

# C/CAG

## City/County Association of Governments of San Mateo County

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Millbrae • Pacifica • Portola Valley • Redwood City • San Bruno • San Carlos • San Mateo • San Mateo County • South San Francisco • Woodside*

### C/CAG FINANCE COMMITTEE AGENDA

**Date:** Friday, November 20, 2015

**Time:** 12:00 noon – 1:00 p.m.  
**(Lunch will be provided at the Redwood City location)**

**Place:** County Government Center  
555 County Center, Fifth Floor  
Conference Room One  
Redwood City, CA

**Conference call locations:** City of Pacifica City Hall  
170 Santa Maria Avenue  
Pacifica, CA 94044

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- 1.0 CALL TO ORDER
- 2.0 PUBLIC COMMENT ON RELATED ITEMS NOT ON THE AGENDA  
*Note: Public comment is limited to two minutes per speaker.*
- 3.0 Approval of minutes of August 27, 2015 meeting. (Action)
- 4.0 Receive copies of monthly investment statements for July, August, and September 2015.  
(Information)
- 5.0 Review the C/CAG Quarterly Investment Report as of September 30, 2015. (Information)
- 6.0 Recommend modifications to the C/CAG investment portfolio as needed. (Action)
- 7.0 Review and recommend approval of the C/CAG Investment Policy for FY 2015-16. (Action)
- 8.0 Develop the 2016 Finance Committee meeting Calendar
- 9.0 ADJOURN

**PUBLIC NOTICING:** All notices of C/CAG Board and Committee meetings will be posted at San Mateo County Transit District Office, 1250 San Carlos Ave., San Carlos, CA.

*For questions about the agenda call Sandy Wong at 650 599.1409 or Jean Higaki at 650 599.1462.*

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
FINANCE COMMITTEE  
MEETING MINUTES  
August 27, 2015**

**Committee Members Attending:**

Art Kiesel (City of Foster City)  
Jay Benton (Town of Hillsborough)  
Bob Grassilli (City of San Carlos)  
Mary Ann Nihart (City of Pacifica)

**Guests or Staff Attending:**

Sandy Wong, Jean Higaki - C/CAG Staff  
Tracy Kwok - San Carlos Financial Services Manager

**1. Call to order**

At 12:05 P.M. Finance Committee meeting was called to order.

**2. Public comment on related items not on the agenda.**

None

**3. Approval of minutes of February 26, 2015 meeting. (Action)**

Member Benton moved and member Grassilli seconded approval of the minutes. Motioned passed 3-0. Member Nihart abstained as she was not present at the February 26, 2015 meeting.

**4. Receive copies of monthly investment statements for April, May, June 2015. (Information)**

Staff has rearranged the monthly reports to more easily show when account transfers are made each month into the investment accounts. Member Kiesel asked for a clarification about a footnote on the June report. Member Benton asked about the Lehman Brothers settlement payment. This quarter reflects the last payment for that settlement.

**5. Review the C/CAG Quarterly Investment Report as of June 30, 2015. (Information)**

Member Benton asked about the drop in the balance from the state funds. Sandy Wong had informed the Board that the cash balance was expected to drop due to the payment of the \$4 vehicle fees to the cities as well as payments for the Smart Corridors. The ratio has dropped to the target 60% and 40% ratio.

**6. Recommend modifications to the C/CAG investment portfolio as needed. (Action)**

Member Grassilli moved and member Kiesel recommended no change to the investment portfolio. Motion passed unanimously.

**7. Review and recommendation on using discount rates of 6% and 6.5% for the next OPEB actuarial valuation. (Action)**

The last C/CAG valuation of liability was performed in 2012 that covered FY ending on June 30 2013, 2014, and 2015. C/CAG is due to perform another study which will cover FY ending on June 30, 2016 and June 30, 2017. In performing the study a question was asked about what discount rate should be used as the CalPERS trust rates range from 7.28%, 6.73%, to 6.12% for three strategies respectively. C/CAG previously selected the 6.73% discount rate strategy. Staff recommends, for this study, using two discount rates which must be equal to or lower than the CalPERS rate. It was suggested to consider pre-funding the liability during the development of the next budget.

Member Grassilli moved and member Kiesel recommended using 6% and 6.5% for the next OPEB actuarial valuation. Motion passed unanimously.

**8. Adjournment**

The meeting adjourned at approximately 12:36 P.M.

## **C/CAG AGENDA REPORT**

Date: November 20, 2015  
To: C/CAG Finance Committee  
From: Sandy Wong, Executive Director  
Subject: Receive copies of monthly investment statements for July, August, and September 2015.

(For further information or questions contact Jean Higaki at 599-1462)

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### **RECOMMENDATION**

That the C/CAG Finance Committee receive copies of monthly investment statements for July, August, and September 2015.

### **FISCAL IMPACT**

None

### **SOURCE OF FUNDS**

C/CAG funds are held by the C/CAG Financial Agent (City of San Carlos).

### **BACKGROUND**

The current C/CAG Investment Policy states that the C/CAG Finance Committee shall analyze investment portfolio at least every quarter. Attached are the monthly statements for C/CAG investment funds for the quarter ending on September 30, 2015.

### **ATTACHMENTS**

1. C/CAG's Monthly Major Cash Inflows and Outflows, LAIF, and SMC Investment Fund Summary for July, August, and September 2015
2. LAIF Performance Report Quarter Ending September 30, 2015
3. County Summary of Pool Earnings for July, August, and September 2015

# July Cash Flow

CITY & COUNTY ASSOCIATION OF GOVERNMENTS  
 Recap of Monthly Major Cash Inflows and Outflows  
 for Quarter Ended September 30, 2015

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
July 2015	<b>Beginning book balance (Checking)</b>		<b>787,578</b>
	Measure M	DMV	1,185,787
	Congestion Management	Bay Area Air Quality, City of Redwood City, Caltrans	678,024
	Energy Watch	PG&E	46,456
	All other Receipts (2)	various	276
	Transfer	LAIF	300,000
		<b>Total July Cash Inflow</b>	<b>2,210,543</b>
	Measure M	Town of Hillsborough, San Mateo County	(327,420)
	Smart Corridor	Kimley-Horn , Iteris Inc.	(205,041)
	Congestion Relief & Management	Life Cycle Associates LLC, Pensinsula Traffic Congestion Relief	(165,356)
	Housing	San Mateo County	(69,424)
	NPDES	San Mateo-Foster City School District, EOA	(220,584)
	Energy Watch	San Mateo County	(30,146)
	All other payments (27)	various	(148,143)
	Transfer	LAIF	(700,000)
		<b>Total July Cash Outflow</b>	<b>(1,866,114)</b>
		<b>Net Cash Inflow/(Outflow)</b>	<b>344,429</b>
	<b>Ending book balance (Checking)</b>		<b>1,132,007</b>

# July LAIF Statement

**Local Agency Investment Fund**  
**P.O. Box 942809**  
**Sacramento, CA 94209-0001**  
**(916) 653-3001**

[www.treasurer.ca.gov/pmia-laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp)  
 August 03, 2015

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
 OF SAN MATEO COUNTY  
 FINANCE OFFICER  
 600 ELM STREET  
 SAN CARLOS, CA 94070

PMIA Average Monthly Yields

**Account Number:**  
 40-41-004

Tran Type Definitions

July 2015 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
7/15/2015	7/14/2015	QRD	1473719	SYSTEM	7,658.14
7/20/2015	7/20/2015	RD	1474814	TRACY KWOK	700,000.00
7/30/2015	7/29/2015	RW	1475603	TRACY KWOK	-300,000.00

Account Summary

Total Deposit:	707,658.14	Beginning Balance:	9,908,456.85
Total Withdrawal:	-300,000.00	Ending Balance:	10,316,114.99

# July County Pool Statement

To:	City of San Carlos-City/County Association of Govs
Attn:	Rebecca Mendenhall, Finance Manager
From:	San Mateo County Treasurer's Office
Subj:	SM County Investment Fund Summary

Total Transactions	1
Total Debits	\$0.00
Total Credits	\$11,252.21

<b>Account No</b>	<b>03412</b>
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**Statement Period Ending      31-Jul-15**

Activity	Trans	Date	Debit	Credit	Balance
BEGINNING BALANCE		06/30/15	---	---	\$6,601,123.10
INTEREST ALLOC-4TH Q 2014-15	1	07/01/15	---	11,252.21	\$6,612,375.31
ENDING BALANCE		07/31/15	---	---	\$6,612,375.31

# August Cash Flow

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
August 2015	<b>Beginning book balance (Checking)</b>		<b>1,132,007</b>
	Measure M	DMV	735,597
	Energy Watch	PG&E	124,529
	Congestion Management	MTC	253,210
	Airport Land Use	State of California	27,441
	All other Receipts (4)	various	11,010
	Transfer	LAIF	400,000
		<b>Total August Cash Inflow</b>	<b>1,551,787</b>
	Congestion Relief & Mgmt, Life Cycle As	San Mateo County, City of Menlo Park, Santa Clara Valley Transportation, Advance Project Delivery Inc., Life Cycle Associates LLC	(525,743)
	NPDES	EOA, San Mateo County	(480,886)
	Bay Area Air Quality	SAMTRANS	(76,413)
	Energy Watch	San Mateo County	(53,181)
	Smart Corridor	Iteris, Inc.	(104,637)
	All other payments (18)	various	(82,954)
		<b>Total August Cash Outflow</b>	<b>(1,323,814)</b>
		<b>Net Cash Inflow/(Outflow)</b>	<b>227,973</b>
	<b>Ending book balance (Checking)</b>		<b>1,359,980</b>



# August LAIF Statement

**Local Agency Investment Fund**  
**P.O. Box 942809**  
**Sacramento, CA 94209-0001**  
**(916) 653-3001**

[www.treasurer.ca.gov/pmia-laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp)  
 September 01, 2015

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
 OF SAN MATEO COUNTY  
 FINANCE OFFICER  
 600 ELM STREET  
 SAN CARLOS, CA 94070

PMIA Average Monthly Yields

**Account Number:**

40-41-004

Tran Type Definitions

August 2015 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
8/12/2015	8/12/2015	RW	1476487	TRACY KWOK	-400,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	10,316,114.99
Total Withdrawal:	-400,000.00	Ending Balance:	9,916,114.99

# August County Pool Statement

To:	City of San Carlos-City/County Association of Govs
Attn:	Rebecca Mendenhall, Finance Manager
From:	San Mateo County Treasurer's Office
Subj:	SM County Investment Fund Summary

Total Transactions	0
Total Debits	\$0.00
Total Credits	\$0.00

Account No	03412
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Statement Period Ending 31-Aug-15

Activity	Trans	Date	Debit	Credit	Balance
BEGINNING BALANCE		07/31/15	---	---	\$6,612,375.31
ENDING BALANCE		08/31/15	---	---	\$6,612,375.31

## September Cash Flow

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
September	<b>Beginning book balance (Checking)</b>		<b>1,359,980</b>
2015	Congestion Relief & Management	CA Energy Commission, Caltrans	294,306
	Smart Corridor	Caltrans	393,902
	Energy Watch	PG&E	40,641
	All other Receipts (4)	various	1,501
		Total September Cash Inflow	730,350
	Measure M	Town of Portola Valley	(108,441)
	NPDES	Regional Monitoring Program-SFE	(90,195)
	Smart Corridor	Kimley Horn	(59,365)
	All other payments (14)	various	(24,322)
	Transfer	LAIF	(1,200,000)
		Total September Cash Outflow	(1,482,323)
		<b>Net Cash Inflow/(Outflow)</b>	<b>(751,973)</b>
	<b>Ending book balance (Checking)</b>		<b>608,007</b>

# September LAIF Statement

**Local Agency Investment Fund**  
**P.O. Box 942809**  
**Sacramento, CA 94209-0001**  
**(916) 653-3001**

[www.treasurer.ca.gov/pmia-laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp)  
 October 01, 2015

CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
 OF SAN MATEO COUNTY  
 FINANCE OFFICER  
 600 ELM STREET  
 SAN CARLOS, CA 94070

PMIA Average Monthly Yields

**Account Number:**  
 40-41-004

Tran Type Definitions

September 2015 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
9/15/2015	9/15/2015	RD	1478712	TRACY KWOK	1,200,000.00

Account Summary

Total Deposit:	1,200,000.00	Beginning Balance:	9,916,114.99
Total Withdrawal:	0.00	Ending Balance:	11,116,114.99

# September County Pool Statement

To:	City of San Carlos-City/County Association of Govs
Attn:	Rebecca Mendenhall, Finance Manager
From:	San Mateo County Treasurer's Office
Subj:	SM County Investment Fund Summary

Total Transactions	0
Total Debits	\$0.00
Total Credits	\$0.00

<b>Account No</b>	<b>03412</b>
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**Statement Period Ending      30-Sep-15**

Activity	Trans	Date	Debit	Credit	Balance
BEGINNING BALANCE		08/31/15	---	---	\$6,612,375.31
ENDING BALANCE		09/30/15	---	---	\$6,612,375.31



**JOHN CHIANG  
TREASURER  
STATE OF CALIFORNIA**



**PMIA Performance Report**

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
10/24/15	0.36	0.36	207
10/25/15	0.36	0.36	207
10/26/15	0.36	0.36	207
10/27/15	0.36	0.36	205
10/28/15	0.36	0.36	209
10/29/15	0.36	0.36	209
10/30/15	0.36	0.36	200
10/31/15	0.36	0.36	200
11/01/15	0.36	0.36	200
11/02/15	0.37	0.36	204
11/03/15	0.36	0.36	201
11/04/15	0.36	0.36	202
11/05/15	0.36	0.36	202
11/06/15	0.36	0.36	204

\*Daily yield does not reflect capital gains or losses

**LAIF Performance Report**

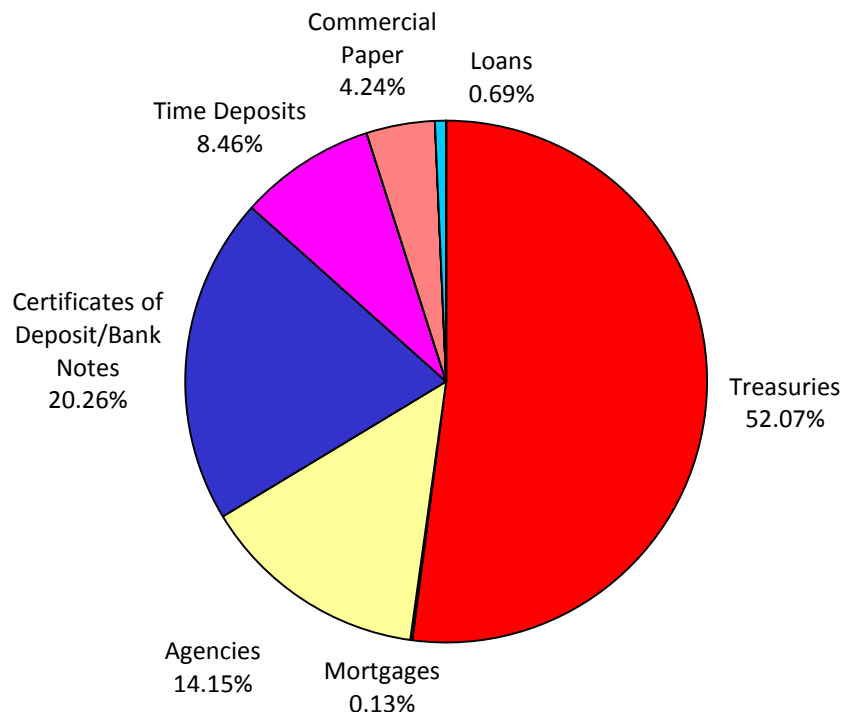
**Quarter Ending 09/30/15**

Apportionment Rate: 0.32%  
 Earnings Ratio: 0.00000875275068308  
 Fair Value Factor: 1.000594646  
 Daily: 0.35%  
 Quarter to Date: 0.33%  
 Average Life: 210

**PMIA Average Monthly Effective Yields**

**OCT 2015 0.357%**  
 SEP 2015 0.337%  
 AUG 2015 0.330%

**Pooled Money Investment Account  
Portfolio Composition  
09/30/15  
\$66.5 billion**





California State Treasurer  
**John Chiang**



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**POOLED MONEY INVESTMENT ACCOUNT**

## PMIA Average Monthly Effective Yields

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1977	5.770	5.660	5.660	5.650	5.760	5.850	5.930	6.050	6.090	6.090	6.610	6.730
1978	6.920	7.050	7.140	7.270	7.386	7.569	7.652	7.821	7.871	8.110	8.286	8.769
1979	8.777	8.904	8.820	9.082	9.046	9.224	9.202	9.528	9.259	9.814	10.223	10.218
1980	10.980	11.251	11.490	11.480	12.017	11.798	10.206	9.870	9.945	10.056	10.426	10.961
1981	10.987	11.686	11.130	11.475	12.179	11.442	12.346	12.844	12.059	12.397	11.887	11.484
1982	11.683	12.044	11.835	11.773	12.270	11.994	12.235	11.909	11.151	11.111	10.704	10.401
1983	10.251	9.887	9.688	9.868	9.527	9.600	9.879	10.076	10.202	10.182	10.164	10.227
1984	10.312	10.280	10.382	10.594	10.843	11.119	11.355	11.557	11.597	11.681	11.474	11.024
1985	10.579	10.289	10.118	10.025	10.180	9.743	9.656	9.417	9.572	9.482	9.488	9.371
1986	9.252	9.090	8.958	8.621	8.369	8.225	8.141	7.844	7.512	7.586	7.432	7.439
1987	7.365	7.157	7.205	7.044	7.294	7.289	7.464	7.562	7.712	7.825	8.121	8.071
1988	8.078	8.050	7.945	7.940	7.815	7.929	8.089	8.245	8.341	8.397	8.467	8.563
1989	8.698	8.770	8.870	8.992	9.227	9.204	9.056	8.833	8.801	8.771	8.685	8.645
1990	8.571	8.538	8.506	8.497	8.531	8.538	8.517	8.382	8.333	8.321	8.269	8.279
1991	8.164	8.002	7.775	7.666	7.374	7.169	7.098	7.072	6.859	6.719	6.591	6.318
1992	6.122	5.863	5.680	5.692	5.379	5.323	5.235	4.958	4.760	4.730	4.659	4.647
1993	4.678	4.649	4.624	4.605	4.427	4.554	4.438	4.472	4.430	4.380	4.365	4.384
1994	4.359	4.176	4.248	4.333	4.434	4.623	4.823	4.989	5.106	5.243	5.380	5.528
1995	5.612	5.779	5.934	5.960	6.008	5.997	5.972	5.910	5.832	5.784	5.805	5.748
1996	5.698	5.643	5.557	5.538	5.502	5.548	5.587	5.566	5.601	5.601	5.599	5.574
1997	5.583	5.575	5.580	5.612	5.634	5.667	5.679	5.690	5.707	5.705	5.715	5.744
1998	5.742	5.720	5.680	5.672	5.673	5.671	5.652	5.652	5.639	5.557	5.492	5.374
1999	5.265	5.210	5.136	5.119	5.086	5.095	5.178	5.225	5.274	5.391	5.484	5.639
2000	5.760	5.824	5.851	6.014	6.190	6.349	6.443	6.505	6.502	6.517	6.538	6.535
2001	6.372	6.169	5.976	5.760	5.328	4.958	4.635	4.502	4.288	3.785	3.526	3.261
2002	3.068	2.967	2.861	2.845	2.740	2.687	2.714	2.594	2.604	2.487	2.301	2.201
2003	2.103	1.945	1.904	1.858	1.769	1.697	1.653	1.632	1.635	1.596	1.572	1.545
2004	1.528	1.440	1.474	1.445	1.426	1.469	1.604	1.672	1.771	1.890	2.003	2.134
2005	2.264	2.368	2.542	2.724	2.856	2.967	3.083	3.179	3.324	3.458	3.636	3.808
2006	3.955	4.043	4.142	4.305	4.563	4.700	4.849	4.946	5.023	5.098	5.125	5.129
2007	5.156	5.181	5.214	5.222	5.248	5.250	5.255	5.253	5.231	5.137	4.962	4.801
2008	4.620	4.161	3.777	3.400	3.072	2.894	2.787	2.779	2.774	2.709	2.568	2.353
2009	2.046	1.869	1.822	1.607	1.530	1.377	1.035	0.925	0.750	0.646	0.611	0.569
2010	0.558	0.577	0.547	0.588	0.560	0.528	0.531	0.513	0.500	0.480	0.454	0.462
2011	0.538	0.512	0.500	0.588	0.413	0.448	0.381	0.408	0.378	0.385	0.401	0.382
2012	0.385	0.389	0.383	0.367	0.363	0.358	0.363	0.377	0.348	0.340	0.324	0.326
2013	0.300	0.286	0.285	0.264	0.245	0.244	0.267	0.271	0.257	0.266	0.263	0.264
2014	0.244	0.236	0.236	0.233	0.228	0.228	0.244	0.260	0.246	0.261	0.261	0.267
2015	0.262	0.266	0.278	0.283	0.290	0.299	0.320	0.330	0.337	0.357		

**COUNTY OF SAN MATEO  
ESTIMATED SUMMARY OF POOL EARNINGS  
JULY 2015**

	<u>Par Value</u>	<u>Gross Earnings</u>
<b><u>Fixed Income Securities Maturing &gt; 1 year</u></b>		
U S Treasury Notes	\$675,000,000	\$686,907.66
U S Treasury Notes-Floater	\$20,000,000	\$223.56
Federal Agencies	966,200,000.00	699,873.37
Corporate Notes	383,595,000.00	424,321.11
Floating Rate Securities	276,000,000.00	104,564.79
	<b>\$2,320,795,000</b>	<b>\$1,915,890.49</b>
<b><u>Short Term Securities Maturing &lt; 1 year</u></b>		
Federal Agencies	876,661,000	172,362.02
Corporate Notes	186,500,000	106,444.61
Floating Rate Securities	160,000,000	67,456.17
LAIF	50,000,000	8,469.95
Commercial Paper	90,350,000	14,799.24
Certificate of Deposit	50,000,000	9,422.81
U S Treasury Bills	14,000,000	753.47
Repurchase Agreements	297,500,000	1,156.94
	<b>\$1,725,011,000</b>	<b>\$380,865.21</b>
<b>Total Accrued Interest</b>	<b>\$4,045,806,000</b>	<b>\$2,296,755.70</b>
<b><u>Realized Gain/Loss &amp; Interest Received</u></b>		
U S Treasury Notes		\$65,074.39
Federal Agencies		53,541.39
Corporate Notes		48,333.35
Floating Rate Securities		33,876.21
LAIF		10,416.34
Commercial Paper		7,493.06
Repurchase Agreements		23,879.03
<b>Total Realized Income</b>		<b>\$242,613.77</b>
<b>TOTAL DOLLAR EARNINGS</b>		<b>\$2,539,369.47</b>

<b>AVERAGE BALANCE</b>		<b>\$4,164,597,845.55</b>
<b>GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS</b>	<b>0.720%</b>	<b>\$2,539,369.47</b>
<b>ADMINISTRATION FEES</b>		<b>(\$405,650.04)</b>
<b>NET EARNINGS RATE / NET DOLLAR EARNINGS</b>	<b>0.605%</b>	<b>\$2,133,719.43</b>



**COUNTY OF SAN MATEO  
ESTIMATED SUMMARY OF POOL EARNINGS  
AUGUST 2015**

	<u>Par Value</u>	<u>Gross Earnings</u>
<b><u>Fixed Income Securities Maturing &gt; 1 year</u></b>		
US Treasury Notes	\$675,000,000	\$518,511.52
Federal Agencies	981,200,000.00	689,781.52
Corporate Notes	403,595,000.00	478,495.38
Floating Rate Securities	281,000,000.00	123,240.80
	<b>\$2,340,795,000</b>	<b>\$1,810,029.22</b>
<b><u>Short Term Securities Maturing &lt; 1 year</u></b>		
US Treasury Notes-Floater	20,000,000	2,374.18
Federal Agencies	663,400,000	141,306.60
Corporate Notes	201,500,000	124,127.52
Floating Rate Securities	160,000,000	77,923.52
LAIF	50,000,000	8,469.95
Commercial Paper	100,350,000	12,809.52
Certificate of Deposit	75,000,000	10,488.39
Repurchase Agreements	354,500,000	1,280.14
	<b>\$1,624,750,000</b>	<b>\$378,779.82</b>
<b>Total Accrued Interest</b>	<b>\$3,965,545,000</b>	<b>\$2,188,809.04</b>
<b><u>Realized Gain/Loss &amp; Interest Received</u></b>		
U S Treasury Notes		\$554,764.00
Federal Agencies		93,250.74
Corporate Notes		3,042.92
Floating Rate Securities		10,837.83
US Treasury Bills		461.81
Commercial Paper		4,312.50
Repurchase Agreements		38,473.49
<b>Total Realized Income</b>		<b>\$705,143.29</b>
<b>TOTAL DOLLAR EARNINGS</b>		<b>\$2,893,952.33</b>

<b>AVERAGE BALANCE</b>		<b>\$4,020,941,852.60</b>
<b>GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS</b>	<b>0.850%</b>	<b>\$2,893,952.33</b>
<b>ADMINISTRATION FEES</b>		<b>(\$391,657.31)</b>
<b>NET EARNINGS RATE / NET DOLLAR EARNINGS</b>	<b>0.735%</b>	<b>\$2,502,295.02</b>

**COUNTY OF SAN MATEO  
ESTIMATED SUMMARY OF POOL EARNINGS  
SEPTEMBER 2015**

	<u>Par Value</u>	<u>Gross Earnings</u>
<b><u>Fixed Income Securities Maturing &gt; 1 year</u></b>		
U S Treasury Notes	\$625,000,000	\$495,648.36
U S Treasury Notes-Floater	\$20,000,000	\$1,811.09
Federal Agencies	929,856,000.00	523,716.24
Corporate Notes	398,595,000	447,355.57
Floating Rate Securities	251,000,000	105,570.97
	<b>\$2,224,451,000</b>	<b>\$1,574,102.23</b>
<b><u>Short Term Securities Maturing &lt; 1 year</u></b>		
Federal Agencies	741,300,000	145,958.82
Corporate Notes	184,500,000	115,962.12
Floating Rate Securities	160,000,000	68,752.81
LAIF	50,000,000	8,196.72
Commercial Paper	83,300,000	9,703.34
Certificate of Deposit	25,000,000	7,991.80
Repurchase Agreements	443,750,000	1,479.17
	<b>\$1,687,850,000</b>	<b>\$358,044.78</b>
<b>Total Accrued Interest</b>	<b>\$3,912,301,000</b>	<b>\$1,932,147.01</b>
<b><u>Realized Gain/Loss &amp; Interest Received</u></b>		
U S Treasury Notes		\$789,532.49
Federal Agencies		222,849.18
Corporate Notes		75,426.18
Floating Rate Securities		36,743.41
Commercial Paper		6,302.62
Certificate of Deposit		9,330.94
Repurchase Agreements		23,637.74
<b>Total Realized Income</b>		<b>\$1,163,822.56</b>
<b>TOTAL DOLLAR EARNINGS</b>		<b>\$3,095,969.57</b>

<b>AVERAGE BALANCE</b>		<b>\$3,924,932,298.01</b>
<b>GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS</b>	<b>0.962%</b>	<b>\$3,095,969.57</b>
<b>ADMINISTRATION FEES</b>		<b>(\$369,973.13)</b>
<b>NET EARNINGS RATE / NET DOLLAR EARNINGS</b>	<b>0.847%</b>	<b>\$2,725,996.44</b>

**C/CAG**  
**CITY/COUNTY ASSOCIATION OF GOVERNMENTS**  
of San Mateo County

**Board of Directors Agenda Report**

**To: Sandy Wong, Executive Director**  
**From: Tracy Kwok, Financial Services Manager**  
**Date: November 4, 2015**

**SUBJECT: Quarterly Investment Report as of September 30, 2015**

**RECOMMENDATION:**

It is recommended that the C/CAG Board review and accept the Quarterly Investment Report.

**ANALYSIS:**

The attached investment report indicates that on September 30, 2015, funds in the amount of \$17,728,490 were invested producing a weighted average yield of 0.47%. Of the total investment portfolio, 63% of funds were invested in the Local Agency Investment Fund (LAIF) and 37% in the San Mateo County Investment Pool (COPOOL). These percentages are within the range specified by the CCAG Board. Accrued interest earnings for this quarter totaled \$20,314.

Below is a summary of the changes from the prior quarter:

	<b>Qtr Ended 9/30/15</b>	<b>Qtr Ended 6/30/15</b>	<b>Increase (Decrease)</b>
Total Portfolio	\$ 17,728,490	\$ 16,509,580	\$ 1,218,910
Weighted Average Yield	0.47%	0.44%	0.03%
Accrued Interest Earnings	\$ 20,314	\$ 18,910	\$ 1,404
Lehman Recovery Payment	\$ -	\$ 5,853	\$ (5,853)

CCAG's portfolio balance at the end of this quarter is \$1.2 million higher than the last quarter. The increase is a result of payments received during the quarter for programs such as Measure M, congestion management, smart corridor, and energy watch, combining with low disbursements in September.

Historical cash flow trends are compared to current cash flow requirements on an ongoing basis to ensure that C/CAG's investment portfolio will remain sufficiently liquid to meet all reasonably anticipated operating requirements. As of September 30, 2015, the portfolio contains sufficient liquidity to meet the next six months of expected expenditures by C/CAG. All investments are in compliance with the Investment Policy. Attachment 2 shows a historical comparison of the portfolio for the past nine quarters.

The primary objective of the investment policy of the CCAG remains to be the SAFETY OF PRINCIPAL. The permitted investments section of the investment policy also states:

*Local Agency Investment Fund (LAIF) which is a State of California managed investment pool, and San Mateo County Investment pool, may be used up to the maximum permitted by California State Law. A review of the pool/fund is required when they are part of the list of authorized investments.*

The Investment Advisory Committee has reviewed and approved the attached Investment Report.

Attachments

- 1 – Investment Portfolio Summary for the Quarter Ended September 30, 2015
- 2 – Historical Summary of Investment Portfolio

**CITY & COUNTY ASSOCIATION OF GOVERNMENTS**

**SUMMARY OF ALL INVESTMENTS**  
For Quarter Ending September 30, 2015

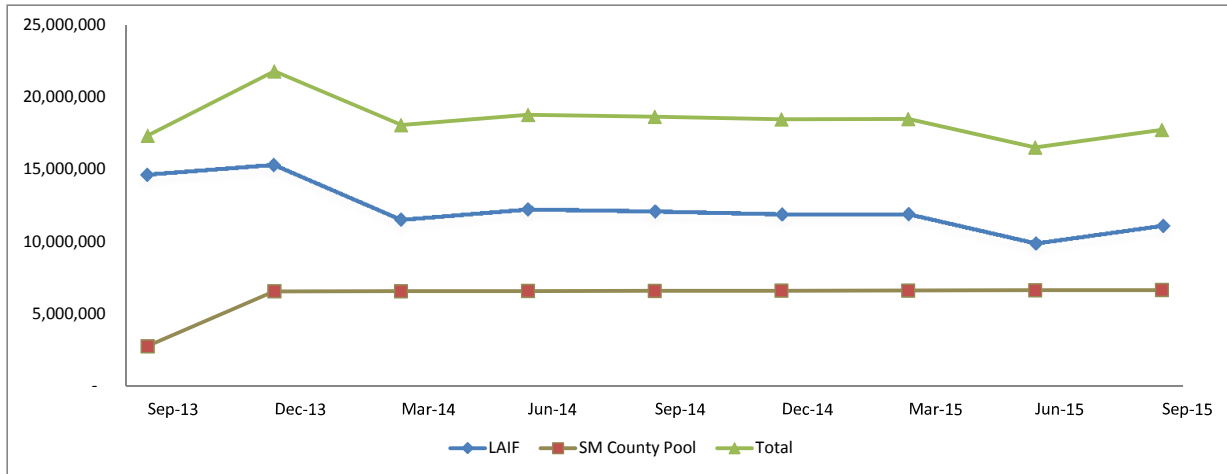
Category	Weighted Average Interest Rate	Historical Book Value	% of Portfolio	GASB 31 ADJ Market Value
<b>Liquid Investments:</b>				
Local Agency Investment Fund (LAIF)	0.32%	11,116,115	63%	11,122,725
San Mateo County Investment Pool (COPOOL)	0.73%	6,612,375	37%	6,612,375
<b>Agency Securities</b>				
<i>none</i>				
<b>Total - Investments</b>	<b>0.47%</b>	<b>17,728,490</b>	<b>100%</b>	<b>17,735,100</b>
<b>GRAND TOTAL OF PORTFOLIO</b>	<b>0.47%</b>	<b>\$ 17,728,490</b>	<b>100%</b>	<b>\$ 17,735,100</b>
<b>Total Interest Earned This Quarter</b>				<b>20,314</b>
<b>Total Interest Earned (Loss) Fiscal Year-to-Date</b>				<b>20,314</b>

**Note: CCAG Board approved the following investment portfolio mix at its November 14, 2013 meeting:**

LAIF - 50% to 70%  
COPOOL - 30% to 50%

\*Difference in value between Historical Value and Market Value may be due to timing of purchase. Investments in the investment pools may have been purchased when interest rates were lower or higher than the end date of this report. As interest rates increase or decrease, the value of the investment pools will decrease or increase accordingly. However, interest rate fluctuations does not have any impact to CCAG's balance in the investment pools. The market values are presented as a reference only.

### City and County Association of Governments Historical Summary of Investment Portfolio September 30, 2015



*Note: The chart type has been changed from Column to Line after receiving feedback from CCAG's Finance Committee*

#### City/County Association of Governments Investment Portfolio

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
LAIF	14,603,467	15,263,408	11,523,029	12,230,010	12,086,243	11,893,287	11,900,778	9,908,457	11,116,115
SM County Pool	2,721,814	6,526,385	6,539,496	6,549,782	6,559,603	6,570,236	6,581,700	6,601,123	6,612,375
<b>Total</b>	<b>17,325,281</b>	<b>21,789,793</b>	<b>18,062,525</b>	<b>18,779,792</b>	<b>18,645,846</b>	<b>18,463,523</b>	<b>18,482,478</b>	<b>16,509,580</b>	<b>17,728,490</b>

\* The spike in December 2013 relates to \$4.5 million received in November and December for Smart Corridor, NPDES, and Traffic Congestion Management programs while the major disbursements of \$3.5 million took place in January 2014.

## C/CAG AGENDA REPORT

Date: November 20, 2015  
To: C/CAG Finance Committee  
From: Sandy Wong, Executive Director  
Subject: Recommend modifications to the C/CAG investment portfolio as needed.

(For further information or questions contact Jean Higaki at 599-1462)

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### RECOMMENDATION

That the C/CAG Finance Committee review of the quarterly investment report and recommend modifications to the C/CAG investment portfolio as needed.

### FISCAL IMPACT

Potential for higher or lower yields and risk associate with C/CAG investments.

### SOURCE OF FUNDS

The Investment Policy applies to all C/CAG funds held by the C/CAG Financial Agent (City of San Carlos).

### BACKGROUND

According to the C/CAG Investment Policy adopted on January 8, 2015:

*“The portfolio should be analyzed not less than quarterly by the C/CAG Finance Committee, and modified as appropriate periodically as recommended by the Finance Committee and approved by the C/CAG Board, to respond to changing circumstances in order to achieve the Safety of Principal.”*

The Finance Committee will seek to provide a balance between the various investments and maturities in order to give C/CAG the optimum combination of Safety of Principal, necessary liquidity, and optimal yield based on cash flow projections.

A summary of the July, August, and September 2015 earning rates are as follows:

	Local Agency Investment Fund (LAIF)	San Mateo County Investment Pool (COPOOL)
July	0.320%	0.605%
August	0.330%	0.735%
September	0.337%	0.847%

On November 13, 2013 the C/CAG Board approved the C/CAG investment portfolio as follows:

Local Agency Investment Fund (LAIF)                      50% to 70%  
 San Mateo County Investment Pool (COPOOL)            30% to 50%

On August 27, 2015 the Finance Committee reviewed the investment earnings and recommended no change to the investment portfolio.

On September 10, 2015 the C/CAG Board approved of no change to the investment portfolio.

The current investment portfolio as of September 30, 2015 is as follows:

	6/30/2015		9/30/2015	
	Amount	Percent	Amount	Percent
LAIF	\$9,908,457	60%	\$11,116,115	63%
COPOOL	\$6,601,123	40%	\$6,612,375	37%
Total	\$16,509,580	100%	\$17,728,490	100%

**ATTACHMENTS**

None



## C/CAG AGENDA REPORT

Date: November 20, 2015  
To: C/CAG Finance Committee  
From: Sandy Wong, Executive Director  
Subject: Review and recommend approval of the C/CAG Investment Policy for FY 2015-16.

(For further information or questions contact Sandy Wong at 599-1409)

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### RECOMMENDATION

That the C/CAG Finance Committee review and recommend approval the C/CAG Investment Policy for FY 2015-16.

### FISCAL IMPACT

Adoption of the Investment Policy will affect the return on investments and impact the safety of the principal.

### SOURCE OF FUNDS

The Investment Policy applies to all C/CAG funds held by the C/CAG Financial Agent (City of San Carlos).

### BACKGROUND

On January 8, 2015 the C/CAG Board approved Resolution 14-54 adopting the FY 2014-15 Investment Policy. The C/CAG Investment Policy stated that the policy shall be reviewed at least annually, and that it shall be adopted by resolution of the C/CAG Board on an annual basis.

The following list is a summary of proposed modifications to the Investment Policy. C/CAG Investment Policy for FY 2015-16 (with track changes), updated from FY 2014-15 are shown with underline and strikethrough.

### ATTACHMENTS

1. C/CAG Investment Policy for FY 2015-16 (with track changes)

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY  
(C/CAG)**

**INVESTMENT POLICY**

Adopted on **January 8December XX, 2015**

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**POLICY**

The investment of the funds of the City and County Association of Governments (C/CAG) is directed to the goals of safety, liquidity and yield. This Investment Policy incorporates the policies defined by the certified investment policy standards recommended by the Association of Public Treasurers. The authority governing investments for municipal governments is set forth in the California Government Code, Sections 53601 through 53659. C/CAG's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

The three objectives, in priority order, of the investment policy of the City and County Association of Governments are:

- 1- SAFETY OF PRINCIPAL - The primary objective of the investment policy of the City and County Association of Governments is SAFETY OF PRINCIPAL. Investments shall be placed in those securities as outlined by type and maturity sector in this document to achieve this objective. The portfolio should be analyzed not less than quarterly by the C/CAG Finance Committee and modified as appropriate periodically as recommended by the Finance Committee and approved by the C/CAG Board, to respond to changing circumstances in order to achieve the Safety of Principal.
- 2- LIQUIDITY TO MEET NEEDS - Effective cash flow management and resulting cash investment practices are recognized as essential to good fiscal management and control. The portfolio should have adequate liquidity to meet the immediate and short term needs.
- 3- RETURN ON INVESTMENT - A reasonable return on investment should be pursued. Safety of Principal should not be reduced in order to achieve higher yield.

C/CAG's investment portfolio shall be designed and managed in a manner responsive to the public trust and consistent with State and local law. Portfolio management requires continual analysis and as a result the balance between the various investments and maturities may change in order to give C/CAG the optimum combination of Safety of Principal, necessary liquidity, and optimal yield based on cash flow projections.

**SCOPE**

The investment policy applies to all financial assets of the City and County Association of Governments as accounted for in the Annual Financial Statements. Policy statements outlined in this document focus on C/CAG's pooled funds.

## **PRUDENCE**

The standard to be used by investment officials shall be that of a "prudent investor" and shall be applied in the context of managing all aspects of the overall portfolio. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

It is C/CAG's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars.

However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.

The Administrative Services Director of the City of San Carlos (City) and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

## **OBJECTIVES**

### Safety of Principal

Safety of principal is the foremost objective of the City and County Association of Governments. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default or erosion of market value. C/CAG shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm C/CAG's capital base and cash flow.

Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by limiting the average maturity of C/CAG's investment portfolio to two years, the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities

prior to maturity and avoiding the purchase of long term securities for the sole purpose of short term speculation.

### Liquidity

Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that C/CAG's investment portfolio will remain sufficiently liquid to enable C/CAG to meet all reasonably anticipated operating requirements. The C/CAG Executive Director will provide a projected cash flow schedule in consultation with the C/CAG Chair.

### MATURITY MATRIX

Maturities of investments will be selected based on liquidity requirements to minimize interest rate risk and maximize earnings. Current and expected yield curve analysis will be monitored and the portfolio will be invested accordingly. The weighted average maturity of the pooled portfolio should not exceed two years and the following percentages of the portfolio should be invested in the following maturity sectors:

Maturity Range	Suggested Percentage
1 day to 7 days	10 to 50%
7 days to 180	10 to 30%
180 days to 360 days	10 to 30%
1 year to 2 years	10 to 20%
2 years to 3 years	0 to 20%
3 years to 4 years	0 to 20%
4 years to 5 years	0 to 20%

No more than 30% of the portfolio shall have a maturity of 2-5 years.

### **PERFORMANCE EVALUATION**

Day to day management of C/CAG's portfolio is conducted by the C/CAG Fiscal Agent Financial Services Manager. Investment performance is monitored and evaluated by the Fiscal Agent's Investment Committee and provided to the **C/CAG Finance Committee** and C/CAG Board on a quarterly basis. Investment performance statistics and activity reports are generated on a quarterly basis for review by the Fiscal Agent's Investment Committee and presentation to the **C/CAG Finance Committee**, and to the C/CAG Board. Annually, a statement of investment policy, and any proposed changes to the policy, will be rendered to the **C/CAG Finance Committee** and to the C/CAG Board for consideration at a public meeting.

C/CAG's investment portfolio is designed to at least attain a market average rate of return through economic cycles. The market average rate of return is defined as average return on the Local Agency Investment Fund (assuming the State does not adversely affect LAIF's returns due to budget constraints).

## **DELEGATION OF AUTHORITY**

The Joint Powers Authority Agreement of the City and County Association of Governments of San Mateo County and the authority granted by the C/CAG Board, assign the responsibility of investing unexpended cash to the City's Administrative Services Director. Daily management responsibility of the investment program may be delegated to the City's Financial Services Manager, who shall establish procedures for the operation consistent with this investment policy. For the longer term investments the C/CAG Fiscal Agent shall invest in accordance with the directions provided by C/CAG Board.

## **FISCAL AGENT INVESTMENT COMMITTEE**

An investment committee consisting of the City of San Carlos Treasurer, City Manager, and Administrative Services Director shall be established to provide general oversight and direction concerning the policy related to management of C/CAG's investment pool. The Financial Services Manager shall not be a member of the committee but shall serve in a staff and advisory capacity. The committee shall review and approve quarterly investment reports prepared by the Finance Department and reviewed by the Financial Services Manager or meet as necessary to discuss changes to the report or the investment strategy. The Investment Committee serving as the legislative body of the Investment Policy will have the quarterly reports for their review within thirty (30) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code.

## **ETHICS AND CONFLICTS OF INTEREST**

The **C/CAG Finance Committee**, Officers, and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Additionally the Fiscal Agent's Administrative Services Director and the Financial Services Manager are required to annually file applicable financial disclosures (Form 700 etc.) as required by the Fair Political Practices Commission (FPPC).

## **SAFEKEEPING OF SECURITIES**

To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by C/CAG shall be held in safekeeping by a third party bank trust department, acting as agent for C/CAG under the terms of a custody agreement. All trades executed by a dealer will settle delivery versus payment (DVP) through C/CAG's safekeeping agent.

A receipt shall be provided for securities held in custody for C/CAG and shall be monitored by the Fiscal Agent's Administrative Services Director to verify investment holdings.

All exceptions to this safekeeping policy must be approved by the Fiscal Agent's Administrative Services Director in written form and included in the quarterly reporting to the C/CAG Board.

## INTERNAL CONTROL

Separation of functions between the Fiscal Agent's Administrative Services Director or Financial Services Manager and/or the Senior Accountant is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Investment decisions are made by the Fiscal Agent's Administrative Services Director, executed by the Fiscal Agent's Administrative Services Director or Financial Services Manager and confirmed by the Senior Accountant. All wire transfers initiated by the Fiscal Agent's Administrative Services Director or Financial Services Manager must be reconfirmed by the appropriate financial institution to the Senior Accountant. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Fiscal Agent's Senior Accountant on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review and perform procedure testing on the Agency's cash and investments that have a material impact on the financial statements. The Fiscal Agent's Administrative Services Director and/or C/CAG Executive Director shall review and assure compliance with investment process and procedures.

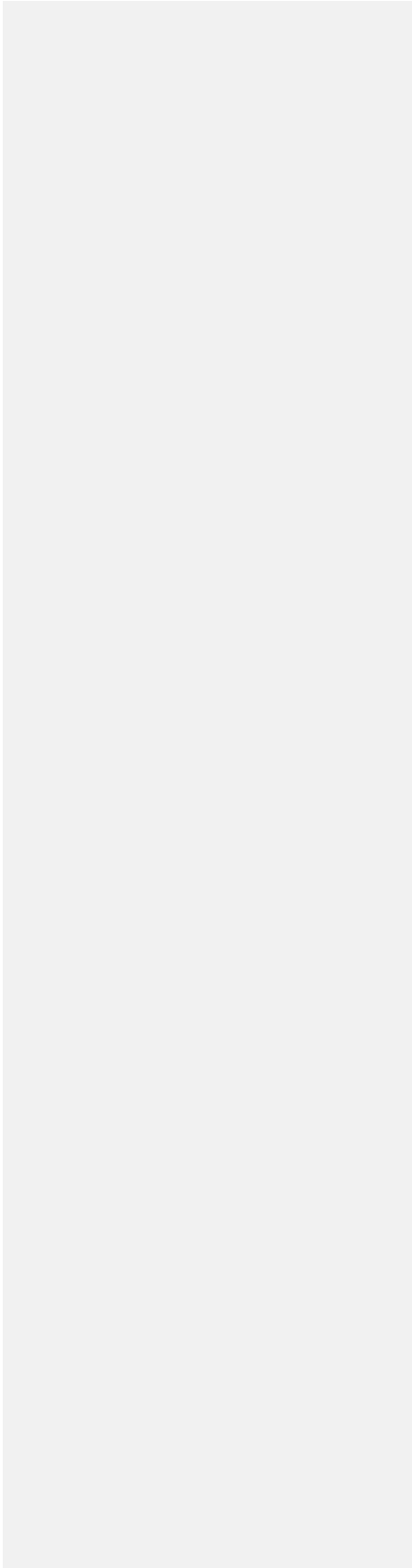
## REPORTING

The Fiscal Agent's Investment Committee shall review and render quarterly reports to the C/CAG Executive Director and to the C/CAG Board which shall include the face amount of the cash investment, the classification of the investment, the name of the institution or entity, the rate of interest, the maturity date, the current market value and accrued interest due for all securities. The quarterly reports will be submitted to the Fiscal Agent's Investment Committee within thirty (30) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code. Once approved by the Fiscal Agent's Investment Committee, the report is submitted to the C/CAG Executive Director and the C/CAG Finance Committee for review. The quarterly reports shall be placed on C/CAG's meeting agenda for its review and approval no later than 75 days after the quarter ends.

## QUALIFIED BROKER/DEALERS

C/CAG shall transact business only with banks, savings and loans, and with broker/dealers registered with the State of California or the Securities and Exchange Committee. The broker/dealers should be primary or regional dealers. C/CCA and the Fiscal Agent currently do not maintain a list of broker/dealers approved to do business with the City. When necessary, C/CAG and/or the Fiscal Agent shall go through the Request for Proposal processes to select the broker/dealers. Investment staff shall investigate dealers wishing to do business with C/CAG's staff to determine if they are adequately capitalized, have pending legal action against the firm or the individual broker and make markets in the securities appropriate to C/CAG's needs. ~~The Investment staff shall recommend additions to the approved dealer list to the C/CAG Executive Director for approval.~~ C/CAG's investment policy shall be made available on C/CAG's website for broker/dealers' review.

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## COLLATERAL REQUIREMENTS

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Collateral is required for investments in certificates of deposit. In order to reduce market risk, the collateral level will be at least 110% of market value of principal and accrued interest. Collaterals should be held by an independent third party. Collaterals should be required for investments in CDs in excess of FDIC insured amounts.

## AUTHORIZED INVESTMENTS

Investment of C/CAG's funds is governed by the California Government Code Sections 53600 et seq. The level of investment in all areas will be reviewed by the C/CAG Executive Director. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. 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. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.
2. Obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Home Loan Mortgage Corporation (FHLMC). There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.

Investments detailed in items 3 through 10 are further restricted to a percentage of the cost value of the portfolio in any single issuer name to a maximum of 5%. The total value invested in any one issuer shall not exceed 5% of the issuer's net worth. Again, a five-year maximum maturity limitation is applicable unless further restricted by this policy.

3. Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as banker's acceptances. Banker's acceptances purchased may not exceed 180 days to maturity or 30% of the cost value of the portfolio.
4. Commercial paper ranked ~~P1 by Moody's Investor Services or "A-1" or higher, or the equivalent by a nationally recognized statistical rating organization (NRSRO), such as by Standard & Poor's Ratings Services, Moody's Investors Services, or Fitch Ratings, Inc.,~~ and issued by domestic corporations having assets in excess of \$500,000,000 and having an ~~AA~~ or better rating on its<sup>2</sup> long term debentures as provided by ~~NRSRO Moody's or Standard & Poor's~~. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 5% of the outstanding paper of the issuing corporation. Purchases of commercial paper may not exceed 25% of the cost value of the portfolio.
5. Negotiable Certificates of Deposit issued by nationally or state chartered banks (FDIC insured institutions) or state or federal savings institutions. Purchases of negotiable



certificates of deposit may not exceed 30% of total portfolio. A maturity limitation of five years is applicable.

6. Local Agency Investment Fund (LAIF) which is a State of California managed investment pool, and San Mateo County Investment pool, may be used up to the maximum permitted by California State Law. A review of the pool/fund is required when they are part of the list of authorized investments, with the knowledge that the pool/fund may include some investments allowed by statute but not explicitly identified in this investment policy.
7. Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 25% of the investment portfolio may be invested in this investment type.
8. Medium Term Corporate Notes, with a maximum maturity of five years may be purchased. Securities eligible for investment shall be rated ~~AA~~ or better by an NRSRO Moody's or Standard & Poor's rating services. Purchase of medium term notes may not exceed 30% of the market value of the portfolio and no more than 5% of the market value of the portfolio may be invested in notes issued by one corporation. Commercial paper holdings should also be included when calculating the limitation. The ~~C~~/CAG portfolio should also be included when calculating the ~~15~~% limitation.
9. Ineligible investments are those that are not described herein, including but not limited to, common stocks and long term (over five years in maturity) notes and bonds are prohibited from use in this portfolio. It is noted that special circumstances may arise that necessitate the purchase of securities beyond the five-year limitation. On such occasions, requests must be reviewed by the C/CAG Executive Director and approved by the C/CAG Board prior to purchase.
10. Various daily money market funds administered for or by trustees, paying agents and custodian banks contracted by the City and County Association of Governments may be purchased as allowed under State of California Government Code. Only funds holding U.S. Treasury or Government agency obligations can be utilized.

The following summary of maximum percentage limits, by instrument, is established for C/CAG's total pooled funds portfolio:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$40 million per account	N/A
San Mateo County Investment Pool	Upon Demand	N/A	\$40 million per account	N/A
Treasury Bills	5 Years	N/A	100%	N/A

<u>US Government Agency and Federal Agency Securities</u>		<u>5 Years</u>	<u>N/A</u>	<u>100%</u>	<u>N/A</u>
<u>Bankers Acceptances</u>		<u>180 Days</u>	<u>N/A</u>	<u>30%</u>	<u>(A), (B)</u>
<u>Commercial Paper</u>		<u>270 Days</u>	<u>AA</u>	<u>25%</u>	<u>(A), (B)</u>
<u>Negotiable Certificates of Deposit</u>		<u>5 Years</u>	<u>N/A</u>	<u>30%</u>	<u>(A), (B)</u>
<u>Time Certificates of Deposit – Banks or Savings and Loans</u>		<u>5 Years</u>	<u>N/A</u>	<u>25%</u>	<u>(A), (B)</u>
<u>Medium Term Corporate Notes</u>		<u>5 Years</u>	<u>AA</u>	<u>30%</u>	<u>(A), (B)</u>
<u>Authorized Investment Type</u>	<u>Government Code</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum in Portfolio</u>	<u>Maximum Investment in One Issuer</u>
<u>Local Agency Investment Fund (LAIF)</u>	<u>16429.1</u>	<u>Upon Demand</u>	<u>N/A</u>	<u>As permitted by LAIF (currently \$50 million per account)</u>	<u>N/A</u>
<u>San Mateo County Investment Pool</u>	<u>53684</u>	<u>Upon Demand</u>	<u>N/A</u>	<u>As permitted by County Treasurer (currently no limit)</u>	<u>N/A</u>
<u>Treasury Obligations (bills, notes &amp; bonds)</u>	<u>53601(b)</u>	<u>5 Years</u>	<u>N/A</u>	<u>100%</u>	<u>N/A</u>
<u>US Government Agency and Federal Agency Securities</u>	<u>53601(f)</u>	<u>5 Years</u>	<u>N/A</u>	<u>100%</u>	<u>N/A</u>
<u>Bankers Acceptances</u>	<u>53601(g)</u>	<u>180 Days</u>	<u>N/A</u>	<u>30%</u>	<u>(A), (B)</u>
<u>Commercial Paper</u>	<u>53601(h)</u>	<u>270 Days</u>	<u>A-1</u>	<u>25%</u>	<u>(A), (B)</u>
<u>Negotiable Certificates of Deposit</u>	<u>53601(i)</u>	<u>5 Years</u>	<u>N/A</u>	<u>30%</u>	<u>(A), (B)</u>
<u>Time Certificates of Deposit – Banks or Savings and Loans</u>	<u>53601.8</u>	<u>5 Years</u>	<u>N/A</u>	<u>25%</u>	<u>(A), (B)</u>
<u>Medium Term Corporate Notes</u>	<u>53601(k)</u>	<u>5 Years</u>	<u>A</u>	<u>30%</u>	<u>(A), (B)</u>

(A) 5% of outstanding paper of issuing corporation

(B) 5% of the portfolio in one corporation

## DERIVATIVE INVESTMENTS

Derivatives are investments whose value is "derived" from a benchmark or index. That benchmark can be almost any financial measure from interest rates to commodity and stock prices. The use of derivatives is prohibited under this policy.

## LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated into the City and County Association of Governments' Investment Policy and supersede any and all previous applicable language.

### **INTEREST EARNINGS**

All moneys earned and collected from investments authorized in this policy shall be allocated quarterly based on the cash balance in each fund at quarter end as percentage of the entire pooled portfolio.

### **LIMITING MARKET VALUE EROSION**

The longer the maturity of securities, the greater is their market price volatility. Therefore, it is the general policy of C/CAG to limit the potential effects from erosion in market values by adhering to the following guidelines:

All immediate and anticipated liquidity requirements will be addressed prior to purchasing all investments.

Maturity dates for long-term investments will coincide with significant cash flow requirements where possible, to assist with short term cash requirements at maturity.

All long-term securities will be purchased with the intent to hold all investments to maturity under then prevailing economic conditions. However, economic or market conditions may change, making it in C/CAG's best interest to sell or trade a security prior to maturity.

### **PORTFOLIO MANAGEMENT ACTIVITY**

The investment program shall seek to augment returns consistent with the intent of this policy, identified risk limitations and prudent investment principals. These objectives will be achieved by use of the following strategies:

Active Portfolio Management. Through active fund and cash flow management, taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced with limited and measurable increases in risk by extending the weighted maturity of the total portfolio.

Portfolio Maturity Management. When structuring the maturity composition of the portfolio, C/CAG shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions longer maturities produce higher yields. However, the securities with longer maturities also experience greater price fluctuations when the level of interest rates change.

Security Swaps. C/CAG may take advantage of security swap opportunities to improve the overall portfolio yield. A swap, which improves the portfolio yield, may be selected even if the transactions result in an accounting loss. Documentation for swaps will be included in C/CAG's

permanent investment file documents. No swap may be entered into without the approval of the C/CAG Executive Director and the C/CAG Board.

Competitive Bidding. It is the policy of C/CAG to require competitive bidding for investment transactions that are not classified as "new issue" securities. For the purchase of non-"new issue" securities and the sale of all securities at least three bidders must be contacted. Competitive bidding for security swaps is also suggested, however, it is understood that certain time constraints and broker portfolio limitations exist which would not accommodate the competitive bidding process. If a time or portfolio constraining condition exists, the pricing of the swap should be verified to current market conditions and documented for auditing purposes.

### **POLICY REVIEW**

The City/County Association of Governments' investment policy shall be adopted by resolution of the C/CAG Board on an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. The Investment Policy, including any amendments to the policy shall be forwarded to the C/CAG Board for approval.

## **Glossary of Terms**

Accrued Interest- Interest earned but not yet received.

Active Deposits- Funds which are immediately required for disbursement.

Amortization- An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Asked Price- The price a broker dealer offers to sell securities.

Basis Point- One basis point is one hundredth of one percent (.01).

Bid Price- The price a broker dealer offers to purchase securities.

Bond- A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Bond Swap - Selling one bond issue and buying another at the same time in order to create an advantage for the investor. Some benefits of swapping may include tax-deductible losses, increased yields, and an improved quality portfolio.

Book Entry Securities - Securities, such as stocks held in "street name," that are recorded in a customer's account, but are not accompanied by a certificate. The trend is toward a certificate-free society in order to cut down on paperwork and to diminish investors' concerns about the certificates themselves. All the large New York City banks, including those that handle the bulk of the transactions of the major government securities dealers, now clear most of their transactions with each other and with the Federal Reserve through the use of automated telecommunications and the "book-entry" custody system maintained by the Federal Reserve Bank of New York. These banks have deposited with the Federal Reserve Bank a major portion of their government and agency securities holdings, including securities held for the accounts of their customers or in a fiduciary capacity. Virtually all transfers for the account of the banks, as well as for the government securities dealers who are their clients, are now effected solely by bookkeeping entries. The system reduces the costs and risks of physical handling and speeds the completion of transactions.

Bearer and Registered Bonds - In the past, bearer and registered bonds were issued in paper form. Those still outstanding may be exchanged at any Federal Reserve Bank or branch for an equal amount of any authorized denomination of the same issue. Outstanding bearer bonds are interchangeable with registered bonds and bonds in "book-entry" form. That is, the latter exist as computer entries only and no paper securities are issued. New bearer and registered bonds are no longer being issued. Since August 1986, the Treasury's new issues of marketable notes and bonds are available in book-entry form only. All Treasury bills and more than 90% of all other marketable securities are now in book-entry form. Book-entry obligations are transferable only pursuant to regulations prescribed by the Secretary of the Treasury.

**Book Value-** The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

**Broker -** In securities, the intermediary between a buyer and a seller of securities. The broker, who usually charges a commission, must be registered with the exchange in which he or she is trading, accounting for the name registered representative.

| **Certificate of Deposit-** A deposit insured up to \$~~100~~250,000 by the FDIC at a set rate for a specified period of time.

**Collateral-** Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

**Constant Maturity Treasury (CMT)-** An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for the given Treasury maturity range.

**Coupon-** The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

**County Pool-** County of San Mateo managed investment pool.

**Credit Analysis-** A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

**Current Yield-** The interest paid on an investment expressed as a percentage of the current price of the security.

**Custody-** A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principle.

**Delivery vs. Payment (DVP)-** Delivery of securities with a simultaneous exchange of money for the securities.

**Discount-** The difference between the cost of a security and its value at maturity when quoted at lower than face value.

**Diversification-** Dividing investment funds among a variety of securities offering independent returns and risk profiles.

**Duration-** The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serve as the weights; the future point in time at which on average, an investor has received exactly half of the original investment, in present value terms; a bond's zero-coupon equivalent; the fulcrum of a bond's present value cash flow time line.

Fannie Mae- Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Federal Reserve System- The central bank of the U.S. that consists of a seven member Board of Governors, 12 regional banks and 5,700 commercial banks that are members.

Federal Deposit Insurance Corporation (FDIC)- Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently \$~~100~~250,000) per account.

Fed Wire- A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Fiscal Agent - The organization that is essentially the checkbook for C/CAG funds.

Freddie Mac- Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae- Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Inactive Deposits- Funds not immediately needed for disbursement.

Interest Rate- The annual yield earned on an investment, expressed as a percentage.

Investment Agreements- An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Local Agency Investment Fund (LAIF) - State of California managed investment pool.

Liquidity- Refers to the ability to rapidly convert an investment into cash.

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

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

Nationally Recognized Statistical Rating Organization (NRSRO)- A U.S. Securities & Exchange Commission registered agency that assesses the creditworthiness of an entity or specific security. NRSRO typically refers to Standard and Poor's Ratings Services, Fitch Ratings, Inc. or Moody's Investors Services.

New Issue- Term used when a security is originally "brought" to market.

Perfected Delivery- Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Portfolio- Collection of securities held by an investor.

Primary Dealer- A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Purchase Date- The date in which a security is purchased for settlement on that or a later date.

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

Repurchase Agreement (REPO)- A transaction where the seller (bank) agrees to buy back from the buyer (C/CAG) the securities at an agreed upon price after a stated period of time.

Reverse Repurchase Agreement (REVERSE REPO)- A transaction where the seller (C/CAG) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

Risk- Degree of uncertainty of return on an asset.

Safekeeping- see custody.

Sallie Mae- Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.

Secondary Market- A market made for the purchase and sale of outstanding issues following the initial distribution.

Settlement Date- The date on which a trade is cleared by delivery of securities against funds.

Time Deposit - A deposit in an interest-paying account that requires the money to remain on account for a specific length of time. While withdrawals can generally be made from a passbook account at any time, other time deposits, such as certificates of deposit, are penalized for early withdrawal.

Treasury ~~Bills~~Obligations- Debt obligations of the U.S. Government that are sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.~~U.S. Treasury Bills which are short-term, direct obligations of the U.S. Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of \$10,000 in multiples of \$5,000 above the minimum. Issued in book entry form only. T bills are sold on a discount basis.~~

U.S. Government Agencies- Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.



Yield- The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity- The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve- The yield on bonds, notes or bills of the same type and credit risk at a specific date for maturities up to thirty years.

## C/CAG AGENDA REPORT

Date: November 20, 2015  
To: C/CAG Finance Committee  
From: Sandy Wong, Executive Director  
Subject: Develop the 2016 Finance Committee meeting Calendar

(For further information or response to questions, contact Jean Higaki at 599-1462)

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### RECOMMENDATION

It is recommended that the Finance Committee develop the regular quarterly meeting calendar for 2016.

### FISCAL IMPACT

None

### SOURCE OF FUNDS

None

### BACKGROUND

The Quarterly Investment report developed by San Carlos staff requires an internal review and approval process by the City's Investment Committee. Reports are typically available to C/CAG one and a half months following the end of the quarter.

Due to current scheduling difficulties associated with the San Carlos process and procedures it is proposed to move the Finance Committee meetings to the fourth Thursday of the second month following the quarter. Hence the following dates are proposed:

<b>Review Quarter</b>	<b>Meeting Date (Noon- 1:00pm)</b>
October-December 2015	Thursday, February 26, 2016
January-March 2016	Thursday, May 26, 2016
April-June 2016	Thursday, August 25, 2016
July- September 2016	Friday, November 18, 2016*

\* Moved due to the Thanksgiving Holiday

It is recognized that there may be conflicts with Committee member schedules so it is proposed that the schedule be discussed and modified/refined at the meeting.

### ATTACHMENTS

None