

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, August 26, 2020

Time: 12:00 noon

On March 17, 2020, the Governor issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. Pursuant to the Shelter-in-Place Orders issued by the San Mateo County Health Officer and the Governor, and the CDC's social distancing guidelines, which discourage large public gatherings, C/CAG meetings will be conducted via remote conferencing. Members of the public may observe or participate in the meeting remotely via one of the options below.

Join by Zoom:

<https://us02web.zoom.us/j/85978169011?pwd=MWpGMUNBeGZENG1Fdk50V0Qrei9qUT09>

Meeting ID: 859 7816 9011

Password: 594651

Join by Phone: 669-900-6833

Meeting ID: 859 7816 9011

Password: 594651

Persons who wish to address the C/CAG Finance Committee on an item to be considered at this meeting, or on items not on this agenda, are asked to submit written comments to kwever@smcgov.org. Spoken public comments will also be accepted during the meeting through Zoom. Please see instructions for written and spoken public comments at the end of this agenda.

1. CALL TO ORDER
2. BRIEF OVERVIEW OF TELECONFERENCE MEETING PROCEDURES
3. PUBLIC COMMENT ON RELATED ITEMS NOT ON THE AGENDA
Note: Public comment is limited to two minutes per speaker.
4. Approval of minutes of June 5, 2020 meeting. (Action)
5. Receive copies of monthly investment statements for April, May, and June 2020. (Information)

6. Review of the quarterly investment report and recommend modifications to the C/CAG investment portfolio as needed. (Action)
7. Review and recommend approval of the C/CAG Investment Policy annual update. (Action)
8. Receive a copy of the Actuarial Valuation of Other Post-Employment Benefit (OPEB) Programs as of July 1, 2019 and GASB 75 Report for the fiscal year ending June 30, 2020. (Action)
9. ADJOURN

Next scheduled meeting December 2, 2020

PUBLIC NOTICING: All notices of C/CAG regular Finance Committee 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 Finance Committee 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 Finance Committee meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members, of the Finance Committee. The Finance Committee 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>. Please note that C/CAG's office is temporarily closed to the public; please contact Kim Wever at (650) 599-1451 to arrange for inspection of public records.

PUBLIC PARTICIPATION DURING VIDEOCONFERENCE MEETINGS: Persons with disabilities who require auxiliary aids or services to participate in this meeting should contact Kim Wever at (650) 599-1451, five working days prior to the meeting date.

Written comments should be emailed in advance of the meeting. Please read the following instructions carefully:

1. Your written comment should be emailed to kwever@smcgov.org.
2. Your email should include the specific agenda item on which you are commenting or note that your comment concerns an item that is not on the agenda.
3. Members of the public are limited to one comment per agenda item.
4. The length of the emailed comment should be commensurate with the two minutes customarily allowed for verbal comments, which is approximately 250-300 words.
5. If your emailed comment is received at least 2 hours prior to the meeting, it will be provided to the C/CAG Finance Committee members and made publicly available on the C/CAG website along with the agenda. We cannot guarantee that emails received less than 2 hours before the meeting will be made publicly available on the C/CAG website prior to the meeting, but such emails will be included in the administrative record of the meeting.

Spoken comments will be accepted during the meeting through Zoom. Please read the following instructions carefully:

1. The C/CAG Finance Committee meeting may be accessed through Zoom at the online location indicated at the top of this agenda.
2. You may download the Zoom client or connect to the meeting using an internet browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer.
3. You will be asked to enter an email address and name. We request that you identify yourself by your name as this will be visible online and will be used to notify you that it is your turn to speak.
4. When C/CAG Staff or Chair calls for the item on which you wish to speak, click on "raise hand", and if you joined the meeting by phone, dial *9 to raise hand. Staff will activate and unmute speakers in turn. Speakers will be notified shortly before they are called on to speak. When called, please limit your remarks to the time allotted.

If you have any questions about this agenda, please contact Sandy Wong at slwong@smcgov.org or 650-599-1409 or Kim Wever at kwever@smcgov.org or 650-599-1451

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
FINANCE COMMITTEE
MEETING MINUTES
June 5, 2020**

In compliance with Governor’s Executive Order N-29-20, and pursuant to the Shelter-in-Place Order issued by the San Mateo County Health Officer, this meeting was conducted via remote conferencing

Committee Members Attending:

Jay Benton (Town of Hillsborough)
Marie Chuang (Town of Hillsborough) – Committee Vice Chair
Ann Wengert (Town of Portola Valley) – Committee Chair
Davina Hurt (City of Belmont) (arrived 11:07 AM)

Committee Member(s) Absent:

Ricardo Ortiz (City of Burlingame)

Guests or Staff Attending:

Sandy Wong, Sean Charpentier, Kaki Cheung, Kim Wever – C/CAG Staff
Melissa Andrikopoulos – C/CAG Legal Counsel
Tammy Mak – City of San Carlos Finance Staff

1. Call to order

At 11:04 A.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 June 1, 2020 meeting. (Action)

Member Benton moved and Vice Chair Chuang seconded approval of the minutes. Roll Call was taken. Motioned passed 3-0. (Benton, Chuang, Wengert)

4. Receive updated information on Congestion Relief Plan and Congestion Management Program and provide input to the Draft C/CAG Program Budget and Member Fees for Fiscal Year 2020-21. (Action)

Sandy Wong, C/CAG Executive Director reported after the Finance Committee meeting on June 1, 2020, C/CAG staff began to prepare the Final Fiscal Year 2020-21 Budget incorporating the Finance Committee’s recommendation. As staff researched the detail of the Congestion Relief

Plan as adopted by the C/CAG Board in 2019, staff realized that there was additional information that would be relevant to the Committee's recommendation made at the June 1, 2020 meeting. Sandy Wong, C/CAG Executive Director explained the fee waiver recommendation would: 1) require amendment to Resolution 19-32, which adopted the Countywide Congestion Relief Plan (CRP) and authorized the assessment, 2) require a minimum of 25-day review set by the C/CAG bylaws since the CRP, including the annual assessments, has been incorporated into the Congestion Management Plan (CMP), and 3) although the proposed installment option would not have impact on programs in fiscal year 2020-21, it is unknown if there would be a potential negative impact on programs or service delivery in later years (Fiscal Years 2021-22 and 2022-23), if the Board waives 50% of the assessment for FY 2020-21.

Chair Wengert asked if the installment option require any amendments to the CRP. Sandy Wong, C/CAG Executive Director said she did consult with Melissa Andrikopoulos, C/CAG Legal Counsel, and confirmed no amendment would be required for deferred payments. Tammy Mak, City of San Carlos Finance staff explained that fiscal year 2020-21 deferred payments would be revenue for the following fiscal year. Chair Wengert asked if this will be one-year or two-year payback. Sandy Wong said if the C/CAG Board selects this installment option they would need to decide on the payback period but recommends that the C/CAG Board start with a one-year payback. Decision can be made in the future if extension is needed.

Member Benton recommended not to offer the installment option and require all jurisdictions to pay in full. Vice Chair Chuang was hesitant to recommend defer payments by more than one fiscal year. Member Hurt recommended giving the installment option to those that need it during this crisis, but strongly encourage jurisdictions to pay in full if they can. Member Hurt agreed with one-year payback or sooner. Member Benton asked if C/CAG has the ability to withhold funds from jurisdictions such as Measure M allocation in the event of default on payback. Sandy Wong, C/CAG Executive Director responded affirmatively and stated the Congestion Relief Plan fee is smaller than the Measure M allocation. Vice Chair Chuang asked about having a letter of agreement with the jurisdictions that select the installment option. Chair Wengert also recommended providing the installment option with a one-year payback in a letter of agreement that state the backstop from the Measure M allocation funds. Member Benton also recommended that this is a one-time only option because of COVID-19.

Based on the further information provided, Member Hurt moved to change the Finance Committee's June 1, 2020 recommendation to the Board to approve the C/CAG Program Budget and Member Fees and highly encourage jurisdictions to pay in full, however due to COVID-19 the jurisdictions have the one-time option to pay 50% of the fiscal year 2020/21 Congestion Relief Plan fee on-time and defer the remaining 50% payment to be paid in fiscal year 2021/22 by signing a letter of agreement that also includes the backstop from Measure M allocation funds. Vice Chair Chuang seconded. Roll Call was taken. Motioned passed 4-0.

5. Adjournment

The meeting adjourned at approximately 11:39 A.M.

C/CAG AGENDA REPORT

Date: August 26, 2020

To: C/CAG Finance Committee

From: Sandy Wong, Executive Director

Subject: Receive copies of monthly investment statements for April, May, and June 2020.

(For further information or questions contact Kim Wever at kwever@smcgov.org)

RECOMMENDATION

That the C/CAG Finance Committee receives copies of monthly investment statements for April, May, and June 2020.

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, 2020.

ATTACHMENTS

1. C/CAG's Monthly Major Cash Inflows and Outflows, LAIF, and SMC Investment Fund Summary for April, May, and June 2020
2. LAIF Performance Report Quarter Ending June 30, 2020
3. San Mateo County Treasurer's Office Pool Participants Distribution June 30, 2020
4. County Summary of Pool Earnings for April, May, and June 2020

CITY & COUNTY ASSOCIATION OF GOVERNMENTS
 Recap of Monthly Major Cash Inflows and Outflows
 for Quarter Ended June 30, 2020

April Cash Flow

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
April 2020	Beginning book balance (Checking)		1,622,241
	Measure M	DMV	651,799
	Congestion Relief & Management	MTC	320,920
	NPDES	County of San Mateo	399,130
	All other Receipts (2)	various	1,140
		Total April Cash Inflow	1,372,989
	Measure M	EOA Inc., and Cities of Daly City, Millbrae, and Pacifica	(310,489)
	Congestion Relief & Management	Gray Bowen Scott, Shaw/Yoder/Antwih, and Toole Design Group	(31,228)
	Bay Area Air Quality	Commute.org	(36,975)
	NPDES	City of Brisbane, EOA Inc., Paradigm Environment, Groner S Assoc, Shaw/Yoder/Antwih, Urban Rain Design, and Larry Walker Assoc.	(126,035)
	AB1546	EOA Inc. and Paradigm Environment, Cities: Daly City and Millbrae	(194,114)
	All other payments (6)	various	(52,308)
		Total April Cash Outflow	(751,148)
		Net Cash Inflow/(Outflow)	621,840
	Ending book balance (Checking)		2,244,081



San Mateo County Treasurer
555 County Center
Redwood City, 94063
(650) 599-1251 or (650) 599-7206

April County Pool Statement
Statement Ending Date: 4/30/2020
Account: 03412

STATEMENT OF ACCOUNT

City/County Association of Governments

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
3/31/2020	Balance brought forward		\$7,981,000.64	\$7,981,000.64
4/1/2020	Q3 Interest		\$36,077.77	\$8,017,078.41
4/30/2020	Ending Balance			\$8,017,078.41

April LAIF Statement

California State Treasurer
Fiona Ma, CPA



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

May 15, 2020

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[PMIA Average](#)
[Monthly Yields](#)

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

[Tran Type](#)
[Definitions](#)

Account Number: 40-41-004

April 2020 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
4/15/2020	4/14/2020	QRD	1636646	N/A	SYSTEM	90,732.53

Account Summary

Total Deposit:	90,732.53	Beginning Balance:	18,568,498.12
Total Withdrawal:	0.00	Ending Balance:	18,659,230.65

CITY & COUNTY ASSOCIATION OF GOVERNMENTS
 Recap of Monthly Major Cash Inflows and Outflows
 for Quarter Ended June 30, 2020

May Cash Flow

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
May 2020	Beginning book balance (Checking)		2,244,081
	Express Lane JPA	Peninsula Corridor Joint Power	57,978
	Measure M	DMV	593,239
	Bay Area Air Quality	Bay Area Air Quality Management District	544,252
	Energy Watch	PG&E	17,153
	All other Receipts (2)	various	309
		Total May Cash Inflow	<u>1,212,931</u>
	Measure M	Placeworks, Town of Woodside, County of San Mateo, Redwood City, and EOA Inc.	(124,205)
	Congestion Relief & Mgmt	Advanced Mobility Group, Commute.org, Fehr & Peers Assoc., Gray Bowen Scott, Placeworks, Cities: Menlo Park and Redwood City, County of San Mateo, and Toole Design Group	(399,015)
	NPDES	EOA Inc., Paradigm Environment, Cities: Brisbane and Redwood City, an County of San Mateo	(75,443)
	Energy Watch	County of San Mateo	(23,100)
	Smart Corridor	Kimley-Horn & Assoc. and Redwood City	(23,663)
	Bay Area Air Quality	Commute.org and SAMTRANS	(168,110)
	Express Lane JPA	City of Redwood City and County of San Mateo	(36,823)
	All other payments (28)	various	(63,839)
		Total May Cash Outflow	<u>(914,199)</u>
		Net Cash Inflow/(Outflow)	<u>298,732</u>
	Ending book balance (Checking)		<u>2,542,814</u>



San Mateo County Treasurer
555 County Center
Redwood City, 94063
(650) 599-1251 or (650) 599-7206

May County Pool Statement
Statement Ending Date: 5/31/2020
Account: 03412

STATEMENT OF ACCOUNT

City/County Association of Governments

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
4/30/2020	Balance brought forward		\$8,017,078.41	\$8,017,078.41
5/31/2020	Ending Balance			\$8,017,078.41

May LAIF Statement

California State Treasurer
Fiona Ma, CPA



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

June 05, 2020

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

[Tran Type](#)
[Definitions](#)

Account Number: 40-41-004

May 2020 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	18,659,230.65
Total Withdrawal:	0.00	Ending Balance:	18,659,230.65

CITY & COUNTY ASSOCIATION OF GOVERNMENTS
 Recap of Monthly Major Cash Inflows and Outflows
 for Quarter Ended June 30, 2020

June Cash Flow

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
	Beginning book balance (Checking)		2,542,814
June 2020	Express Lane JPA	San Mateo County Transportation Authority	38,616
	Congestion Relief & Management	MTC	329,084
	Energy Watch	PG&E	11,225
	NPDES	CALTRANS, County of San Mateo, Towns: Colma and Woodside	292,458
	Smart Corridor	CALTRANS	151,697
	Measure M	DMV and Dept of Transportation	616,617
	All other Receipts (5)	various	342
		Total June Cash Inflow	1,440,038
	Measure M	EOA Inc., Larry Walker Assoc., Cities of: Millbrae, Redwood City, San Carlos, and San Bruno, Town of Hillsborough, and County of San Mateo	(493,444)
	Congestion Relief & Management	Fehr & Peers Assoc, Redwood City, Shaw/Yoder/Antwih, Toole Design Group, and County of San Mateo	(180,018)
	NPDES	EOA Inc., Groner S Assoc., and County of San Mateo	(51,181)
	Bay Area Air Quality	SAMTRANS and County of San Mateo	(62,938)
	Express Lane JPA	Redwood City and County of San Mateo	(24,936)
	Smart Corridor	AEGIS ITS, Iteris Inc., Kimley-Horn & Assoc., and Redwood City	(77,826)
	AB1546	EOA Inc., City of Redwood City and Town of Woodside	(62,537)
	All other payments (17)	various	(61,172)
		Total June Cash Outflow	(1,014,052)
		Net Cash Inflow/(Outflow)	425,986
	Ending book balance (Checking)		2,968,800



San Mateo County Treasurer
 555 County Center
 Redwood City, 94063
 (650) 599-1251 or (650) 599-7206

June County Pool Statement
 Statement Ending Date: 6/30/2020
 Account: 03412

STATEMENT OF ACCOUNT

City/County Association of Governments

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
5/31/2020	Balance brought forward		\$8,017,078.41	\$8,017,078.41
6/30/2020	Ending Balance			\$8,017,078.41
7/1/2020	Fourth Quarter Interest FY1920		<u>\$32,177.02</u>	

June LAIF Statement

California State Treasurer
Fiona Ma, CPA



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

July 01, 2020

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

[Tran Type](#)
[Definitions](#)

Account Number: 40-41-004

June 2020 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	18,659,230.65
Total Withdrawal:	0.00	Ending Balance:	18,659,230.65



PMIA/LAIF Performance Report as of 08/07/20



PMIA Average Monthly Effective Yields⁽¹⁾

Jul	0.920
Jun	1.217
May	1.363

Quarterly Performance Quarter Ended 06/30/20

LAIF Apportionment Rate ⁽²⁾ :	1.47
LAIF Earnings Ratio ⁽²⁾ :	.00004012766505335
LAIF Fair Value Factor ⁽¹⁾ :	1.004912795
PMIA Daily ⁽¹⁾ :	1.08%
PMIA Quarter to Date⁽¹⁾:	1.41%
PMIA Average Life ⁽¹⁾ :	191

*Revised 7/21/2020 per State Controller's Office

Pooled Money Investment Account Monthly Portfolio Composition ⁽¹⁾ 06/30/20 \$101.0 billion

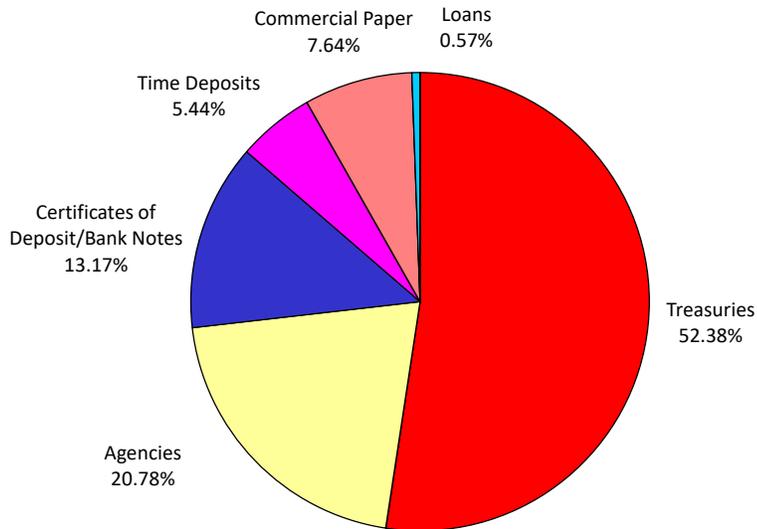


Chart does not include 0.02% of mortgages. Percentages may not total 100% due to rounding.

Daily rates are now available here. [View PMIA Daily Rates](#)

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1) and interest earned on the Wildfire Fund loan pursuant to Public Utility Code 3288 (a).

Source:

⁽¹⁾ State of California, Office of the Treasurer

⁽²⁾ State of California, Office of the Controller



**CALIFORNIA STATE TREASURER
FIONA MA, CPA**



PMIA Daily Rates

Date	Daily	Quarter to Date	Average Maturity
08/12/20	0.79	0.89	169
08/11/20	0.79	0.89	170
08/10/20	0.80	0.89	172
08/09/20	0.80	0.90	174
08/08/20	0.80	0.90	174
08/07/20	0.80	0.90	174
08/06/20	0.80	0.90	173
08/05/20	0.81	0.91	175
08/04/20	0.81	0.91	176
08/03/20	0.81	0.91	177
08/02/20	0.82	0.91	177
08/01/20	0.82	0.92	177
07/31/20	0.82	0.92	177
07/30/20	0.83	0.92	175
07/29/20	0.84	0.93	176
07/28/20	0.85	0.93	177
07/27/20	0.85	0.93	177
07/26/20	0.85	0.94	177
07/25/20	0.85	0.94	177
07/24/20	0.85	0.94	177
07/23/20	0.85	0.95	176
07/22/20	0.86	0.95	176
07/21/20	0.86	0.96	177
07/20/20	0.86	0.96	178
07/19/20	0.87	0.97	181
07/18/20	0.87	0.98	181
07/17/20	0.87	0.98	181
07/16/20	0.87	0.99	182
07/15/20	0.90	1.00	182
07/14/20	0.94	1.01	183
07/13/20	0.98	1.01	185
07/12/20	0.99	1.02	188
07/11/20	0.99	1.02	188
07/10/20	0.99	1.02	188
07/09/20	1.00	1.03	188
07/08/20	1.02	1.03	189
07/07/20	1.03	1.03	187
07/06/20	1.03	1.04	189
07/05/20	1.03	1.04	191
07/04/20	1.03	1.04	191

*Daily yield does not reflect capital gains or losses



CALIFORNIA STATE TREASURER
FIONA MA, CPA



PMIA Daily Rates

Date	Daily	Quarter to Date	Average Maturity
07/03/20	1.03	1.04	191
07/02/20	1.03	1.04	196
07/01/20	1.05	1.05	196

*Daily yield does not reflect capital gains or losses



California State Treasurer
Fiona Ma, CPA



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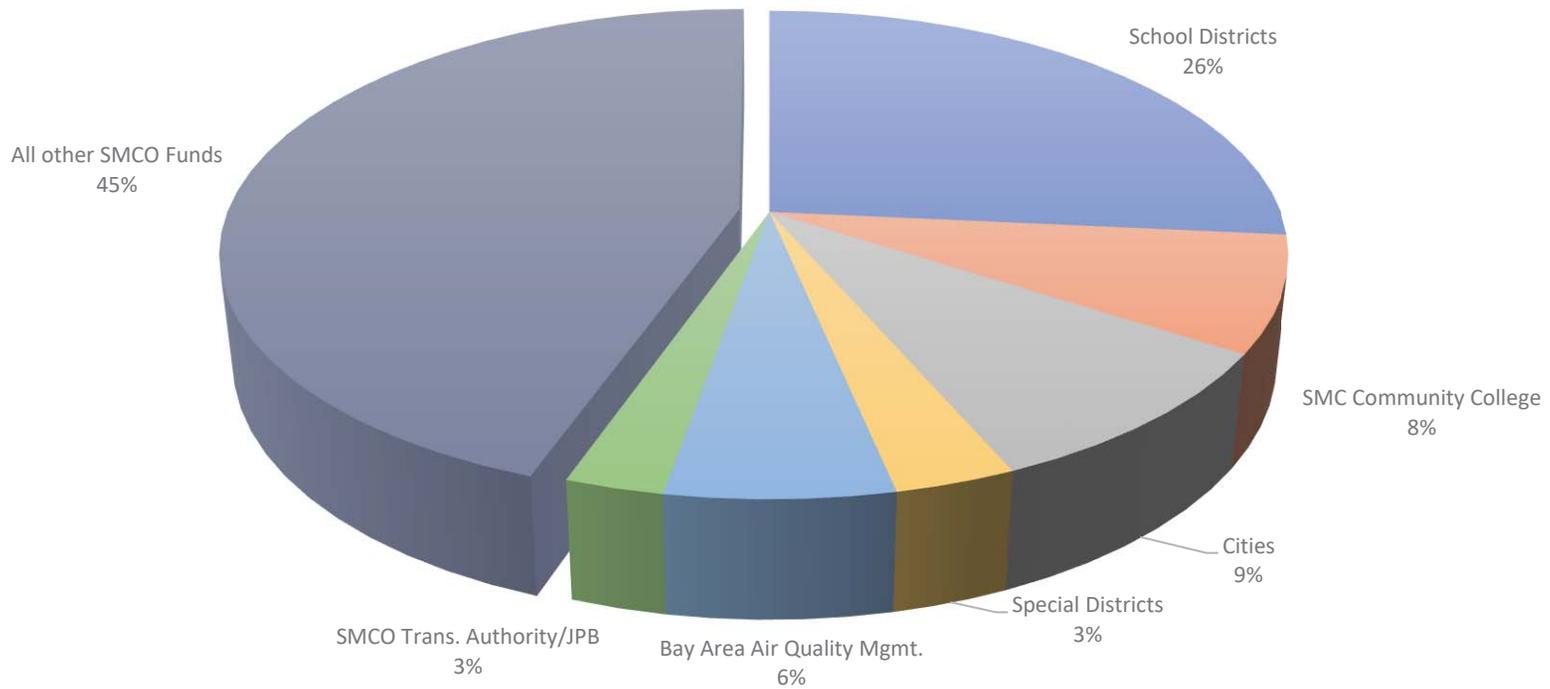
POOLED MONEY INVESTMENT ACCOUNT

PMIA Average Monthly Effective Yields

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1977	5.770	5.660	5.660	5.650	5.760	5.850	5.930	6.050	6.090	6.090	6.610	6.730
1978	6.920	7.050	7.140	7.270	7.386	7.569	7.652	7.821	7.871	8.110	8.286	8.769
1979	8.777	8.904	8.820	9.082	9.046	9.224	9.202	9.528	9.259	9.814	10.223	10.218
1980	10.980	11.251	11.490	11.480	12.017	11.798	10.206	9.870	9.945	10.056	10.426	10.961
1981	10.987	11.686	11.130	11.475	12.179	11.442	12.346	12.844	12.059	12.397	11.887	11.484
1982	11.683	12.044	11.835	11.773	12.270	11.994	12.235	11.909	11.151	11.111	10.704	10.401
1983	10.251	9.887	9.688	9.868	9.527	9.600	9.879	10.076	10.202	10.182	10.164	10.227
1984	10.312	10.280	10.382	10.594	10.843	11.119	11.355	11.557	11.597	11.681	11.474	11.024
1985	10.579	10.289	10.118	10.025	10.180	9.743	9.656	9.417	9.572	9.482	9.488	9.371
1986	9.252	9.090	8.958	8.621	8.369	8.225	8.141	7.844	7.512	7.586	7.432	7.439
1987	7.365	7.157	7.205	7.044	7.294	7.289	7.464	7.562	7.712	7.825	8.121	8.071
1988	8.078	8.050	7.945	7.940	7.815	7.929	8.089	8.245	8.341	8.397	8.467	8.563
1989	8.698	8.770	8.870	8.992	9.227	9.204	9.056	8.833	8.801	8.771	8.685	8.645
1990	8.571	8.538	8.506	8.497	8.531	8.538	8.517	8.382	8.333	8.321	8.269	8.279
1991	8.164	8.002	7.775	7.666	7.374	7.169	7.098	7.072	6.859	6.719	6.591	6.318
1992	6.122	5.863	5.680	5.692	5.379	5.323	5.235	4.958	4.760	4.730	4.659	4.647
1993	4.678	4.649	4.624	4.605	4.427	4.554	4.438	4.472	4.430	4.380	4.365	4.384
1994	4.359	4.176	4.248	4.333	4.434	4.623	4.823	4.989	5.106	5.243	5.380	5.528
1995	5.612	5.779	5.934	5.960	6.008	5.997	5.972	5.910	5.832	5.784	5.805	5.748
1996	5.698	5.643	5.557	5.538	5.502	5.548	5.587	5.566	5.601	5.601	5.599	5.574
1997	5.583	5.575	5.580	5.612	5.634	5.667	5.679	5.690	5.707	5.705	5.715	5.744
1998	5.742	5.720	5.680	5.672	5.673	5.671	5.652	5.652	5.639	5.557	5.492	5.374
1999	5.265	5.210	5.136	5.119	5.086	5.095	5.178	5.225	5.274	5.391	5.484	5.639
2000	5.760	5.824	5.851	6.014	6.190	6.349	6.443	6.505	6.502	6.517	6.538	6.535
2001	6.372	6.169	5.976	5.760	5.328	4.958	4.635	4.502	4.288	3.785	3.526	3.261
2002	3.068	2.967	2.861	2.845	2.740	2.687	2.714	2.594	2.604	2.487	2.301	2.201
2003	2.103	1.945	1.904	1.858	1.769	1.697	1.653	1.632	1.635	1.596	1.572	1.545
2004	1.528	1.440	1.474	1.445	1.426	1.469	1.604	1.672	1.771	1.890	2.003	2.134
2005	2.264	2.368	2.542	2.724	2.856	2.967	3.083	3.179	3.324	3.458	3.636	3.808
2006	3.955	4.043	4.142	4.305	4.563	4.700	4.849	4.946	5.023	5.098	5.125	5.129
2007	5.156	5.181	5.214	5.222	5.248	5.250	5.255	5.253	5.231	5.137	4.962	4.801
2008	4.620	4.161	3.777	3.400	3.072	2.894	2.787	2.779	2.774	2.709	2.568	2.353
2009	2.046	1.869	1.822	1.607	1.530	1.377	1.035	0.925	0.750	0.646	0.611	0.569
2010	0.558	0.577	0.547	0.588	0.560	0.528	0.531	0.513	0.500	0.480	0.454	0.462
2011	0.538	0.512	0.500	0.588	0.413	0.448	0.381	0.408	0.378	0.385	0.401	0.382
2012	0.385	0.389	0.383	0.367	0.363	0.358	0.363	0.377	0.348	0.340	0.324	0.326
2013	0.300	0.286	0.285	0.264	0.245	0.244	0.267	0.271	0.257	0.266	0.263	0.264
2014	0.244	0.236	0.236	0.233	0.228	0.228	0.244	0.260	0.246	0.261	0.261	0.267
2015	0.262	0.266	0.278	0.283	0.290	0.299	0.320	0.330	0.337	0.357	0.374	0.400
2016	0.446	0.467	0.506	0.525	0.552	0.576	0.588	0.614	0.634	0.654	0.678	0.719
2017	0.751	0.777	0.821	0.884	0.925	0.978	1.051	1.084	1.111	1.143	1.172	1.239
2018	1.350	1.412	1.524	1.661	1.755	1.854	1.944	1.998	2.063	2.144	2.208	2.291
2019	2.355	2.392	2.436	2.445	2.449	2.428	2.379	2.341	2.280	2.190	2.103	2.043
2020	1.967	1.912	1.787	1.648	1.363	1.217	0.920					



SAN MATEO COUNTY TREASURER'S OFFICE POOL PARTICIPANTS DISTRIBUTION
June 30, 2020



Participants:	\$	%
School Districts	\$ 1,595,129,959.48	23.8%
SMC Community College	\$ 461,510,785.97	8.7%
Cities	\$ 561,274,586.52	8.8%
Special Districts	\$ 193,374,929.64	3.3%
Bay Area Air Quality Mgmt.	\$ 364,222,820.68	6.0%
SMCO Trans. Authority/JPB	\$ 157,655,043.37	3.5%
All other SMCO Funds	\$ 2,686,738,362.89	45.9%
Totals	\$ 6,019,906,488.55	100.0%

*Figures are based on the account balances of current pool participants and it will not match the Market Value of the pool.



SUMMARY OF POOL EARNINGS

COUNTY OF SAN MATEO ESTIMATED SUMMARY OF POOL EARNINGS APRIL 2020

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss & Interest Received</u>	<u>Period Earnings</u>
<u>Fixed Income Securities Maturing > 1 year</u>				
U S Treasury Notes	\$ 2,220,515,000.00	\$ 2,517,300.52	U S Treasury Notes	\$ 582,494.32
Corporate Notes	567,556,000.00	991,200.84	Corporate Notes	42,289.17
Floating Rate Securities	95,265,000.00	113,590.00	Certificate of Deposit	61,580.63
Federal Agencies	643,850,000.00	781,634.86	Federal Agencies	163,948.20
U.S. Instrumentalities	75,000,000.00	80,998.12	U.S. Instrumentalities	68,173.98
Asset Backed Securities	86,465,000.00	69,753.67	Floating Rate Securities	44,670.13
Certificate of Deposit	135,000,000.00	223,472.60	Asset Backed Securities	60,626.17
	\$ 3,823,651,000.00	\$ 4,777,950.62	Dreyfus	1,587.84
			LAIF	96,031.40
			CAMP	157,100.78
			Union Bank Earnings Credit	30,599.13
			Total Realized Income	\$1,309,101.75
<u>Short Term Securities Maturing < 1 year</u>				
U S Treasury Notes	\$ 212,975,000.00	\$ 290,660.14		
Corporate Notes	251,384,000.00	533,030.70		
Floating Rate Securities	69,946,000.00	96,621.38		
Federal Agencies	331,670,000.00	316,588.37		
U.S. Instrumentalities	369,574,000.00	327,955.99		
U S Treasury Bills	25,000,000.00	31,927.09		
Certificate of Deposit	265,000,000.00	422,376.38		
Commercial Paper	150,000,000.00	70,358.34		
Dreyfus	16,069,299.92			
CAMP	450,000,000.00	263,946.58		
LAIF	75,000,000.00	77,465.75		
	\$ 2,216,618,299.92	\$ 2,430,930.73		
Total Accrued Interest	\$ 6,040,269,299.92	\$ 7,208,881.34		
Total Dollar Earnings for April		\$ 8,517,983.09		

AVERAGE BALANCE	\$ 6,035,595,710.30
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	1.717%
ADMINISTRATION FEES	(471,272.54)
NET EARNINGS RATE / NET DOLLAR EARNINGS	\$8,046,710.55



SUMMARY OF POOL EARNINGS

COUNTY OF SAN MATEO ESTIMATED SUMMARY OF POOL EARNINGS MAY 2020

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss & Interest Received</u>	<u>Period Earnings</u>
<u>Fixed Income Securities Maturing > 1 year</u>				
U S Treasury Notes	\$ 2,220,515,000.00	\$ 2,652,529.34	U S Treasury Notes	\$ 117,539.42
Corporate Notes	480,716,000.00	798,267.30	Corporate Notes	66,486.18
Floating Rate Securities	85,265,000.00	95,050.55	Certificate of Deposit	66,435.81
Federal Agencies	711,940,000.00	857,391.11	Federal Agencies	165,515.39
U.S. Instrumentalities	65,000,000.00	50,854.87	U.S. Instrumentalities	312,588.87
Asset Backed Securities	86,465,000.00	74,313.96	U.S. Treasury Bills	6,385.42
Certificate of Deposit	160,000,000.00	227,657.53	Floating Rate Securities	88,764.06
	\$ 3,809,901,000.00	\$ 4,756,064.67	Asset Backed Securities	13,219.77
			Commercial Paper	15,561.11
			Dreyfus	60,024.49
			Union Bank Earnings Credit	73,932.82
			Total Realized Income	\$ 986,453.35
<u>Short Term Securities Maturing < 1 year</u>				
U S Treasury Notes	\$ 212,975,000.00	\$ 300,348.81		
Corporate Notes	324,384,000.00	716,870.23		
Floating Rate Securities	59,946,000.00	51,059.20		
Federal Agencies	279,650,000.00	201,292.12		
U.S. Instrumentalities	394,574,000.00	359,157.46		
U S Treasury Bills	30,000,000.00	1,397.22		
Certificate of Deposit	235,000,000.00	262,764.79		
Commercial Paper	137,600,000.00	94,606.96		
Dreyfus	1,329,069.81	-		
CAMP	550,000,000.00	401,917.81		
LAIF	75,000,000.00	82,808.22		
	\$ 2,300,458,069.81	\$ 2,472,222.83		
Total Accrued Interest	\$ 6,110,359,069.81	\$ 7,228,287.49		
Total Dollar Earnings for May		\$ 8,214,740.85		

AVERAGE BALANCE	\$ 6,211,479,641.91
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	1.557%
ADMINISTRATION FEES	(501,172.81)
NET EARNINGS RATE / NET DOLLAR EARNINGS	\$7,713,568.04



SUMMARY OF POOL EARNINGS

ESTIMATED SUMMARY OF POOL EARNINGS JUNE 2020

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss & Interest Received</u>	<u>Period Earnings</u>
Fixed Income Securities Maturing > 1 year				
U S Treasury Notes	\$ 2,220,515,000.00	\$ 2,503,957.57	U S Treasury Notes	\$ 479,853.87
Corporate Notes	497671000.00	849841.67	Corporate Notes	63,454.13
Floating Rate Securities	73265000.00	89998.26	Certificate of Deposit	40,866.88
Federal Agencies	750215000.00	657623.83	Federal Agencies	264,177.84
U.S. Instrumentalities	35000000.00	47949.72	U.S. Instrumentalities	53,656.09
Asset Backed Securities	86465000.00	69753.67	Floating Rate Securities	8,735.20
Certificate of Deposit	135000000.00	207780.82	Asset Backed Securities	60,626.17
	\$3,798,131,000	\$ 4,426,905.55	Commercial Paper	2,750.00
			Dreyfus	2,936.68
			Union Bank Earnings Credit	24,576.68
			Total Realized Income	\$1,001,633.54
Short Term Securities Maturing < 1 year				
U S Treasury Notes	\$ 212,975,000.00	\$ 290,660.14		
Corporate Notes	318394000.00	673308.95		
Floating Rate Securities	59946000.00	44488.90		
Federal Agencies	305000000.00	210361.34		
U.S. Instrumentalities	348685000.00	282371.51		
U S Treasury Bills	55000000.00	5433.33		
Certificate of Deposit	235000000.00	231874.44		
Commercial Paper	122600000.00	72471.25		
Dreyfus	3908886.08	0.00		
CAMP	380000000.00	154356.16		
LAIF	75000000.00	80136.99		
	\$ 2,116,508,886.08	\$ 2,045,463.01		
Total Accrued Interest	\$ 5,914,639,886.08	\$ 6,472,368.56		
Total Dollar Earnings for June		\$ 7,474,002.10		

	AVERAGE BALANCE		\$ 6,121,559,163.65
	GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	1.485%	7,474,002.10
	ADMINISTRATION FEES		(477,984.76)
	NET EARNINGS RATE / NET DOLLAR EARNINGS	1.390%	\$6,996,017.34



SUMMARY OF POOL EARNINGS

Q4 FY 2019-2020

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss & Interest Received</u>	<u>Period Earnings</u>
Fixed Income Securities Maturing > 1 year				
U S Treasury Notes	\$ 2,220,515,000.00	\$ 6,010,097.20	U S Treasury Notes	\$ 3,161,188.93
Corporate Notes	555,671,000.00	2,361,821.05	Corporate Notes	702552.77
Floating Rate Securities	55,265,000.00	93,954.22	Certificate of Deposit	704261.84
Federal Agencies	750,215,000.00	1,268,639.04	Federal Agencies	1577849.89
U.S. Instrumentalities	45,000,000.00	179,255.05	U.S. Instrumentalities	386364.27
Asset Backed Securities	86,465,000.00	60,505.16	Floating Rate Securities	293892.86
Certificate of Deposit	110,000,000.00	507,356.16	Asset Backed Securities	339906.55
	\$3,823,131,000	\$ 10,481,627.89	U S Treasury Bills	38312.51
			Commercial Paper	76361.11
			LAIF/CAMP	253132.17
			Dreyfus	7358.63
			Union Bank Earnings Credit	89803.46
			Total Realized Income	\$7,630,984.99
Short Term Securities Maturing < 1 year				
U S Treasury Notes	\$ 212,975,000.00	\$ 881,669.10		
Corporate Notes	273394000.00	1649746.99		
Floating Rate Securities	84946000.00	104867.00		
Federal Agencies	305000000.00	539142.25		
U.S. Instrumentalities	333685000.00	742898.94		
U S Treasury Bills	55000000.00	6830.55		
Certificate of Deposit	220000000.00	738276.76		
Commercial Paper	147600000.00	235158.93		
Dreyfus	3908886.08	0.00		
CAMP	380000000.00	820220.55		
LAIF	75000000.00	240410.96		
	\$ 2,091,508,886.08	\$ 5,959,222.04		
Total Accrued Interest	\$ 5,914,639,886.08	\$ 16,440,849.93		
Total Dollar Earnings for Q4 FY 2019-20		\$ 24,071,834.92		

	AVERAGE BALANCE	\$ 6,123,850,153.35
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	1.581%	24,071,834.92
ADMINISTRATION FEES		(1,446,466.79)
TRUE-UP CREDIT ADJUSTMENT Q4 FY 2019-20		1,187,972.50
TRUE-UP CREDIT ADJUSTMENT FY 2018-19		765,092.00
NET EARNINGS RATE / NET DOLLAR EARNINGS	1.610%	\$ 24,578,432.63

*True-up credit is based on annual admin fee less estimated budget requirements for current fiscal year

*Current admin fees rate is at 9.5bp



SUMMARY OF POOL EARNINGS

FISCAL YEAR 2019-2020 ENDED JUNE 30, 2020

	<u>Gross Earnings</u>		<u>Realized Gain/Loss & Interest Received</u>
Fixed Income Securities Maturing > 1 year			
U S Treasury Notes	\$ 19,642,457.73	U S Treasury Notes	\$ 11,231,334.30
U.S. Instrumentalities	940,997.93	U.S. Instrumentalities	2,402,835.98
Federal Agencies	6,587,004.76	Federal Agencies	8,754,425.50
Corporate Notes	9,420,814.21	Corporate Notes	5,317,715.73
Certificate of Deposit	2,617,739.38	Floating Rate Securities	2,152,953.05
Asset Backed Securities	137,275.55	Commercial Paper	2,017,630.57
Floating Rate Securities	1,361,973.35	Certificate of Deposit	5,499,669.59
	\$ 40,708,262.91	U S Treasury Bills	701,123.60
Short Term Securities Maturing < 1 year			
U S Treasury Notes	\$ 1,634,248.54	Asset Backed Securities	603,059.01
U.S. Instrumentalities	2,373,492.12	Dreyfus	39,914.05
Federal Agencies	4,028,657.80	Union Bank Earnings Credit	140,688.87
Corporate Notes	4,769,120.02	Repurchase Agreements/LAIF/CAMP	2,201,758.28
Floating Rate Securities	484,187.62	Total Realized Income	\$ 41,063,108.53
Commercial Paper	2,374,842.36		
Certificate of Deposit	5,348,899.74		
U S Treasury Bills	849,984.92		
LAIF	1,303,602.74		
CAMP	1,426,336.99		
Repurchase Agreements	15,968.20		
	\$ 24,609,341.05		
Total Dollar Earnings	\$ 106,380,712.49		

	AVERAGE BALANCE	\$ 5,568,187,435.64 B
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	1.911%	106,380,712.49
ADMINISTRATION FEES		(5,300,307.68)
TRUE-UP CREDIT ADJUSTMENT Q3 FY 2019-20		755,728.97
TRUE-UP CREDIT ADJUSTMENT Q4 FY 2019-20		1,187,972.50
TRUE-UP CREDIT ADJUSTMENT FY 2018-19		765,092.00
NET EARNINGS RATE / NET DOLLAR EARNINGS	1.864% =(A/B)	\$ 103,789,198.28 A

*True-up credit is based on annual admin fee less estimated budget requirements for current fiscal year
 *Current admin fees rate is at 9.5bp

C/CAG AGENDA REPORT

Date: August 26, 2020
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 questions contact Kim Wever at kwever@smcgov.org)

RECOMMENDATION

That the C/CAG Finance Committee review 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 12, 2019:

“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.

The LAIF Quarter Ending 06/30/20 net interest earning rate is 1.41%
San Mateo County Pool Quarter Ending 06/30/20 net interest earning rate is 1.61%

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 25, 2020, the Finance Committee reviewed the investment portfolio and recommend no change to the investment portfolio. On June 11, 2020, the C/CAG Board approved of no change to the investment portfolio.

The investment portfolio as of June 30, 2020 is as follows:

	3/31/2020		6/30/2020	
	Amount	Percent	Amount	Percent
LAIF	\$18,568,498	70%	\$18,659,231	70%
COPOOL	\$7,981,001	30%	\$8,017,078	30%
Total	\$26,549,499	100%	26,676,309	100%

ATTACHMENTS

1. Quarterly Investment Report as of June 30, 2020 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 26, 2020

SUBJECT: Quarterly Investment Report as of June 30, 2020

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, 2020, funds in the amount of \$26,676,309 were invested producing a weighted average yield of 1.47%. Of the total investment portfolio, 69.9% of funds were invested in the Local Agency Investment Fund (LAIF) and 30.1% 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 \$100,262. 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:

	Qtr Ended 6/30/20	Qtr Ended 3/31/20	Increase (Decrease)
Total Portfolio	\$ 26,676,309	\$ 26,549,499	\$ 126,810
Weighted Average Yield	1.47%	1.87%	-0.40%
Accrued Interest Earnings	\$ 100,262	\$ 126,810	\$ (26,548)

There was an increase of \$0.1 million in the portfolio balance this quarter compared to the previous quarter due to the receipt of interest income in the investment accounts. Throughout the quarter, the cash receipts deposited were sufficient to cover the cash disbursements causing the low activity in the investment accounts. The slightly lower quarterly interest rate resulted in slightly lower 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, 2020, 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, 2020
- 2 – Historical Summary of Investment Portfolio

CITY & COUNTY ASSOCIATION OF GOVERNMENTS

SUMMARY OF ALL INVESTMENTS

For Quarter Ending June 30, 2020

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

Local Agency Investment Fund (LAIF)	1.41%	18,659,231	69.9%	18,750,900
San Mateo County Investment Pool (COPOOL)	1.61%	8,017,078	30.1%	8,175,817

Agency Securities

none

Total - Investments	1.47%	26,676,309	100%	26,926,716
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GRAND TOTAL OF PORTFOLIO	1.47%	\$ 26,676,309	100%	\$ 26,926,716
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Total Interest Earned This Quarter	100,262
Total Interest Earned (Loss) Fiscal Year-to-Date	514,801

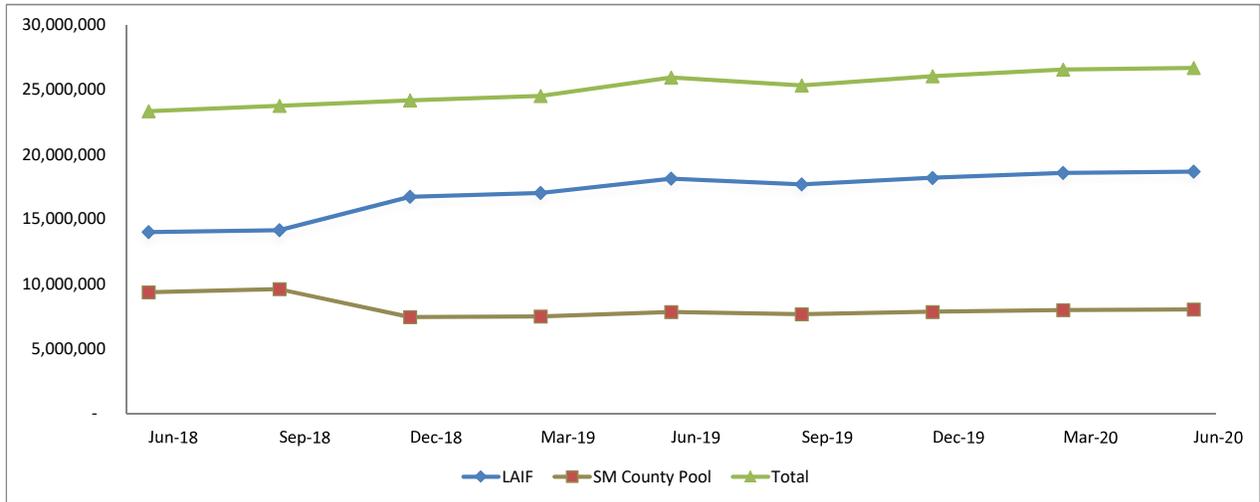
Note: CCAG Board approved the following investment portfolio mix at its November 14, 2013 meeting:

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

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

**Presented net of administrative fees

City and County Association of Governments Historical Summary of Investment Portfolio June 30, 2020



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-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
LAIF	13,988,892	14,152,699	16,728,451	17,017,482	18,118,668	17,679,856	18,186,431	18,568,498	18,659,231
SM County Pool	9,350,753	9,590,815	7,436,613	7,488,352	7,832,078	7,651,914	7,843,493	7,981,001	8,017,078
Total	23,339,645	23,743,514	24,165,064	24,505,834	25,950,746	25,331,770	26,029,924	26,549,499	26,676,309

C/CAG AGENDA REPORT

Date: August 26, 2020
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 Sandy Wong at slwong@smcgov.org)

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 12, 2019, the C/CAG Board approved Resolution 19-55 adopting the C/CAG Investment Policy update 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.

ATTACHMENT

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 , 202012, 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). The authority governing investments for municipal governments is set forth in the California Government Code, Sections 53601 through 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.
3. 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 has 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. However, on August 28, 2019, the C/CAG Finance Committee rejected a modification to this provision which would allow a public agency to invest in mortgage-backed securities. Therefore, mortgage pass-through securities and mortgage-backed securities are disallowed investments unless as part of LAIF or County Pool investments, which are governed by Government Code 16429.1 and 53684, respectively.
4. Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as bankers' acceptances. Bankers' 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.

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 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~~50% (effective January 1, 2020) 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.
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 <u>75</u> 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
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%	N/A
Time Certificates of Deposit – Banks or Savings and Loans	53601.8 and 53635.8	5 Years	N/A	30 <u>50</u> %	N/A
Medium Term Corporate Notes	53601(k)	5 Years	A	30%	N/A

(A) 10% of outstanding paper of issuing corporation

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

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 8,000 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.

C/CAG AGENDA REPORT

Date: August 26, 2020

TO: C/CAG Finance Committee

From: Sandy Wong, Executive Director

Subject: Receive a copy of the Actuarial Valuation of Other Post-Employment Benefit (OPEB) Programs as of July 1, 2019 and GASB 75 Report for the fiscal year ending June 30, 2020

(For further information or response to questions, contact Sandy Wong at slwong@smcgov.org)

RECOMMENDATION:

That the Finance Committee receive a copy of the Actuarial Valuation of Other Post-Employment Benefit (OPEB) Programs as of July 1, 2019 and GASB 75 Report for the fiscal year ending June 30, 2020.

FISCAL IMPACT:

Cost to prepare the updated actuarial valuation report for OPEB liabilities is \$4,200.

REVENUE SOURCES:

Funding for the report preparation is from C/CAG General Fund.

BACKGROUND/DISCUSSION:

The Government Accounting Standards Board (GASB) adopted accounting and financial reporting standards provide requirements for the accounting and financial reporting by employers for post-employment benefits other than pensions (OPEB). C/CAG provides post-employment benefit in the form of health insurance for retirees. C/CAG has elected to prefund OPEB through CalPERS Trust. See additional background information in the section below.

The California Employers' Retiree Benefit Trust (CERBT) Fund is an Internal Revenue Code Section 115, multiple-employer OPEB trust fund and has a fiduciary responsibility for financial reporting in accordance to the Governmental Accounting Standards Statement No. 74. C/CAG is required to submit a renewal OPEB Valuation at least every two years, including the Certificate of Funding Policy.

C/CAG engaged MacLeod Watts, Inc., an actuarial services firm, to prepare the updated actuarial valuation of other postemployment benefits (OPEB) liabilities to comply with GASB 75. The Principal Actuary of MacLeod Watts, prior to founding the firm, was the Director of Post-Employment Benefits at Bickmore & Associates which provided services to C/CAG since 2012.

Although GASB 75 requires that updated calculations be prepared after the close of every fiscal year end, each valuation may typically be used for two years (fiscal year ending June 30, 2020 and fiscal year ending June 30, 2021) in the development of the plan accounting under GASB 75.

This report presents the results of the June 30, 2019 actuarial valuation (Measurement date of June 30, 2019) of the other post-employment benefit (OPEB) program of C/CAG. The purposes of this valuation are to:

1. Develop Actuarially Determined Contribution (ADC) levels for prefunding plan benefits.
2. Provide information required by the California Employers' Retiree Benefit Trust (CERBT).
3. Assess the OPEB liabilities and provide disclosure information as required by Statement No. 75 of the Government Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2020.

Below is a brief summary of Actuarially Determined Contribution (ADC) and other related data excerpt from the report:

	FY ending 6/30/2020	FY ending 6/30/2021	FY ending 6/30/2022
Actuarial Accrued Liability (AAL)	\$313,472	\$385,093	\$430,166
Actuarial Value of Assets	\$188,948	\$250,817	\$307,522
Unfunded AAL	\$124,524	\$134,276	\$122,644
Actuarially Determined Contribution (ADC)	\$55,709	\$49,312	\$50,016
Projected premiums paid	\$9,217	\$9,264	\$9,667
Expected contribution to Trust	\$48,452	\$40,048	\$40,349

Additional background information:

In response to Government Accounting Standards Board (GASB) Statement Number 45, in 2012, for the first time, C/CAG retained Bickmore & Associates, an actuarial firm to prepare the Actuarial Valuation of the Other Post-Employment Benefit Programs as of July 1, 2012 for fiscal years ending June 30, 2014 and June 30, 2015. That actuarial valuation was updated in June 2016 for fiscal years ending June 30, 2016 and June 30, 2017.

On June 11, 2015, the C/CAG Board approved Resolution 15-33 authorizing an agreement and election of C/CAG to prefund OPEB through CalPERS – California Employers' Retiree Benefit Trust Program (CERBT). On June 11, 2015, the C/CAG Board also approved a funding policy in an amount of \$30,000 to cover the Annual Required Contribution (ARC) as initial investment into the CERBT trust and selected Asset Allocation Strategy 2 for FY 2014-15. Subsequently, C/CAG adopted the below Resolutions authorizing the prefunding of OPEB through CalPERS Trust as follows:

- Resolution 15-xx prefunding of \$30,000 for FY 2014-15.
- Resolution 16-21 prefunding of \$27,000 for FY 2015-16.
- Resolution 17-26 prefunding of \$25,000 for FY 2016-17.
- Resolution 18-37 prefunding of \$44,631 for FY 2017-18.
- Resolution 19-34 prefunding of \$42,802 for FY 2018-19.
- Resolution 20-39 prefunding of \$48,452 for FY 2019-20.

In total, C/CAG invested \$217,885 in the CERBT Trust, with the account ending balance of \$247,864 on June 30, 2020.

Funds deposited into an irrevocable trust may only be used to pay retiree medical benefits. However, should C/CAG stop prefunding retiree medical benefits, it may withdraw funds from the trust, as needed, to pay retiree medical benefits. Also, if C/CAG were ever able to completely extinguish its retiree medical liability, any funds remaining in the trust would be returned to C/CAG.

ATTACHMENT

1. Actuarial Valuation of Other Post-Employment Benefit (OPEB) Programs as of July 1, 2019 and GASB 75 Report for the fiscal year ending June 30, 2020 (Available online at <https://ccag.ca.gov/committees/finance-committee/>)