

SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

REGULAR MEETING AGENDA

WEDNESDAY, JANUARY 25, 2012 – 3:00 P.M.

MAIN AUDITORIUM – Norton Regional Events Center – 1601 East Third Street, San Bernardino, CA



A regional joint powers authority dedicated to the reuse of Norton Air Force Base for the economic benefit of the East Valley

Patrick J. Morris, President

Mayor, City of San Bernardino

Ovidiu Popescu, Vice-President

Mayor pro tempore, City of Loma Linda

Sam J. Racadio, Secretary

Councilmember, City of Highland

COMMISSION MEMBERS:

Josie Gonzales

Supervisor, County of San Bernardino

Rikke Van Johnson

Councilmember, City of San Bernardino

Sarah S. Zamora

Mayor, City of Colton

ALTERNATE COMMISSION MEMBERS:

Ronald Dailey

Councilmember, City of Loma Linda

Neil Derry

Supervisor, County of San Bernardino

Susan M. Oliva

Councilmember, City of Colton

Jody Scott

Councilmember, City of Highland

Fred Shorett

Councilmember, City of San Bernardino

Vincent Yzaguirre

Councilmember, City of Colton

- Full agenda packets are available at the SBIAA office, 1601 East Third Street, San Bernardino, California, will be provided at the meeting, and are posted on the Public Meetings/Agenda page of our website at www.sbdairport.com. Office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.
- Recordings of the SBIAA Commission meetings are available on the Public Meetings/Agenda page of our website at www.sbdairport.com. Video recordings are aired on City of San Bernardino Access Channel 3 at 1:00 p.m. on the Wednesday following the Commission meeting.
- In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the SBIAA office at (909) 382-4100. Notification 48 hours prior to the meeting will enable SBIAA staff to make reasonable arrangements to ensure accessibility to this meeting.
- Anyone who wishes to speak during public comment or on a particular item will be required to fill out a speaker slip. Prior to speaking, speaker slips should be turned in to the Clerk of the Board.
- Public comments for agenda items that are not public hearings will be limited to three minutes.
- Public comments for items that are not on the agenda will be limited to three minutes.

A. **CALL TO ORDER / ROLL CALL**

B. **ITEMS TO BE ADDED OR DELETED**

Pursuant to Government Code Section 54954.2, items may be added on which there is a need to take immediate action, and the need for action came to the attention of the SBIAA subsequent to the posting of the agenda.

C. **CONFLICT OF INTEREST DISCLOSURE**

1. Members shall note agenda item contractors and subcontractors which may require member abstentions due to possible conflicts of interest.

[**PRESENTER:** Kelly Berry; **PAGE#:** 005]

D. **INFORMATIONAL ITEMS**

It is intended that the following subject matters and their attachments are submitted to the Commission members for informational purposes only. No action is required with regard to these items in the form of a receive-and-file motion or otherwise. Members may inquire of staff as to any questions or seek clarifications, but no discussion may ensue other than to place an item on a subsequent agenda for further consideration. In such situations where permissible levels of discussion are conducted, members are reminded that staff has not presented the related contractor and interested parties conflicts of interest disclosures that are typically provided for agenda items for which action is intended to occur. Additionally, questions may arise as to negotiation strategies or other legal issues which are more appropriately addressed in a closed session discussion.

2. Informational Items [**PRESENTER:** A.J. Wilson]
 - a. Executive Director's Report [**PAGE#:** 007]
 - b. Report on Status of Certain Airport Agreements [**PAGE#:** 008]
 - c. Report on Status of Implementation of Recommendations from the San Bernardino County Grand Jury Report [**PAGE#:** 009]
 - d. Report on Proposed Change in meeting Time and Agenda Order for the San Bernardino International Airport Authority (SBIAA) Commission Meetings [**PAGE#:** 010]

E. **COMMISSION CONSENT ITEMS**

The following consent items are expected to be routine and non-controversial and will be acted upon by the Commission at one time under unless the Commission directs that an item be held for further discussion.

3. Authorize Advertisement of a Request for Proposals (RFP) from Qualified Firms to Provide Auditing Services for the San Bernardino International Airport Authority (SBIAA)
[**PRESENTER:** Gary Silvius; **PAGE#:** 011]

4. Approve Meeting Minutes: January 11, 2012
[PRESENTER: Kelly Berry; PAGE#: 022]

F. **COMMISSION ACTION ITEMS**

Anyone who wishes to speak on a particular item will be required to fill out a speaker slip. Prior to speaking, speaker slips should be turned in to the Clerk of the Board. Public comments for agenda items that are not public hearings will be limited to three minutes.

5. Consider and Adopt Resolution No. 2012-02 of the San Bernardino International Airport Authority (SBIAA) Changing the Meeting Time of the Regular Meetings of the SBIAA Commission and Amending Resolution No. 94-4
[PRESENTER: A.J. Wilson; PAGE#: 030]
6. Adopt 2011 Statement of Investment Policy for the San Bernardino International Airport Authority (SBIAA)
[PRESENTER: Gary Silvius; PAGE#: 034]

G. **ADDED AND DEFERRED ITEMS**

Deferred Items and Items which have been added pursuant to Government Code Section 54954.2 as noted above in Section B.

H. **PUBLIC COMMENT**

Anyone who wishes to speak during public comment will be required to fill out a speaker slip. Prior to speaking, speaker slips should be given to the Clerk of the Board. Public comments for items that are not on the agenda will be limited to three minutes. The three-minute limitation shall apply to each member of the public and cannot be shared with other members of the public.

I. **CLOSED SESSION**


Public announcement(s) will be made following closed session if there are any reportable actions taken during closed session. An announcement is typically made prior to closed session discussions as to the potential for a reportable action at the conclusion of closed session.

7. Conference with Legal Counsel Pursuant to Government Code Section 54956.9(b) – Significant exposure to litigation: one case.

8. Conference with Legal Counsel Pursuant to Government Code Section 54956.9(c) –
Initiation of litigation: one case.

J. **ADJOURN MEETING**

Unless otherwise noted, this meeting will be adjourned to the next regularly scheduled meeting of the San Bernardino International Airport Commission.

	<p>TO: San Bernardino International Airport Authority Commission</p> <p>DATE: January 25, 2012</p> <p>ITEM NO: 1</p> <p>PRESENTER: Kelly Berry, Director of Information Services Clerk of the Board</p>
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SUBJECT: POSSIBLE CONFLICT OF INTEREST ISSUES FOR THE SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY (SBIAA) COMMISSION MEETING OF JANUARY 25, 2012

SUMMARY

This agenda does not contain recommendations for action relative to any contractors and/or subcontractors and their principals.

RECOMMENDED ACTION(S)

Receive for information and consideration in accordance with applicable conflict of interest laws.

FISCAL IMPACT

None.

PREPARED BY:	Kelly Berry
CERTIFIED AS TO AVAILABILITY OF FUNDS:	N/A
APPROVED AS TO FORM AND LEGAL CONTENT:	Timothy J. Sabo
FINAL APPROVAL:	A.J. Wilson

BACKGROUND INFORMATION

The potential conflicts information provided in this report and is intended to be used as a means for each voting member to verify campaign contributions from their individual campaign records. The following information is considered to be complete only to the best knowledge that has been disclosed to staff by the following listed contractors and in many instances may not be complete as of the date of publication of the agenda. Staff will endeavor to provide updates and supplements to the disclosure information to the extent additional contractor disclosure information becomes known to staff at or prior to each particular meeting time.

In addition to other provisions of law which prohibit San Bernardino International Airport Authority (SBIAA) Commission members from having financial interests in the contracts of public agencies, the provisions of California Government Code Section 84308 prohibit individual SBIAA Commission members from participating in any Commission proceeding involving a license, permit, or other entitlement for use pending before the Commission, if the individual member has received a contribution of more than two hundred fifty dollars (\$250.00) within the preceding twelve (12) months or for three (3) months following any such Commission proceeding, from any person, company or entity who is the subject of the proceeding or from any person who actively supports or opposes a particular decision in the proceeding and who has a financial interest in such decision, as defined in California Government Code Section 87103.

The restrictions of Government Code Section 84308 do not apply if the individual member returns the contribution within thirty (30) days from the time he or she knows, or should have known, about the contribution and the proceeding.


This agenda contains recommendations for action relative to the following contractors/principals and their respective subcontractors (as informed to SBIAA staff by the Principals):

<u>Agenda</u> <u>Item No.</u>	<u>Contractors/Tenants</u>	<u>Subcontractors/Subtenant</u> <u>s</u>
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**THE JANUARY 25, 2012
AGENDA CONTAINS NO
RECOMMENDATIONS FOR
ACTION RELATIVE TO
CONTRACTORS/PRINCIPALS.**

Attachments:

1. None.

	<p>TO: San Bernardino International Airport Authority Commission</p> <p>DATE: January 25, 2012</p> <p>ITEM NO: 2a</p> <p>PRESENTER: A.J. Wilson, Interim Executive Director</p>
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SUBJECT: INFORMATIONAL ITEMS – EXECUTIVE DIRECTOR'S REPORT

SUMMARY

An oral report will be provided at the time of the meeting.


PREPARED BY:	Mike Burrows
CERTIFIED AS TO AVAILABILITY OF FUNDS:	N/A
APPROVED AS TO FORM AND LEGAL CONTENT:	N/A
FINAL APPROVAL:	A.J. Wilson

BACKGROUND INFORMATION

None.

Attachments:

1. None.

	<p>TO: San Bernardino International Airport Authority Commission</p> <p>DATE: January 25, 2012</p> <p>ITEM NO: 2b</p> <p>PRESENTER: A.J. Wilson, Interim Executive Director</p>
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SUBJECT: INFORMATIONAL ITEMS – REPORT ON STATUS OF CERTAIN AIRPORT AGREEMENTS

SUMMARY

Pursuant to ongoing efforts to enforce all obligations and provisions of San Bernardino International Airport (SBIAA) agreements, Notices to terminate the Airport Management and Development Agreement with San Bernardino Airport Management, LLC were sent with an effective termination date of December 23, 2011, pursuant to SBIAA's remedies under such agreement. SBIAA has contracted with affected personnel ensuring that affected employees are retained under separate agreements with SBIAA and that wages and benefits remain intact through this transition period. Additional information regarding a more permanent solution will be discussed at the meeting.


PREPARED BY:	Mike Burrows
CERTIFIED AS TO AVAILABILITY OF FUNDS:	N/A
APPROVED AS TO FORM AND LEGAL CONTENT:	N/A
FINAL APPROVAL:	A.J. Wilson

BACKGROUND INFORMATION

None.

Attachments:

1. None.

 <p>The logo of the San Bernardino International Airport Authority, featuring a red airplane flying over a blue runway, with the text 'SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY' and the year '1992'.</p>	<p>TO: San Bernardino International Airport Authority Commission</p> <p>DATE: January 25, 2012</p> <p>ITEM NO: 2c</p> <p>PRESENTER: A.J. Wilson, Interim Executive Director</p>
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SUBJECT: INFORMATIONAL ITEMS – REPORT ON STATUS OF IMPLEMENTATION OF RECOMMENDATIONS FROM THE SAN BERNARDINO COUNTY GRAND JURY REPORT

SUMMARY

At the August 10, 2011, San Bernardino International Airport Authority (SBIAA) Commission meeting, the SBIAA Commission authorized the submission of a formal response to the San Bernardino County Grand Jury Report and agreed to implement its recommendations. These responses included timeframes for completion of the various items. A summary of the progress that the SBIAA Commission and Staff have made thus far will be presented at the meeting. SBIAA is committed to improve processes and procedures in furtherance of enhancing overall performance and will continue to diligently pursue completion of the remaining items and provide additional reports as to their status moving forward.


PREPARED BY:	Mike Burrows
CERTIFIED AS TO AVAILABILITY OF FUNDS:	N/A
APPROVED AS TO FORM AND LEGAL CONTENT:	N/A
FINAL APPROVAL:	A.J. Wilson

BACKGROUND INFORMATION

None.

Attachments:

1. None.

	<p>TO: San Bernardino International Airport Authority Commission</p> <p>DATE: January 25, 2012</p> <p>ITEM NO: 2d</p> <p>PRESENTER: A.J. Wilson, Interim Executive Director</p>
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SUBJECT: INFORMATIONAL ITEMS – REPORT ON PROPOSED CHANGE IN MEETING TIME AND AGENDA ORDER FOR THE SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY (SBIAA) COMMISSION MEETINGS

SUMMARY

Historically, the sequence of agenda items posted for regular and special meetings of the San Bernardino International Airport Authority (SBIAA) Commission has followed the same order: open session [Commission consent and discussion items] followed by closed session. Changing the order of agenda items [closed session followed by open session] and starting the regular meetings of the SBIAA Commission an hour earlier, at 2:00 p.m., will assist in eliminating the sometimes extensive periods of time during which the public waits for the conclusion of closed session prior to the Commission's consideration of open session items. By concluding the closed session prior to open session, the Commission meetings will proceed in a more expedient and beneficial manner for members of the public. Information will be provided by Timothy J. Sabo, Legal Counsel, as to the legal and administrative processes involved to implement these proposed changes.


PREPARED BY:	Kelly Berry
CERTIFIED AS TO AVAILABILITY OF FUNDS:	N/A
APPROVED AS TO FORM AND LEGAL CONTENT:	Timothy J. Sabo
FINAL APPROVAL:	A.J. Wilson

BACKGROUND INFORMATION

None.

Attachments:

1. None.

	<p>TO: San Bernardino International Airport Authority Commission</p> <p>DATE: January 25, 2012</p> <p>ITEM NO: 3</p> <p>PRESENTER: Gary Silvius, Interim Chief Financial Officer</p>
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SUBJECT: AUTHORIZE ADVERTISEMENT OF A REQUEST FOR PROPOSALS (RFP) FROM QUALIFIED FIRMS TO PROVIDE AUDITING SERVICES FOR THE SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY (SBIAA)

SUMMARY

Approval of this item would allow IVDA to prepare a Request for Proposals (RFP) and publicly advertise for annual auditing services for the IVDA and SBIAA.

RECOMMENDED ACTION(S)

Authorize Advertisement of a Request for Proposal (RFP) from Qualified Auditing Firms to Provide annual auditing services for Inland Valley Development Agency (IVDA) and San Bernardino International Airport Authority (SBIAA).

FISCAL IMPACT

Procurement of these professional services can be allocated with the current 2011/2012 fiscal year budget. Award of a contract for these services, including the proposed fee, will brought back to the board for approval.

PREPARED BY:	Gary Silvius
CERTIFIED AS TO AVAILABILITY OF FUNDS:	Gary Silvius
APPROVED AS TO FORM AND LEGAL CONTENT:	Timothy J. Sabo
FINAL APPROVAL:	A.J. Wilson

BACKGROUND INFORMATION

One of the recommendations of the Grand Jury report issued June 30, 2011 was that the San Bernardino International Airport Authority and the Inland Valley Development Agency solicit proposals from qualified auditing firms to provide financial audit services for the next five year cycle. This request for proposal defines the process, sets minimum qualifications and establishes the timeline to accomplish this recommendation.

The request is issued jointly for both the Inland Valley Development Agency and the San Bernardino Airport Authority based on the management structure of the agencies as well and the significance of numerous transactions which relate to both agencies particularly relating to construction and acquisition of projects and the related grants.

Once RFP's are received and evaluated the proposal recommended for acceptance for these services will be brought back to the Board for final approval.

Staff recommends that the Board approve the recommended action as set forth above.

Attachments:

1. RFP for Auditing Services.



INLAND VALLEY DEVELOPMENT AGENCY/ SAN BERNARDINO
INTERNATIONAL AIRPORT AUTHORITY

REQUEST FOR PROPOSALS
For
PROFESSIONAL AUDIT SERVICES

Gary L. Silvius
Interim Chief Finance Officer
Inland Valley Development Agency/ San Bernardino International Airport Authority
1601 E. Third Street
San Bernardino, CA 92408

**INLAND VALLEY DEVELOPMENT AGENCY/SAN BERNARDINO INTERNATIONAL AIRPORT
AUTHORITY
REQUEST FOR PROPOSALS
PROFESSIONAL AUDIT SERVICES**

I. INTRODUCTION

A. General Information

The Inland Valley Development Agency and San Bernardino International Airport Authority (Agency/Authority) are requesting proposals from qualified certified public accountant firms to audit their financial statements for the three fiscal years beginning with the fiscal year ending June 30, 2012. The audit will to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in Government Auditing Standards (1994) issued by the Comptroller General of the United States, and the U.S. Office of Management and Budget (OMB) Circular A-133 Audits of State and Local Governments and Non-Profit Organizations.

There is no expressed or implied obligation for the Inland Valley Development Agency or the San Bernardino International Airport Authority to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Materials submitted by respondents are subject to public inspection under the California Public Records Act (Government Code Sec. 6250 et seq.), unless exempt.

To be considered, two (2) copies of a proposal as well as one electronic copy must be delivered in a sealed envelope marked "RFP for Audit Services" to the attention of Kelly Berry, Clerk of the Board, at 1601 E. Third Street, San Bernardino, California 92408, no later than 2:00 P.M. on Thursday, February 16, 2012. The Agency/Authority reserve the right to reject any or all proposals submitted.

During the evaluation process, the Inland Valley Development Agency and San Bernardino International Airport Authority reserve the right, where it may serve the Agency/Authority's best interest, to request additional information or clarification from proposers, or to allow corrections of errors or omissions. At the discretion of Agency/Authority, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The Agency/Authority reserve the right to retain all proposals submitted and to use any idea(s) in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in the request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between Inland Valley Development Agency and San Bernardino International Airport Authority and the firm selected.

It is anticipated the selection of a firm will be completed by March 2, 2012. Following the notification of the selected firm, a recommendation will be prepared for review and approval by the Agency/Authority's Boards of Directors at its March 14, 2012 meeting. The Agency/Authority reserves the right to reject any or all proposals, to waive any non-material irregularities or information in any proposal, and to accept or reject any items or combination of items.

B. Term of Engagement

It is the intent of the Agency/Authority to contract for the services presented herein for a term of three (3) years. Additionally, the Agency/Authority has the option to extend two (2) additional

years (in single year increments). Notwithstanding the intended three-year duration of the proposed contract, the contract may be terminated by the Agency or Authority upon 30 days written notice.

The proposal package shall present all inclusive audit fees for each year of the contract term.

II. NATURE OF SERVICES REQUIRED

A. Scope of the Work to be Performed

The Inland Valley Development Agency and San Bernardino International Airport Authority are requesting proposals from qualified firms of Certified Public Accountants to audit their financial statement for the fiscal year ended June 30, 2012 and each of the subsequent years of the audit firm's contract with the Agency/Authority.

The selected independent auditor will be required to perform the following tasks.

1. The audit firm will perform an audit of all funds of Inland Valley Development Agency and San Bernardino International Airport Authority. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States. The District's audited financial statement will be prepared and word processed by the audit firm. The financial statement will be in full compliance with GASB 34. The audit firm will render their auditors' report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to each major fund of the Inland Valley Development Agency.
2. As needed, the audit firm will perform a single audit on the expenditures of federal grants, as needed, in accordance with OMB Circular A-133 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the District's financial statements in accordance with *Government Auditing Standards* and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133. The single audit report will include appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, including reportable conditions and material weaknesses, and follow up on prior audit findings where required.
3. The audit firm shall issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letters shall be addressed to the Agency/Authority's Executive Director.
4. The audit firm may be required to prepare the Annual State Controller's Reports for the Inland Valley Development Agency and San Bernardino International Airport Authority. Additional work beyond the audit engagement should be agreed to and billed separately from the audit at the same rates.

B. Auditing Standards to be Followed

To meet the requirements of this Request for Proposals, the audit shall be performed in accordance with:

1. Generally accepted auditing standards (GAAS) as set forth by the American Institute of Certified Public Accountants;
2. The standards applicable to financial audits contained in *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States;
3. The provisions of the Single Audit Act of 1984, as amended in 1996.
4. The provisions of U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*, Audits of State and Local Governments.

C. Working Paper Retention

All working papers and reports must be retained at the auditor's expense for a minimum of seven (7) years, unless the firm is notified in writing by the Inland Valley Development Agency or San Bernardino International Airport Authority of the need to extend the retention period. The auditor will be required to make working papers available to the Agency/Authority or any government agencies included in the audit of federal grants. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

D. Irregularities and Illegal Acts

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties: Executive Director; the Agency/Authority's Attorney; and the Chief Financial Officer.

E. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards in relation to the audited financial statements if required.
2. A report on compliance and internal control over financial reporting based on an audit of the financial statements.
3. A report on compliance and internal control over compliance applicable to each major federal program, if required.

In the required reports on compliance and internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter to the management (the "Management Letter") which shall be referred to in the reports on compliance and internal controls.

The most recent audit reports for the Agency and Authority (2010/11) are available on the web site www.sbdairport.com in the Current Events/Press Release Section.

III. DESCRIPTION OF THE AGENCY/AUTHORITY

The Inland Valley Development Agency (Agency) is a joint powers authority formed pursuant to the provisions of the Government Code of the State of California and is comprised of four local governmental entities. These entities are the County of San Bernardino, the Cities of San Bernardino, Colton and Loma Linda. The Agency was initially formed pursuant to a Joint Powers Agreement dated January 24, 1990, which was subsequently amended on February 12, 1990. The Agency has the ability to exercise redevelopment powers pursuant to special legislation which became a part of the California Community Redevelopment Law. Specifically, Health and Safety Code Section 33320.5, which became effective January 1, 1990 provides that the Agency shall have, and exclusively exercise, powers of a redevelopment agency pursuant to the Californian Community Redevelopment Law in connection with the redevelopment of a redevelopment project area approved by such joint powers authority.

The San Bernardino International Airport Authority (Authority) is a joint powers authority created May 12, 1992 primarily for the purpose of acquiring, operating, maintaining and administering the aviation related portions of the former Norton Air Force Base property located in San Bernardino, California. The following entities are members of the Authority: County of San Bernardino, the Cities of San Bernardino, Colton, Highland and Loma Linda.

The Agency/Authority's current audit relationship is with Rogers, Anderson, Malody & Scott, CPA's. It is in the Agency/Authority's best interest to issue an RFP in order to evaluate current costs being assessed and promote the independence integral to the audit relationship.

Proposals for partial services or a varied scope of work will not be considered.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to, and including, the date proposals are to be submitted:

<u>Date</u>	<u>Activity</u>
January 26, 2012	Request for Proposal issued
February 16, 2012	Due date for proposals (due by 2:00 p.m.)
March 14, 2012	Contract awarded by Agency/ Governing Body

B. Date Audit May Commence

Audit planning, documentation of systems of internal control and compliance and transaction testing should be completed during interim stage. It is expected the Agency/Authority will close its books and be ready for the final audit by early to mid September, 2012.

C. Date Reports Are Due

The auditor shall provide all adjusting journal entries to the Chief Financial Officer within a reasonable time period after the last day of field work. The auditor should be available for any meetings that may be necessary to discuss the draft audit reports. Once all issues of discussion are resolved, the completed audited financial statement, and other reports shall be delivered to the Chief Financial Officer. It is anticipated that this process will be completed and the final products to be delivered by mid-November.

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Department and Clerical Assistance

The Finance Department staff will be available during the audit to assist the firm by providing information, documentation and explanations.

B. Work Area, Telephone and Office Equipment

The Agency/Authority will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided access to a telephone, photocopying, FAX machines and internet access.

C. Report Preparation

The audited financial statement report preparation and editing shall be the responsibility of the auditor. The auditor will provide fifteen (15) bound copies, one (1) unbound copy and one (1) electronic copy (PDF) of the audited financial statement.

VI. REQUEST FOR PROPOSAL

Mandatory Elements

- a. The audit firm is independent and licensed to practice in California.
- b. The firm has no conflict of interest with regard to any of the work performed by the firm for the Agency/Authority.
- c. The firm adheres to the instructions in this request for proposals on preparing and submitting the proposal.

- d. The firm submits a copy of its last external quality control review report and the firm has a record of quality audit work.
- e. The firm's past experience and performance on comparable engagements.
- f. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.
- g. Adequacy of proposed staffing plan for various segments of the engagement.
- h. Thoroughness of approach to conducting the audits of the Agency/Authority and demonstration of the understanding of the objectives and scope of the audits.
- i. Commitment to timeliness in the conduct of the audit.
- j. Maximum fees to conduct the audit.

Cost will not be the primary factor in the selection of an audit firm.

Oral Presentation

During the evaluation process, the Agency/Authority may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions there may be on a firm's proposal. Not all firms will be asked to make such oral presentations.

“Attachment A”

AUDIT WORK COST PROPOSAL FORM

NAME OF FIRM: _____

Service	Minimum Required			District Option to Extend	
	2011/12	2012/13	2013/14	2014/15	2015/16
Agency/Authority Audit & Related Reports	\$	\$	\$	\$	\$
Single Audit and Related Reports, if applicable in any year	\$	\$	\$	\$	\$
Preparation of Annual State Controllers Report	\$	\$	\$	\$	\$
Total for Fiscal Year (not-to exceed)	\$	\$	\$	\$	\$

“Attachment B”

ESTIMATE OF COST

Name of Firm: _____

Address: _____


Contact Name: _____

Contact Phone #: _____ Fax #: _____

Contact Email: _____

1. Auditor’s Standard Billing Rates

Auditors Standard Hourly Billing Rates						
		Minimum Required			District Option to Extend	
POSITION	No. of Hours	2011/12	2012/13	2013/14	2014/2015	2015/16
Partner		\$	\$	\$	\$	\$
Manager		\$	\$	\$	\$	\$
Senior Accountant		\$	\$	\$	\$	\$
Staff Accountant		\$	\$	\$	\$	\$
Clerical		\$	\$	\$	\$	\$

	<p>TO: San Bernardino International Airport Authority Commission</p> <p>DATE: January 25, 2012</p> <p>ITEM NO: 4</p> <p>PRESENTER: Kelly Berry, Director of Information Services Clerk of the Board</p>
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SUBJECT: APPROVE MEETING MINUTES: JANUARY 11, 2012

SUMMARY

Meeting minutes of the SBIAA Commission Regular meeting held Wednesday, January 11, 2012.

RECOMMENDED ACTION(S)

Approve meeting minutes of January 11, 2012.

FISCAL IMPACT

None.

PREPARED BY:	Kelly Berry
CERTIFIED AS TO AVAILABILITY OF FUNDS:	N/A
APPROVED AS TO FORM AND LEGAL CONTENT:	N/A
FINAL APPROVAL:	A.J. Wilson

BACKGROUND INFORMATION

A draft copy of the referenced action minutes is attached for your consideration. If you have any questions or changes, please contact my office prior to the meeting so we may verify the information and report to you at the meeting, if necessary.

We do have video recordings of most meetings, if anyone wishes to review the meeting at any point in time. The appropriate video can be made available as soon as possible by calling my office at (909) 382-4100.

Attachments:

1. Meeting minutes of the SBIAA Commission Regular meeting held Wednesday, January 11, 2012.

**SAN BERNARDINO INTERNATIONAL
AIRPORT AUTHORITY
ACTION MEETING MINUTES
January 11, 2012**

A Regular Meeting of the San Bernardino International Airport Authority was called to order by President Patrick J. Morris at approximately 3:03 p.m. on Wednesday, January 11, 2012, at Norton Regional Events Center, Main Auditorium, 1601 East Third Street, San Bernardino, California.

COMMISSION MEMBERS PRESENT:

City of Colton	Mayor Sarah S. Zamora Councilmember Vincent Yzaguirre (alt.) (in audience non-voting)
City of Loma Linda	Vice-President/Mayor pro tempore Ovidiu Popescu Councilmember Ronald Dailey (alt.) (in audience non-voting)
City of Highland	Secretary/Councilmember Sam J. Racadio Councilmember Jody Scott (alt.) (in audience non-voting)
City of San Bernardino	President/Mayor Patrick J. Morris Councilmember Rikke Van Johnson

OTHERS PRESENT:

A. J. Wilson, Interim Executive Director
Michael Burrows, Assistant Director
Bill Ingraham, Aviation Director
Gary Silvius, Interim Director of Finance
Timothy J. Sabo, Lewis Brisbois Bisgaard & Smith, LLP
Kelly Berry, Director of Information Services | Clerk of the Board

A. CALL TO ORDER / ROLL CALL

Roll call was duly noted and recorded.

B. ITEMS TO BE ADDED OR DELETED

President Patrick J. Morris suggested staff bring forward, for consideration by the Commission at a future meeting, a resolution or proclamation expressing appreciation to the City of Loma Linda for graciously allowing the use of their facilities for public meetings of the San Bernardino International Airport Authority Commission and the Inland Valley Development Agency Board since 1994.

There were no items to be added or deleted.

C. CONFLICT OF INTEREST DISCLOSURE

Item #1 - Conflict of Interest Disclosure Items

President Patrick J. Morris stated Commission members should note the item(s) listed which might require member abstentions. There were no conflicts noted.

D. INFORMATIONAL ITEMS

Item #2 - Informational Items

Mr. A.J. Wilson, Interim Executive Director, presented the following informational items:

a. Executive Director's Report

Mr. Wilson provided information relating to the management of the airport, noting the San Bernardino International Airport Authority has assumed the role of managing the airport.

b. Report on Status of Certain Airport Agreements

Mr. Wilson provided a brief status report on certain airport agreements, noting payments due contractors on the customs facility, belly cargo facility, and food facility had been brought current and work was scheduled to commence in the near future.

E. COMMISSION CONSENT ITEMS

Item #3 – Receive Register of Demands

Item #4 – Receive and File Treasurer's Report for November 30, 2011, for the San Bernardino International Airport Authority (SBIAA)

Item #5 – Approve Meeting Minutes: December 14, 2011

A discussion ensued regarding the accuracy and content of the Register of Demands report. Staff was directed to provide sufficient, accurate information when future Register of Demand reports are brought forward for consideration by the Commission. Supervisor Gonzales directed staff to include a line item in the future for Visa/credit card charges.

ACTION: Approve the Consent Calendar.

Motion was made by Popescu, seconded by Johnson, and passed.
Nay: Gonzales (Agenda Item No. 3)

F. COMMISSION ACTION ITEMS

Item #6 – Consider and Adopt Resolution No. 2012-01 of the San Bernardino International Airport Authority (SBIAA) Changing the Location of the Regular Meetings of the SBIAA Commission and Amending Resolution No. 94-4

ACTION: Consider and adopt Resolution No. 2012-01 of the San Bernardino International Airport Authority (SBIAA) changing the location of the regular meetings of the SBIAA Commission and amending Resolution No. 94-4.

Motion was made by Gonzales, seconded by Racadio, and passed unanimously.

Item #7 – Receive and File the Annual Independent Financial Audit Report of the San Bernardino International Airport Authority (SBIAA) for Fiscal Year Ending June 30, 2011

Mr. Gary Silvius, Interim Director of Finance, introduced Mr. Kirk Franks, CPA and Partner, and Mr. Brad Welebir, CPA, Rogers, Anderson, Malody and Scott, LLP, provided a brief overview of the audit report and findings.

A discussion ensued as to the audit report and findings, at which time staff was directed to provide details relative to two instances in which payments appear to have been made without a contract (as noted in the in the first finding of the audit report), as well as how this was remedied.

The audit report also contained a recommendation that the SBIAA transfer to a double entry government accounting system, as well noting instances when some signatory authorizations for cash disbursements were missing. Staff was directed to provide information to the Commission relative to those cash disbursements.

ACTION: Receive and file the annual audit report of the San Bernardino International Airport Authority (SBIAA) for the fiscal year ending June 30, 2011.

Motion was made by Racadio, seconded by Zamora, and passed unanimously

Item #8 – Approve Submission of the 2013-2017 Airport Capital Improvement Plan to the U.S. Department of Transportation, Federal Aviation Administration

Mr. Bill Ingraham, Aviation Director, gave a background on the Airport Capital Improvement Plan (ACIP). A brief discussion ensued regarding new legislation which affects redevelopment in the State of California and the effects the new legislation would have on this ACIP.

Supervisor Josie Gonzales, recommended staff change the wording of the document to “proposed” in instances where approval has yet to be given and “approved” in instances where approval has been given.

ACTION: Approve submission of the 2013-2017 Airport Capital Improvement Plan (ACIP) to the U.S. Department of Transportation, Federal Aviation Administration (FAA); and Authorize the Interim Executive Director or Aviation Director to execute all related documents.

Motion was made by Racadio, seconded by Gonzales, and passed unanimously.

G. ADDED AND DEFERRED ITEMS

There were no added or deferred items.

H. PUBLIC COMMENT

Mr. Michael Harding provided a brief public comment.

Councilmember Sam J. Racadio noted the year 2012 marks the 20th anniversary of the creation of the San Bernardino International Airport Authority. Councilmember Racadio suggested a celebration or open house. Mayor Patrick J. Morris suggested any celebration be modest.

I. CLOSED SESSION

There was no closed session.

J. ADJOURN MEETING

There being no further business before the Commission at this session, President Patrick J. Morris declared the meeting adjourned at 4:24 p.m.


Minutes approved at a Regular Meeting on January 25, 2012.

Kelly Berry
Assistant Secretary of the Commission

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MEMBERS ABSENT:

- | | |
|--------------------------|-----------------------------------------------------------|
| City of Colton | Councilmember Susan M. Oliva (alt.) |
| County of San Bernardino | Supervisor Josie Gonzales
Supervisor Neil Derry (alt.) |
| City of San Bernardino | Councilmember Fred Shorett (alt.) |

	<p>TO: San Bernardino International Airport Authority Commission</p> <p>DATE: January 25, 2012</p> <p>ITEM NO: 5</p> <p>PRESENTER: A.J. Wilson, Interim Executive Director</p>
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SUBJECT: CONSIDER AND ADOPT RESOLUTION NO. 2012-02 OF THE SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY (SBIAA) CHANGING THE MEETING TIME OF THE REGULAR MEETINGS OF THE SBIAA COMMISSION AND AMENDING RESOLUTION NO. 94-4

SUMMARY

On January 11, 2012, the San Bernardino International Airport Authority adopted Resolution No. 2012-01, amending Resolution No. 94-4 and changing the meeting location of the regular meetings of the SBIAA Commission to the Norton Regional Events Center. In order to more efficiently fulfill the responsibilities of the SBIAA Commission in providing direction and leadership to SBIAA staff, and to further ensure open, concise communication with members of the public, it is appropriate to adopt a resolution further amending Resolution No. 94-4 and changing the meeting time of the regular meeting of the SBIAA Commission.

RECOMMENDED ACTION(S)

Consider and adopt Resolution No. 2012-02 of the San Bernardino International Airport Authority (SBIAA) changing the meeting time of the regular meetings of the SBIAA Commission and amending Resolution No. 94-4.

FISCAL IMPACT

None.

PREPARED BY:	Kelly Berry
CERTIFIED AS TO AVAILABILITY OF FUNDS:	N/A
APPROVED AS TO FORM AND LEGAL CONTENT:	Timothy J. Sabo
FINAL APPROVAL:	A.J. Wilson

BACKGROUND INFORMATION

On May 11, 1994, the San Bernardino International Airport Authority (SBIAA) Commission adopted Resolution No. 94-4 fixing the date, time and place of the regular meetings of the SBIAA Commission. A copy of Resolution No. 94-4 is attached for your convenient reference.

On January 11, 2012, the SBIAA Commission approved Resolution No. 2012-01, amending Resolution No. 94-4 and changing the location of the regular meetings of the SBIAA Commission to the Norton Regional Events Center. A copy of Resolution No. 2012-01 is attached for your convenient reference.

In order to more efficiently fulfill the responsibilities of the SBIAA Commission in providing direction and leadership to SBIAA staff, and to further ensure open, concise communication with members of the public, it is appropriate to adopt a resolution changing the meeting time of the regular meeting of the SBIAA Commission.

Pursuant to the provisions of the Joint Powers Agreement of the SBIAA, a resolution of the governing body must be adopted fixing the date, time and place of the regular meetings of the Commission. Provided herewith for your consideration is Resolution No. 2012-02, the adoption of which would change the meeting time of the regular meetings of the SBIAA Commission to 2:00 p.m.

Attachments:

1. Resolution No. 94-4
2. Resolution No. 2012-01
3. Resolution No. 2012-02 [proposed]

RESOLUTION NO 94-4

RESOLUTION OF THE COMMISSION OF THE SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY FIXING THE DATE, HOUR AND PLACE OF REGULAR MEETINGS OF THE SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY.

WHEREAS, the San Bernardino International Airport Authority (the "Authority") has been created by the legislative bodies of its Members pursuant to a certain agreement entitled "Joint Exercise Of Powers Agreement Creating An Agency To Be Known As The San Bernardino International Airport Authority" (the "Agreement") in accordance with Section 6500, et seq., of the California Government Code; and

WHEREAS, Section 2.C.(1) of the Agreement requires the Commission, as the governing body of the Authority (the "Commission"), to fix the date, hour and place of the holding of regular meetings of the Commission by resolution; and

WHEREAS, the Commission shall hold at least one (1) regular meeting in each Fiscal Year; and

WHEREAS, the Commission deems it reasonable and appropriate to fix and designate the date, hour and place of the regular meetings of the Commission and to deliver a copy of this Resolution to each Member of the Commission all as provided in this Resolution.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY COMMISSION, AS FOLLOWS:

Section 1. The Commission hereby fixes and designates the date, hour and place of the regular meetings of the Commission as follows:

Date: 2nd and 4th Wednesday, each month

Time: 3:00 p.m.

Place: City Council Chambers

Loma Linda City Hall

25541 Barton Road

Loma Linda, CA 92354

Section 2. The Secretary of the Commission is hereby directed to send a copy of this Resolution to each Member of the Commission.

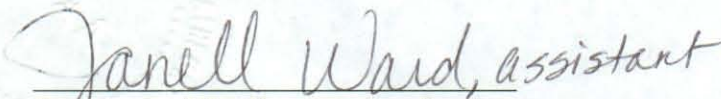
Section 3. This Resolution shall take effect upon its adoption.

PASSED, APPROVED AND ADOPTED this 11th day of May, 1994.



President of the Commission for the
San Bernardino International Airport Authority

(SEAL)
ATTEST:



Secretary of the Commission for the
San Bernardino International Airport Authority



TO: San Bernardino International Airport Authority Commission

DATE: January 25, 2012

ITEM NO: 6

PRESENTER: Gary Silvius, Interim Chief Financial Officer

SUBJECT: ADOPT 2011 STATEMENT OF INVESTMENT POLICY FOR SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

SUMMARY

This updated Statement of Investment Policy forms the basis of investing activities for the Authority.

RECOMMENDED ACTION(S)

Adopt 2011 Statement of Investment Policy.

FISCAL IMPACT

Investment policy sets goals and guidelines related to safety and liquidity which along with market factors determine the income earned from investments.

PREPARED BY:	Gary Silvius
CERTIFIED AS TO AVAILABILITY OF FUNDS:	
APPROVED AS TO FORM AND LEGAL CONTENT:	
FINAL APPROVAL:	

BACKGROUND INFORMATION

The Authority's cash management system is designed to monitor and forecast cash flows enabling the Authority to invest funds to the fullest extent possible. This 2011 Statement of Investment Policy provides staff with guidelines for prudent investment decisions, sets specific limitations as to investments by type, investment quality based on ratings and maturities. In addition, the policy defines instances where collateralization of investments is required.

Most importantly, the 2011 Statement of Investment Policy requires regular reporting of investing activities to the Authority's Commission and sets the content of those reports.

This policy was presented for review at the most recent meeting of the Authority's Finance Committee.

Attachments:

1. 2011 Statement of Investment Policy

**INLAND VALLEY DEVELOPMENT AGENCY
AND
SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY
“2011 Statement of Investment Policy”**

I. Purpose

This Statement of Investment Policy (this “Policy”) is intended to provide guidelines for the prudent investment of all funds held by the both the Inland Valley Development Agency (the “IVDA”) and the San Bernardino International Airport Authority (“SBIAA”) that are eligible to be invested, and to outline the policies for maximizing the efficiency of the cash management system for both the IVDA and SBIAA. The ultimate goal is to enhance the economic status of the IVDA and SBIAA while protecting its pooled cash and all other funds under the control of the IVDA and SBIAA.

When investing proceeds from the issuance of bonds and held by the bond trustee/fiscal agent, the IVDA and SBIAA are not limited to the allowable investments identified in this Policy. Bond Proceeds shall be invested in accordance with the requirements and restrictions as outlined in the bond documents.

The California Government Code Section 53646(a)(2) requires that the Investment Policy of the IVDA and SBIAA be updated on an annual basis.

II. Objective

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

III. Policy

The IVDA and SBIAA adhere to the guidelines provided by the “prudent man rule”, which obligates a fiduciary to ensure that:

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

A. Safety:

Safety and the minimization of risks associated with investments refer to attempts to reduce the potential loss of principal, interest, or a combination of the two. The first level of control is in California State (the “State”) Law, which restricts municipalities to certain investment instruments. The second level of risk control is the investment in instruments, which appear on examination to be the most credit worthy. The third level of control is in the reduction of market risk by investing in sufficient instruments that have maturities coinciding with dates of disbursement. The IVDA and SBIAA only invest in those instruments that are considered very safe.

B. Liquidity

Liquidity is the ability to easily sell investment instruments at any time with the minimal risk of losing some portion of principal or interest. Liquidity is an extremely important quality as the IVDA and SBIAA may have an unexpected need for funds to be disbursed.

Most investments are highly liquid, with the exception of collateralized or insured term certificates of deposit issued by banks and savings institutions. Certificate maturities are selected to anticipate cash needs, thereby eliminating the need for forced liquidation.

C. Yield

Yield is the potential dollar earnings an investment can provide, or “rate of return”. The IVDA and SBIAA attempt to obtain the highest yield possible when selecting an investment, provided that the criteria stated in this Policy for safety and liquidity are met and the investment guidelines and strategy are adhered to.

D. Public Trust

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluations. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolios’ investment return, provided that adequate diversification has been implemented.

E. Bank and Securities Dealers

In the selection of financial institutions for the deposit or investment of IVDA and SBIAA funds, staff shall consider the credit worthiness of the institutions. Staff shall continue to monitor each financial institution’s credit characteristics and financial history throughout the period in which IVDA and SBIAA funds are deposited or invested.

In an effort to reduce portfolio risk while attaining a market rate of return, the IVDA’s/SBIAA’s portfolio will be suitably diversified by security/agency type and by institution/issuer. With the exception of U. S. Treasuries, agencies, and authorized pools, such as LAIF, no more than 50% of the IVDA’s/SBIAA’s total investment portfolio will be invested in a single security type or with a single issuer.

F. No Commingling of Funds or Other Pooled Investments

All IVDA and SBIAA funds to be invested pursuant to this Policy are derived from sources that are unique to the IVDA as having the powers of a redevelopment agency under the Community Redevelopment Law (Health & Safety Code Section 33000, et seq., and in particular Health & Safety Code Section 33492.40, et seq.) of the State of California and are required by the rules and regulations and other grant assurance agreements as applicable to SBIAA shall not be commingled with or otherwise pooled with other investment funds. Both the IVDA and SBIAA must maintain the integrity of the accountability of the special purpose funds that are entrusted to the IVDA and SBIAA to enable the IVDA and SBIAA to achieve their stated purposes pursuant to the laws of the State of California in a financially prudent manner.

IV. Investments

Authorized investment instruments shall include:

Securities of the United States Government and obligations of its agencies; registered treasury notes, bonds, or legal obligations of the State of California; certificates of deposit placed with commercial banks and savings institutions; bankers acceptances; repurchase agreements (to be collateralized at 102%); commercial paper; negotiable certificates of deposit; Local Agency Investment Fund (“LAIF”) demand deposits; passbook savings account demand deposits; interest bearing demand deposits; and, money-market accounts of acceptable instruments.

Government and agency securities are the highest quality investments available in terms of safety and liquidity. Certificates of deposit, savings

accounts, repurchase agreements and banker's acceptances are insured or collateralized. Only commercial paper with both "P-1" Moody's and "A-1+" Standard and Poor's ratings (or better) are permitted.

The Agency operates its investment program with many federal, state and self-imposed constraints. This Policy prohibits the purchasing of or dealing in stocks, futures, options, derivatives, security loan agreements, and federal agency securities that take the form of inverse floaters, range notes, mortgage-backed interest-only strips, or any floating-rate investment without a floor.

To maximize investment income, the Agency uses all available economically feasible investment tools. Economic conditions and various money markets are monitored in order to assess the probable course of interest rates.

The final basic premise underlying the investment philosophy of the IVDA and SBIAA is to ensure the safety of existing funds and ensure consistent availability of same.

V. Maturities and Portfolio Percentages

Investments will be chosen with appropriate maturities so that funds will be available to meet the cash flow requirements of the IVDA and SBIAA. No investment will be made with a maturity date over five (5) years. An exception to the five (5) year maturity limit is investments of funds held by the Bond Trustee whereby it is prudent to match the portfolio of the bond funds with the maturity schedule of the bond issue.

It is the full intent of the IVDA and SBIAA, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars.

- A. United States Treasury bills, bonds and notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest have no percentage limitation of the portfolio for investment purposes, but are limited to the five (5) year maturity.
- B. Obligations issued by the Government National Mortgage Association ("GNMA"), the Federal Farm Credit System ("FFCB"), the Federal Home Loan Bank Board ("FHLB"), the Student Loan Marketing Association ("SLMA"), the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Association ("FHLMC") have no percentage limitation of the portfolio, although the five (5) year maturity is applicable.

- C. Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as banker's acceptances may not exceed 180 days to maturity or thirty percent (30%) of the cost of the portfolio.
- D. Commercial paper ranked "P-1" by Moody's Investor Service or "A-1+" by Standard and Poor's, and issued by domestic corporations having assets in excess of \$500,000,000 and having an AA or better rating on their long term debentures as provided by Moody's or Standard and Poor's, may not exceed two hundred seventy (270) days to maturity nor represent more than 10% of the outstanding paper of the issuing corporation. Purchases of commercial paper may not exceed fifteen percent (15%) of the cost of the value of the portfolio.
- E. Negotiable certificates of deposit issued by nationally or State chartered banks or State or Federal savings institutions may not exceed thirty percent (30%) of the total portfolio, and the maturity limit of five (5) years is applicable.
- F. Repurchase agreements may not exceed maturity of ninety (90) days and shall not exceed ten percent (10%) of the total portfolio. The market value of the securities used as collateral for the repurchase agreements shall not be allowed to decline below one hundred two percent (102%) of the value of the repurchase agreements.
- G. LAIF, which is a State of California managed investment pool, may be used to the maximum extent permitted by California State law.
- H. Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations with no more than twenty percent (20%) of the total investment portfolio.
- I. Various daily cash funds, including short-term money market accounts administered for or by trustees, paying agents and custodial banks contracted by the IVDA and SBIAA, may be purchased as allowed under State of California Government Code. Only funds holding United States Treasury or Government Agency obligations may be utilized. No more than twenty percent (20%) of the total portfolio may be invested in this manner.
- J. Municipal Bonds:

Registered treasury notes or bonds of any of the other forty-nine (49) state governments of the United States, in addition to California, payable solely from 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 forty-nine (49) state governments of the United States, in addition to the State of California. Such securities must have ratings from at least two (2) of the three (3) ratings as follows: “A1” by Moody’s Investors Service, or “A+” by Standard & Poor’s, or “A+” by Fitch Ratings; or as otherwise approved by the IVDA or SBIAA.

Registered general obligation treasury notes or bonds of any of the fifty (50) state governments of the United States. Such securities must have ratings from at least two (2) of the three (3) ratings as follows: at least “A3” by Moody’s Investors Service, or “A-” by Standard & Poor’s, or “A-” by Fitch Ratings; or as otherwise approved by the IVDA or SBIAA.

Adjustable rate registered treasury notes or bonds of any of the fifty (50) state governments of the 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 other forty-nine (49) state governments of the United States, in addition to the State of California. Such securities must have ratings from at least two (2) of the three (3) ratings as follows: “P-1” by Moody’s Investors Service, or “A-1+” by Standard & Poor’s, or “F-1+” by Fitch Ratings; or as otherwise approved by the IVDA or SBIAA.

Adjustable rate notes or bonds warrants, or other evidences of indebtedness of any local agency within the State of California with a minimum rating of either “P-1” by Moody’s Investors Service, or “A-1+” by Standard & Poor’s, or “F-1+” by Fitch Ratings, including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within the State of California.

Taxable or tax-exempt bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California with a minimum rating of either “A1” by Moody’s Investors Service, or “A+” by Standard & Poor’s, or “A+” by Fitch Ratings (the minimum rating shall apply to the local agency, irrespective of any credit enhancement), including bonds, notes, warrants, or other evidences of indebtedness payable solely from the revenues from a revenue-producing property owned, controlled or operated by either the local agency, a department, board, agency or authority of the local agency, or of any local agency within the State of California.

K. FDIC-insured Certificates of Deposit:

The principal amount of the investment must be federally insured. No more than the prevailing FDIC insured coverage amount may be invested with any one deposit. Interest on the principal must be paid to the IVDA or SBIAA at

least annually. The placement of Certificates of Deposit with local banks that qualify in accordance with Government Code Section 53601(h) is encouraged. The IVDA or SBIAA, at their discretion, may invest a portion of its surplus funds in certificates of deposit at a commercial bank, savings bank, savings institutions, or credit union using a private sector entity to assist in the placement of such certificates, provided that it complies with Government Code Section 53601.8. Such investments may not exceed in total fifteen percent (15%) of the funds of either the IVDA or SBIAA invested pursuant to Government Code Sections 53601.8, 53635.8 and 53601, and shall have a maximum maturity of one year from the date of the deposit.

L. FDIC-insured Money Market Accounts:

Federal Deposit Insurance Corporation insured money market savings accounts or time deposits which are deposited through depository institutions which are participants of the Money Market Insured Deposit Account Service (“MMIDAS”).

VI. Collateral Requirements

Collateral is required for investments in certificates of deposit and repurchase agreements. In order to reduce market risk, the collateral level will be at least one hundred two percent (102%) of market value or principal and accrued interest.

In order to conform with the provisions of the Federal Bankruptcy Code, which provides for liquidations of securities held as collateral, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible banker’s acceptances, medium term notes or securities that are direct obligations or, or are fully guaranteed as to principal and interest by, the United States or any agency of the United States.

VII. Use of IVDA or SBIAA Investments as Collateral for Loans

The IVDA or SBIAA may encumber their respective pooled investments as may be invested from time to time pursuant to this Policy for the purpose of accomplishing other borrowings and loans utilizing such IVDA or SBIAA pooled investments as pledged collateral for such additional loans to the IVDA or SBIAA. Such IVDA or SBIAA loans as may be secured by the respective pooled investments of either the IVDA or SBIAA shall be for either project specific purposes or general working capital loans and lines of credit of the IVDA or SBIAA in furtherance of either the administrative obligations of the IVDA or SBIAA or other governmental activities of the IVDA or SBIAA. The dollar amount of the IVDA or SBIAA pooled investments that may be utilized at any particular time as collateral for such loans pursuant to this Policy shall not exceed a dollar amount equal to seventy-five percent

(75%) of then current dollar value of the total pooled investment funds as separately calculated for the IVDA and SBIAA that are invested at anytime in accordance with this Policy. The market value of such IVDA or SBIAA pooled investment funds shall be determined for compliance purposes as of the date of the pledge as authorized by this Section VII.

VIII. Reporting

The IVDA and SBIAA shall submit regular investment reports to their respective legislative bodies. Under Section 53646 of the California Government Code the required elements of the report shall include:

- a. Type of investment
- b. Institution- issuer of investment
- c. Cost of investment
- d. Par value of investment
- e. Market value of investment
- f. Source of market information
- g. Date of maturity
- h. Statement of compliance of the portfolio as to the investment policy
- i. Statement as to the ability to meet its expenditure requirement for the next six (6) months

IX. Internal Controls

A system of internal controls shall be established and documented. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees of the IVDA and SBIAA. Controls deemed most important include: control of collusion, separation of duties, separating transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, specific limitations regarding securities losses remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and code of ethics. The Executive Director, or designee, shall oversee and authorize all investment activities pursuant to this Policy.