 2014-15 Annual Action Plan for the Hayward Promise Neighborhood Street Improvement Project

RECOMMENDATION

That the Council adopts the attached resolution (Attachment I) approving a Substantial Amendment to the Community Development Block Grant (CDBG) FY 2014-15 Annual Action Plan for the Hayward Promise Neighborhood Street Improvement Project.

BACKGROUND

I. CDBG Program Overview

Since 1975, the City of Hayward has administered Community Development Block Grant (CDBG) funds received from the U.S. Department of Housing and Urban Development (HUD). The CDBG program was authorized by Congress under Title I of the Housing and Community Development Act of 1974.

Nationally, the CDBG program provides annual grants on a formula basis to 1,209 general units of local government and States. As a general unit of local government with a population greater than 50,000, the City of Hayward receives a formula CDBG allocation from HUD each year.

To provide additional background information relevant to the discussion contained in this report, what follows is a brief overview of the essential aspects of the CDBG program.

a) Entitlement Jurisdictions

Because of Hayward’s population size, it is considered a CDBG Entitlement jurisdiction. As such, formula grant funding is provided annually to the City upon HUD’s approval of Council’s CDBG allocations, which form the substantive portion of the City’s Annual Action Plan. The formula by which CDBG Entitlement funding is determined considers the total Congressional budget appropriation to HUD, and is calculated according to each

Entitlement jurisdiction's population size and poverty level derived from the most recent Census data.

b) Applicable Laws and Regulations

The CDBG program is regulation-heavy and administratively complex. As is the case with many federal programs, and especially with housing and community development programs, CDBG is subject to multiple layers of regulations and rules at the federal, state, and local levels. In addition to the federal legislation that created CDBG in 1974 (Title I of the Housing and Community Development Act) and subsequent amendments to it in later years, other federal statutes and requirements that apply to the CDBG program include several Office of Management and Budget (OMB) Circulars, multiple sections of the Code of Federal Regulations (CFR), the Davis-Bacon and Related Acts, and others.

c) National Objectives

Each activity funded by CDBG must meet one or more of three broad national objectives for the program. Activities that fail to substantially meet one of these three national objectives are considered ineligible for CDBG funding:

1. Benefit low- and moderate-income persons;
2. Prevent or eliminate slums or blight; or,
3. Address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

d) Eligible Beneficiaries and Activities

In addition to meeting national objectives, at least 70% of CDBG funds must be used for activities that benefit low- and moderate-income persons. CDBG funds may be used for activities which include, but are not limited to:

- Construction of public facilities and improvements, such as water and sewer facilities, street improvements, neighborhood centers, and the conversion of school buildings for eligible purposes
- Rehabilitation of residential and non-residential structures
- Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities
- Activities relating to energy conservation and renewable energy resources
- Acquisition of real property
- Public services, within certain limits (no greater than 15% of the total Entitlement Award).

Generally, the following types of activities are NOT eligible:

- Acquisition, construction, or reconstruction of buildings for the general conduct of government
- Political activities
- Certain income payments

- Construction of new housing (with some exceptions).

e) *Administrative Requirements*

To receive its annual CDBG entitlement grant, the City must develop and submit to HUD a Consolidated Plan. The Consolidated Plan is the City's comprehensive planning document and application for HUD funding under the CDBG, HOME Investment Partnerships, and Emergency Shelter Grants (ESG) programs. In the Consolidated Plan, the City must identify its goals for these programs as well as for housing programs. The Consolidated Plan must include several required certifications, including that not less than 70% of the CDBG funds received will be used for activities that benefit low- and moderate-income persons, and that the City will affirmatively further fair housing, among others.

f) *Citizen Participation Plan*

The City is required to develop and follow a detailed Citizen Participation Plan that encourages and provides for citizen participation in the process by which the City proposes to use CDBG funds. The Council-appointed Community Services Commission, which convenes public meetings monthly and allows for regular public input throughout the CDBG funding deliberations process, is the primary body that fulfills the Citizen Participation requirement. Per HUD eligibility requirements, the Citizen Participation Plan must:

- Provide citizens with reasonable and timely access to local meetings, information, and records related to the grantee's proposed and actual use of funds
- Provide for public hearings to obtain citizen views and to respond to proposals and questions at all stages of the program, including the development of needs, the review of proposed activities, and review of program performance
- Provide for timely written answers to written complaints and grievances
- Identify how the needs of non-English speaking residents will be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate

II. HUD Monitoring Update

In addition to the regularly occurring monitoring and reporting processes that take place throughout each program year, HUD periodically conducts more comprehensive financial monitoring reviews of each of the 1,209 CDBG grantee jurisdictions within its purview nationwide. In May of 2014, HUD selected the City of Hayward CDBG program for a complete and comprehensive financial monitoring and reconciliation spanning thirty-eight years of program activity from 1976 to 2014.

This was an extraordinarily exhaustive and challenging process that involved meticulously sifting through voluminous archival files in multiple formats, including hand-written and typewritten records and files from the years before the age of computerization. Staff worked closely with the HUD monitor to review the entire program history from 1976 to the present, and in many cases was able to proactively resolve issues or concerns as they were identified.

Throughout the monitoring process, staff and HUD maintained excellent and ongoing communication. HUD shared concerns with staff as they were identified and made preliminary recommendations. In a proactive step by the City, several of the recommendations have already been implemented. Staff anticipates that the vast majority of the concerns will be fully resolved by the end of FY 2015, and that all concerns will be fully resolved by the end of FY 2016.

A final monitoring report was received on October 1, 2014. Staff is reviewing the report and will submit a response letter to HUD containing next steps within 30 days, which is standard protocol with HUD notifications. Staff will provide Council an update during the meeting of November 4, 2014, and will continue to advise Council on the progress toward resolution of concerns as the concerns become more focused and are brought down to the remaining items.

III. Substantial Amendment for Expenditure of Reconciled Funds from 1976 – 2014

The HUD monitoring process was exhaustive and comprehensive, and examined in detail every CDBG-funded activity the City has undertaken over the past thirty-eight years. In a span of time that large, it was not unexpected to find activities that resulted in under spent or unspent funds.

HUD and staff worked closely together to identify every single CDBG-funded activity of the past thirty-eight years, and to calculate the exact amount of any unspent or underspent available funds. The resulting total amount of unspent CDBG fund balance from the years 1976 through 2014 is \$1,387,328. This equates to approximately 2% of all CDBG funds received by the City over the long period.

HUD requires that the City utilize these newly reconciled CDBG funds toward a shovel-ready project that can be initiated and completed within twelve months, thus expending these funds efficiently and effectively for the public benefit while avoiding timeliness spending issues.

To this end, HUD has provided prior review and approval for a project to implement significant street improvements in a low-income eligible census tract located in the Jackson Triangle, a.k.a. the Hayward Promise Neighborhood. The Hayward Promise Neighborhood is a high-need area of Hayward that has been identified by the City and a coalition of partners including the U.S. Department of Education as a national focus neighborhood and case study for significant infrastructure and education reinvestment.

DISCUSSION

I. Hayward Promise Neighborhood Street Improvement Project

The proposed Hayward Promise Neighborhood Street Improvement Project meets all the criteria recommended by HUD for the use of the newly reconciled CDBG funds. The project area is in a low-moderate income census tract, which qualifies the project for CDBG within the National Objective of low-income area benefit. The proposed street improvements are CDBG-eligible activities. The project is exempt from environmental review, is shovel ready and can be completed

in the required timeframe. For these reasons, the project has been pre-approved by HUD for the use of the reconciled CDBG funds, pending Council authorization.

All interior residential streets within the HUD-qualified census tract are identified as potential subjects for street improvements as shown in Attachment II.

Prioritization of the individual streets and the improvements to be implemented would be based on need as determined by the City's Pavement Management Index and other objective analysis including eligibility per HUD requirements for the use of CDBG funding, and the amount of available funds for street improvements in consideration of variables such as construction bids and other contingencies.

Street improvements would consist of *pavement reconstruction* or *mill and overlay*, both of which are CDBG-eligible improvements. These types of improvements are defined as follows:

- *Pavement reconstruction* replaces a portion of the pavement structure by removing six to eight inches of existing pavement and replacing it with new asphalt concrete. Pavement reconstruction can also involve cold in-place recycling (CIR) where the top three to four inches of existing pavement material is ground up, treated and recycled in place. A two-inch layer is then placed on top of the recycled pavement.
- *Mill and overlay* involves grinding the top two inches of asphalt concrete and replacing it with new asphalt concrete.

The condition of the pavement is measured by Pavement Condition Index (PCI). A PCI rating of 100 is new pavement, a rating of 0 is completely failed pavement. Pavement reconstruction is done on streets with Pavement Condition Index (PCI) from 0-30. PCI's from 30 to 50 will typically receive mill and overlay. Either of the above described processes will result in a PCI rating of 100 after the improvement.

The identified street improvements are inclusive of all the residential streets within the eligible census tract. This provides greater flexibility to make improvements on as many streets as possible for the public benefit. A map of eligible census tract and the streets anticipated to receive improvements is included with this report as Attachment II. The estimated budget for street improvements including alternate streets to be included as funding allows is included as Attachment III.

II. Alternative project considerations

When it became apparent during the HUD monitoring process that reconciled funds would need to be timely expended on a shovel-ready project, City staff immediately began a review of several projects for possible implementation. Criteria to meet HUD National Objectives, project eligibility, and timeliness spending requirements were considered for each. In every case, the alternative project was found to be infeasible for reasons described below.

- Eden Youth and Family Center reconstruction. This project was reviewed and was deemed infeasible because the proposed reconstruction of the center is still in the conceptual phase, is not shovel ready, and could not be completed and operational within twelve months.
- Property acquisition for prospective community center concept on Mission Blvd (former Valle Vista site). This concept was reviewed and deemed infeasible because the proposed community center facility is only speculative at this time, is not shovel ready, and could not be completed and operational within twelve months. HUD would require that the property acquisition and construction of the community center be completed within the twelve month period.
- Property acquisition and/or rehabilitation for prospective homeless service center concept. This concept was reviewed and deemed infeasible because the proposal is conceptual at this time, is not shovel ready, and could not be completed and operational within twelve months. Any property selected would likely require significant modifications or rehabilitation in order to operate safely and effectively. The time needed to identify the property, acquire the property, procure an architect, secure approvals for any needed modifications or rehabilitations, procure a contractor, complete the modifications to the property, and identify a fiscally sustainable agency/program to operate the facility would exceed the required timeframe for eligible expenditure of funds.
- Fire Station Health Clinic. Staff reviewed this project very closely yet it was ultimately deemed ineligible due to procurement requirements. The project was already underway and was in the procurement process by the time it was considered for the CDBG funds. The procurement process being used did not meet HUD's procurement requirements, which are more stringent. There was no way to change the procurement process to meet the more stringent requirements since the process had already begun. For this reason, HUD determined that the project was ineligible for CDBG funding.
- Photovoltaic panels on the new library. Staff reviewed this project very closely yet it was ultimately found to be ineligible per CDBG requirements that energy conservation projects may only be undertaken for the benefit of low-income homeowners.
- Residential solar program (PAYS): Staff reviewed this project very closely yet it was ultimately found to be infeasible due to CDBG eligibility issues. Per CDBG requirements, energy conservation projects are limited to those which: (a) increase the efficient use of water, for example by installing water saving faucets and shower heads; or, (b) increase the efficient use of energy in structures through installation of storm windows and doors, insulation, and modification or replacement of heating and cooling equipment. Furthermore, conservation programs are required to be conducted by a designated Community Based Development Organization (CBDO).
- Public services (shelter services, food distribution, etc). This option is ineligible due to the annual spending cap on public services activities. HUD places caps on the amount of CDBG funds that can be used for public services activities. The caps are determined by formula at the time of the CDBG Entitlement award, and do not vary. Although there are additional reconciled funds available for use in FY 2014-15, the City is still bound by the

predetermined formula caps. Each year during the regular funding process, the City's general policy is to allocate the maximum allowable amount to public services under the cap. This was also the case in the FY 2015 funding process. The City has already allocated the maximum allowable amount to public services in FY 2015, leaving no room for additional public services expenditures in FY 2015. The limitations on the use of CDBG for public services is the primary reason why the City annually augments the funding process with General Fund dollars through the Social Services Grant Program.

- Housing Rehabilitation program. Staff reviewed this option and found it to be infeasible due to timeliness spending issues. The Housing Rehabilitation Loan Program is in the process of being modified to meet new HUD guidelines, and could not feasibly expend the funds within the required timeframe.
- Mural Art / Blight Abatement program. Staff reviewed this option and found it to be infeasible due to eligibility and timeliness spending issues. Nearly all locations that are eligible for CDBG already have murals. There are sufficient funds available in the prior CDBG allocation to this activity to install a mural at the remaining eligible location, which renders the prospect of identifying additional eligible locations impracticable.
- Economic Development. Staff reviewed this option closely and found it to be infeasible due to eligibility and timeliness spending issues. At this time no CDBG-eligible, shovel ready economic development projects that meet a National Objective and meet the job creation and retention requirements have been identified.

In summary, although many projects were reviewed, none of the above met all three of HUD's criteria for the use of the reconciled funds: CDBG National Objectives, eligible project types, and the required timeframe for expenditure of funds.

FISCAL IMPACT

Community Development Block Grant (CDBG) funds rest in a dedicated Special Revenue fund, and CDBG guidelines allow for costs associated with administering the CDBG program such as personnel and related costs to be charged to that fund within certain limits. As such, the CDBG program has a neutral impact to the General Fund.

The monitoring process identified unspent CDBG fund balance from the years 1976-2014 in the amount of \$1,387,328. HUD recommends that these newly reconciled CDBG funds be utilized toward a shovel-ready project that can be initiated and completed within twelve months. Use of these funds requires Council approval of a Substantial Amendment to the CDBG Annual Action Plan.

PUBLIC CONTACT

On April 16, 2014, the Council held a public hearing for the adoption of the CDBG FY 2014-15 Annual Action Plan.

On September 16, 2014, the Council held a public work session during which Council reviewed the proposed Substantial Amendment and accompanying draft resolution, initiating a 30-day public notification period.

On September 18, 2014, public notification of the proposed Substantial Amendment was published in the Daily Review newspaper in English and Spanish, and was posted on the City of Hayward's website in English and Spanish.

On October 15, 2014, the Community Services Commission held a public meeting during which the proposed Substantial Amendment was reviewed.

NEXT STEPS

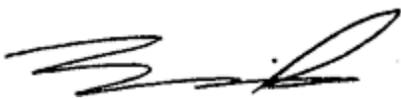
Should Council approve the Substantial Amendment authorizing the Hayward Promise Neighborhood Street Improvement Project, reconciled CDBG funds in the amount of \$1,387,328 will be utilized to complete the project within twelve months.

Should Council approve this proposed Substantial Amendment, it would result in the complete and full reconciliation of the City's CDBG program from its inception to the present day including all previously allocated CDBG project funds spanning the years 1976 – 2014.

Prepared by: Dawn Jaeger, Community Services Manager

Recommended by: Sean Reinhart, Director of Library and Community Services
Morad Fakhrai, Director of Public Works - Engineering & Transportation

Approved by:



Fran David, City Manager

Attachments:

- Attachment I: Resolution
- Attachment II: HUD Qualified Census Tract 4366.01
- Attachment III: Pavement List and Estimated Project Budget

HAYWARD CITY COUNCIL

RESOLUTION NO. 14-

Introduced by Council Member _____

APPROVAL OF A SUBSTANTIAL AMENDMENT TO THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FISCAL YEAR 2014/15 ANNUAL ACTION PLAN FOR THE HAYWARD PROMISE NEIGHBORHOOD STREET IMPROVEMENT PROJECT

WHEREAS the Housing and Community Development Act of 1974 makes funds available to qualified cities for certain community development activities, and the City of Hayward is qualified to receive certain funds pursuant to said act; and

WHEREAS the City Council has considered public testimony and the FY 2014/15 CDBG Program and previously approved the Annual Action Plan; and

WHEREAS the City Council has considered the environmental impact of the Hayward Promise Neighborhood Street Improvement Project ("Project") and hereby finds and determines that the project is categorically excluded from the National Environmental Protection Act or will be subject to later environmental review and finds and determines that the activities are either not subject to the California Environmental Quality Act or will be subject to later environmental review; and

WHEREAS the Council has considered a proposed Substantial Amendment to the CDBG FY 2014/15 Annual Action Plan to timely utilize reconciled CDBG program funds from 1976 through 2014 in the amount of \$1,387,328.00 to implement the Project;

NOW THEREFORE BE IT RESOLVED that the City Council of the City of Hayward hereby approves the aforesaid Substantial Amendment to the FY 2014/15 Community Development Block Grant Action Plan and authorizes City staff to submit the required documentation to the U.S. Department of Housing and Urban Development.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2014

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward



HUD Qualified Census Tract - 4366.01



Census Tract Information (Excludes perimeter streets)

Length

Total Lane Miles = 12.7mi

Total Lane Miles Improved = 2.6mi

Pavement Condition Index - (PCI 100 is new, 0 is failed)

Before Treatment = 58

After Treatment = 75



HUD Qualified Census Tract -4366.01 Pavement Improvement

<u>Street Names</u>	<u>Begin</u>	<u>End</u>	<u>Length (ft)</u>	<u>Width (ft)</u>	<u>Area (sy)</u>	<u>Current PCI</u>	<u>Treated PCI</u>	<u>Recommendation based on field observation</u>	<u>Estimated Project Cost</u>
Tioga Road	Orchard Ave	Langley Way	956	32	3399	18	100	Reconstruction	\$197,148
Donald Avenue	Culp Ave	End	377	32	1340	21	100	Reconstruction	\$77,746
Langley Way	Soto Rd	Tioga Rd	530	32	2001	23	100	Reconstruction	\$116,064
Charles Avenue	Culp Ave	End	386	31	1330	28	100	Reconstruction	\$77,114
Muir Street	Culp Ave	End	365	32	1298	30	100	Reconstruction	\$75,271
Frederick Avenue	Soto Rd	Muir Rd	629	32	2236	32	100	Reconstruction	\$129,714
Arvilla Lane	Orchard Ave	CDS	606	31	2239	32	100	Reconstruction	\$129,875
Culp Avenue	Soto Rd	Muir Rd	594	32	2112	37	100	Reconstruction	\$122,496
Muir Street	Orchard Ave	CDS	639	31	2516	40	100	Reconstruction	\$145,941
Muir Street	Berry Ave	Orchard Ave	1244	32	4423	40	100	Reconstruction	\$256,540
Brooks Way	Culp Ave	End	391	31	1347	59	100	Mill and Overlay	\$74,073
								Total	\$1,401,983

Streets to include if funds allow

Ambrose Ct.	Soto Rd	CDS	412	33	1745	27	100	Reconstruction	\$101,236
Thomas Avenue	Sycamore Ave	Silva Ave	642	28	1997	22	100	Reconstruction	\$115,845
Cody Rd.	Sublette Dr	Whitman St	292	32	1038	27	100	Reconstruction	\$60,217
Custer Road	Lander Ave	Sublette Dr	478	32	1700	33	100	Reconstruction	\$98,574
Lander Avenue	Wyeth Rd	Custer Rd	566	32	2012	30	100	Mill & OL	\$110,684
Thomas Avenue	Evelyn Ln	Orchard Ave	719	32	2556	42	100	Mill & OL, maybe Recon	\$140,604
Mardie Street	Joyce St	Whitman St	516	32	1835	46	100	Reconstruction	\$106,411
Waterson Ct.	CDS	Traynor St	235	32	998	31	100	Mill & OL or wait for Recon	\$54,878
Joanne Street	CDS	Mardie St	915	31	3207	38	100	Reconstruction	\$185,987
Joyce Street	Orchard Ave	Mardie St	1035	31	3743	39	100	Reconstruction	\$217,081
Traynor Ct.	CDS	Traynor St	238	32	1001	40	100	Mill & OL or wait for Recon	\$55,037
Sublett Drive	Wyeth Rd	Custer Rd	556	32	2012	40	100	Reconstruction	\$116,722
Alves Street	Sycamore Ave	End	662	34	2501	42	100	Mill & OL, maybe Recon	\$137,549
Sycamore Avenue	Jaskson St	Silva Ave	1337	32	4909	61	100	Mill & OL, maybe Recon	\$270,013