

# 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:** Wednesday, August 28, 2019

**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

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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 May 22, 2019 meeting. (Action)
4. Receive copies of monthly investment statements for April, May, and June 2019. (Information)
5. Review of the quarterly investment report and recommend modifications to the C/CAG investment portfolio as needed. (Action)
6. Review and recommend approval of the C/CAG Investment Policy annual update (Action)
7. ADJOURN

**PUBLIC NOTICING:** All notices of C/CAG regular Board meetings, standing committee meetings, and special meetings will be posted at the San Mateo County Transit District Office, 1250 San Carlos Ave., San Carlos, CA, and on C/CAG's website at: <http://www.ccag.ca.gov>.

**PUBLIC RECORDS:** Public records that relate to any item on the open session agenda for a regular Board meeting, standing committee meeting, or special meeting are available for public inspection. Those public records that are distributed less than 72 hours prior to a regular Board meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members, of the Board. The Board has designated the City/County Association of Governments of San Mateo County (C/CAG), located at 555 County Center, 5th Floor, Redwood City, CA 94063, for the purpose of making public records available for inspection. Such public records are also available on C/CAG's website at: <http://www.ccag.ca.gov>.

**PUBLIC PARTICIPATION:** Public comment is limited to two minutes per speaker. Persons with disabilities who require auxiliary aids or services in attending and participating in this meeting should contact Mima Guilles at (650) 599-1406, five working days prior to the meeting date.

*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  
May 22, 2019**

**Committee Members Attending:**

Maryann Moise Derwin (Town of Portola Valley)  
Ann Wengert (Town of Portola Valley) – Committee Chair  
Marie Chuang (Town of Hillsborough) – Committee Vice Chair  
Ricardo Ortiz (City of Burlingame) (after item 4)  
Jay Benton (Town of Hillsborough)

**Guests or Staff Attending:**

Sandy Wong, Jean Higaki - C/CAG Staff  
Carrie Tam - San Carlos Financial Services Manager

**1. Call to order**

At 1:02 P.M. Chair Wengert called Finance Committee meeting to order.

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

None

**3. Approval of minutes of February 27, 2019 meeting. (Action)**

A revised handout of the minutes was provided with corrections made prior to the meeting. Member Benton called out an additional correction to the minutes under item three, last paragraph where the word “vice” was mistakenly omitted from the paragraph.

Member Benton moved and Vice Chair Chuang seconded approval of the corrected February 27, 2019 meeting minutes. Member Derwin abstained. Motioned passed 3-0.

**4. Receive copies of monthly investment statements for January, February, and March 2019. (Information)**

Finance committee members reviewed the investment statements and cash flow reports. Chair Wengert requested confirmation that the “system” on the January statement is interest. Carrie Tam, City of San Carlos Financial Services Manager confirmed that it was. The interest is system generated and the other transactions note the name of the requestor.

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

The Finance Committee reviewed the investment portfolio and discussed current performance of LAIF and the County Pool. Chair Wengert asked if the committee was still comfortable with the Board approved ranges and received no indication that the ranges should change.

Member Ortiz stated that he would encourage C/CAG to re-look at setting up a private investment portfolio outside of LAIF and the County Pool as he believed returns would be higher and did not think that the current funds added more protections considering his experience with the Lehman's impact on the County Pool in the past. Chair Wengert recalled receiving information about the topic a few years ago. Staff had investigated the fees and minimum portfolio requirements in 2016. At that time, the Finance Committee determined that the additional net financial gain was not much and probably not worth the effort of setting up the portfolio.

Staff requested clarification about how much of the total portfolio did public agencies typically put into a private investment firm. The percentage hovered around 20% but the Finance Committee would need to make a recommendation along with other considerations if it was decided to invest in a private investment firm.

The Finance Committee recommended no change to the investment portfolio; however, it was requested that staff again investigate the fees and minimum investment portfolio requirements for using an independent investment portfolio manager with consideration of the new interest rates and fund balance.

Member Ortiz moved no change to the portfolio. Member Benton seconded. Motioned passed unanimously (5-0).

**6. Review the draft final C/CAG Program Budget and Member Fees for Fiscal Year 2019-2020. (Action)**

The Finance committee reviewed and had a robust discussion about the draft Budget, reserves, and member fees.

Sandy Wong, C/CAG Executive Director, presented the past approach and a revised approach for setting fund reserve amounts, as requested by the Finance Committee at the February meeting. The Finance Committee was comfortable with the new reserve amounts.

New information was presented regarding C/CAG's obligation with maintenance and replacement of the Smart Corridors equipment. Member Ortiz suggest setting up a Smart Corridor reserve line item specifically for those long-term obligations.

After discussing funds associated with supporting the San Mateo Express Lanes project, the Finance Committee also recommended opening a separate fund to segregate and track San Mateo Express Lane Joint Powers Authority expenditures that C/CAG will loan and be reimbursed for.

Member Benton moved to recommended that the Board approve the C/CAG Program Budget with two suggested revisions, which is creating a reserve for the Smart Corridors future expenses and segregating the Express Lane support expenditures. Member Benton also recommended that the Board adopt the Member Fees for Fiscal Year 2019-2020. Vice Chair Chuang seconded. Motioned passed unanimously (5-0).

## **7. Adjournment**

The meeting adjourned at approximately 2:30 P.M.

## **C/CAG AGENDA REPORT**

Date: August 28, 2019

To: C/CAG Finance Committee

From: Sandy Wong, Executive Director

Subject: Receive copies of monthly investment statements for April, May, and June 2019.

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

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### **RECOMMENDATION**

That the C/CAG Finance Committee receives copies of monthly investment statements for April, May, and June 2019.

### **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 June 30, 2019.

### **ATTACHMENTS**

1. C/CAG's Monthly Major Cash Inflows and Outflows, LAIF, and SMC Investment Fund Summary for April, May, and June 2019
2. LAIF Performance Report Quarter Ending June 30, 2019
3. County Summary of Pool Earnings for April, May, and June 2019

# April Cash Flow

**CITY & COUNTY ASSOCIATION OF GOVERNMENTS**  
**Recap of Monthly Major Cash Inflows and Outflows**  
**for Quarter Ended June 30, 2019**

**Major Cash Inflows and Outflows**

Month	Program	From/To	Amount - In/(Out)
April 2019	<b>Beginning book balance (Checking)</b>		<b>1,451,868</b>
	Measure M	DMV County of San Mateo, Cities: San Mateo and Brisbane, Towns: Colma and	598,111
	NPDES	Woodside	461,887
	All other Receipts (2)	various	3,202
		<b>Total April Cash Inflow</b>	<b>1,063,199</b>
	Smart Corridor	Aegis ITS, Iteris Inc., and Kimley-Horn & Assoc.	(78,724)
	Congestion Relief & Management	Co-Plan LLC and County of San Mateo	(117,606)
	Bay Area Air Quality	SAMTRANS and County of San Mateo	(58,230)
	NPDES	City of Brisbane, CASQA, Shaw/Yoder/Antwih, and County of San Mateo	(57,302)
	Energy Watch	DNV GL Services and County of San Mateo	(29,182)
	All other payments (17)	various	(43,682)
		<b>Total April Cash Outflow</b>	<b>(384,727)</b>
		<b>Net Cash Inflow/(Outflow)</b>	<b>678,472</b>
	<b>Ending book balance (Checking)</b>		<b>2,130,340</b>

April 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)  
 May 03, 2019

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

April 2019 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
4/15/2019	4/12/2019	QRD	1603547	SYSTEM	101,186.46

Account Summary

Total Deposit:	101,186.46	Beginning Balance:	17,017,481.95
Total Withdrawal:	0.00	Ending Balance:	17,118,668.41

# April County Pool Statment



San Mateo County Treasurer  
555 County Center  
Redwood City, 94063  
(650) 363-4978 or (650) 599-7206

**Statement Ending Date:** 4/30/2019  
**Account:** 03412

## STATEMENT OF ACCOUNT

### City/County Association of Governments

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
3/31/2019	Balance brought forward		\$7,488,351.91	\$7,488,351.91
4/1/2019	3rd-Q interest FY-18/19		\$43,726.14	\$7,532,078.05
4/30/2019	Ending Balance			\$7,532,078.05



# May Cash Flow

CITY & COUNTY ASSOCIATION OF GOVERNMENTS  
 Recap of Monthly Major Cash Inflows and Outflows  
 for Quarter Ended June 30, 2019

**Major Cash Inflows and Outflows**

Month	Program	From/To	Amount - In/(Out)
May 2019	<b>Beginning book balance (Checking)</b>		<b>2,130,340</b>
	NPDES	County of San Mateo and Caltrans	184,577
	Measure M	DMV	708,065
	Smart Corridor	Department of Transportation	29,636
	Energy Watch	PG&E	48,126
	All other Receipts (5)	various	3,968
		Total May Cash Inflow	974,373
	Measure M	EOA Inc., Redwood City, and Larry Walker Assoc.	(173,183)
		Commuter.org, Co-Plan LLC, Gary Bowen Scott, SAMTRANS, Shaw/Yoder/Antwih Inc., County of San Mateo Housing, Unnasch Stefan, Williams & Heintz, and Redwood City	(252,759)
	Congestion Relief & Mgmt AB1546	EOA Inc., Paradigm Environment, and Sustainable Silicon EOA Inc., Groner S Assoc., Paradigm Environment, and Cities of Brisbane and	(69,843)
	NPDES	Redwood City	(134,829)
	Energy Watch	DNV GL Services, Redwood City, and County of San Mateo	(25,767)
	Smart Corridor	Redwood City, Iteris, and Kimley-Horn & Assoc.	(29,304)
	Bay Area Air Quality	Commuter.org and SAMTRANS	(169,925)
	All other payments (23)	various	(40,044)
	Transfer	LAIF	(400,000)
		Total May Cash Outflow	(1,295,653)
		<b>Net Cash Inflow/(Outflow)</b>	<b>(321,280)</b>
	<b>Ending book balance (Checking)</b>		<b>1,809,060</b>

May 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](http://www.treasurer.ca.gov/pmia-laif/laif.asp)  
 June 12, 2019

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

May 2019 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
5/2/2019	5/1/2019	RD	1605623	CARRIE TAM	400,000.00

Account Summary

Total Deposit:	400,000.00	Beginning Balance:	17,118,668.41
Total Withdrawal:	0.00	Ending Balance:	17,518,668.41

# May County Pool Statement



San Mateo County Treasurer  
555 County Center  
Redwood City, 94063  
(650) 363-4978 or (650) 599-7206

Statement Ending Date: 5/31/2019  
Account: 03412

## STATEMENT OF ACCOUNT

City/County Association of Governments

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
4/30/2019	Balance brought forward		\$7,532,078.05	\$7,532,078.05
5/31/2019	Ending Balance			\$7,532,078.05

CITY & COUNTY ASSOCIATION OF GOVERNMENTS  
 Recap of Monthly Major Cash Inflows and Outflows  
 for Quarter Ended June 30, 2019

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
	<b>Beginning book balance (Checking)</b>		<b>1,809,060</b>
June	Measure M	DMV	695,765
2019	Bay Area Air Quality	Bay Area Air Quality Management District	552,043
	NPDES	San Mateo County	29,106
	All other Receipts (3)	various	3,205
	Transfer	LAIF	100,000
		<b>Total June Cash Inflow</b>	<b>1,380,119</b>
	Measure M	EOA Inc., Larry Walker Assoc., Cities of: Millbrae, Pacifica, and San Bruno, Town of Woodside, and County of San Mateo	(351,806)
	Congestion Relief & Management	Mateo	(104,485)
	NPDES	Groner S Assoc., Paradigm Environment, Shaw/Yoder/Antwih, and County of San Mateo	(123,490)
	Bay Area Air Quality	Commute.org, County of San Mateo	(70,608)
	Smart Corridor	City of Belmont	(31,717)
	AB1546	EOA Inc., Paradigm Environment, and Larry Walker Assoc.	(31,225)
	All other payments (21)	various	(61,913)
	Transfer	San Mateo County Pool	(300,000)
	Transfer	LAIF	(700,000)
		<b>Total June Cash Outflow</b>	<b>(1,775,244)</b>
		<b>Net Cash Inflow/(Outflow)</b>	<b>(395,125)</b>
	<b>Ending book balance (Checking)</b>		<b>1,413,935</b>

June 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)

July 01, 2019

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

June 2019 Statement

Effective Date	Transaction Date	Tran Type	Tran Confirm Number	Authorized Caller	Amount
6/25/2019	6/24/2019	RW	1609138	CARRIE TAM	-100,000.00
6/28/2019	6/28/2019	RD	1609612	CARRIE TAM	700,000.00

Account Summary

Total Deposit:	700,000.00	Beginning Balance:	17,518,668.41
Total Withdrawal:	-100,000.00	Ending Balance:	18,118,668.41



San Mateo County Treasurer  
555 County Center  
Redwood City, 94063  
(650) 363-4978 or (650) 599-7206

Statement Ending Date: 6/30/2019  
Account: 03412

**STATEMENT OF ACCOUNT**

City/County Association of Governments

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
5/31/2019	Balance brought forward		\$7,532,078.05	\$7,532,078.05
6/28/2019	Wire in CGAG		\$300,000.00	\$7,832,078.05
6/30/2019	Ending Balance			\$7,832,078.05



# CALIFORNIA STATE TREASURER FIONA MA, CPA



## PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
06/17/19	2.42	2.45	170
06/18/19	2.42	2.45	168
06/19/19	2.42	2.45	169
06/20/19	2.42	2.45	169
06/21/19	2.41	2.45	168
06/22/19	2.41	2.44	168
06/23/19	2.41	2.44	168
06/24/19	2.41	2.44	166
06/25/19	2.40	2.44	167
06/26/19	2.41	2.44	168
06/27/19	2.41	2.44	169
06/28/19	2.40	2.44	174
06/29/19	2.40	2.44	174
06/30/19	2.39	2.44	173
07/01/19	2.40	2.40	180
07/02/19	2.40	2.40	180
07/03/19	2.39	2.40	182
07/04/19	2.39	2.40	182
07/05/19	2.39	2.40	182
07/06/19	2.39	2.40	182
07/07/19	2.39	2.39	182
07/08/19	2.39	2.39	179
07/09/19	2.39	2.39	179
07/10/19	2.39	2.39	178
07/11/19	2.38	2.39	179
07/12/19	2.38	2.39	179
07/13/19	2.38	2.39	179
07/14/19	2.38	2.39	179
07/15/19	2.38	2.39	176
07/16/19	2.38	2.39	178
07/17/19	2.38	2.39	179

\*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

## LAIF Performance Report

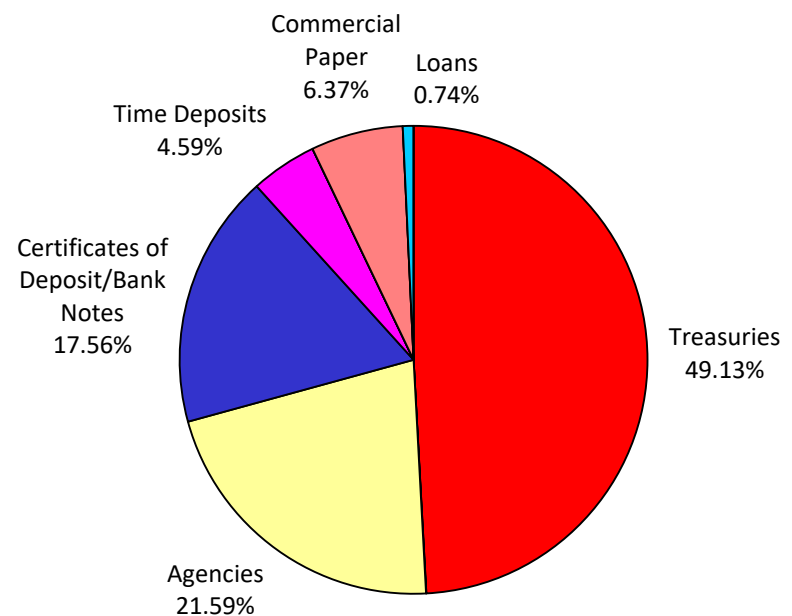
### Quarter Ending 06/30/19

Apportionment Rate: 2.57  
 Earnings Ratio: .00007028813234525  
 Fair Value Factor: 1.001711790  
     Daily: 2.39%  
 Quarter to Date: 2.44%  
 Average Life: 173

### PMIA Average Monthly Effective Yields

**June 2019 2.428**  
 May 2019 2.449  
 Apr 2019 2.445

## Pooled Money Investment Account Portfolio Composition 06/30/19 \$105.7 billion



Percentages may not total 100% due to rounding

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1)

Based on data available as of 07/17/2019



# SUMMARY OF POOL EARNINGS

## COUNTY OF SAN MATEO ESTIMATED SUMMARY OF POOL EARNINGS APRIL 2019

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss &amp; Interest Received</u>	<u>Period Earnings</u>
<b>Fixed Income Securities Maturing &gt; 1 year</b>				
U S Treasury Notes	\$500,000,000	\$ 434,645.89	U S Treasury Notes	\$ 203,681.51
U.S. Instrumentalities	\$75,000,000	\$ 91,460.86	U.S. Instrumentalities	\$ 37,787.98
Federal Agencies	\$320,000,000	\$ 570,122.24	Federal Agencies	\$ 266,607.00
Corporate Notes	\$274,530,000	\$ 522,733.11	Corporate Notes	\$ 76,171.80
Certificate of Deposit	\$180,000,000	\$ 361,543.67	Floating Rate Securities	\$ 275,766.33
Floating Rate Securities	\$123,286,000	\$ 209,924.06	Commercial Paper	\$ 178,925.00
	<b>\$ 1,472,816,000.00</b>	<b>\$ 2,190,429.83</b>	Certificate of Deposit	\$ 365,666.15
			U S Treasury Bills	\$ 159,230.87
			Repurchase Agreements	\$ 971,086.09
			<b>Total Realized Income</b>	<b>\$ 2,534,922.74</b>
<b>Short Term Securities Maturing &lt; 1 year</b>				
U S Treasury Notes	\$100,000,000	\$ 146,076.30		
U.S. Instrumentalities	\$329,000,000	\$ 609,207.82		
Federal Agencies	\$1,403,673,000	\$ 2,441,435.37		
Corporate Notes	\$106,585,000	\$ 158,383.98		
Floating Rate Securities	\$62,500,000	\$ 121,531.30		
LAIF	\$ 65,000,000.00	\$ 130,890.41		
Commercial Paper	\$665,000,000	\$ 1,345,253.47		
Certificate of Deposit	\$779,728,000	\$ 1,374,649.84		
U S Treasury Bills	\$518,700,000	\$ 941,417.23		
Repurchase Agreements	\$ 426,000,000.00	\$ 30,766.67		
	<b>\$ 4,456,186,000.00</b>	<b>\$ 7,299,612.38</b>		
<b>Total Accrued Interest</b>	<b>\$ 5,929,002,000.00</b>	<b>\$ 9,490,042.22</b>		
<b>Total Dollar Earnings for April</b>		<b>\$ 12,024,964.95</b>		

	<b>AVERAGE BALANCE</b>		<b>\$ 5,967,678,537.65</b>
	<b>GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS</b>	<b>2.452%</b>	<b>\$ 12,024,964.95</b>
	<b>ADMINISTRATION FEES</b>		<b>(\$465,969.42)</b>
	<b>NET EARNINGS RATE / NET DOLLAR EARNINGS</b>	<b>2.357%</b>	<b>\$11,558,995.53</b>





# SUMMARY OF POOL EARNINGS

## COUNTY OF SAN MATEO ESTIMATED SUMMARY OF POOL EARNINGS MAY 2019

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss &amp; Interest Received</u>	<u>Period Earnings</u>
<b>Fixed Income Securities Maturing &gt; 1 year</b>				
U S Treasury Notes	\$500,000,000	\$ 569,724.44	U S Treasury Notes	\$ 194,678.58
U.S. Instrumentalities	\$75,000,000	\$ 106,080.52	U.S. Instrumentalities	\$ 18,558.90
Federal Agencies	\$490,000,000	\$ 713,220.50	Federal Agencies	\$ 470,486.61
Corporate Notes	\$468,287,000	\$ 862,473.52	Corporate Notes	\$ 10,033.07
Certificate of Deposit	\$230,075,000	\$ 405,750.18	Floating Rate Securities	\$ 55,289.28
Floating Rate Securities	\$154,521,000	\$ 307,979.34	Commercial Paper	\$ 197,182.66
	<b>\$ 1,917,883,000.00</b>	<b>\$ 2,965,228.50</b>	Certificate of Deposit	\$ 294,656.09
			U S Treasury Bills	\$ 493,800.37
			Repurchase Agreements	\$ 706,584.03
			<b>Total Realized Income</b>	<b>\$ 2,441,269.59</b>
<b>Short Term Securities Maturing &lt; 1 year</b>				
U S Treasury Notes	\$25,000,000	\$ 51,540.47		
U.S. Instrumentalities	\$339,000,000	\$ 706,350.58		
Federal Agencies	\$1,332,850,000	\$ 2,370,722.09		
Corporate Notes	\$ 116,585,000.00	\$ 204,241.51		
Floating Rate Securities	\$ 62,500,000.00	\$ 150,469.71		
LAIF	\$ 65,000,000.00	\$ 132,493.15		
Commercial Paper	\$ 700,000,000.00	\$ 1,412,558.74		
Certificate of Deposit	\$ 819,728,000.00	\$ 1,670,422.26		
U S Treasury Bills	\$ 136,500,000.00	\$ 285,697.29		
Repurchase Agreements	\$ 265,650,000.00	\$ 52,687.25		
Dreyfus	\$ 3,580,455.58	\$ -		
	<b>\$3,866,393,456</b>	<b>\$ 7,037,183.05</b>		
<b>Total Accrued Interest</b>	<b>\$ 5,784,276,455.58</b>	<b>\$ 10,002,411.55</b>		
<b>Total Dollar Earnings for May</b>		<b>\$ 12,443,681.14</b>		

	<b>AVERAGE BALANCE</b>		<b>\$ 5,874,221,550.94</b>
	<b>GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS</b>	<b>2.494%</b>	<b>\$ 12,443,681.14</b>
	<b>ADMINISTRATION FEES</b>		<b>(\$473,961.16)</b>
	<b>NET EARNINGS RATE / NET DOLLAR EARNINGS</b>	<b>2.399%</b>	<b>\$11,969,719.98</b>



# SUMMARY OF POOL EARNINGS

## COUNTY OF SAN MATEO ESTIMATED SUMMARY OF POOL EARNINGS JUNE 2019

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss &amp; Interest Received</u>	<u>Period Earnings</u>
<b>Fixed Income Securities Maturing &gt; 1 year</b>				
U S Treasury Notes	\$500,000,000	\$ 628,235.32	Federal Agencies	\$ 940,648.36
U.S. Instrumentalities	\$85,000,000	\$ 136,611.81	Corporate Notes	\$ 48,328.63
Federal Agencies	\$404,650,000	\$ 607,926.84	Floating Rate Securities	\$ 85,745.41
Corporate Notes	\$564,517,000	\$ 1,092,350.47	Commercial Paper	\$ 239,845.09
Certificate of Deposit	\$160,000,000	\$ 372,191.23	Certificate of Deposit	\$ 249,000.57
Floating Rate Securities	\$136,286,000	\$ 314,687.76	U S Treasury Bills	\$ 2,956.25
	<b>\$1,850,453,000</b>	<b>\$ 3,152,003.44</b>	Repurchase Agreements	\$ 279,898.14
			<b>Total Realized Income</b>	<b>\$ 1,846,422.45</b>
<b>Short Term Securities Maturing &lt; 1 year</b>				
U S Treasury Notes	\$25,000,000	\$ 49,877.87		
U.S. Instrumentalities	\$339,000,000	\$ 683,565.08		
Federal Agencies	\$1,049,470,000	\$ 1,613,845.81		
Corporate Notes	\$150,327,000	\$ 249,231.92		
Floating Rate Securities	\$67,500,000	\$ 121,982.52		
LAIF	\$ 65,000,000.00	\$ 128,219.18		
Commercial Paper	\$625,000,000	\$ 1,247,971.47		
Certificate of Deposit	\$845,428,000	\$ 1,641,079.03		
U S Treasury Bills	\$174,000,000	\$ 267,984.69		
Repurchase Agreements	\$ 351,135,513.12	\$ 67,250.00		
	<b>\$3,691,860,513</b>	<b>\$ 6,071,007.57</b>		
<b>Total Accrued Interest</b>	<b>\$ 5,542,313,513.12</b>	<b>\$ 9,223,011.01</b>		
<b>Total Dollar Earnings for June</b>		<b>\$ 11,069,433.45</b>		

<b>AVERAGE BALANCE</b>	<b>\$ 5,438,675,009.02</b>
<b>GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS</b>	<b>2.476%</b>
<b>ADMINISTRATION FEES</b>	<b>\$ 11,069,433.45</b>
<b>NET EARNINGS RATE / NET DOLLAR EARNINGS</b>	<b>(\$424,663.67)</b>
	<b>\$10,644,769.79</b>

## C/CAG AGENDA REPORT

Date: August 28, 2019  
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)

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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 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 13, 2018:

*“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 April, May, and June 2019 earning rates are as follows:

	Local Agency Investment Fund (LAIF)	San Mateo County Investment Pool (COPOOL)
April	2.445%	2.357%
May	2.449%	2.399%
June	2.428%	2.381%

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%

On May 22, 2019, the Finance Committee reviewed the investment portfolio and recommended no change to the investment portfolio.

On June 13, 2019, the C/CAG Board approved of no change to the investment portfolio.

The investment portfolio as of June 30, 2019 is as follows:

	3/31/2019		6/30/2019	
	Amount	Percent	Amount	Percent
LAIF	\$17,017,482	69%	\$18,118,668	70%
COPOOL	\$7,488,352	31%	\$7,832,078	30%
Total	\$24,505,834	100%	\$25,950,746	100%

**ATTACHMENTS**

1. Quarterly Investment Report as of June 30, 2019 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: August 28, 2019**

**SUBJECT: Quarterly Investment Report as of June 30, 2019**

**RECOMMENDATION:**

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

**ANALYSIS:**

The attached investment report indicates that on June 30, 2019, funds in the amount of \$25,950,746 were invested producing a weighted average yield of 2.51%. Of the total investment portfolio, 69.8% of funds were invested in the Local Agency Investment Fund (LAIF) and 30.2% in the San Mateo County Investment Pool (COPOOL). These percentages are within the range specified by the C/CAG Board. Accrued interest earnings for this quarter totaled \$156,024. The portfolio mix reflects the Board approved percentage invested in the County Investment Pool and LAIF.

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

	<b>Qtr Ended 6/30/19</b>	<b>Qtr Ended 3/31/19</b>	<b>Increase (Decrease)</b>
Total Portfolio	\$ 25,950,746	\$ 24,505,834	\$ 1,444,912
Weighted Average Yield	2.51%	2.49%	0.02%
Accrued Interest Earnings	\$ 156,024	\$ 144,912	\$ 11,112

There was an increase of \$1.4 million in the portfolio balance this quarter compared to the previous quarter mainly due to cash receipts offset by cash disbursements in the fourth quarter for Measure M, NPDES, Bay Area Air Quality, and Congestion Relief and Management. The slightly higher weighted average yield resulted in slightly 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 June 30, 2019, 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 C/CAG 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 June 30, 2019
- 2 – Historical Summary of Investment Portfolio

**CITY & COUNTY ASSOCIATION OF GOVERNMENTS**

**SUMMARY OF ALL INVESTMENTS**

For Quarter Ending June 30, 2019

Category	Weighted Average Interest Rate	Historical Book Value	% of Portfolio	GASB 31 ADJ Market Value
<b>Liquid Investments:</b>				
Local Agency Investment Fund (LAIF)	2.57%	18,118,668	69.8%	18,149,684
San Mateo County Investment Pool (COPOOL)	2.38%	7,832,078	30.2%	7,852,441
<b>Agency Securities</b>				
<i>none</i>				
<b>Total - Investments</b>	<b>2.51%</b>	<b>25,950,746</b>	<b>100%</b>	<b>26,002,125</b>
<b>GRAND TOTAL OF PORTFOLIO</b>	<b>2.51%</b>	<b>\$ 25,950,746</b>	<b>100%</b>	<b>\$ 26,002,125</b>
<b>Total Interest Earned This Quarter</b>				<b>156,024</b>
<b>Total Interest Earned (Loss) Fiscal Year-to-Date</b>				<b>563,257</b>

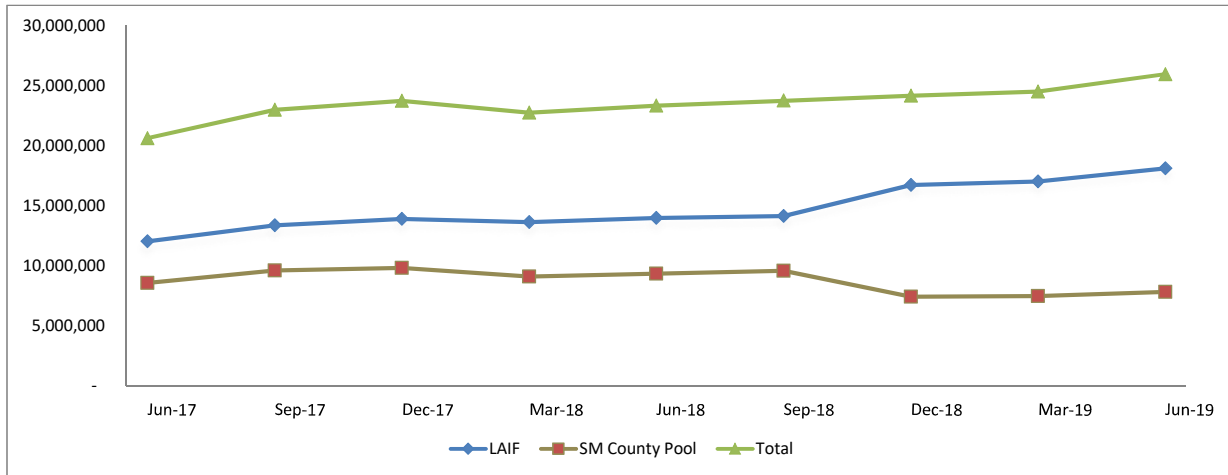
**Note: CCAG Board approved the following investment portfolio mix at its November 14, 2013 meeting:**

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

On November 28, 2018, the C/CAG Finance Committee reviewed the investment portfolio and removed the November 20, 2015 investment goal in consideration of LAIF outperforming the COPOOL. The committee removed the previous goal to respond to the yields of higher performing accounts consistent with the Board approved investment range and subject to the committee's quarterly review and recommendations.

\*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 June 30, 2019



*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

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
LAIF	12,034,768	13,363,368	13,896,995	13,637,606	13,988,892	14,152,699	16,728,451	17,017,482	18,118,668
SM County Pool	8,586,974	9,611,660	9,838,593	9,117,611	9,350,753	9,590,815	7,436,613	7,488,352	7,832,078
<b>Total</b>	<b>20,621,742</b>	<b>22,975,028</b>	<b>23,735,588</b>	<b>22,755,217</b>	<b>23,339,645</b>	<b>23,743,514</b>	<b>24,165,064</b>	<b>24,505,834</b>	<b>25,950,746</b>

On November 28, 2018, the C/CAG Finance Committee reviewed the investment portfolio and removed the November 20, 2015 investment goal in consideration of LAIF outperforming the COPOOL. The committee removed the previous goal to respond to the yields of higher performing accounts consistent with the Board approved investment range and subject to the committee's quarterly review and recommendations.



## **C/CAG AGENDA REPORT**

Date: August 28, 2019  
To: C/CAG Finance Committee  
From: Sandy Wong, Executive Director  
Subject: Review and recommend approval of the C/CAG Investment Policy annual update.  
(For further information or questions contact Jean Higaki at 599-1462)

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### **RECOMMENDATION**

That the C/CAG Finance Committee review and recommend approval of the C/CAG Investment Policy annual update.

### **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 September 13, 2018 the C/CAG Board approved the annual update of the C/CAG Investment Policy as recommended by the Finance Committee. 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.

Proposed modification to the C/CAG Investment Policy is attached, with track changes.

### **ATTACHMENTS**

1. Draft update of the C/CAG Investment Policy (with track changes).

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

**INVESTMENT POLICY**

Adopted on September 12, 2019

**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 California Debt and Investment Advisory Commission (CDIAC)~~Association of Public Treasurers~~. The authority governing investments for municipal governments is set forth in the California Government Code, Sections 53601 through ~~53659~~53686. 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. If there are no C/CAG meetings within the 75-day period, the quarterly report shall be presented to the Finance Committee at the soonest possible meeting thereafter.

## **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/CAG 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. C/CAG's investment policy shall be made available on C/CAG's website.

## COLLATERAL REQUIREMENTS

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. 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.

~~1. 3. Most mortgage-backed securities are 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). A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond have a maximum five years' maturity. Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO) and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision shall not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.~~

~~There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.~~

4. 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 40% of the cost value of the portfolio. Also, no more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.

~~Investments detailed in items 5 through 8 are further restricted to a percentage of the cost value of the portfolio in any single issuer name to a maximum of 10%. The total value invested in any one issuer shall not exceed 10% of the issuer's net worth. Again, a five-year maximum maturity limitation is applicable unless further restricted by this policy.~~

5. Commercial paper ranked the highest letter and number rating by a Nationally Recognized Statistical Rating Organization (NRSRO), such as 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 A or better rating on its long term debentures as provided by NRSRO. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 10% of the outstanding paper of the issuing corporation. Purchases of commercial paper may not exceed 25% of the ~~cost~~ value of the portfolio.
6. 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.
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 30% of the investment portfolio may be invested in this investment type. A maturity limitation of five years is applicable.
8. Medium Term Corporate Notes, with a maximum maturity of five years may be purchased. Securities eligible for investment shall be rated A or better by an NRSRO. Purchase of medium term notes may not exceed 30% of the market value of the portfolio. ~~and no more than 10% 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 10% 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	Government Code	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	16429.1	Upon Demand	N/A	As approved by the C/CAG Board but no more than \$65 million permitted by LAIF.	N/A
San Mateo County Investment Pool	53684	Upon Demand	N/A	As approved by the C/CAG Board	N/A
Treasury Obligations (bills, notes & bonds)	53601(b)	5 Years	N/A	100%	N/A
US Government Agency and Federal Agency Securities	53601(f)	5 Years	N/A	100%	N/A
<u>Mortgage Pass-Through Securities or Mortgage-Backed Securities</u>	<u>53601(o)</u>	<u>5 years</u>	<u>(C)</u>	<u>20%</u>	<u>N/A</u>
Bankers' Acceptances	53601(g)	180 Days	N/A	40%	(B)
Commercial Paper	53601(h)	270 Days	Highest letter and number rating by an NRSRO	25%	(A)
Negotiable Certificates of Deposit	53601(i)	5 Years	N/A	30%	<u>N/A(A)</u>
Time Certificates of Deposit – Banks or Savings and Loans	<u>53601.8 and 53635.8</u>	5 Years	N/A	30%	<u>N/A(A)</u>
Medium Term Corporate Notes	53601(k)	5 Years	A	30%	<u>N/A(A)</u>

(A) 10% of outstanding paper of issuing corporation ~~and 10% of the portfolio in one corporation~~

(B) No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.

(C) Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO.

(B)

## **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 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 \$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 approximately 8,05,700 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 \$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 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. 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.