

C/CAG

City/County Association of Governments of San Mateo County

*Atherton • Belmont • Brisbane • Burlingame • Colma • Daly City • East Palo Alto • Foster City • Half Moon Bay • Hillsborough • Menlo Park
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: Wednesday, November 15, 2017

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 Two
Redwood City, CA

1. CALL TO ORDER
2. PUBLIC COMMENT ON RELATED ITEMS NOT ON THE AGENDA
Note: Public comment is limited to two minutes per speaker.
3. Approval of minutes of August 23, 2017 meeting. (Action)
4. Receive copies of monthly investment statements for July, August, and September 2017.
(Information)
5. Review of the quarterly investment report and recommend modifications to the C/CAG investment portfolio as needed. (Action)
6. Receive a copy of the Investment Pool Analysis from NHA Advisors (Information)
7. Review and approval of the 2018 Finance Committee Meeting Calendar. (Action)
8. 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 23, 2017**

Committee Members Attending:

Maryann Moise Derwin (Town of Portola Valley)
Alicia Aguirre (City of Redwood City)
Bob Grassilli (City of San Carlos)
Ann Wengert (Town of Portola Valley)

Guests or Staff Attending:

Sandy Wong, Jean Higaki - C/CAG Staff
Carrie Tam - San Carlos Financial Services Manager
Beverly Correas – JP Morgan

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 May 24, 2016 meeting. (Action)

Member Wengert moved and member Moise Derwin seconded approval of the minutes. Motioned passed unanimously.

4. Receive copies of monthly investment statements for April, May, and June 2017. (Information)

Finance committee members reviewed the investment statements and cash flow reports.

5. Review of the quarterly investment report and recommend modifications to the C/CAG investment portfolio as needed. (Action)

Staff notified the committee that there was a suggestion by a few Board members that the Finance Committee should consider the risk and benefit of increasing C/CAG's investment in COPOOL fund to seek higher yield.

Committee discussion included the risk and perceived risk of COPOOL resulting from the lost affected by the Lehman Brothers bankruptcy, as well as the level of confidence that has been

restored since then. Discussion also included the possible options of A) 50/50 split between COPOOL and LAIF, or B) 60/40 split between COPOOL and LAIF, to boost overall yield. While the Finance Committee did not recommend a change to the investment portfolio at the time, staff was directed to investigate the possibility of using an outside firm to perform a risk analysis, but be mindful that any additional gain not be offset by the cost to do the risk analysis.

Member Aguirre moved to have staff report back on a risk analysis, accept the report, and recommend to the Board no change to the portfolio. Member Wengert seconded. Motioned passed unanimously.

6. Review and Approval of the C/CAG Investment Policy Update. (Action)

Updates to the annual update of the C/CAG Investment Policy was presented by Carrie Tam. Changes to the policy was minor and made to incorporate state changes to the boiler plates.

Member Moise Derwin moved and member Aguirre seconded a recommendation to approve the C/CAG Investment Policy Update. Motioned passed unanimously.

7. Adjournment

The meeting adjourned at approximately 12:35 P.M.

C/CAG AGENDA REPORT

Date: November 15, 2017

To: C/CAG Finance Committee

From: Sandy Wong, Executive Director

Subject: Receive copies of monthly investment statements for July, August, and September 2017.

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

RECOMMENDATION

That the C/CAG Finance Committee receives copies of monthly investment statements for July, August, and September 2017.

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, 2017.

ATTACHMENTS

1. C/CAG's Monthly Major Cash Inflows and Outflows, LAIF, and SMC Investment Fund Summary for July, August, and September 2017
2. LAIF Performance Report Quarter Ending September 30, 2017
3. County Summary of Pool Earnings for July, August, and September 2017

July Cash Flow

CITY & COUNTY ASSOCIATION OF GOVERNMENTS
Recap of Monthly Major Cash Inflows and Outflows
for Quarter Ended September 30, 2017

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
July 2017	Beginning book balance (Checking)		1,377,185
	Measure M	DMV and Caltrans	904,985
	Smart Corridor	Caltrans	19,693
	Member Contributions	Cities: Foster City, Brisbane, Redwood City, Menlo Park, San Bruno, Millbrae, South San Francisco, San Carlos, East Palo Alto, and Burlingame; Towns: Portola Valley, Colma, Atherton, Woodside, and Hillsborough	147,848
	Congestion Relief & Management	Cities: Foster City, Brisbane, Redwood City, Menlo Park, San Bruno, Millbrae, South San Francisco, San Carlos, East Palo Alto, and Burlingame; Towns: Portola Valley, Colma, Atherton, Woodside, and Hillsborough	1,236,572
	Congestion Relief & Management	Caltrans, Metropolitan Transportation Commission	527,755
	Energy Watch	PG&E	67,141
	All other Receipts (3)	various	2,000
	Transfer	LAIF	500,000
		Total July Cash Inflow	3,405,994
	Measure M	County of San Mateo	(81,922)
	Congestion Relief & Management	Gray Bowen Scott, CDM Smith, Co-Plan LLC, Shaw/Yoder/Antwih, City of Menlo Park, and County of San Mateo	(252,122)
	NPDES	CASQA, EOA Inc., S. Groner Assoc., Shaw/Yoder/Antwih, Larry Walker Assoc., and Redwood City	(29,030)
	Energy Watch	DNV GL Services, Joint Venture, and County of San Mateo	(44,372)
	All other payments (30)	various	(45,219)
		Total July Cash Outflow	(452,665)
		Net Cash Inflow/(Outflow)	2,953,329
	Ending book balance (Checking)		4,330,514

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
 August 03, 2017

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 2017 Statement

Effective Date	Transaction Date	Tran Type	Tran Confirm Number	Authorized Caller	Amount
7/7/2017	7/7/2017	RW	1540888	CARRIE TAM	-500,000.00
7/14/2017	7/13/2017	QRD	1543010	SYSTEM	28,599.97

Account Summary

Total Deposit:	28,599.97	Beginning Balance:	12,034,767.69
Total Withdrawal:	-500,000.00	Ending Balance:	11,563,367.66

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	0
Total Debits	\$0.00
Total Credits	\$24,685.86

Account No	03412
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Statement Period Ending **31-Jul-17**

Activity	Trans	Date	Debit	Credit	Balance
BEGINNING BALANCE		06/30/17	---	---	\$8,586,974.33
FOURTH QUARTER INTEREST		07/01/17		24,685.86	\$8,611,660.19
ENDING BALANCE		07/31/17	---	---	\$8,611,660.19

August Cash Flow

CITY & COUNTY ASSOCIATION OF GOVERNMENTS
 Recap of Monthly Major Cash Inflows and Outflows
 for Quarter Ended September 30, 2017

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
August 2017	Beginning book balance (Checking)		4,330,514
	Measure M	DMV	695,469
	Congestion Relief & Management	Cities: Belmont and Half Moon Bay, County of San Mateo	314,143
	Congestion Relief & Management	Caltrans	55,945
	Bay Area Air Quality	Bay Area Air Quality Management District	574,427
	Smart Corridor	Caltrans	459,659
	Energy Watch	PG&E	40,584
	Member Contributions	Cities: Belmont and Half Moon Bay, County of San Mateo	37,986
	All other Receipts (9)	various	1,785
	Transfer	LAIF	1,000,000
		Total August Cash Inflow	3,179,998
	Measure M	SAMTRANS, EOA, Larry Walker Assoc., Redwood City, and County of San Mateo	(1,699,207)
	Congestion Relief & Mgmt	Gary Bowen Scott, CDM Smith, Commute.org, Redwood City, and County of San Mateo	(380,260)
	NPDES	EOA Inc., S. Groner, Larry Walker Assoc., BASMAA, Shaw/Yoder/Antwih, County of San Mateo, and Redwood City	(586,454)
	Bay Area Air Quality	SAMTRANS, Iteris, Commute.org, County of San Mateo	(187,477)
	All other payments (36)	various	(50,220)
	Transfer	LAIF	(2,250,000)
		Total August Cash Outflow	(5,153,618)
		Net Cash Inflow/(Outflow)	(1,973,620)
	Ending book balance (Checking)		2,356,894

August LAIF Statment

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

www.treasurer.ca.gov/pmia-laif/laif.asp
 September 01, 2017

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 2017 Statement

Effective Date	Transaction Date	Tran Type	Tran Confirm Number	Authorized Caller	Amount
8/8/2017	8/8/2017	RD	1545557	CARRIE TAM	750,000.00
8/15/2017	8/15/2017	RD	1546059	CARRIE TAM	1,500,000.00
8/25/2017	8/24/2017	RW	1546777	CARRIE TAM	-1,000,000.00

Account Summary

Total Deposit:	2,250,000.00	Beginning Balance:	11,563,367.66
Total Withdrawal:	-1,000,000.00	Ending Balance:	12,813,367.66

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-17

Activity	Trans	Date	Debit	Credit	Balance
BEGINNING BALANCE		07/31/17	---	---	\$8,611,660.19
ENDING BALANCE		08/31/17	---	---	\$8,611,660.19

September Cash Flow

CITY & COUNTY ASSOCIATION OF GOVERNMENTS
 Recap of Monthly Major Cash Inflows and Outflows
 for Quarter Ended September 30, 2017

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
September	Beginning book balance (Checking)		2,356,894
2017	Measure M	DMV	649,388
	Member Contributions	Cities: Pacifica and San Mateo	50,545
	Congestion Relief & Management	Cities: Pacifica and San Mateo	425,594
	Congestion Relief & Management	Caltrans, Metropolitan Transportation Commission	225,200
	Energy Watch	PG&E	63,475
	All other Receipts (4)	various	2,181
		Total September Cash Inflow	1,416,383
	Measure M	Redwood City and County of San Mateo	(466,112)
	Congestion Relief & Management	Santa Clara Valley, Cities of Redwood City and Menlo Park, CDM Smith, Gray Bowen Scott, and Shaw/Yoder/Antwih	(173,081)
	NPDES	Engineering Data SOF, Urban Rain Design, S. Groner, and Larry Walker Assoc.	(102,022)
	Bay Area Air Quality	Iteris, Inc.	(11,442)
	Smart Corridor	Kimley-Horn, Aegis ITS, and Redwood City	(111,877)
	Energy Watch	DNV GL Services, AM Conservation Grp., and County of San Mateo	(65,599)
	All other payments (34)	various	(18,856)
	Transfer	San Mateo County Pool	(1,000,000)
	Transfer	LAIF	(550,000)
		Total September Cash Outflow	(2,498,989)
		Net Cash Inflow/(Outflow)	(1,082,606)
	Ending book balance (Checking)		1,274,288

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
 October 11, 2017

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 2017 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
9/27/2017	9/26/2017	RD	1548935	CARRIE TAM	550,000.00

Account Summary

Total Deposit:	550,000.00	Beginning Balance:	12,813,367.66
Total Withdrawal:	0.00	Ending Balance:	13,363,367.66

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	\$1,000,000.00

Account No	03412
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Statement Period Ending 29-Sep-17

Activity	Trans	Date	Debit	Credit	Balance
BEGINNING BALANCE		08/31/17	---	---	\$8,611,660.19
WIRE IN		09/08/17	---	500,000.00	\$9,111,660.19
WIRE IN		09/14/17	---	500,000.00	\$9,611,660.19
ENDING BALANCE		09/29/17	---	---	\$9,611,660.19



**JOHN CHIANG
TREASURER
STATE OF CALIFORNIA**



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
09/30/17	1.11	1.08	190
10/01/17	1.11	1.11	191
10/02/17	1.13	1.12	198
10/03/17	1.13	1.12	200
10/04/17	1.13	1.13	198
10/05/17	1.13	1.13	197
10/06/17	1.13	1.13	196
10/07/17	1.13	1.13	196
10/08/17	1.13	1.13	196
10/09/17	1.13	1.13	193
10/10/17	1.13	1.13	194
10/11/17	1.13	1.13	192
10/12/17	1.14	1.13	193
10/13/17	1.14	1.13	193
10/14/17	1.14	1.13	193
10/15/17	1.14	1.13	193
10/16/17	1.15	1.14	195
10/17/17	1.15	1.14	193
10/18/17	1.15	1.14	193
10/19/17	1.15	1.14	192
10/20/17	1.15	1.14	192
10/21/17	1.15	1.14	192
10/22/17	1.15	1.14	192
10/23/17	1.15	1.14	189
10/24/17	1.15	1.14	187
10/25/17	1.15	1.14	186
10/26/17	1.16	1.14	187
10/27/17	1.16	1.14	195
10/28/17	1.16	1.14	195
10/29/17	1.16	1.14	195
10/30/17	1.16	1.14	190

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

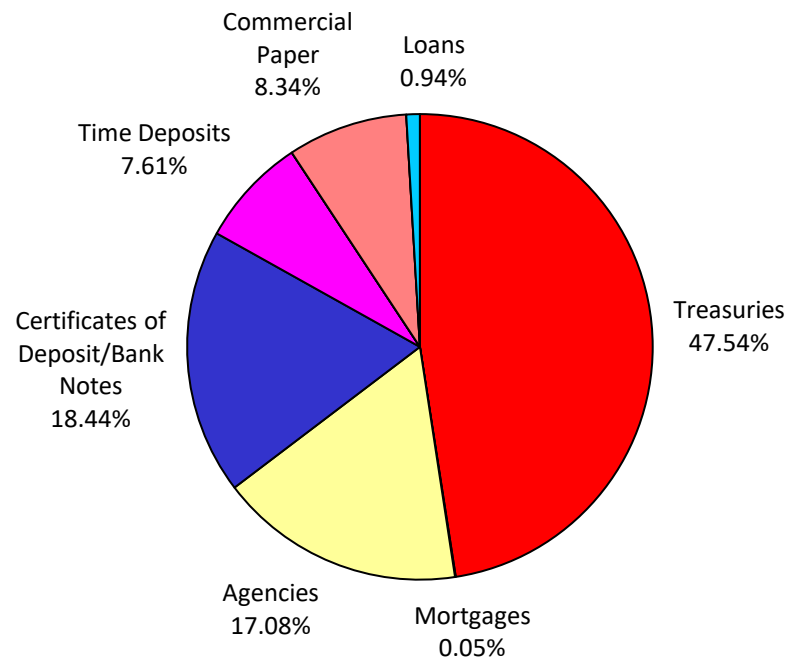
Quarter Ending 09/30/17

Apportionment Rate: 1.07%
 Earnings Ratio: .00002942867511750
 Fair Value Factor: .999042071
 Daily: 1.11%
 Quarter to Date: 1.08%
 Average Life: 190

PMIA Average Monthly Effective Yields

Sept 2017 1.111
 Aug 2017 1.084
 July 2017 1.051

**Pooled Money Investment Account
Portfolio Composition
09/30/17
\$74.1 billion**



Based on data available as of 11/1/2017

**COUNTY OF SAN MATEO
ESTIMATED SUMMARY OF POOL EARNINGS
JULY 2017**

	<u>Par Value</u>	<u>Gross Earnings</u>
<u>Fixed Income Securities Maturing > 1 year</u>		
U S Treasury Notes	450,000,000	\$493,158.30
U.S, Instrumentalities	74,500,000	\$88,601.73
Federal Agencies	481,305,000	419,916.94
Corporate Notes	155,000,000	219,988.14
Floating Rate Securities	149,200,000	169,740.26
	1,310,005,000	\$1,391,405.37
<u>Short Term Securities Maturing < 1 year</u>		
U S Treasury Notes	200,000,000	139,229.17
U.S, Instrumentalities	46,000,000	23,340.99
Federal Agencies	1,163,116,000	924,608.87
Corporate Notes	185,000,000	189,084.02
Floating Rate Securities	127,000,000	135,408.73
LAIF	65,000,000	57,965.75
Commercial Paper	921,000,000	798,888.49
Certificate of Deposit	125,000,000	126,636.99
U S Treasury Bills	274,000,000	129,362.33
Repurchase Agreements	210,750,000	6,088.33
	3,316,866,000	\$2,530,613.67
Total Accrued Interest	4,626,871,000	\$3,922,019.04
<u>Realized Gain/Loss & Interest Received</u>		
U S Treasury Notes		\$424,073.60
U.S, Instrumentalities		\$36,872.30
Federal Agencies		169,972.20
Corporate Notes		43,587.99
Floating Rate Securities		99,747.55
LAIF		3,887.09
Commercial Paper		142,119.45
Certificate of Deposit		7,149.26
U S Treasury Bills		17,142.35
Repurchase Agreements		145,150.21
Total Realized Income		\$1,089,702.00
TOTAL DOLLAR EARNINGS		\$5,011,721.04

AVERAGE BALANCE		\$4,722,599,150.11
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	1.250%	\$5,011,721.04
ADMINISTRATION FEES		(\$421,152.34)
NET EARNINGS RATE / NET DOLLAR EARNINGS	1.145%	\$4,590,568.70

**COUNTY OF SAN MATEO
ESTIMATED SUMMARY OF POOL EARNINGS
AUGUST 2017**

	<u>Par Value</u>	<u>Gross Earnings</u>
<u>Fixed Income Securities Maturing > 1 year</u>		
U S Treasury Notes	350,000,000	\$306,979.38
U.S, Instrumentalities	79,500,000	\$102,971.03
Federal Agencies	486,305,000	456,932.60
Corporate Notes	140,000,000	211,901.13
Floating Rate Securities	149,200,000	178,014.07
	1,205,005,000	\$1,256,798.21
<u>Short Term Securities Maturing < 1 year</u>		
U S Treasury Notes	200,000,000	157,416.63
U.S, Instrumentalities	30,000,000	24,299.51
Federal Agencies	1,070,811,000	824,158.28
Corporate Notes	200,000,000	211,383.35
Floating Rate Securities	122,000,000	146,106.79
LAIF	65,000,000	57,965.75
Commercial Paper	1,029,000,000	899,695.01
Certificate of Deposit	125,000,000	131,856.16
U S Treasury Bills	329,000,000	212,713.00
Repurchase Agreements	114,500,000	3,339.58
	3,285,311,000	\$2,668,934.06
Total Accrued Interest	4,490,316,000	\$3,925,732.27
<u>Realized Gain/Loss & Interest Received</u>		
U S Treasury Notes		\$761,565.72
U.S, Instrumentalities		\$773.34
Federal Agencies		160,999.26
Corporate Notes		13,984.59
Floating Rate Securities		64,254.91
Commercial Paper		97,032.95
U S Treasury Bills		49,913.20
Repurchase Agreements		158,655.16
Total Realized Income		\$1,307,179.13
TOTAL DOLLAR EARNINGS		\$5,232,911.40

AVERAGE BALANCE		\$4,565,287,748.29
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	1.350%	\$5,232,911.40
ADMINISTRATION FEES		(\$407,123.61)
NET EARNINGS RATE / NET DOLLAR EARNINGS	1.245%	\$4,825,787.79

**COUNTY OF SAN MATEO
ESTIMATED SUMMARY OF POOL EARNINGS
SEPTEMBER 2017**

	<u>Par Value</u>	<u>Gross Earnings</u>
<u>Fixed Income Securities Maturing > 1 year</u>		
U S Treasury Notes	350,000,000	\$308,715.15
U.S. Instrumentalities	79,500,000	\$98,583.73
Federal Agencies	461,305,000	413,860.84
Corporate Notes	125,000,000	172,194.65
Floating Rate Securities	169,200,000	219,704.62
	1,185,005,000	\$1,213,058.99
<u>Short Term Securities Maturing < 1 year</u>		
U S Treasury Notes	175,000,000	130,874.93
U.S. Instrumentalities	30,000,000	23,515.66
Federal Agencies	935,061,000	704,890.20
Corporate Notes	215,000,000	229,036.81
Floating Rate Securities	132,000,000	142,890.92
LAIF	65,000,000	46,027.40
Commercial Paper	948,000,000	861,702.25
Certificate of Deposit	100,000,000	102,534.25
U S Treasury Bills	329,000,000	275,152.06
Repurchase Agreements	148,250,000	8,565.56
	3,077,311,000	\$2,525,190.04
Total Accrued Interest	4,262,316,000	\$3,738,249.03
<u>Realized Gain/Loss & Interest Received</u>		
U S Treasury Notes		\$568,424.81
U.S. Instrumentalities		\$5,887.67
Federal Agencies		206,097.99
Corporate Notes		14,976.59
Floating Rate Securities		35,732.92
Commercial Paper		129,168.85
Certificate of Deposit		2,548.89
U S Treasury Bills		37,430.43
Repurchase Agreements		148,287.14
Total Realized Income		\$1,148,555.29
TOTAL DOLLAR EARNINGS		\$4,886,804.32

AVERAGE BALANCE		\$4,400,649,993.94
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	1.351%	\$4,886,804.32
ADMINISTRATION FEES		(\$379,782.12)
NET EARNINGS RATE / NET DOLLAR EARNINGS	1.246%	\$4,507,022.20

C/CAG AGENDA REPORT

Date: November 15, 2017

To: C/CAG Finance Committee

From: Sandy Wong, Executive Director

Subject: Review of the quarterly investment report and recommend modifications to the C/CAG investment portfolio as needed.

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

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 associated 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 September 14, 2017:

“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 2017 earning rates are as follows:

	Local Agency Investment Fund (LAIF)	San Mateo County Investment Pool (COPOOL)
July	1.051%	1.145%
August	1.084%	1.245%
September	1.111%	1.246%

On November 14, 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%

At the November 20, 2015 CCAG Finance Committee meeting, the Committee set a goal to keep the investment with the County at 40%-42% of the total pooled investment to earn higher interest.

On August 23, 2017, the Finance Committee reviewed the investment portfolio and recommended no change to the investment portfolio. On September 14, 2017, the C/CAG Board approved of no change to the investment portfolio but directed staff to consider performing a risk analysis of the LAIF and County Pool funds per the Finance Committee's recommendation.

The investment portfolio as of September 30, 2017 is as follows:

	7/30/2017		9/30/2017	
	Amount	Percent	Amount	Percent
LAIF	\$12,034,768	58%	\$13,363,368	58%
COPOOL	\$8,586,974	42%	\$9,611,660	42%
Total	\$20,621,742	100%	\$22,975,028	100%

ATTACHMENTS

1. Quarterly Investment Report as of September 30, 2017 from San Carlos

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

Board of Directors Agenda Report

To: Sandy Wong, Executive Director
From: Carrie Tam, Financial Services Manager
Date: November 15, 2017

SUBJECT: Quarterly Investment Report as of September 30, 2017

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, 2017, funds in the amount of \$22,975,028 were invested producing a weighted average yield of 1.13%. Of the total investment portfolio, 58.2% of funds were invested in the Local Agency Investment Fund (LAIF) and 41.8% 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 \$60,560. At the CCAG Finance Committee meeting in November 2015, the Committee set a goal to keep the investment with the County at 40%-42% of the total pooled investment to earn higher interest. The portfolio mix reflects the recommended percentage invested in the County Investment Pool.

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

	Qtr Ended 9/30/17	Qtr Ended 6/30/17	Increase (Decrease)
Total Portfolio	\$ 22,975,028	\$ 20,621,742	\$ 2,353,286
Weighted Average Yield	1.13%	0.98%	0.15%
Accrued Interest Earnings	\$ 60,560	\$ 53,286	\$ 7,274

There was an increase of \$2.4M in the portfolio balance in this quarter compared to the previous quarter mainly due to larger cash receipts in the first quarter for Measure M and Congestion Relief and Management, which were offset by large cash disbursements for Measure M expenditures. A more detailed list of the payments made in the first quarter can be found in the attached monthly "Major Cash Inflows and Outflows" report. The slightly higher weighted average yield resulted in higher interest earnings for this quarter.

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, 2017, 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, 2017

2 – Historical Summary of Investment Portfolio

CITY & COUNTY ASSOCIATION OF GOVERNMENTS

SUMMARY OF ALL INVESTMENTS
For Quarter Ending September 30, 2017

Category	Weighted Average Interest Rate	Historical Book Value	% of Portfolio	GASB 31 ADJ Market Value
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Liquid Investments:

Local Agency Investment Fund (LAIF)	1.07%	13,363,368	58.2%	13,350,567
San Mateo County Investment Pool (COPOOL)	1.21%	9,611,660	41.8%	9,611,660

Agency Securities

none

Total - Investments	1.13%	22,975,028	100%	22,962,227
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GRAND TOTAL OF PORTFOLIO	1.13%	\$ 22,975,028	100%	\$ 22,962,227
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Total Interest Earned This Quarter	60,560
Total Interest Earned (Loss) Fiscal Year-to-Date	60,560

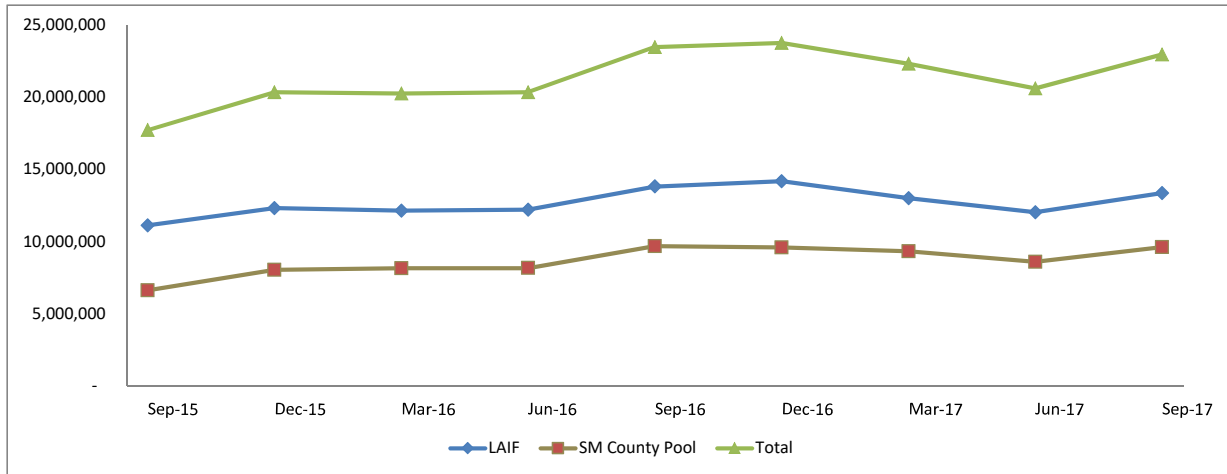
Note: CCAG Board approved the following investment portfolio mix at its November 14, 2013 meeting:

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

At the CCAG Finance Committee meeting in November, the Committee set a goal to keep the investment with the County at 40%-42% of the total pooled investment to earn higher interest.

*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, 2017**



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-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
LAIF	11,116,115	12,324,374	12,136,268	12,200,510	13,817,524	14,186,530	13,010,532	12,034,768	13,363,368
SM County Pool	6,612,375	8,024,431	8,138,072	8,154,442	9,672,516	9,591,037	9,313,634	8,586,974	9,611,660
Total	17,728,490	20,348,805	20,274,340	20,354,952	23,490,040	23,777,567	22,324,166	20,621,742	22,975,028

At the CCAG Finance Committee meeting in November 2015, the Committee set a goal to keep the investment with the County at 40%-42% of the total pooled investment to earn higher interest.

C/CAG AGENDA REPORT

Date: November 15, 2017
To: C/CAG Finance Committee
From: Sandy Wong, Executive Director
Subject: Receive a copy of the Investment Pool Analysis from NHA Advisors

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

RECOMMENDATION

That the Finance Committee receive a copy of the Investment Pool Analysis from NHA Advisors.

FISCAL IMPACT

Cost of the analysis was approximately \$2,500.

SOURCE OF FUNDS

Initially General Funds to be spread among other programs later.

BACKGROUND

At the November 20, 2015 CCAG Finance Committee meeting, the Committee set a goal to keep the investment with the County at 40%-42% of the total pooled investment to earn higher interest.

Given the San Mateo County Investment Pool (COPOOL) fund has consistently out-performed the Local Agency Investment Fund (LAIF) in the past few years, there was a discussion and suggestion by a few Board members that the Finance Committee should consider the risk and benefit of increasing C/CAG's investment in COPOOL fund to seek higher yields.

On August 23, 2017, the Finance Committee reviewed the investment portfolio and conducted a discussion based on the above suggestion made by the C/CAG Board. Discussion included the risk and perceived risk of COPOOL resulting from the lost affected by the Lehman Brothers bankruptcy, as well as the level of confidence that has been restored since then. Discussion also included the possible options of A) 50/50 split between COPOOL and LAIF, or B) 60/40 split between COPOOL and LAIF, to boost overall yield. The Finance Committee directed staff to investigate the possibility of using an outside firm to perform a risk analysis, but be mindful that any additional gain not be offset by the cost to do the risk analysis.

Staff procured the services of NHA Advisors to perform a comparative analysis of the two investments funds. A memorandum and presentation is attached for review.

ATTACHMENTS

1. Risk Analysis memorandum and presentation from NHA Advisors

MEMORANDUM

To: Jean Higaki, Transportation System Coordinator

From: Craig Hill and Christian Sprunger

Date: October 24, 2017

RE: San Mateo County – Results of Investment Pool Analysis

Background

NHA Advisors, LLC (“NHA”) was engaged by San Mateo County (“County”) on September 1, 2017, to perform historical analysis of the investment returns of the County Investment Pool (“County Pool”) and comparison to the State of California’s Local Agency Investment Fund (“LAIF”). NHA reviewed the County Pool earnings reported in quarterly statements between March 2005 and September 2017 and performed comparative statistical analysis on those earnings. This memorandum summarizes NHA’s findings and is meant to accompany the report delivered by NHA, summarizing the results of the comparative analysis.

Summary of Findings

Over the entire dataset (2005-2017), the County Pool has outperformed the LAIF by an average of 20 basis points (0.20%) per year between 2005 and 2017. The County Pool has outperformed LAIF for the past 8 years, but between September 2005 and March 2009, the LAIF outperformed the County Pool. The County Pool’s allocation to corporate securities (approximately 14% in 2017) has allowed it to profit from recent years’ bull markets and simultaneously limited the allocation to treasuries, which for the past 8-9 years have produced minimal returns. (Put a different way, LAIF is more heavily invested in Treasuries and has suffered due to low treasury yields.) However, in an environment of rising treasury rates, there is a possibility that the difference between the returns for the two funds will diminish; as treasury rates increase, LAIF returns may catch up to County Pool returns.

The County Pool has higher administrative costs, which is acceptable if the net returns are higher than LAIF. But if County Pool returns are lower than LAIF’s net returns, it may become difficult to justify the higher administrative fees.

By statistical risk measures, the County Pool has less volatility in its quarterly returns, which implies lower risk. However, given the LAIF’s high allocation to risk free treasuries, the risk to principal should be lower. The portfolio composition of both funds minimizes risk of capital loss. The risk is a function of inflation and how that will affect the real returns of investments in both pools. Because the County Pool has historically provided higher returns over the past 8 years, the risks presented by inflation have been lower for the County Pool.

Possible explanations for the County Pool's superior returns the County Pool are differences in investment allocations and policy differences regarding investment maturity between the County Pool and LAIF. The County Pool invests in corporate securities has proved beneficial to the pool's earnings. Also, County Pool has a longer allowed maturity of investments than LAIF does in several key categories, allowing the County Pool to access higher yields on the longer end of the yield curve. One example of this is the maturity limitations on treasuries – the County Pool can invest in treasuries with up to 7-year maturities, while LAIF limits their portfolio to 5-year maturities.

Recommendation

The observations in this report are for informational purposes only. This report is not intended to serve as a recommendation or investment advice.

NHA Advisors, LLC is registered as a Municipal Advisor with the SEC and Municipal Securities Rulemaking Board ("MSRB"). As such, NHA Advisors, LLC has a Fiduciary duty to Town and must provide both a Duty of Care and a Duty of Loyalty that entails the following.

Duty of Care

- a) exercise due care in performing its municipal advisory activities;
- b) possess the degree of knowledge and expertise needed to provide the County with informed advice;
- c) make a reasonable inquiry as to the facts that are relevant to County's determination as to whether to proceed with a course of action or that form the basis for any advice provided to County; and
- d) undertake a reasonable investigation to determine that NHA Advisors, LLC is not forming any recommendation on materially inaccurate or incomplete information; NHA Advisors, LLC must have a reasonable basis for:
 - i. any advice provided to or on behalf of County;
 - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by County, any other party involved in the municipal securities transaction or municipal financial product, or investors in County securities; and
 - iii. any information provided to Town or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

Duty of Loyalty

NHA Advisors, LLC must deal honestly and with the utmost good faith with County and act in County's best interests without regard to the financial or other interests of NHA Advisors, LLC. NHA Advisors, LLC will eliminate or provide full and fair disclosure (included herein) to Issuer about each material conflict of interest (as applicable). NHA Advisors, LLC will not engage in municipal advisory activities with County as a municipal entity, if it cannot manage or mitigate its conflicts in a manner that will permit it to act in County's best interests.

NHA

ADVISORS

Strategy. Innovation. Solutions.

**Comparison of Investment Returns:
*LAIF vs San Mateo County Investment Pool***

October 2017

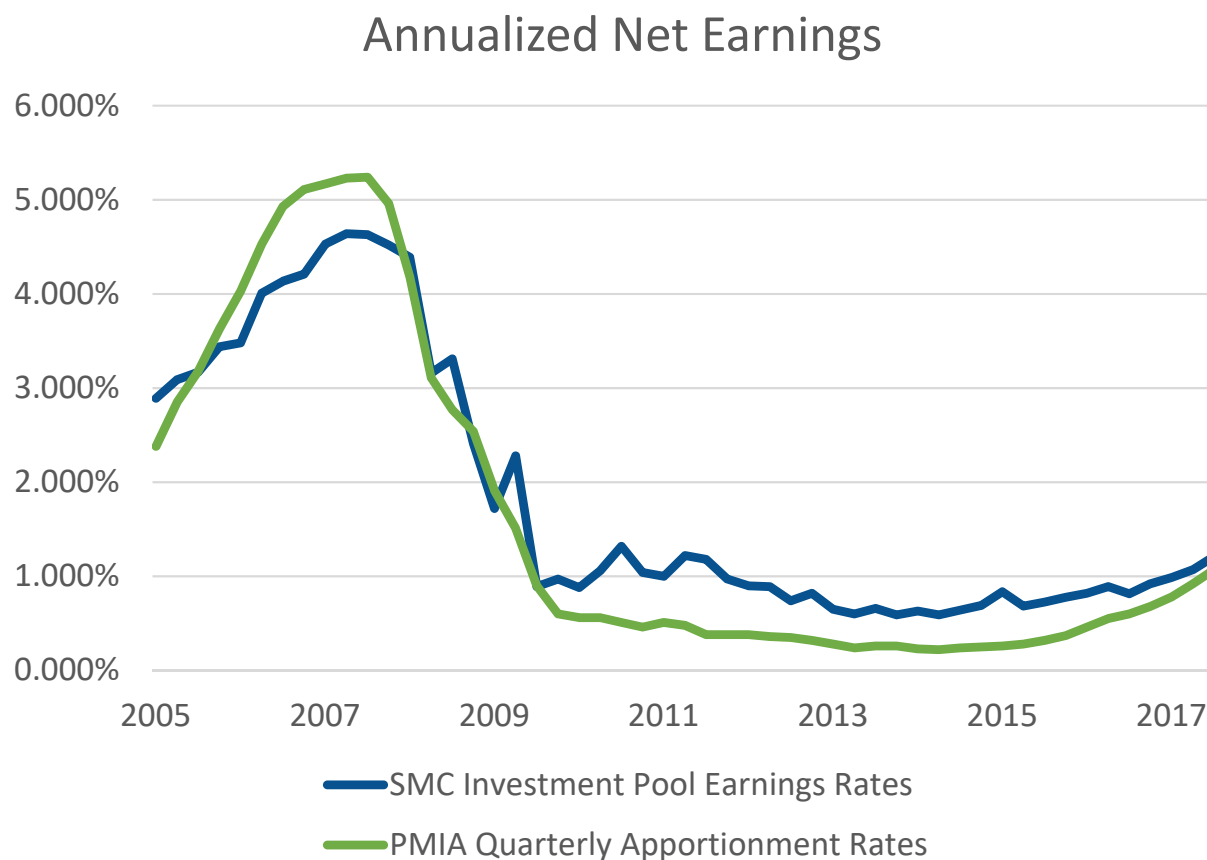
Introduction

- ▶ San Mateo County Investment Pool (“SMC Pool”) and the Local Agency Investment Fund (“LAIF”) are options for California public agencies to make short term investments with excess cash
- ▶ LAIF managed as a portion of the State’s Pooled Money Investment Account (“PMIA”)
- ▶ LAIF comprises approximately 31% of the PMIA & has 2,439 participants as of June 2017

	SMC Pool	LAIF
Investment Goals	1. Safety of Principal 2. Liquidity 3. Return	1. Safety of Principal 2. Liquidity 3. Return
Total Value of Investments (9/30/17)	\$4.401 billion	\$20.678 billion
Administrative Fee	Set Fee: 10.5 bps	Average fee since 2007: 0.71 bps
Fee Frequency	Annually	Quarterly
Portfolio Manager	County Treasurer	State Treasurer

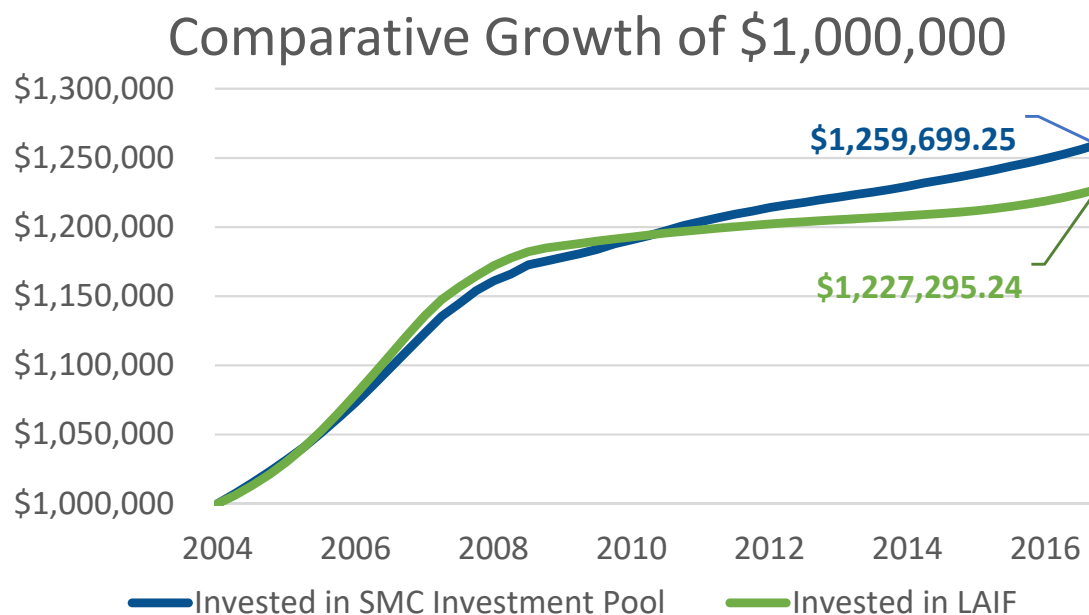
Earnings Comparison

- ▶ SMC Pool average annual net earnings from 2005-2017: **1.829%**
- ▶ LAIF average annual net earnings from 2005-2017: **1.624%**
- ▶ Since December 2009, SMC Pool outperformed LAIF each quarter by 42.7 bps (annualized) on average
 - ▶ September 2005 through September 2009, SMC Pool underperformed LAIF by an average of 23.6 bps (annualized)



Hypothetical Comparison: Real Numbers

- ▶ Hypothetical \$1,000,000 invested in SMC Pool in December 2004 would have grown to \$1,259,699 (net of fees)
 - ▶ Growth of same amount over same period in LAIF: \$1,227,295 (net)
- ▶ SMC Pool earnings on hypothetical \$1 million invested would have outperformed LAIF by \$31,879 after fees



Risk Considerations

- ▶ SMC Pool quarterly earnings have a lower standard deviation, lower implied risk
 - ▶ Composition of portfolios minimizes diversifiable risk, so standard deviation a measurement of portfolio risk relative to markets
- ▶ Top priority of both funds is safety of principal
 - ▶ Significant portions of each portfolio invested in “risk free” treasuries, so chances of negative returns are small
 - ▶ Investments in corporate securities limited to public corporations rated “A” or higher
- ▶ Risk of principal to interest rate movements is low due to short average maturity of both portfolios

Period (2005-2017)	SMC Pool Earnings	LAIF Earnings	Difference
Average Returns	1.829%	1.624%	0.205%
Variance	0.00020	0.00031	-0.00011
Standard Deviation	1.416%	1.767%	-0.351%

LAIF Composition and Policies

PMIA/LAIF Portfolio Composition 9/30/2017

Type of Security	% Portfolio Current	% Portfolio (10-year Avg)
Treasuries	48%	40%
CDs / Bank Notes	18%	15%
Agency Notes and Debentures	17%	17%
Time Deposits	8%	9%
Commercial Paper	8%	10%
Loans	1%	8%
Mortgages	0%	1%
Total	100.00%	100.00%

LAIF Investment Policies - June 2017

Instrument	Max Maturity	NTE % of Pool
US Treasuries	5 years	100%
Agencies (Federal and Supranational)	5 years	100%
Bankers Acceptances - Domestic/Foreign	180 days	100%
Certificates of Deposit	5 years	100%
Collateralized Time Deposits	5 years	100%
Commercial Paper	270 days	30%
Corporate Bonds/Notes	5 years	100%
Repurchase Agreements	1 year	100%
Reverse Repurchase Agreement	1 year	10%
Negotiable Order of Withdrawal	Open Ended	5%

SMC Pool Composition and Policies

SMC Investment Pool Portfolio Composition as of 9/30/2017

Type of Security	% of Portfolio
Agency Notes and Debentures	33.2%
Commercial Paper	21.1%
Treasuries	19.9%
Corporate Securities	14.4%
Repurchase Agreements	3.5%
US Instrumentalities	3.4%
CDs / Bank Notes	3.1%
LAIF	1.5%
Total	100.10%*

*Sums to over 100% due to rounding

SMC Pool Largest Corporate Holdings

Company Name	% of Portfolio
Exxon Mobile	3.17%
Natixis NY Branch	3.07%
Toyota Motor Co.	3.05%
Wells Fargo	3.05%
Canadian Imperial Holding	3.00%

San Mateo County Investment Pool Investment Policies - June 2017

Instrument	Max Maturity	NTE % of Fund
US Treasuries	7 Years	100%
Agencies (Federal and GSE)	7 Years	100%
Commercial Paper	270 days	40%
Certificates of Deposits	5 Years	30%
Bankers Acceptances	180 days	15%
Collateralized Time Deposits	1 Year	15%
Mortgage & Asset Backed Securities	5 Years	20%
Corporate Securities	5 Years	30%
US Instrumentalities	5 Years	30%
CA Municipal Obligations	5 Years	30%
Repurchase Agreements	92 days	100%
LAIF	N/A	State Limits
Mutual Funds	N/A	10%
Local Government Investment Pools	N/A	10%

NTE: Not to exceed

C/CAG AGENDA REPORT

Date: November 15, 2017
To: C/CAG Finance Committee
From: Sandy Wong, Executive Director
Subject: Develop the 2018 Finance Committee Meeting Calendar

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

RECOMMENDATION

It is recommended that the Finance Committee develop the regular quarterly meeting calendar for 2018.

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.

The following dates are proposed:

Review Quarter	Meeting Date (Noon- 1:00pm)
October-December 2017	Wednesday, February 28, 2018
January-March 2018	Wednesday, May 23, 2018
April-June 2018	Wednesday, August 22, 2018
July- September 2018	Wednesday, November 28, 2018

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