

C/CAG

City/County Association of Governments of San Mateo County

Atherton • Belmont • Brisbane • Burlingame • Colma • Daly City • East Palo Alto • Foster City • Half Moon Bay • Hillsborough • Menlo Park
Millbrae • Pacifica • Portola Valley • Redwood City • San Bruno • San Carlos • San Mateo • San Mateo County • South San Francisco • Woodside

C/CAG FINANCE COMMITTEE AGENDA

Date: Wednesday, November 30, 2022

Time: 12:00 P.M. Noon

On September 16, 2021, the Governor signed AB 361, which amended certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings remotely via telephonically or by other electronic means under specified circumstances. Thus, pursuant to Government Code section 54953(e), the C/CAG Board and Committee 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/85136419787?pwd=VjRCaFBocU8zcFNKTjRiRkxyWVY3dz09>

Meeting ID: 851 3641 9787

Password: 199328

Join by Phone: 669-900-6833

Meeting ID: 851 3641 9787

Password: 199328

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 | Chair Colson | No materials |
| 2. BRIEF OVERVIEW OF TELECONFERENCE MEETING PROCEDURES | Wever | No materials |
| 3. PUBLIC COMMENT ON RELATED ITEMS NOT ON THE AGENDA
<i>Note: Public comment is limited to two minutes per speaker.</i> | Chair Colson | No materials |
| 4. Approval of minutes of August 24, 2022 meeting. (Action) | Wever | Page 1-3 |
| 5. Receive copies of monthly investment statements for July, August and September 2022. (Information) | Wever | Page 4-22 |

6. Review of the quarterly investment report and recommend modifications to the C/CAG investment portfolio as needed. (Action)	Charpentier/Mak	Page 23-28
7. Accept the C/CAG Financial Statements (Audit) for Fiscal Year Ended June 30, 2022 and the Memorandum on Internal Control and Required Communications for the Year Ended June 30, 2022 and communicate with representative from auditing firm. (Action)	Charpentier	Page 29-105
8. Accept the following C/CAG Programs Audits:	Charpentier	Page 106-135
8A. Accept the C/CAG State Transportation Improvement Program (STIP) Planning, Programming & Monitoring Program (PPM) Final Project Expenditure Audit Report from July 1, 2020 through June 30, 2022 and from July 1, 2021 through June 30, 2022. (Action)		
8B. Accept the Measure M Fund Financial Statements (Audit) for the Year Ended June 30, 2022. (Action)		Page 136-156
9. Review and approve the 2023 Finance Committee Meeting Calendar. (Action)	Wever	Page 157
10. Review and recommend approval of the C/CAG Investment Policy annual update with the addition of a Socially Responsible Investment Objective. (Action)	Charpentier/Mak	Page 158-173

ADJOURN

The next regularly scheduled meeting will be on February 22, 2023.

PUBLIC NOTICING: All notices of C/CAG regular Board meetings, standing committee meetings, and special meetings will be posted at the San Mateo County Court Yard, 555 County Center, Redwood City, 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 Sean Charpentier at scharpentier@smcgov.org or Kim Wever at kwever@smcgov.org

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
FINANCE COMMITTEE
MEETING MINUTES
August 24, 2022**

In compliance with the provisions of the Government Code section 54953(e), this meeting was conducted via remote conferencing

Committee Members Attending:

Davina Hurt (City of Belmont)
Ricardo Ortiz (City of Burlingame)
Carlos Romero (City of East Palo Alto)
Donna Colson (City of Burlingame)
Adam Rak (City of San Carlos)

Guests or Staff Attending:

Tammy Mak– City of San Carlos Finance Staff
Sean Charpentier, Kaki Cheung, Kim Wever – C/CAG Staff

1. Call to order

At 12:02 A.M. Chair Colson called the Finance Committee meeting to order.

2. Brief overview of teleconference meeting procedures

C/CAG staff Kim Wever described how the Finance Meeting would run virtually.

3. By motion, find that, as a result of the continuing COVID-19 pandemic state of emergency declared by Governor Newsom, meeting in person would present imminent risks to the health or safety of attendees. (Action)

C/CAG Executive Director Sean Charpentier explained that AB 361 requires that, if the state of emergency remains active for more than 30 days, the legislative body must make findings by majority vote every 30 days to continue using the bill's exemption to the Brown Act teleconferencing rules. On July 14, 2022, the C/CAG Board of Directors approved Resolution 22-59, which made the findings necessary for remote meetings for both the Board of Directors and its standing Committees, including the Finance Committee. Given that the Committee meeting is occurring 41 days after the approval of C/CAG Resolution 22-59, staff recommends that in order to continue to have remote meetings, the Committee find, by motion, that conducting in-person meetings at the present time would present an imminent risk to the health and safety of attendees.

Motion – To approve by motion, that conducting meeting in person would present imminent risks to the health or safety of attendees, Romero/Hurt. Roll Call was taken. All members in attendance voted to approve. Motion passed 5-0.

4. Public comment on related items not on the agenda.

There were no public comments regarding items not on the agenda.

5. Approval of minutes of May 11, 2022 meeting. (Action)

Motion – To approve the minutes of the May 11, 2022 Finance Committee meeting, Romero/Rak. Roll Call was taken. All members in attendance voted to approve. Motion passed 5-0

6. Receive copies of monthly investment statements for April, May, and June 2022. (Information)

Committee members reviewed the investment statements, cash flow reports, and the new investment summary page.

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

C/CAG Executive Director Sean Charpentier provided a summary of the quarterly investment report.

Chair Colson commented that the performance returns make sense since the CoPool investment has less risk and more diversity, while LAIF is more focused in the treasuries.

Member Romero inquired about the half of a million loss in CoPool. Chair Colson suggested that there is an increased willingness to take loss in order to reinvest in more diversified or higher yield product. C/CAG Executive Director Sean Charpentier responded that staff will reach out to CoPool staff and update the Committee.

Motion – To recommend no change to the C/CAG investment portfolio. The Committee guided staff to continue monitoring the interest rates, Ortiz/Romero. Roll Call was taken. All members in attendance voted to approve. Motion passed 5-0

8. Review and recommend approval of the C/CAG Investment Policy annual update. (Action)

C/CAG Executive Director Sean Charpentier shared the C/CAG Investment Policy annual update, and noted that there are not any proposed changes besides the date.

Member Hurt inquired if the County made any changes to their policy. C/CAG Executive Director Sean Charpentier responded that there was an amendment adding an environmental, social, and governance (ESG) policy. The Finance Committee provided a support letter for, staff will inquire about any other statute changes.

The Committee recommended approving the annual update as is, but directed staff to incorporate any County changes and add a paragraph about ESG policy for the Committee to review at the next meeting.

Motion – To recommend approval of the annual C/CAG Investment Policy update and direct staff to bring back another update to include ESG language, Hurt/Rak. Roll call was taken. All members in attendance voted to approve. Motion passed unanimously 5-0.

9. Review and recommend C/CAG Board approval of proposed revisions to the C/CAG Procurement Policy. (Action)

C/CAG Executive Director Sean Charpentier shared the proposed modifications to the C/CAG Procurement Policy, including increasing the maximum contract amount that can be executed by the Executive Director from \$25,000 to \$50,000; increasing the maximum contract amount that can be executed by the C/CAG Chair from \$50,000 to \$100,000; and adding the Executive Director to the authorized signatory of contracts that are approved by the C/CAG Board of Directors.

Member Rak inquired about contracts approved by the Chair and if there is a missing step. C/CAG Executive Director Sean Charpentier responded that Chair would approve contracts between \$50,000 to \$100,000 and then staff will report back to the C/CAG Board of Directors.

Member Hurt asked if legal counsel, Melissa has reviewed it. C/CAG Executive Director Sean Charpentier responded that she has reviewed the policy and has no issues on the revisions.

Motion – To recommend approval of the proposed revisions to the C/CAG Procurement Policy. Ortiz/Romero. Roll call was taken. All members in attendance voted to approve. Motion passed unanimously 5-0.

10. Adjournment.

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

C/CAG AGENDA REPORT

Date: November 30, 2022

To: C/CAG Finance Committee

From: Sean Charpentier, Executive Director

Subject: Receive copies of monthly investment statements for July, August, and September 2022

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

RECOMMENDATION

That the C/CAG Finance Committee receives copies of monthly investment statements for July, August, and September 2022.

FISCAL IMPACT

None

SOURCE OF FUNDS

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

BACKGROUND

The current C/CAG Investment Policy states that the C/CAG Finance Committee shall analyze investment portfolio at least every quarter. Attached are the monthly statements for C/CAG investment funds for the quarter ending on September 30, 2022.

ATTACHMENTS

1. C/CAG's Monthly Major Cash Inflows and Outflows, LAIF, and SMC Investment Fund Summary for July, August, and September 2022.
2. LAIF Performance Report Quarter Ending September 30, 2022.
3. San Mateo County Treasurer's Office Pool Participants Distribution September 30, 2022.
4. County Summary of Pool Earnings for July, August, and September 2022.
5. Overview of Market and Investment Statements Quarter Ending September 30, 2022.

July Cash Flow

CITY & COUNTY ASSOCIATION OF GOVERNMENTS
 Recap of Monthly Major Cash Inflows and Outflows
 for Quarter Ended September 30, 2022

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
July 2022	Beginning book balance (Checking)		1,225,438
	Smart Corridor	Caltrans	40,000
	Member Contributions	Cities: Brisbane, Foster City, Half Moon Bay, Pacifica, San Carlos, San Mateo, South San Francisco, and Towns: Atherton and Hillsborough.	1,036,558
	Energy Watch	PG&E	49,762
	NPDES	County of San Mateo	24,287
	Measure M	DMV	562,163
	All other Receipts (1)	various	6,702
	Transfer	LAIF	1,000,000
		Total April Cash Inflow	2,719,472
	Smart Corridor	Aegis ITS, Kimley-Horn & Assoc and Redwood City	(148,384)
	Congestion Relief & Management	Alta Planning & Design, Ken Brown, Gary Browen Scott, Place Works, City of Menlo Park, County of San Mateo, and Redwood City	(198,839)
	Bay Area Air Quality	San Mateo County and City of Millbrae	(94,534)
	Express Lane JPA	Redwood City and County of San Mateo	(33,775)
	NPDES	EOA Inc., Urban Rain Design, San Mateo County	(57,825)
	Energy Watch	San Mateo County	(19,141)
	AB1546	Sustainable Silicon Valley	(23,300)
	Measure M	EOA Inc., Urban Rain Design, Larry Walker Assoc., Towns: Hillsborough, Prtola Valley, Cities: Millbrae, Redwood City, San Bruno, San Mateo, South San Francisco and County of San Mateo	(840,514)
	All other payments (8)	various	(50,533)
		Total April Cash Outflow	(1,466,845)
		Net Cash Inflow/(Outflow)	1,252,627
	Ending book balance (Checking)		2,478,065

California State Treasurer

Fiona Ma, CPA



July LAIF Statement

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

August 01, 2022

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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

July 2022 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
7/13/2022	7/13/2022	RW	1707594	N/A	REBECCA MENDENHALL	-1,000,000.00
7/15/2022	7/15/2022	QRD	1708633	N/A	SYSTEM	28,649.51

Account Summary

Total Deposit:	28,649.51	Beginning Balance:	15,900,010.07
Total Withdrawal:	-1,000,000.00	Ending Balance:	14,928,659.58



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

July County Pool Statement
Statement Ending Date: 7/31/2022
Account: 03412

STATEMENT OF ACCOUNT

City/County Association of Governments

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
6/30/2022	Balance brought forward			\$10,849,975.82
7/1/2022	FY21-22 Interest Allocation Q4		\$27,649.04	\$10,877,624.86
7/31/2022	Ending Balance			\$10,877,624.86

CITY & COUNTY ASSOCIATION OF GOVERNMENTS
Recap of Monthly Major Cash Inflows and Outflows
for Quarter Ended September 30, 2022

August Cash Flow

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
Aug 2022	Beginning book balance (Checking)		2,478,065
	Member Contributions	Cities: Belmont, Burlingame, East Palo Alto, Millbrae, County of San Mateo, and Towns: Portola Valley and Woodside	619,892
	NPDES	California State Natural Resources Agency	13,288
	Measure M	DMV and Caltrans	587,123
	Energy Watch	PG&E	3,334
	All other Receipts (2)	various	3,290
		Total May Cash Inflow	1,226,927
	Measure M	EOA Inc., Groner S Assoc., SamTrans, San Mateo Couty, Steer Davides, Urban Rain Design and Walker Larry Association	(1,759,490)
	Congestion Relief & Mgmt AB1546	Alta Planning & Design, Commute.org, Gary Bowen Scott, Ken Brown, Mariposa Planning, Santa Clara Valley and City of Redwood City. Sustainable Silicon Valley	(244,281)
	NPDES	EOA Inc., Groner S Assoc., BAWSCA, Ken Brown, Groner S Assoc., and Shaw/Yoder/Antwhin	(144,446)
	Smart Corridor	Iteris Inc,	(18,373)
	Bay Area Air Quality	City of Belmont, Commute.org and SamTrans	(214,963)
	All other payments (10)	various	(42,152)
		Total May Cash Outflow	(2,423,705)
		Net Cash Inflow/(Outflow)	(1,196,778)
	Ending book balance (Checking)		1,281,287

August LAIF Statement

California State Treasurer
Fiona Ma, CPA



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

September 02,
2022

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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

August 2022 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	14,928,659.58
Total Withdrawal:	0.00	Ending Balance:	14,928,659.58



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

August County Pool Statement
Statement Ending Date: 8/31/2022
Account: 03412

STATEMENT OF ACCOUNT

City/County Association of Governments

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
7/31/2022	Balance brought forward			\$10,877,624.86
8/31/2022	Ending Balance			\$10,877,624.86

CITY & COUNTY ASSOCIATION OF GOVERNMENTS
Recap of Monthly Major Cash Inflows and Outflows
for Quarter Ended September 30, 2022

September Cash Flow

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
	Beginning book balance (Checking)		1,281,287
Sept 2022	Express Lane JPA	San Mateo County Transportation Authority	
	Measure M	DMV	
	Member Contributions	Redwood City and San Bruno	450,196
	Congestion Relief & Management	Caltrans, Metropolitan Transportation Commission, and Redwood City	
	Bay Area Air Quality	Bay Area Air Quality Management District	
	Congestion Relief & Mgmt	Metropolitan Transportation Commission	677,430
	NPDES	San Mateo County	
	Smart Corridor	Caltrans	
	Bay Area Air Quality	SAMTRANS	
	All other Receipts (1)	various	3,694
		Total June Cash Inflow	1,131,320
	Measure M	Place Works and Groner S Association	(6,707)
	Congestion Relief & Management	County of Menlo Park, Alta Planning & Design, Santa Clara Valley and Gray Brown Scott	(118,111)
	NPDES	EOA Inc., Groner S Assoc., Bay Tree Design	(9,923)
	Express Lane JPA	County of San Mateo and Smaritan House	(3,955)
	All other payments (3)	various	(1,242)
	Transfer	LAIF	(1,100,000)
		Total June Cash Outflow	(1,239,938)
		Net Cash Inflow/(Outflow)	(108,618)
	Ending book balance (Checking)		1,172,669

September LAIF Statement

California State Treasurer
Fiona Ma, CPA



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

October 13, 2022

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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

September 2022 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
9/26/2022	9/26/2022	RD	1713653	N/A	REBECCA MENDENHALL	1,100,000.00

Account Summary

Total Deposit:	1,100,000.00	Beginning Balance:	14,928,659.58
Total Withdrawal:	0.00	Ending Balance:	16,028,659.58



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

September County Pool Statement

Statement Ending Date: 9/30/2022
Account: 03412

STATEMENT OF ACCOUNT

City/County Association of Governments

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
8/31/2022	Balance brought forward			\$10,877,624.86
9/30/2022	Ending Balance			\$10,877,624.86



PMIA/LAIF Performance Report as of 10/14/22



PMIA Average Monthly Effective Yields⁽¹⁾

September	1.513
August	1.276
July	1.090

Quarterly Performance Quarter Ended 09/30/22

LAIF Apportionment Rate ⁽²⁾ :	1.35
LAIF Earnings Ratio ⁽²⁾ :	0.00003699565555327
LAIF Fair Value Factor ⁽¹⁾ :	0.980760962
PMIA Daily ⁽¹⁾ :	1.63%
PMIA Quarter to Date ⁽¹⁾ :	1.29%
PMIA Average Life ⁽¹⁾ :	304

Pooled Money Investment Account Monthly Portfolio Composition ⁽¹⁾ 09/30/22 \$222.9 billion

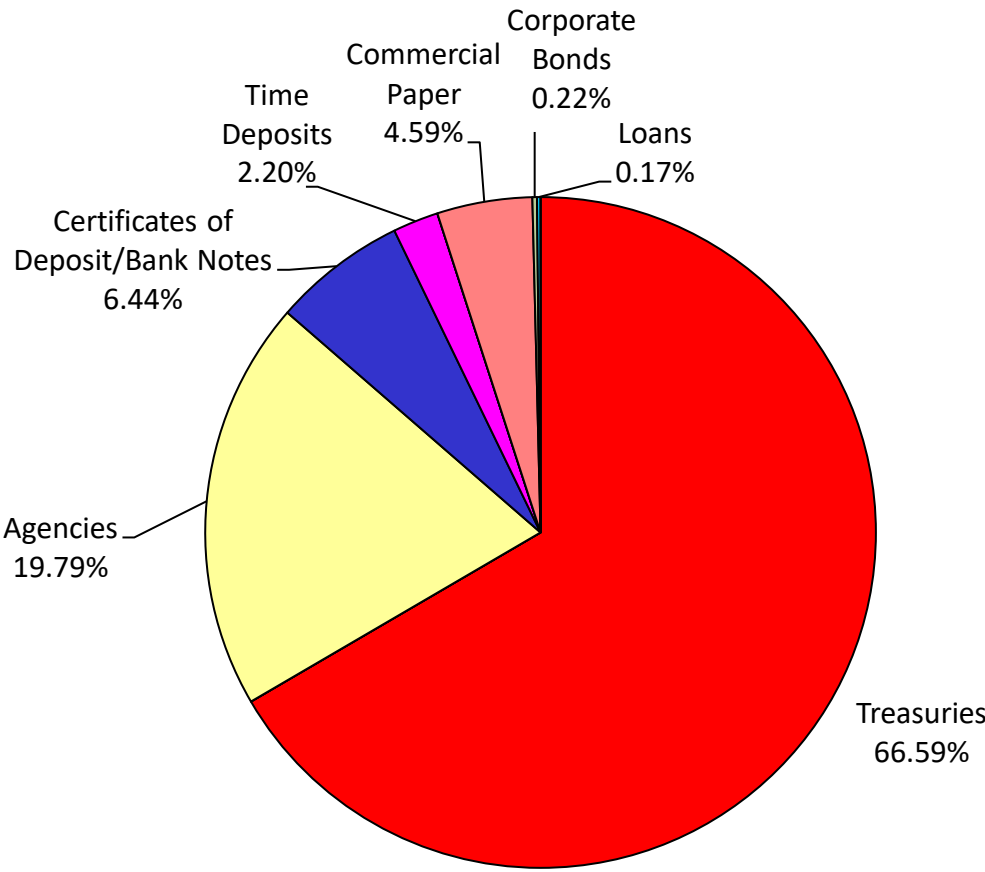


Chart does not include \$3,917,000.00 in mortgages, which equates to 0.002%. Percentages may not total 100% due to rounding.

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



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POOLED MONEY INVESTMENT ACCOUNT

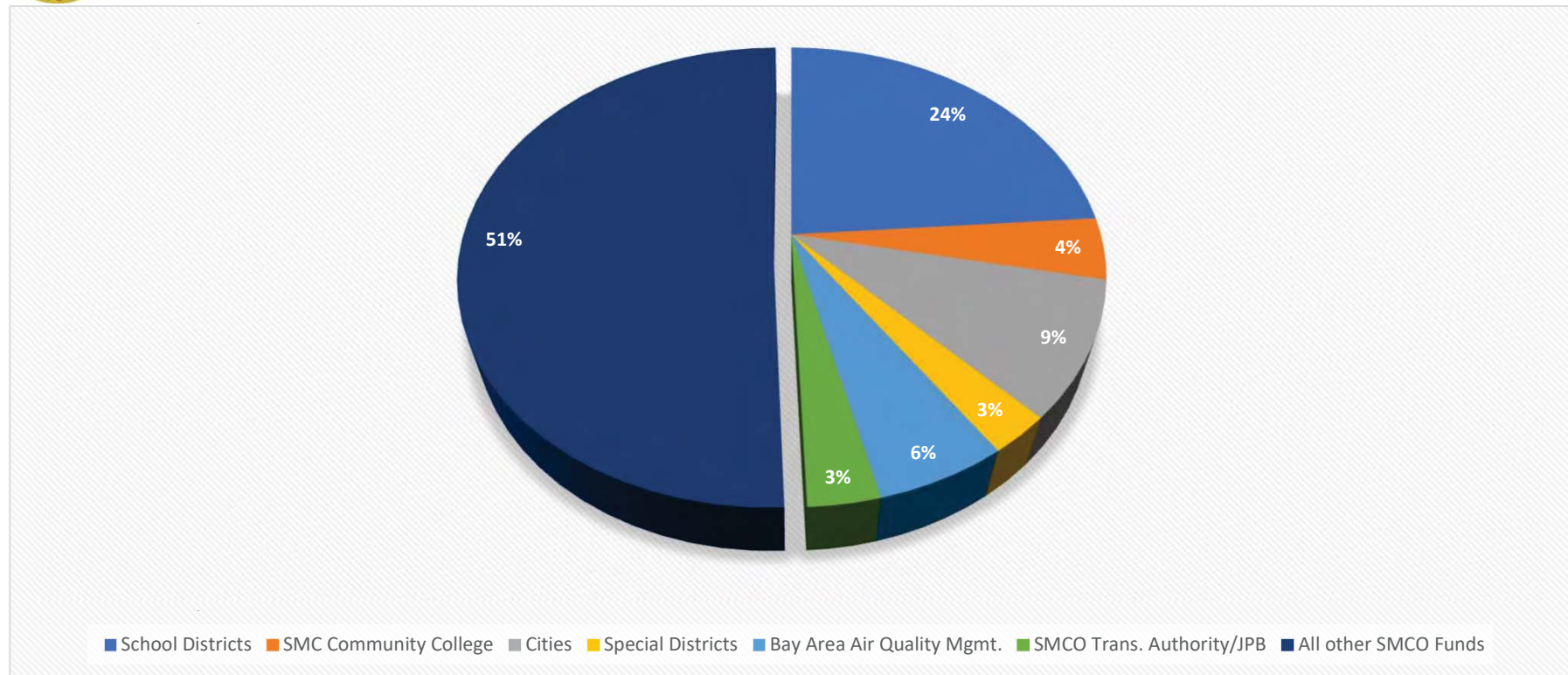
PMIA Average Monthly Effective Yields

	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	0.784	0.685	0.620	0.576	0.540
2021	0.458	0.407	0.357	0.339	0.315	0.262	0.221	0.221	0.206	0.203	0.203	0.212
2022	0.234	0.278	0.365	0.523	0.684	0.861	1.090	1.276	1.513	1.772		



SAN MATEO COUNTY TREASURER'S OFFICE POOL PARTICIPANTS DISTRIBUTION
September 30, 2022

ATTACHMENT 3



Participants:	\$	%
School Districts	\$ 1,590,318,299.35	23.8%
SMC Community College	\$ 289,233,082.40	4.3%
Cities	\$ 638,970,334.51	9.6%
Special Districts	\$ 181,974,211.57	2.7%
Bay Area Air Quality Mgmt.	\$ 383,233,126.88	5.7%
SMCO Trans. Authority/JPB	\$ 210,518,310.58	3.2%
All other SMCO Funds	\$ 3,382,618,459.20	50.7%
Totals	\$ 6,676,865,824.49	100.0%

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



ESTIMATED SUMMARY OF POOL EARNINGS

July 2022

	<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	\$ 1,692,345,000.00	\$ 1,295,835.14	U S Treasury Notes	\$ 607,803.39
Corporate Notes	659,529,000.00	944,151.37	Corporate Notes	145,982.90
Floating Rate Securities	22,000,000.00	10,073.54	Certificate of Deposit	-
Federal Agencies	833,890,000.00	889,206.90	Federal Agencies	182,888.44
U.S. Instrumentalities	156,665,000.00	65,841.57	U.S. Instrumentalities	109,642.11
Asset Backed Securities	84,760,277.71	51,420.89	Floating Rate Securities	24,877.82
Certificate of Deposit	-	-	Asset Backed Securities	52,528.79
	\$ 3,449,189,277.71	\$ 3,256,529.40	Dreyfus	23,828.97
			CAMP	311,136.92
<u>Short Term Securities Maturing < 1 year</u>				
U S Treasury Notes	\$ 612,935,000.00	\$ 308,581.33	LAIF	86,938.06
Corporate Notes	65,490,000.00	79,816.19	Union Bank Earnings Credit	26,477.64
Floating Rate Securities	-	-	Total Realized Income	\$1,572,105.04
Federal Agencies	1,403,420,000.00	1,434,415.93		
U.S. Instrumentalities	248,056,000.00	106,557.79		
U S Treasury Bills	70,000,000.00	16,604.85		
Certificate of Deposit	416,000,000.00	565,864.66		
Commercial Paper	335,000,000.00	512,448.14		
Dreyfus	81,161,895.04	-		
CAMP	110,000,000.00	129,863.01		
LAIF	50,000,000.00	42,465.75		
	\$ 3,392,062,895.04	\$ 3,196,617.65		
Total Accrued Interest	\$ 6,841,252,172.75	\$ 6,453,147.05		
Total Dollar Earnings for July		\$ 8,025,252.09		

	AVERAGE BALANCE	\$ 6,956,585,729.17
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	1.358%	8,025,252.09
ADMINISTRATION FEES*		(561,291.64)
NET EARNINGS RATE / NET DOLLAR EARNINGS	1.263%	\$ 7,463,960.45

*Current admin fees rate is at 9.5bp



ESTIMATED SUMMARY OF POOL EARNINGS **AUGUST 2022**

	<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	\$ 1,656,045,000.00	\$ 1,161,886.11	U S Treasury Notes	\$ 521,054.19
Corporate Notes	638,689,000.00	949,794.63	Corporate Notes	114,615.71
Floating Rate Securities	22,000,000.00	33,363.40	Certificate of Deposit	-
Federal Agencies	753,100,000.00	821,235.04	Federal Agencies	71,490.24
U.S. Instrumentalities	167,621,000.00	97,954.37	U.S. Instrumentalities	4,413.89
Asset Backed Securities	81,909,817.58	49,605.94	Floating Rate Securities	-
Certificate of Deposit	\$0	-	Asset Backed Securities	47,353.50
	\$ 3,319,364,817.58	\$ 3,113,839.48	Dreyfus	23,939.60
			Union Bank Earnings Credit	25,658.36
<u>Short Term Securities Maturing < 1 year</u>				
U S Treasury Notes	\$ 499,235,000.00	\$ 460,885.08	Total Realized Income	\$ 808,525.49
Corporate Notes	86,330,000.00	109,527.06		
Floating Rate Securities	-	-		
Federal Agencies	1,555,540,000.00	1,827,200.53		
U.S. Instrumentalities	221,556,000.00	141,056.00		
U S Treasury Bills	70,000,000.00	30,704.85		
Certificate of Deposit	416,000,000.00	565,864.66		
Commercial Paper	335,000,000.00	624,994.45		
Dreyfus	118,813,607.55	-		
CAMP	100,000,000.00	36,986.31		
LAIF	75,000,000.00	43,150.64		
	\$ 3,477,474,607.55	\$ 3,840,369.57		
Total Accrued Interest	\$ 6,796,839,425.13	\$ 6,954,209.05		
Total Dollar Earnings for August		\$ 7,762,734.54		

	AVERAGE BALANCE	\$ 6,800,505,449.44
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	1.344%	7,762,734.54
ADMINISTRATION FEES*		(548,698.32)
NET EARNINGS RATE / NET DOLLAR EARNINGS	1.249%	\$ 7,214,036.23

*Current admin fees rate is at 9.5bp



ESTIMATED SUMMARY OF POOL EARNINGS
September 2022

	<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	\$ 1,624,135,000.00	\$ 1,242,849.39	U S Treasury Notes	\$ 334,684.67
Corporate Notes	645,059,000.00	1,006,697.16	Corporate Notes	38,770.17
Floating Rate Securities	22,000,000.00	32,287.16	U.S. Instrumentalities	55,139.65
Federal Agencies	730,570,000.00	834,920.93	U S Treasury Bills	486.11
U.S. Instrumentalities	156,665,000.00	53,593.04	Asset Backed Securities	45,612.87
Asset Backed Securities	79,023,660.05	44,563.38	Dreyfus	33,942.01
Certificate of Deposit	-	-	Union Bank Earnings Credit	25,200.35
	\$ 3,257,452,660.05	\$ 3,214,911.06	Total Realized Income	\$ 533,835.83
<u>Short Term Securities Maturing < 1 year</u>				
U S Treasury Notes	\$ 516,145,000.00	\$ 496,856.28		
Corporate Notes	79,995,000.00	88,291.66		
Floating Rate Securities				
Federal Agencies	1,647,430,000.00	2,104,891.37		
U.S. Instrumentalities	164,632,000.00	148,757.10		
U S Treasury Bills	45,000,000.00	27,631.04		
Certificate of Deposit	416,000,000.00	547,610.96		
Commercial Paper	335,000,000.00	604,833.33		
Dreyfus	2,783,186.73	-		
CAMP	100,000,000.00	69,452.05		
LAIF	50,000,000.00	40,410.96		
	\$ 3,356,985,186.73	\$ 4,128,734.75		
Total Accrued Interest	\$ 6,614,437,846.78	\$ 7,343,645.81		
Total Dollar Earnings for September		\$ 7,877,481.64		

	AVERAGE BALANCE	\$ 6,667,648,916.74
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	1.437%	7,877,481.64
ADMINISTRATION FEES*		(520,624.64)
NET EARNINGS RATE / NET DOLLAR EARNINGS	1.342%	\$ 7,356,857.00

*Current admin fees rate is at 9.5bp



SUMMARY OF POOL EARNINGS **Q1 FISCAL YEAR 2022-23**

	<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	\$ 1,624,135,000.00	\$ 2,756,393.60	U S Treasury Notes	\$ 2,798,674.85
Corporate Notes	645,059,000.00	2,374,392.60	Corporate Notes	903,075.24
Floating Rate Securities	22,000,000.00	75,724.10	Floating Rate Securities	24,877.82
Federal Agencies	730,570,000.00	2,042,777.55	Certificate of Deposit	-
U.S. Instrumentalities	156,665,000.00	73,755.21	Federal Agencies	1,390,987.07
Asset Backed Securities	79,023,660.05	35,038.84	U.S. Instrumentalities	341,428.64
Certificate of Deposit	-	-	Commercial Paper	
	\$ 3,257,452,660.05	\$ 7,358,081.90	U S Treasury Bills	4,791.67
<u>Short Term Securities Maturing < 1 year</u>				
U S Treasury Notes	\$ 516,145,000.00	\$ 875,367.15	Asset Backed Securities	256,046.44
Corporate Notes	79,995,000.00	200,178.97	CAMP	311,136.93
Floating Rate Securities			LAIF	86,938.06
Federal Agencies	1,647,430,000.00	4,647,553.29	Dreyfus	81,710.58
U.S. Instrumentalities	164,632,000.00	367,771.62	Union Bank Earnings Credit	77,336.35
U S Treasury Bills	45,000,000.00	70,635.17	Total Realized Income	\$6,277,003.65
Certificate of Deposit	416,000,000.00	1,679,340.27		
Commercial Paper	335,000,000.00	1,742,275.92		
Dreyfus	2,783,186.73	-		
CAMP	100,000,000.00	236,301.37		
LAIF	50,000,000.00	126,027.40		
	\$ 3,356,985,186.73	\$ 9,945,451.16		
Total Accrued Interest	\$ 6,614,437,846.78	\$ 17,303,533.06		
Total Dollar Earnings for Q1 2022-23		\$ 23,580,536.71		

	AVERAGE BALANCE	\$ 6,808,584,244.41
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	1.374%	23,580,536.71
TRUE-UP ADJUSTMENT FY 2021-22**		688,903.00
ADMINISTRATION FEES*		(1,630,329.49)
NET EARNINGS RATE / NET DOLLAR EARNINGS	1.319%	22,639,110.22

*Current admin fees rate is at 9.5bp

**True-up credit is based on the actual budget of previous fiscal year

C/CAG Investment Portfolio Performance and Composition 1Q 2022
Report Created for Finance Committee Meeting November 30, 2022

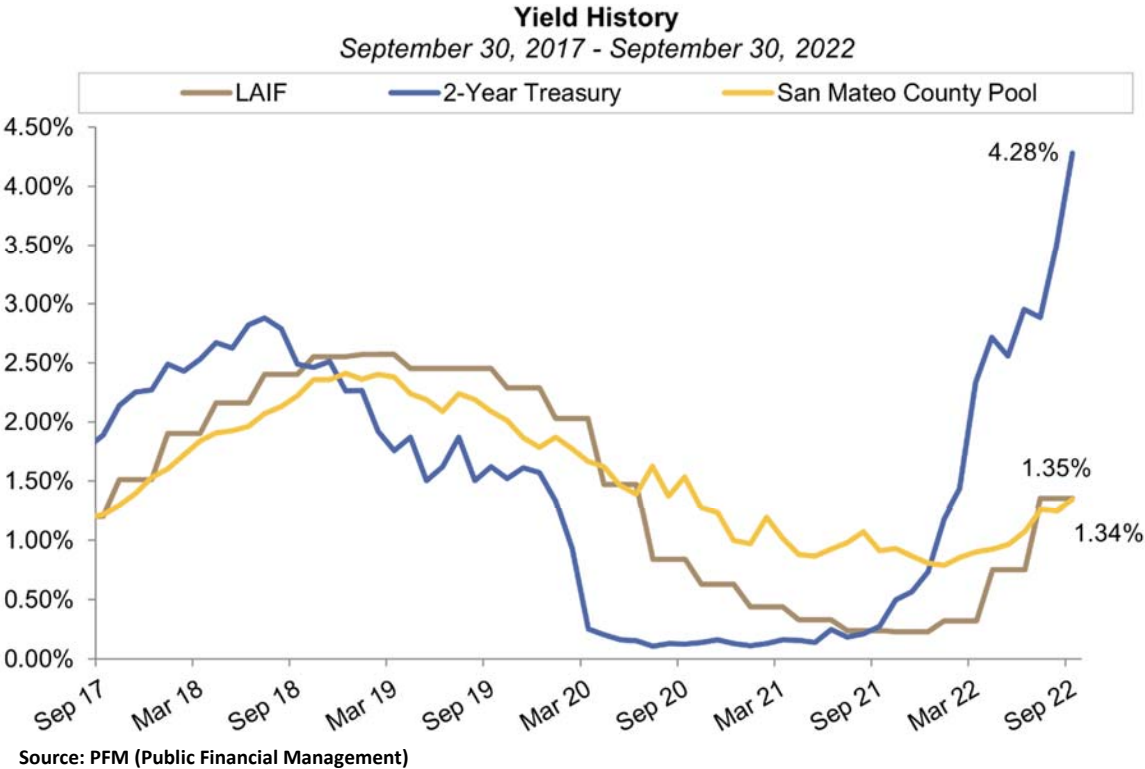
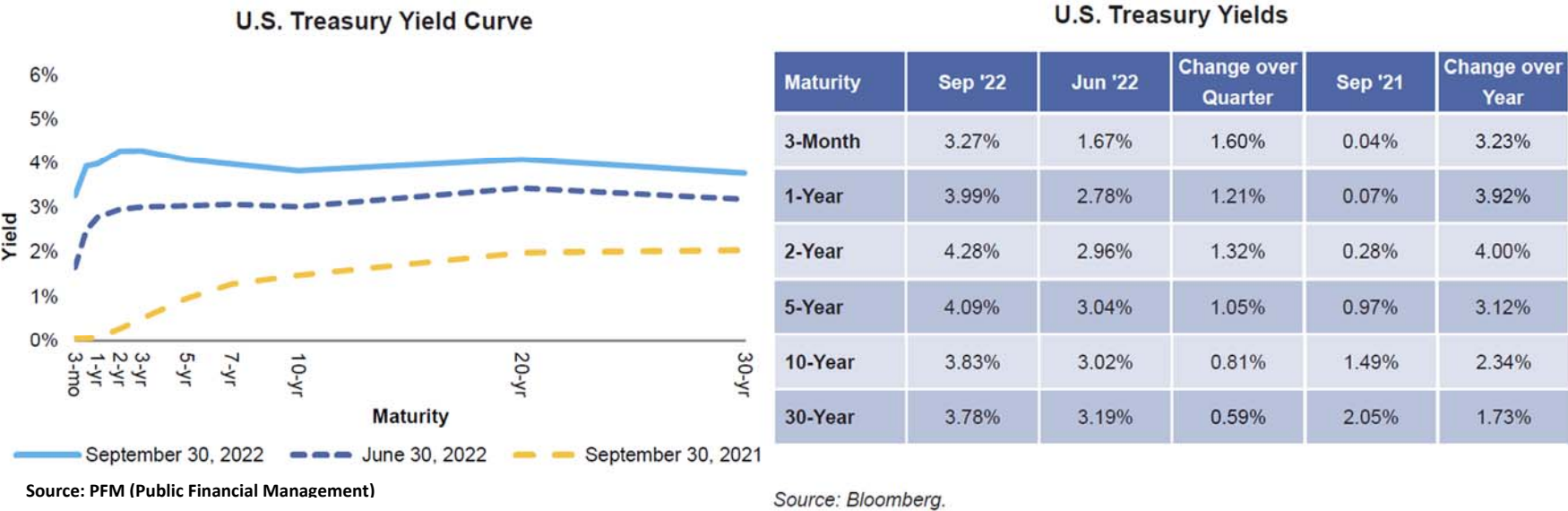
Capital Markets Summary 3Q 2022

This quarter’s theme was “no place to hide” as all asset classes suffered losses during the quarter. After a brief July rally, both stocks and bonds turned south registering negative returns for the third quarter. Central banks reaffirmed their commitment to fight inflation dashing all hopes for interest rate easing and, in fact, most raised rates during the quarter. US equities declined over 4% in Q3 driven by underperformance in the real estate and telecommunications sectors. For a third time, the Federal Reserve raised the federal funds rate by 75 basis points to 3.25% in September. Inflation ticked up slightly and the GDP continued to contract setting the stage for a technical recession by definition. This was countered by growth of 315,000 non-farm payroll additions in August alone.

US Treasury Yield Curve and US Treasury Yields Over Time

The Fed’s continued increase in rates was the fifth interest rate increase so far this year, following rate hikes to 1.75% in June and 2.5% in July. As the Fed raised rates, yields on U.S. Treasuries climbed rapidly. The yield on the 10-year U.S. Treasury rose to 3.97% on Sept. 27, its highest level since 2010, and ended the quarter at 3.83%. That’s up from 2.88% on July 1. The two-year Treasury yield ended the quarter even higher at 4.22%, up from 2.84% at the start of the quarter—a very large move for a short-term government bond.

With short-term Treasury yields higher than long-term yields, the bond market is now in an inverted yield curve with short-term treasuries having higher yields than longer-term. Inverted yield curves are often seen as a precursor to a recession. During the third quarter, the gap between the yield on the two-year note and 10-year note rose to 0.39 percentage points from negative 0.04 three months earlier. These yields have resulted in short-term price losses, but investors are now poised for higher income returns moving forward.



Portfolio Performance 3Q 2022

The C/CAG investment portfolio returns for the third quarter of 2022 were nearly identical with 1.29% for LAIF and 1.32% for the CoPool Fund. As shown in the charts below, effective yields are beginning to increase on both the CoPool and the LAIF portfolios. The LAIF shorter effect duration was yielding more than the CoPool in September which is an unusual situation attributable to the inverted yield curve unusually featuring higher shorter-term rates. The total C/CAG portfolio asset allocation at the end of the third quarter was 59.6% to LAIF and 40.4% to the CoPool Fund, which is within the stated investment policy allocation ranges.

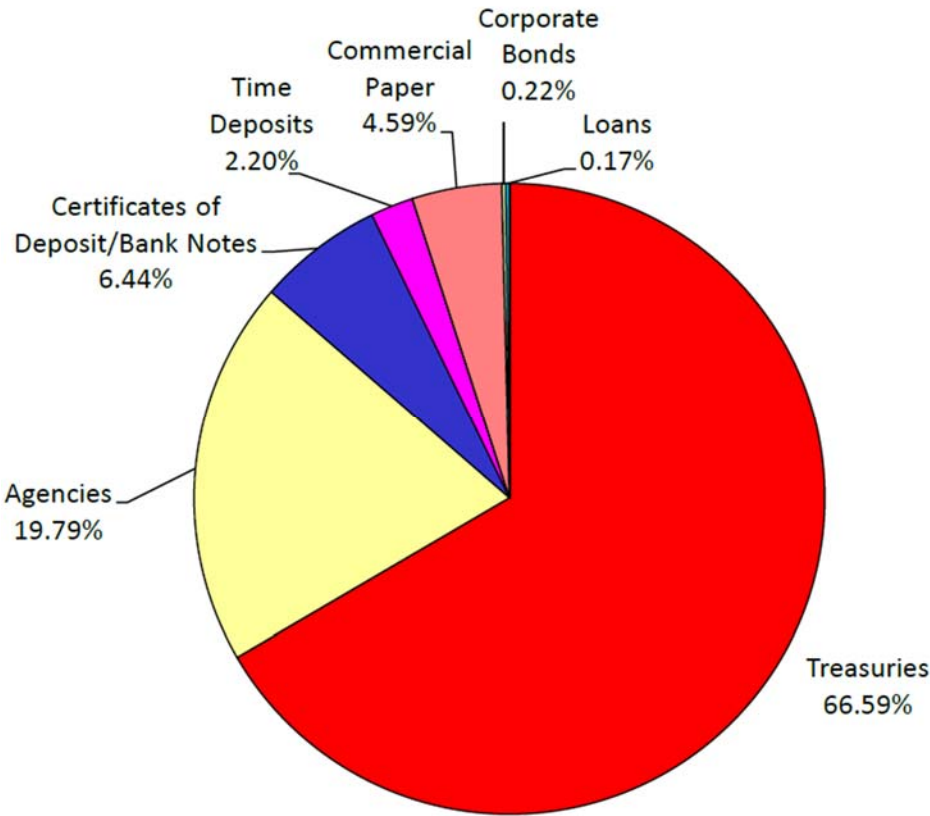
LAIF

PMIA Average Monthly Effective Yields:

July 2022	1.090
August 2022	1.276
September 2022	1.513

PMIA Quarter to Date: 1.29% PMIA Average Life: 304 days or 0.83 years

Portfolio Composition Pie Chart:



Source: PMIA/LAIF Performance Report as of 10/14/2022

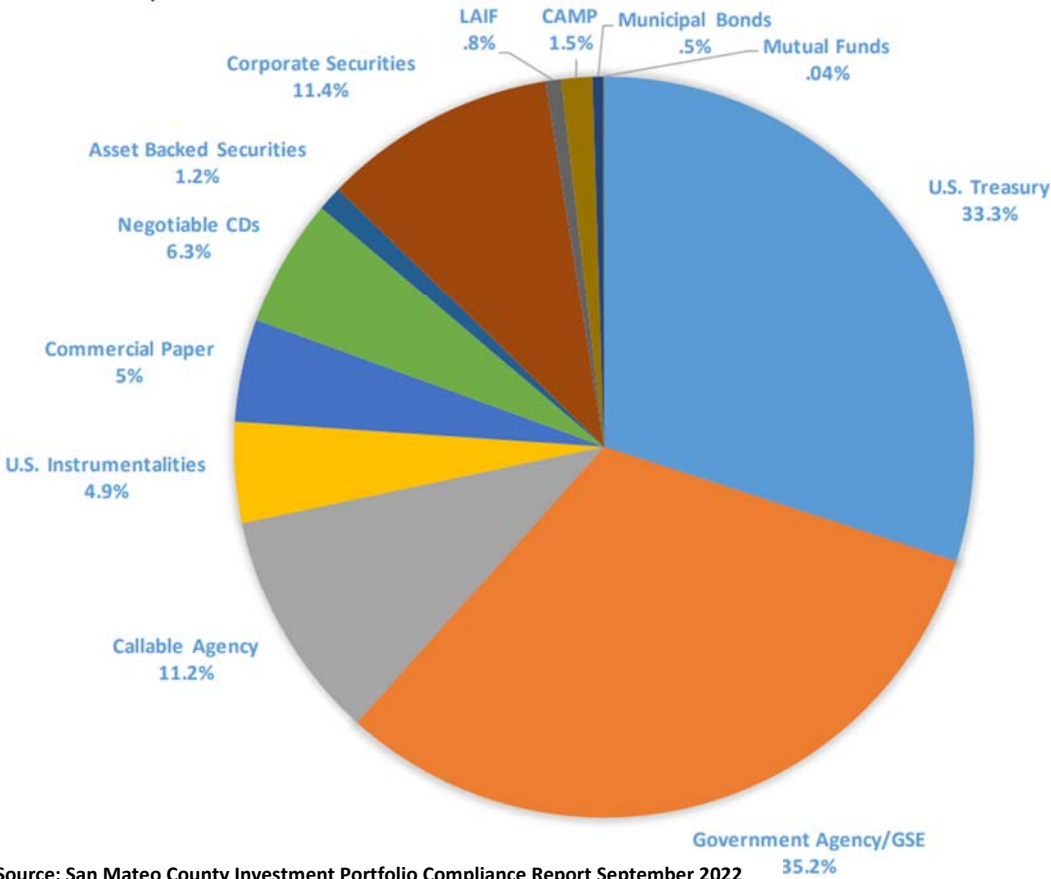
COPOOL

PMIA Average Monthly Effective Yields:

July 2022	1.263
August 2022	1.249
September 2022	1.342

PMIA Quarter to Date: 1.32% PMIA Average Duration: 1.32 years

Portfolio Composition Pie Chart:



Source: San Mateo County Investment Portfolio Compliance Report September 2022

C/CAG AGENDA REPORT

Date: November 30, 2022

To: C/CAG Finance Committee

From: Sean Charpentier, Executive Director

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

(For further information 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 10, 2020:

“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 9/30/22 net interest earning rate is 1.29%
San Mateo County Pool Quarter Ending 9/30/22 net interest earning rate is 1.32%

The LAIF's average life is 304 days, or 0.83 of a year. San Mateo County Pool's current average maturity of the portfolio is 1.39 years with an average duration of 1.32 years.

On November 14, 2013 the C/CAG Board approved the following C/CAG investment portfolio parameters:

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

On December 2, 2020, the Finance Committee reviewed the investment portfolio and noted the increasing gap between the quarterly interest rate and the net of administrative fees of the LAIF and the COPOOL, with LAIF lagging behind the COPOOL. The Finance Committee recommended no change to the investment portfolio, but guided staff to target LAIF investments to 60% allocation and increase COPOOL investments to 40% allocation dependent upon the changes of the interest rate.

On December 10, 2020, the C/CAG Board approved of no change to the range of limits to the C/CAG investment portfolio and approved the Finance Committee's recommendation for staff to target LAIF investments to 60% allocation and increase COPOOL investments to 40% allocation dependent upon the changes of the interest rate.

Investment allocation between LAIF and COPOOL:

	C/CAG BOARD APPROVED IN 2013	AS OF 9/30/2020	FINANCE COMMITTEE GUIDANCE ON 12/2/2020
LAIF	50% to 70%	69%	60%
COPOOL	30% to 50%	31%	40%

On August 24, 2022, the Finance Committee reviewed the investment portfolio and recommend no change to portfolio, but guided staff to continue monitoring the interest rates. On September 15, 2022, the C/CAG Board approved of no change to the investment portfolio.

The investment portfolio as of September 30, 2022 is as follows:

	6/30/2022		9/30/2022	
	Amount	Percent	Amount	Percent
LAIF	\$15,900,010	59.4%	\$16,028,660	59.6%
COPOOL	\$10,849,975	40.6%	\$10,877,624	40.4%
Total	\$26,749,985	100%	\$26,906,284	100%

Staff do not recommend adjusting the investment allocation at this time.

ATTACHMENTS

1. Quarterly Investment Report as of September 30, 2022 from San Carlos

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

Board of Directors Agenda Report

To: Sean Charpentier, Executive Director
From: Tammy Mak, Senior Accountant
Date: November 30, 2022

SUBJECT: Quarterly Investment Report as of September 30, 2022

RECOMMENDATION:

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

ANALYSIS:

The attached investment report indicates that on September 30, 2022, funds in the amount of \$26,906,284 were invested producing a weighted average yield of 1.30%. Of the total investment portfolio, 59.6% of funds were invested in the Local Agency Investment Fund (LAIF) and 40.4% in the San Mateo County Investment Pool (COPOOL). On December 2, 2020, the Finance Committee reviewed the investment portfolio and noted the increasing gap between the quarterly interest rate, net of administrative fees, of LAIF and the COPOOL, with LAIF lagging behind the COPOOL. The Finance Committee recommended no change to the investment portfolio, but guided Staff to target LAIF investments to 60% allocation and increase COPOOL investments to 40% allocation dependent upon the changes of the interest rate. These percentages are within the range specified by the C/CAG Board. The portfolio mix reflects the Board approved percentage invested in the County Investment Pool and LAIF. Accrued interest earnings for this quarter totaled \$87,613.

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

	Qtr Ended 9/30/2022	Qtr Ended 6/30/2022	Increase (Decrease)
Total Portfolio	\$ 26,906,284	\$ 26,749,985	\$ 156,299
Weighted Average Yield	1.30%	0.85%	0.45%
Accrued Interest Earnings	\$ 87,613	\$ 56,299	\$ 31,314

There was an increase of \$0.2 million in the portfolio balance this quarter compared to the previous quarter mainly due to the timing of member contribution and cash receipts offset by expenses for Measure M, Congestion Relief and Management and NPDES. The higher quarterly interest rate resulted in higher interest earnings for this quarter.

Historical cash flow trends are compared to current cash flow requirements on an ongoing basis to ensure that C/CAG's investment portfolio will remain sufficiently liquid to meet all reasonably anticipated operating requirements. As of June 30, 2022, 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 September 30, 2022
- 2 – Historical Summary of Investment Portfolio

CITY & COUNTY ASSOCIATION OF GOVERNMENTS

SUMMARY OF ALL INVESTMENTS
For Quarter Ending September 30, 2022

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)	1.29%	16,028,660	59.6%	15,720,284
San Mateo County Investment Pool (COPOOL)	1.32%	10,877,624	40.4%	10,877,624

Agency Securities

none

Total - Investments	1.30%	26,906,284	100%	26,597,909
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GRAND TOTAL OF PORTFOLIO	1.30%	\$ 26,906,284	100%	\$ 26,597,909
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Total Interest Earned This Quarter	87,613
Total Interest Earned (Loss) Fiscal Year-to-Date	87,613

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

LAIF - 50% to 70%

COPOOL - 30% to 50%

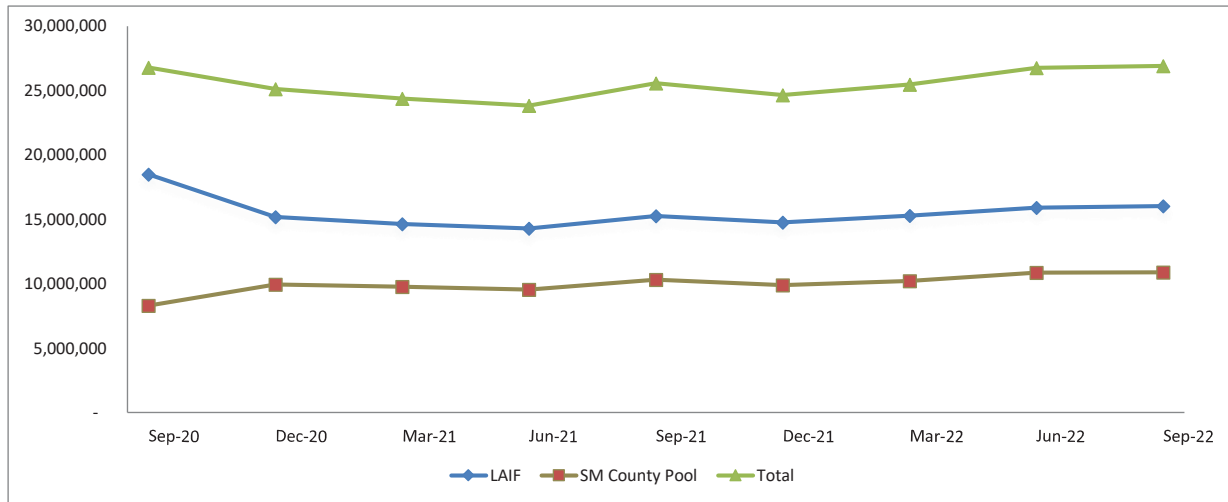
On December 2, 2020, the Finance Committee reviewed the investment portfolio and noted the increasing gap between the quarterly interest rate, net of administrative fees, of LAIF and the COPOOL, with LAIF lagging behind the COPOOL.

The Finance Committee recommended no change to the investment portfolio, but guided Staff to target LAIF investments to 60% allocation and increase COPOOL investments to 40% allocation dependent upon the changes of the interest rate.

*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
September 30, 2022



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

City/County Association of Governments Investment Portfolio

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
LAIF	18,477,316	15,165,848	14,617,426	14,283,843	15,245,744	14,754,699	15,263,178	15,900,010	16,028,660
SM County Pool	8,299,255	9,931,903	9,756,355	9,532,812	10,307,116	9,881,668	10,203,262	10,849,975	10,877,624
Total	26,776,571	25,097,751	24,373,781	23,816,655	25,552,860	24,636,367	25,466,440	26,749,985	26,906,284

C/CAG AGENDA REPORT

Date: November 30, 2022

To: C/CAG Finance Committee

From: Sean Charpentier, Executive Director

Subject: Accept the C/CAG Financial Statements (Audit) for Fiscal Year Ended June 30, 2022 and the Memorandum on Internal Control and Required Communications for the Year Ended June 30, 2022 and communicate with representative from auditing firm.

(For further information contact Sean Charpentier at scharpentier@smcgov.org)

RECOMMENDATION

That the C/CAG Finance Committee accept the C/CAG Financial Statements (Audit) for Fiscal Year Ended June 30, 2022 and the Memorandum on Internal Control and Required Communications for the Year Ended June 30, 2022 and communicate with representative from auditing firm.

FISCAL IMPACT

None.

SOURCE OF FUNDS

Member assessments, parcel fee, motor vehicle fee (TFCA/ AB1546/ Measure M), grants from State/ Federal Transportation programs, and other grants.

BACKGROUND

An independent audit was performed on C/CAG's financial statements and the related notes to the financial statements for the year ended June 30, 2022. No issues were identified that required correction. The auditor expressed the opinion that the C/CAG financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of C/CAG as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with auditing standards, the auditor considered C/CAG's internal control over financial reporting (internal control) as a basis for designing their audit procedures. The Memorandum on Internal Control and Required Communications for the Year Ended June 30, 2022 is also attached.

ATTACHMENTS

1. C/CAG Financial Statements (Audit) for the Year Ended June 30, 2022 (attached as well as available on-line at <http://ccag.ca.gov/committees/finance-committee/>)
2. C/CAG Memorandum on Internal Control and Required Communications for the Year Ended June 30, 2022 (attached as well as available on-line at <http://ccag.ca.gov/committees/finance-committee/>)

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS
OF SAN MATEO COUNTY, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY, CALIFORNIA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of City/County Association
of Governments of San Mateo County
Redwood City, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City/County Association of Governments of San Mateo County (C/CAG), California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise C/CAG's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the C/CAG as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the C/CAG and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the C/CAG's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the C/CAG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the C/CAG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2022 on our consideration of the C/CAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the C/CAG's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the C/CAG's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 15, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The information presented in the "Management's Discussion and Analysis" is intended to be a narrative overview of the City/County Association of Governments of San Mateo County (C/CAG) financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider this information in conjunction with the basic financial statements.

FINANCIAL STATEMENT OVERVIEW

This discussion and analysis is intended to serve as an introduction to the C/CAG Annual Financial Report. The C/CAG basic financial statements are comprised of four components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, 3) Notes to the Financial Statements, and 4) Required Supplementary Information.

FINANCIAL HIGHLIGHTS

- C/CAG total net position was \$27.49 million, an increase of \$0.93 million or 3.51%.
- The combined C/CAG revenues were \$15.03 million, a decrease of \$0.08 million or 0.53%.
- The combined C/CAG expenditures were \$14.09 million, a decrease of \$1.46 million or 9.41%.

Government-wide Financial Statements: The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the C/CAG finances. These statements include *all* assets and liabilities, using the full *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All revenues and expenses related to the current fiscal year are included regardless of when the funds are received or paid.

- The *Statement of Net Position* presents all of the C/CAG assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator to determine whether the financial position of the Agency is improving or deteriorating.
- The *Statement of Activities* presents information showing how the C/CAG net position changed during the fiscal year. All changes in net position (revenues and expenses) are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods (e.g., uncollected revenues, and accrued but unpaid interest expenses).

The services of the Agency are considered to be governmental activities including General and special purpose Government. All Agency activities are financed with investment income, City/County fees, State/Federal/Regional grants, Motor Vehicle Fees, and County Discretionary State/Federal Transportation funds.

Fund Financial Statements: A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the C/CAG activities are reported in governmental funds. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental Fund Financial Statements provide a detailed view of the C/CAG operations. Governmental fund information helps to determine the amount of financial resources used to finance the C/CAG programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this section contains C/CAG's budgetary comparison schedules for all major governmental funds and C/CAG's obligation for the provision of pension to its employees.

FINANCIAL ANALYSIS

Net position is the excess of all the C/CAG's assets and deferred outflows of resources over liabilities and deferred inflows of resources. Net position may over time serve as a useful indicator of C/CAG financial position. The following table summarizes C/CAG's net position change from this year to last year.

Table 1
Statement of Net Position
June 30, 2022 and June 30, 2021

	2022	2021	\$ Change	% Change
Cash and investments (note 2)	\$ 27,432,198	\$ 26,374,342	\$ 1,057,856	4.01%
Accounts receivable and other assets	4,940,549	3,882,657	1,057,892	27.25%
Total Assets	32,372,747	30,256,999	2,115,748	6.99%
Deferred outflows related to pension & OPEB	221,732	220,043	1,689	0.77%
Total Deferred Outflow	221,732	220,043	1,689	0.77%
Current and other liabilities	4,276,802	3,170,027	1,106,775	34.91%
Long-term obligations	479,953	727,665	(247,712)	-34.04%
Total Liabilities	4,756,755	3,897,692	859,063	22.04%
Deferred inflows related to pension & OPEB	347,500	21,757	325,743	1497.19%
Total Deferred Inflow	347,500	21,757	325,743	1497.19%
Net Position:				
Restricted	\$ 26,968,758	\$ 26,127,367	\$ 841,391	3.22%
Unrestricted	521,466	430,226	91,240	21.21%
Total Net Position	\$ 27,490,224	\$ 26,557,593	\$ 932,631	3.51%

The total net position is \$27.49 million, an increase of \$0.93 million or 3.51% from the prior fiscal year. Significant changes during the fiscal year are as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total assets increased by \$2.12 million or 6.99%, of which \$1.06 million is the increase in cash in investment. This increase resulted mostly from the delay of Smart Corridor construction project. During the fiscal year, Measure M fund allocated \$1.21 million to Smart Corridor fund for the South San Francisco Expansion construction. The C/CAG Board authorized an additional transfer of \$1.6 million to the project from Measure M. The additional funding is necessary to cover construction costs based on the lowest responsive bid and additional underground work. A civil contractor is under contract to perform construction services, which is set to begin in early summer of 2022. The City of South San Francisco will likely be seeking reimbursements for the project in fiscal year 2023.

Accounts receivable and other assets increased by \$1.06 million or 27.25% from \$3.88 million to \$4.94 million. This increase is driven by the loan payments to San Mateo County Express Lanes Joint Powers Authority (SMCEL-JPA) as the agency with no current operating revenue. In addition, monthly staff support services to SMCEL-JPA is being added to the loan amount per agreement. C/CAG staff continue to provide staffing support to the SMCEL-JPA Board of Directors; oversee and manage existing Express Lane operations; participate and oversee the Equity Program implementation; support opening of northern segment (Whipple Ave to I-380). Toll collection on the southern segment began in February 2022. The northern segment is expected to commence tolling in early 2023. It is anticipated that the additional toll revenue from the northern segment will fund the administrative, operational, and maintenance expenses and minimize the need for future operating loans.

Current and other liabilities increased by \$1.11 million or 34.91% from the prior year. This is primarily due to the timing for San Mateo County Transit District (Sam Trans) requesting the fund distribution for the Senior Mobility Program. An unanticipated higher than expected County overhead expense cost of \$0.35 million from the San Mateo County Public Works for the Congestion Management Plan activities also contributed to the increase in liabilities. The change of C/CAG's long-term obligations include OPEB and proportionate shares of pension liability related deferred inflows and outflows have increased by \$0.08 million in comparison with the prior year. The change is affected by the proportionate shares of contributions and investment gains of the CalPERS retirement pool.

The majority of C/CAG's net position is subject to external restrictions, such as grantor's stipulations or enabling legislation, on how they may be used. The restricted assets were \$26.97 million of the total net position. Of this amount, \$11.09 million is restricted for Measure M, \$8.88 million is restricted for Congestion Management Program, \$2.88 million is restricted for SMCEL-JPA, \$1.71 million is restricted for NPDES, and \$1.42 million is restricted for Bay Area Air Quality Management Program and \$0.54 million is restricted for AB1546. The remaining amount is related to Energy Watch Program.

Unrestricted net position can be used to finance day-to-day operations without constraints established by other legal requirements or restrictions. The unrestricted net position on June 30, 2022 was \$0.52 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities and Changes in Net Position

The Statement of Activities presents program revenues and expenses, and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized in Table 2.

Table 2
Statement of Activities and Changes in Net Position
June 30, 2022 and June 30, 2021

	2022	2021	\$ Change	% Change
Revenues				
Program Revenues:				
Charges for services	\$ 11,701,449	\$ 11,407,817	\$ 293,632	2.57%
Operating grants and contributions	3,727,860	3,705,222	22,638	0.61%
General Revenues:				
Investment Income	(401,540)	(4,723)	(396,817)	-8401.80%
Total Revenues	15,027,769	15,108,316	(80,547)	-0.53%
Expenses				
AB 1546	205,762	585,818	(380,056)	-64.88%
SMC Express Lane JPA	270,300	270,949	(649)	-0.24%
Energy Watch	270,801	330,668	(59,867)	-18.10%
General government	444,202	401,530	42,672	10.63%
Air quality (BAAQMD)	919,801	727,892	191,909	26.37%
NPDES stormwater	1,608,799	1,590,283	18,516	1.16%
Congestion management	3,775,714	3,839,180	(63,466)	-1.65%
Measure M	6,599,759	7,812,698	(1,212,939)	-15.53%
Total Expenses	14,095,138	15,559,018	(1,463,880)	-9.41%
Inc (Dec) in Net Position	932,631	(450,702)	1,383,333	306.93%
Beginning Net Position	26,557,593	27,008,295	(450,702)	-1.67%
Ending Net Position	\$ 27,490,224	\$ 26,557,593	\$ 932,631	3.51%

The overall change in net position in current fiscal year is an increase of \$0.93 million. The reasons for significant changes in the revenues and expenses are as follows:

The combined amount of charges for services received increased by \$0.29 million or 2.57%, from \$11.41 million to \$11.70 million. This is mainly driven by the receipt of COVID-19 deferred payments of Congestion Relief Program Assessment. In response to the financial environment due to COVID-19, an installment option was provided to jurisdictions of payment 50% of the jurisdiction's share in FY20-21, while deferring the remaining 50% to next fiscal year. There were total six jurisdictions opted in on the option. As a result, \$0.28 million member assessment fees were collected in FY21-22.

The combined amount of operating grants & contributions stayed relatively flat at \$3.73 million, a slightly increase of \$0.02 million or 0.61% compared to the prior year. Annual member fees remain the same as fiscal year 2021 and National Pollutant Discharges and Elimination System (NPDES) assessments increased by \$0.06 or 4.61%. The assessments are based on total parcels in each jurisdiction. Energy Watch Program revenue from PG&E Local Government Partnership (LGP) grant decreased by \$0.04 or 14.23%. Since 2019, PG&E has reduced its funding allocation to LGP in their overall portfolio to meet California Public Utilities Commission (CPUC) cost-effective requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The significantly decrease in investment income is primarily due to the fair market value adjustment caused by the volatile declined in equity market. Investment income consists of \$0.18 million interest earned from the investment pool, which offset by the loss of \$0.58 million GASB31 fair market value adjustment. C/CAG adjusts the carrying value of its investments to reflect their fair value at each fiscal year end.

Program expenses totaled \$14.10 million in the fiscal year 2021-2022, a decrease of \$1.46 million or 9.41% from the prior year's expenses of \$15.56 million. Significant changes in the expenses of C/CAG's programs from the prior year are as follows:

- AB1546 program expenses decreased by \$0.38 million or 64.88%. The decrease is being driven by the Menlo Park's Haven Avenue project, which includes roadway improvement, traffic signal modification and roadway reconfigurations. The project experienced significant delay due to permitting issue. Staff will be seeking Board approval on funding reallocation.
- The Express Lanes JPA expenses remain the same level as prior year. The expenses were mainly incurred for the staff support services provided by San Mateo County Public Works and C/CAG in accordance with the Joint Powers Authority Agreement.
- Energy Watch Program expenses decreased by \$0.06 million or 18.11% from the prior year. The decrease is due to less funding received from Pacific Gas & Electricity (PG&E) for the Energy Watch Program with less expense incurred in the current year.
- General Government expenses increased by \$0.04 million or 10.63%. The increase is mainly associated with the increase of proportionate share of pension liability.
- The Bay Area Air Quality program expenses increased by \$0.19 million or 26.37%. The increase is primarily due to the one-time funding of \$150,000 to the City of South San Francisco for the East 101 Bicycle Safety Improvements Project.
- NPDES program expenses slightly increased by \$0.02 million or 1.16%. The majority of expenses were associated with technical support to the Countywide Stormwater Program and public information outreach.
- Congestion Management Program expenses slightly decreased by \$0.06 million or 1.65%, mainly due to the staff actively monitoring and management of the Smart Corridors devices. As a result, there were reduced consultant expenses.
- Measure M expenses decreased by \$1.21 million or 15.53% from the prior year. The majority is from a fund distribution for Safe Route to School and Green Infrastructure project made in prior fiscal year. The \$1 million funding approved and began to withdraw by member agencies in FY 2018-19 and wrapped up in FY2021-22. Fund distribution for local streets and roads decreased from \$3.77 million to \$2.78 million. This mainly caused by the timing for member agencies submitting reimbursement requests.

For a description of each of the Agency's programs, see Note 1 to financial statements.

CONTACTING THE C/CAG FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the C/CAG finances. Questions about this report or additional information can be obtained by contacting Sean Charpentier, the Executive Director of the City/County Association of Governments of San Mateo County at 555 County Center Fifth Floor, Redwood City, CA 94063, or the C/CAG Financial Agent which is the Finance Division at the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

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CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position reports the difference between C/CAG's total assets and deferred outflows of resources and C/CAG's total liabilities and deferred inflows of resources. The Statement of Net Position presents information similar to the traditional balance sheet format, but presents it in a way that focuses the reader on the composition of C/CAG's Net Position, by subtracting total liabilities from total assets.

The Statement of Activities reports increases and decreases in C/CAG's Net Position. It is also prepared on the full accrual basis, which means it includes all C/CAG's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund Financial Statements, which reflect only current assets, current liabilities, available revenues, and measurable expenditures.

The Statement of Activities presents C/CAG's expenses first, listed by program. Program revenues - that is, revenues which are generated directly by these programs - are then deducted from program expenses to arrive at the net expense of each governmental program. C/CAG's general revenues are then listed and the Change in Net Position is computed and reconciled with the Statement of Net Position.

These financial statements along with the Fund Financial Statements and footnotes are called Basic Financial Statements.

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2022**

Assets	
Cash and investments (Note 2)	\$ 27,432,198
Accounts receivable	2,603,152
Loans receivable (Note 8)	<u>2,337,397</u>
Total Assets	<u>32,372,747</u>
Deferred Outflows of Resources	
Deferred pension related items (Note 5)	133,542
Deferred OPEB related items (Note 6)	<u>88,190</u>
Total Deferred Outflows of Resources	<u>221,732</u>
Liabilities	
Accounts payable	4,069,111
Accrued liabilities	207,691
Net pension liability (Note 5)	357,268
Net OPEB Liability (Note 6)	<u>122,685</u>
Total Liabilities	<u>4,756,755</u>
Deferred Inflows of Resources	
Deferred pension related items (Note 5)	315,091
Deferred OPEB related items (Note 6)	<u>32,409</u>
Total Deferred Inflows of Resources	<u>347,500</u>
Net Position	
Restricted for:	
Energy watch	454,378
AB 1546	538,377
BAAQMD	1,415,355
NPDES	1,707,999
San Mateo County Express Lane JPA	2,884,876
Congestion Management	8,877,191
Measure M	11,090,582
Unrestricted	<u>521,466</u>
Total Net Position	<u>\$ 27,490,224</u>

See accompanying notes to financial statements

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs:	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General government	\$ 444,202	\$ -	\$ 275,651	\$ (168,551)
Special programs:				
Congestion management	3,775,714	2,547,109	1,681,749	453,144
National Pollutant Discharge & Elimination System	1,608,799	235,404	1,536,333	162,938
Bay Area Air Quality Management District	919,801	1,051,676	-	131,875
AB 1546	205,762	425	-	(205,337)
Energy watch	270,801	-	234,127	(36,674)
Measure M	6,599,759	7,599,315	-	999,556
San Mateo Express Lane JPA	270,300	267,520	-	(2,780)
Total Governmental Activities	<u>\$ 14,095,138</u>	<u>\$ 11,701,449</u>	<u>\$ 3,727,860</u>	<u>1,334,171</u>
General Revenues:				
Investment income (expenses)				(401,540)
Total General Revenues				<u>(401,540)</u>
Change in Net Position				932,631
Net Position - Beginning				<u>\$26,557,593</u>
Net Position - Ending				<u>\$ 27,490,224</u>

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

The Fund Financial Statements are presented by individual major funds. Major funds are defined generally as having significant activities or balances in the current year. C/CAG has determined that all funds have significant activities.

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND - This fund finances all administrative and management functions relating to C/CAG Board, the Administrators' Advisory Committee, Finance Committee, Airport Land Use Committee (ALUC) and Countywide Integrated Waste Management Plan Review Ad-Hoc Committee. Legal services, finance and accounting services, office expenses and the coordination of all C/CAG programs and activities are also accounted for in this fund.

CONGESTION MANAGEMENT FUND - This fund finances the Congestion Management and Congestion Relief Programs, Smart Corridor Project, Countywide Transportation Plan, Bicycle/Pedestrian and Active Transportation Program TDA Article #3 Fund Management, Local Shuttle Program, and policy development to better integrate transportation and land use. This fund provides the support to program the San Mateo County discretionary State/Federal Transportation Funds and Commute.Org for Countywide Voluntary Trip Reduction Program.

NATIONAL POLLUTANT DISCHARGE AND ELIMINATION SYSTEM (NPDES) FUND - This fund is used to account for the NPDES program in response to the State/Federal Clean Water Act mandate directing individual jurisdictions in San Mateo County to obtain a stormwater discharge permit. C/CAG has been designated by its members as the coordinator of the program for the Water Pollution Prevention Program (WPPP). Its main objective is to implement a comprehensive storm water quality management program to protect the water quality of San Francisco Bay Area.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT FUND - This fund is used to account for local programs implementing specified transportation control measures to improve air quality in the San Francisco Bay Area.

AB 1546 FUND - State law authorized C/CAG Board to impose up to a \$4.00 fee increase to motor vehicle registration to fund this program. It is a pilot program until January 1, 2009. Subsequently, Senate Bill 348 authorized C/CAG's Board to continue the imposition of a \$4.00 fee on vehicles registered in San Mateo County for a period of four years. Half of the funds are for programs that provide congestion management, and the other half are for programs to address the impact of motor vehicles on the environment (water quality). The program expired in December 2012. C/CAG Board adopted Resolution No. 12-71 authorizing the fund expenditures plan for the unspent fund balance.

ENERGY WATCH - The San Mateo County Energy Watch is a Local Government Partnership between C/CAG and Pacific Gas & Electric (PG&E). The objective of Energy Watch is to provide integrated approach to energy savings and incentives to encourage cost effective projects for municipal governments, non-profits, schools, farms, and small/medium businesses. C/CAG contracts with the County of San Mateo to implement the program. This fund also includes the activity of the County-wide Climate Action Planning function.

MEASURE M - This fund accounts for Motor Vehicle Fees of \$10 per vehicle per year for 25 years. This will raise approximately \$170 million, with \$85 million allocated to the cities and the County for Water Pollution Prevention Programs and Congestion Management Programs. The remaining \$85 million will go to transit and senior mobility improvement, safe routes to schools, Intelligent Transportation System projects, and County-wide Water Pollution Prevention Programs.

San Mateo County Express Lanes JPA - C/CAG and the San Mateo County Transportation Authority (TA) are Co-Sponsors of the Express Lanes project which will create 44 miles (22 miles in each direction) of new express lanes on US 101 in San Mateo County. In April 2019, C/CAG Board approved Resolution 19-22 authorizing the C/CAG Chair to execute the Joint Exercise of Powers Agreement (JEPA) between C/CAG and TA to establish the San Mateo County Express Lanes Joint Powers Authority (SMCEL JPA). The SMCEL JPA will own and operate the express lanes upon opening to traffic. As the owner, the SMCEL JPA will also administer express lane toll revenue funds. In accordance with the JEPA, C/CAG will provide certain staffing support to the SMCEL JPA. In addition, from its inception in June 2019 to the beginning of toll collection, the SMCEL JPA has no revenue. Hence, C/CAG and the TA are committed to provide startup operating loans to the SMCEL JPA for its initial operation. C/CAG provides such operating loans from the Congestion Relief Fund. SMCEL JPA will begin to repay C/CAG when there will be positive toll revenue from the Express Lanes, anticipated to begin in FY 2022/23.

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**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Congestion Management	National Pollutant Discharge & Elimination System	Bay Area Air Quality Management District
ASSETS:				
Cash and investments (Note 2)	\$ 1,110,982	\$ 9,173,386	\$ 1,839,763	\$ 1,690,037
Accounts receivable	57,698	798,417	57,575	-
Loans receivable (Note 8)	-	-	-	-
Total Assets	\$ 1,168,680	\$ 9,971,803	\$ 1,897,338	\$ 1,690,037
LIABILITIES:				
Accounts payable	\$ 23,802	\$ 904,612	\$ 189,339	\$ 274,682
Accrued liabilities	17,691	190,000	-	-
Total Liabilities	41,493	1,094,612	189,339	274,682
FUND BALANCE:				
Restricted for				
Congestion management	-	8,877,191	-	-
NPDES	-	-	1,707,999	-
Bay Area AQMD	-	-	-	1,415,355
AB 1546	-	-	-	-
Energy watch	-	-	-	-
Measure M	-	-	-	-
San Mateo County Express Lane JPA	-	-	-	-
Unassigned	1,127,187	-	-	-
Total Fund Balance	1,127,187	8,877,191	1,707,999	1,415,355
Total Liabilities and Fund Balances	\$ 1,168,680	\$ 9,971,803	\$ 1,897,338	\$ 1,690,037

See accompanying notes to financial statements.

AB 1546	Energy Watch	Measure M	San Mateo County Express Lane JPA	Total Governmental Funds
\$ 561,677	\$ 420,878	\$ 12,054,221	\$581,254	\$ 27,432,198
-	53,096	1,636,366	-	2,603,152
-	-	-	2,337,397	2,337,397
<u>\$ 561,677</u>	<u>\$ 473,974</u>	<u>\$ 13,690,587</u>	<u>\$ 2,918,651</u>	<u>\$ 32,372,747</u>
\$ 23,300	\$ 19,596	\$ 2,600,005	\$33,775	\$ 4,069,111
-	-	-	-	207,691
<u>23,300</u>	<u>19,596</u>	<u>2,600,005</u>	<u>33,775</u>	<u>4,276,802</u>
-	-	-	-	8,877,191
-	-	-	-	1,707,999
-	-	-	-	1,415,355
538,377	-	-	-	538,377
-	454,378	-	-	454,378
-	-	11,090,582	-	11,090,582
-	-	-	2,884,876	2,884,876
-	-	-	-	1,127,187
<u>538,377</u>	<u>454,378</u>	<u>11,090,582</u>	<u>2,884,876</u>	<u>28,095,945</u>
<u>\$ 561,677</u>	<u>\$ 473,974</u>	<u>\$ 13,690,587</u>	<u>\$ 2,918,651</u>	<u>\$ 32,372,747</u>

See accompanying notes to financial statements.

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Fund balances of governmental funds \$ 28,095,945

Amounts reported for governmental activities in the statement of net position are different because:

Deferred inflows and outflows:

The deferred outflows below are not current assets or financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.

Deferred outflows related to pension	133,542
Deferred inflows related to pension	(315,091)
Deferred outflows related to OPEB	88,190
Deferred inflows related to OPEB	(32,409)

Long term liabilities:

The liabilities below are not due and payable in the current period and therefore are not reported in the funds:

Net pension liability	(357,268)
Net OPEB liability	<u>(122,685)</u>

Net Position of governmental activities \$ 27,490,224

See accompanying notes to financial statements

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**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Congestion Management	National Pollutant Discharge & Elimination System	Bay Area Air Quality Management District
REVENUES				
Member contributions	\$ 275,651	\$ 2,541,811	\$ -	\$ -
Intergovernmental	-	1,681,749	235,404	-
NPDES fees	-	-	1,536,333	-
AB 434 DMV fees	-	-	-	1,051,676
Investment income	(17,841)	(138,087)	(28,906)	(27,478)
Cost reimbursement	-	5,298	-	-
Total Revenues	257,810	4,090,771	1,742,831	1,024,198
EXPENDITURES				
Current:				
Professional services	229,602	2,598,521	1,522,789	125,519
Field and program supplies	419	-	-	-
Administrative services	132,147	320,598	31,158	100
Dues and membership	1,500	4,079	26,449	-
Conferences and meetings	-	2,502	617	-
Publications	2,281	1,620	-	-
Distributions	-	848,394	27,749	794,182
Other	1,911	-	37	-
Total Expenditures	367,860	3,775,714	1,608,799	919,801
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(110,050)	315,057	134,032	104,397
OTHER FINANCING SOURCES (USES)				
Transfers in	277,632	1,067,000	40,000	-
Transfers (out)	-	(171,028)	(51,254)	(5,847)
Total Other Financing Sources (Uses)	277,632	895,972	(11,254)	(5,847)
NET CHANGE IN FUND BALANCES	167,582	1,211,029	122,778	98,550
Fund balances at beginning of year	959,605	7,666,162	1,585,221	1,316,805
Fund balances at end of year	<u>\$ 1,127,187</u>	<u>\$ 8,877,191</u>	<u>\$ 1,707,999</u>	<u>\$ 1,415,355</u>

See accompanying notes to financial statements

AB 1546	Energy Watch	Measure M	San Mateo County Express Lane JPA	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,817,462
425	234,127	6,950,787	-	9,102,492
-	-	-	-	1,536,333
-	-	-	-	1,051,676
(8,639)	(6,544)	(185,800)	11,755	(401,540)
-	-	648,528	267,520	921,346
<u>(8,214)</u>	<u>227,583</u>	<u>7,413,515</u>	<u>279,275</u>	<u>15,027,769</u>
201,629	257,609	2,579,896	139,154	7,654,719
-	-	-	-	419
-	13,192	41,491	131,146	669,832
-	-	-	-	32,028
-	-	1,652	-	4,771
-	-	-	-	3,901
4,133	-	3,976,720	-	5,651,178
-	-	-	-	1,948
<u>205,762</u>	<u>270,801</u>	<u>6,599,759</u>	<u>270,300</u>	<u>14,018,796</u>
<u>(213,976)</u>	<u>(43,218)</u>	<u>813,756</u>	<u>8,975</u>	<u>1,008,973</u>
-	150,000	-	1,050,000	2,584,632
-	(28,845)	(2,327,658)	-	(2,584,632)
-	121,155	(2,327,658)	1,050,000	-
(213,976)	77,937	(1,513,902)	1,058,975	1,008,973
<u>752,353</u>	<u>376,441</u>	<u>12,604,484</u>	<u>1,825,901</u>	<u>27,086,972</u>
<u>\$ 538,377</u>	<u>\$ 454,378</u>	<u>\$ 11,090,582</u>	<u>\$ 2,884,876</u>	<u>\$ 28,095,945</u>

See accompanying notes to financial statements

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Net change in fund balances - total governmental funds **\$ 1,008,973**

Amounts reported for governmental activities in the statement of activities are different because:

Pension expense related to the proportionate share of net pension liabilities is recorded on the economic resources basis of accounting and therefore not reported as expenditures in the governmental funds (78,930)

OPEB - Governmental funds report all contributions in relation to the actuarially determined contribution (ADC) for OPEB as expenditures, however, in the statement of Activities, the total ADC is recognized as an expense. 2,588

Change in net position of governmental activities **\$ 932,631**

See accompanying notes to financial statements

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

The City/County Association of Governments of San Mateo County (C/CAG), California was formed in 1990 as a joint exercise of powers between San Mateo County and all the cities and towns in San Mateo County. The purpose of C/CAG is to prepare, adopt, monitor and enforce County-wide State mandated plans for congestion management, integrated solid waste management, airport land use, hazardous waste management and water/air pollution reduction.

C/CAG is controlled by a twenty-one member board consisting of one member from each of the participating entities. None of the member entities exercise specific control over the budgeting and financing of C/CAG activities beyond their representation on the board. The County fulfills contractual obligations with C/CAG by providing engineering and professional services. Accounting services are provided by the City of San Carlos. C/CAG is administered by an Executive Director who works directly for the Board.

C/CAG's operations are financed by contributions made by each member agency and grants received from other governments, vehicle registration fees and fee for services.

b. Basis of Presentation

C/CAG's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display overall information about C/CAG. C/CAG's activities generally are financed through grants and contributions received from other governments.

The Statement of Activities presents a summary of expenses specifically associated with each function of C/CAG's governmental activities. Program revenues include grants and contributions that are restricted to meeting the operational needs of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

c. Major Funds

Major funds are defined as funds that have either assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. C/CAG may also select other funds it believes should be presented as major funds.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 1: Summary of Significant Accounting Policies (Continued)

C/CAG reported all its governmental funds as major funds in the accompanying financial statements:

General Fund - Finances all administrative and management functions relating to the C/CAG Board, the Administrator's Advisory Committee, Finance Committee, Airport Land Use Committee (ALUC) and Countywide Integrated Waste Management Plan Review Ad-Hoc Committee. Legal services finance and accounting services, office expenses and the coordination of all C/CAG programs and activities are also accounted for in this fund.

Congestion Management Fund - Finances the Congestion Management and Congestion Relief Programs, Smart Corridor Project, Countywide Transportation Plan, Bicycle/Pedestrian and Active Transportation Program, TDA Article #3 Fund Management, Local Shuttle Program, and policy development to better integrate transportation and land use. This fund provides the support to program the San Mateo County discretionary State/Federal Transportation Funds and Commute.Org for Countywide Voluntary Trip Reduction Program.

National Pollutant Discharge and Elimination System Fund - The NPDES program is a response to the State/Federal Clean Water Act mandate directing San Mateo County jurisdictions to obtain a storm water discharge permit. C/CAG has been designated by its members as the coordinator of the program for the Water Pollution Prevention Program (WPPP). Its main objective is to implement a comprehensive storm water quality management program to protect the water quality of San Francisco Bay.

Bay Area Air Quality Management District Fund - Used to fund local programs implementing specified transportation control measures to improve air quality in the San Francisco Bay Area.

AB 1546 - State law authorized C/CAG Board to impose up to a \$4.00 fee increase to motor vehicle registration to fund this program. Half of the funds are for programs that provide congestion management, and the other half are for programs to address the impact of motor vehicles on the environment (water quality). This program expired in December 2012. C/CAG Board adopted Resolution 12-71 authorizing the fund expenditures plan for the unspent fund balance.

Energy Watch - The San Mateo County Energy Watch is a Local Government Partnership between C/CAG and Pacific Gas & Electric (PG&E). The objective of Energy Watch is to provide integrated approach to energy savings and incentives to encourage cost effective projects for municipal governments, non-profits, schools, farms, and small/medium businesses. C/CAG contracts with the County of San Mateo to implement the program. This fund also includes the activity of the County-wide Climate Action Planning function.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 1: Summary of Significant Accounting Policies (Continued)

Measure M - This fund accounts for Motor Vehicle Fees of \$10 per vehicle per year for 25 years. This will raise approximately \$170 million, with \$85 million allocated to the cities and the County for Water Pollution Prevention Programs and Congestion Management Programs. The remaining \$85 million will go to transit and senior mobility improvement, safe routes to schools, Intelligent Transportation System projects, and County-wide Water Pollution Prevention Programs.

San Mateo County Express Lanes JPA - C/CAG and the San Mateo County Transportation Authority (TA) are Co-Sponsors of the Express Lanes project which will create 44 miles (22 miles in each direction) of new express lanes on US 101 in San Mateo County. In April 2019, C/CAG Board approved Resolution 19-22 authorizing the C/CAG Chair to execute the Joint Exercise of Powers Agreement (JEPA) between C/CAG and TA to establish the San Mateo County Express Lanes Joint Powers Authority (SMCEL JPA). The SMCEL JPA will own and operate the express lanes upon opening to traffic. As the owner, the SMCEL JPA will also administer express lane toll revenue funds. In accordance with the JEPA, C/CAG will provide certain staffing support to the SMCEL JPA. In addition, from its inception in June 2019 to the beginning of toll collection, the SMCEL JPA has no revenue. Hence, C/CAG and the TA are committed to provide startup operating loans to the SMCEL JPA for its initial operation. C/CAG provides such operating loans from the Congestion Relief Fund. SMCEL JPA will begin to repay C/CAG when there will be positive toll revenue from the Express Lanes, anticipated to begin in FY 2022/23.

d. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. C/CAG uses the modified accrual basis of accounting, under which revenues are recognized when they become available and measurable as net current assets. Expenditures are recognized when the related fund liability is incurred. Revenues susceptible to accrual consist of grants and interest. Grants collected within 365 days after year end are accrued as revenue.

Non-exchange Transactions, in which C/CAG gives or receives value without directly receiving or giving equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 1: Summary of Significant Accounting Policies (Continued)

e. Assets, Liabilities, Deferred Outflow/Inflow of Resources, and Net Position or Equity

Cash and Investments

The fund's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the fund are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The C/CAG categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Receivables and Payables

All receivables are shown net of an allowance for uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has two items that qualify for reporting in this category. Deferred outflows relating to the proportionate share of the net pension liability and OPEB liability reported in the government-wide statement of net position. These outflows are the results of adjustments due to difference in proportions and the contributions made subsequent to the measurement period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualifies for reporting in this category which are deferred inflows relating to the proportionate share of the net pension liability and OPEB liability reported in the government-wide statement of net position. These inflows are the result of the net difference between projected and actual earnings on pension plan investments.

Fund Balance

In the fund financial statements, the fund reports the following fund balance classifications:

Nonspendable – include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Includes amounts that have constraints on the use of resources by being externally imposed, imposed by law through constitution, or through enabling legislation.

Committed – include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, C/CAG's Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is Board resolution.

Assigned – include amounts that are constrained by C/CAG's intent to be used for specific purposes, but are neither restricted nor committed. C/CAG's Executive Director authorizes assigned amounts for specific purposes pursuant to the policy-making powers granted through a resolution.

Unassigned – The residual classification which includes all spendable amounts not contained in other classifications.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Policy

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

Net position is the excess of C/CAG's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net position is divided into two captions. These captions apply only to net position, which is determined only at the government-wide level, and are described below:

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the government cannot unilaterally alter.

Unrestricted describes the portion of net position which is not restricted to use.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, revenues and expenses. Actual results could differ from those estimates.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 2: Cash and Investments

C/CAG pools cash from all sources and all funds traditionally invests in San Mateo County Pool and Local Agency Investment Fund, consistent with the principles of safety and liquidity. Individual funds can make expenditures at any time. Investments are carried at fair value.

As of June 30, 2022, C/CAG's cash and investment balance was \$27,432,198 consisting of \$15,695,305 in the California Local Agency Investment Fund, \$10,511,454 in the San Mateo County Investment Pool, and \$1,225,439 of cash in bank.

a. Local Agency Investment Fund

C/CAG is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The carrying value of LAIF approximates fair value. C/CAG reports its investments in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share.

b. San Mateo County Investment Fund

C/CAG is a voluntary participant in the San Mateo County Investment Pool (SMCIP) that is regulated by California Government Code Section 53684 under the oversight of the treasurer of the County of San Mateo. The balance available for withdrawal is based on the accounting records maintained by SMCIP, which are recorded on an amortized cost basis. Included in SMCIP's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. C/CAG reports its investments in SMCIP at the fair value amounts provided by SMCIP, which is the same as the value of the pool share.

c. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of C/CAG's investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 2: Cash and Investments (continued)

Information about the sensitivity of the fair values of C/CAG's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the C/CAG's investments by maturity:

Investment Type	12 Months or less
California Local Agency Investment Fund	\$ 15,695,305
San Mateo County Investment Pool	10,511,454
Total Investments	26,206,759
Total Cash in Banks and Cash on Hand	1,225,439
Total Cash and Investments	\$ 27,432,198

d. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF and San Mateo County Investment Pool are not rated by a nationally recognized statistical rating organization.

e. Authorized Investments by C/CAG

C/CAG's Investment Policy and the California Government Code allow C/CAG to invest in the following, provided the credit ratings of the issuers are acceptable to C/CAG. The following also identifies certain provisions of C/CAG and California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
State of California Local Agency Investment Fund	Upon Demand	N/A	\$75 million per account as approved by C/CAG Board	N/A
San Mateo County Investment Pool	Upon Demand	N/A	As approved by C/CAG Board	N/A
U.S. Treasury Bonds, Notes and Bills	5 years	N/A	100%	N/A
U.S. Government Agency and Federal Agency Bankers' Acceptances	5 years 180 days	N/A N/A	100% 40%	N/A (B)
Commercial Paper	270 days	Highest letter and number rating by an NRSRO	25%	(A)
Negotiable Certificates of Deposit	5 years	N/A	30%	N/A
Time Certificates of Deposit - Banks or Savings and Loans	5 years	N/A	50%	N/A
Medium Term Corporate Notes	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.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 2: Cash and Investments (continued)

f. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, C/CAG will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of C/CAG's cash on deposit. All of C/CAG's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in C/CAG's name.

g. Fair Value Hierarchy

The C/CAG categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of C/CAG as of June 30, 2022:

Investment Type	Exempt	Total
Investments by Fair Value:		
California Local Agency Investment Fund	\$ 15,695,305	\$ 15,695,305
San Mateo County Investment Pool	10,511,454	10,511,454
Total Investments at Fair Value	<u>\$ 26,206,759</u>	26,206,759
Cash in banks		<u>1,225,439</u>
Total Cash and Investments		<u>\$ 27,432,198</u>

Both the California Local Agency Investment Fund and the San Mateo County Investment Pool are external investment pool measured at fair value, and exempt in the fair value hierarchy under GASB 72.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 3: Member Contributions

Member contributions are nonrefundable and are assessed annually based on population and C/CAG's adopted budget for the current fiscal year. Member contributions were as follows during the fiscal year ended June 30, 2022:

Atherton	\$	22,894
Belmont		114,852
Brisbane		16,779
Burlingame		113,544
Colma		11,324
Daly city		433,388
East Palo Alto		84,122
Foster City		105,745
Half Moon Bay		57,974
Hillsborough		33,807
Menlo Park		123,661
Millbrae		101,768
Pacifica		159,377
Portola Valley		15,005
Redwood City		297,489
San Bruno		202,267
San Carlos		101,562
South San Francisco		222,120
San Mateo		357,895
San Mateo County		222,943
Woodside		18,946
Total:	\$	<u><u>2,817,462</u></u>

Note 4: Interfund Transfers

Interfund transfers at June 30, 2022, consisted of the following:

Transfers In:	Transfers Out:					Total
	Congestion Management	National Pollutant Discharge & Elimination System	Bay Area Air Quality Management District	Energy Watch	Measure M	
General Fund	\$ 171,028	\$ 51,254	\$ 5,847	\$ 28,845	\$ 20,658	\$ 277,632 (A)
Congestion Management	-	-	-	-	1,067,000	1,067,000 (B)
National Pollutant Discharge & Elimination System	-	-	-	-	40,000	40,000 (B)
Energy Watch	-	-	-	-	150,000	150,000 (B)
San Mateo County Express Lane JPA	-	-	-	-	1,050,000	1,050,000 (B)
Total Interfund Transfers	<u>\$ 171,028</u>	<u>\$ 51,254</u>	<u>\$ 5,847</u>	<u>\$ 28,845</u>	<u>\$ 2,327,658</u>	<u>\$ 2,584,632</u>

(A) Administration overhead

(B) Capital projects

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 5: Pension Plan

Plan Description

C/CAG contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the C/CAG's Miscellaneous Employee Pension Plans and Public Employee's Pension Reform Act of 2013 (PEPRA,) cost-sharing multiple employer defined benefit pension plans administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and C/CAG Board resolution. Copies of CalPERS' annual financial report may be obtained from their executive office located at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The provisions and benefits of the plan in effect at June 30, 2022 are summarized as follows:

	CCAG Miscellaneous Plan	
	Tier 1	PEPRA
Hire date	On or after March 12, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8.0%	6.75%
Required employer contribution rates	14.02%	7.59%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis. The C/CAG's required contributions for the unfunded liability in the Miscellaneous Plan for the year ended June 30, 2022 was \$46,137.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 5: Pension Plan (continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The required employer contribution and the amount paid to CalPERS by C/CAG for the year ended June 30, 2022 were \$83,910 C/CAG's employer contributions were equal to the required employer contributions for the year ended June 30, 2022.

Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of June 30, 2022, C/CAG reported \$357,268 of net pension liabilities for its proportionate shares of the net pension liability.

C/CAG's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2021, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. C/CAG's proportion of the net pension liability was based on a projection of the C/CAG's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The C/CAG's proportionate share of the net pension liability for each Plan as of June 30, 2021 and 2020 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2021	0.018815%
Proportion - June 30, 2020	<u>0.014096%</u>
Increase (Decrease)	<u>0.004719%</u>

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 5: Pension Plan (Continued)

For the year ended June 30, 2022, C/CAG recognized a total pension expense of \$162,840 for all plans in total. On June 30, 2022, the C/CAG reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution subsequent to measurement date	\$ 83,910	\$ -
Differences between actual and expected experience	40,064	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(311,876)
Difference in actual contributions and proportion contributions	1,021	(2,255)
Change in proportion and differences between actual contributions and proportionate share of contributions	8,547	(960)
Total	<u>\$ 133,542</u>	<u>\$ (315,091)</u>

In the table above, the \$83,910 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2023	\$ (52,050)
2024	(58,378)
2025	(68,844)
2026	(86,187)
Total	<u>\$ (265,459)</u>

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 5: Pension Plan (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2020 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal Cost Method
Discount Rate	7.15%
Inflation Rate	2.50%
Salary Increases	(1)
Investment Rate of Return	7.15% (2)
Mortality	Derived using CalPERS membership data for all funds (3)
Post-Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) Depending on age, service and type of enrollment

(2) Net of pension plan investment expenses, including inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 5: Pension Plan (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects expected real rates of return by asset class.

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1-10(b)	Real Return Years 11+(c)
Public Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	-	(0.92%)
Total	100%		

(a) In the CalPERS Annual Comprehensive Financial Report, Fixed income is included in the Global Debt Securities; Liquidity is included in short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the C/CAG's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15% for each Plan, as well as what the C/CAG's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.15%) or 1% point higher (8.15%) than the current rate:

	Discount Rate		
	1% Decrease 6.15%	Current 7.15%	1% Increase 8.15%
Miscellaneous	\$ 670,155	\$357,268	\$ 98,610

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 5: Pension Plan (Continued)

Subsequent Event - On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy approved by the CalPERS Board in 2015, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the CalPERS Board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense, but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the CalPERS Board. These new assumptions will be reflected in the CalPERS GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

Note 6: Other Post-Employment Benefits

General Information about the Other Post Employment Benefit Plan (OPEB)

C/CAG administers a single-employer defined benefit post-employment healthcare plan. Permanent employees who retire under C/CAG's retirement plan (CalPERS) are, pursuant to their respective collective bargaining agreements, eligible to have their medical insurance premiums reimbursed by C/CAG up to the Kaiser family premium rate. Medical insurance premiums for spouses and other dependents generally are not paid by C/CAG. Currently there are two retirees receiving this benefit.

During the fiscal year 2015, the Board authorized to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CalPERS, and is managed by an appointed board not under the control of C/CAG, with a deposit of \$30,000 with CERBT to begin funding its OPEB liability. Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. This Trust is not considered a component unit of C/CAG and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 6: Other Post-Employment Benefits (Continued)

Employees Covered – Membership in the plan consisted of the following at June 30, 2022:

Active plan members	2
Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	0
Total	<u>5</u>

Net OPEB Liability

Actuarial Methods and Assumptions – C/CAG's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 that was rolled forward to determine the total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Funding Method	Entry age normal cost, level percent of pay
Assets Valuation Method	Market value of assets
Long Term Return on Assets	6.20% as of June 30, 2021 and 6.25% June 30, 2020 net of plan investment expenses
Discount Rates	6.20% as of June 30, 2021 and 6.25% June 30, 2020
Salary Increase	3.0% per year, used only to allocate the cost of benefits between service
Inflation Rate	2.5% per year
Healthcare Cost Trend Rates	5.70% in 2022, rate down to 4% for year 2076 and later
Mortality Improvement	Macleod Watts Scale 2020 applied generationally from 2015

Discount Rate – The discount rate used to measure the total OPEB liability was 6.20%.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 6: Other Post-Employment Benefits (Continued)

Changes in Net OPEB Liability

The changes in the Net OPEB Liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2021: (Measurement Date 6/30/20)	\$ 380,863	\$ 247,774	\$ 133,089
Changes Recognized for the Measurement Period:			
Service Cost	28,715	-	28,715
Interest on the total OPEB liability	25,324	-	25,324
Expected investment income	-	16,740	(16,740)
Employer contributions	-	49,048	(49,048)
Changes of benefit terms	-	-	-
Administrative expenses	-	(120)	120
Changes of assumptions	6,362	-	6,362
Plan Experience	30,225	-	30,225
Investment Experience	-	35,362	(35,362)
Benefit payments	(8,804)	(8,804)	-
Net Changes during Fiscal Year 2021	81,822	92,226	(10,404)
Balance at Fiscal Year Ending 6/30/2022: (Measurement Date 6/30/2021)	\$ 462,685	\$ 340,000	\$ 122,685

Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
5.20%	6.20%	7.20%
\$ 174,572	\$ 122,685	\$ 79,576

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost Trend Rates	1% Increase
Current Trend	Current Trend	Current Trend
\$ 78,245	\$ 122,685	\$ 176,244

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 6: Other Post-Employment Benefits (Continued)

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2022, C/CAG recognized OPEB Expense of \$47,428. As of fiscal year ended June 30, 2022, it reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$ 50,016	\$ -
Changes of assumptions	16,634	-
Differences between expected and actual experience	21,540	(6,444)
Net difference between projected and actual earnings on investments	-	(25,965)
Total	<u>\$ 88,190</u>	<u>\$ (32,409)</u>

\$50,016 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Annual Amortization
2023	\$ 8,950
2024	5,282
2025	(1,393)
2026	(7,074)
Total	<u>\$ 5,765</u>

Note 7: Risk Management

C/CAG is covered under the County of San Mateo's insurance policies. Therefore, the limitations and self-insured retentions applicable to the County also apply to C/CAG. Additional information on coverage and self-insured retentions can be obtained by contacting the County of San Mateo.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 8: Cooperative Funding Agreement – Loan Receivable

On November 14, 2019, the C/CAG Board approved Resolution 19-71 authorizing the C/CAG Chair to execute the Cooperative Funding (Loan) Agreement with SMCEL-JPA in the amount of \$872,456 to partially fund the fiscal year 2019-20 operations of the SMCEL-JPA.

During the fiscal year ended June 30, 2022, the loan agreement was amended to provide for additional loan advances up to a maximum amount of \$1,314,045 to support a portion of the fiscal year 2021-2022 operations. SMCEL-JPA will repay C/CAG with interest, based on the net earning rates on the San Mateo County Investment Pool, when toll revenue is generated from the operation of the US101 Express Lanes. The express lane project commenced tolling on the southern segment (Whipple Ave. to Santa Clara County line) in February 2022. The loan balance as of June 30, 2022 was \$2,337,397.

Note 9: Commitments and Contingent Liabilities

C/CAG is subject to litigation arising in the normal course of business. In the opinion of legal counsel there is no pending litigation, which is likely to have a material adverse effect on the financial position of C/CAG.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Member contributions	\$ 275,651	\$ 275,651	\$ 275,651	\$ -
Investment income	5,000	5,000	(17,841)	(22,841)
Total Revenues	280,651	280,651	257,810	(22,841)
EXPENDITURES				
Professional services	399,667	399,667	229,602	170,065
Field and program supplies	11,000	11,000	419	10,581
Administrative services	254,187	254,187	132,147	122,040
Dues and membership	1,750	1,750	1,500	250
Conferences and meetings	15,500	15,500	-	15,500
Publications	14,000	14,000	2,281	11,719
Other	13,000	13,000	1,911	11,089
Total Expenditures	709,104	709,104	367,860	341,244
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(428,453)	(428,453)	(110,050)	318,403
OTHER FINANCING SOURCES				
Transfers in	-	-	277,632	277,632
Total Other Financing Sources	-	-	277,632	277,632
NET CHANGE IN FUND BALANCES	<u>\$ (428,453)</u>	<u>\$ (428,453)</u>	167,582	<u>\$ 596,035</u>
FUND BALANCES AT BEGINNING OF YEAR			959,605	
FUND BALANCES AT END OF YEAR			<u>\$ 1,127,187</u>	

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**CONGESTION MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Member contributions	\$ 2,541,811	\$ 2,541,811	\$ 2,541,811	\$ -
Intergovernmental	2,429,288	2,429,288	1,681,749	(747,539)
Investment income	46,000	46,000	(138,087)	(184,087)
Cost reimbursement	-	-	5,298	5,298
Total Revenues	5,017,099	5,017,099	4,090,771	(926,328)
EXPENDITURES				
Professional services	5,614,416	5,614,416	2,598,521	3,015,895
Field and program supplies	8,000	8,000	-	8,000
Administrative services	239,850	239,850	320,598	(80,748)
Conferences and meetings	7,000	7,000	2,502	4,498
Publications	3,000	3,000	1,620	1,380
Distributions	1,092,850	1,092,850	848,394	244,456
Dues and memberships	8,000	8,000	4,079	3,921
Other	2,000	2,000	-	2,000
Total Expenditures	6,975,116	6,975,116	3,775,714	3,199,402
EXCESS OF REVENUES OVER EXPENDITURES	(1,958,017)	(1,958,017)	315,057	2,273,074
OTHER FINANCING SOURCES (USES)				
Transfers in	2,267,000	2,267,000	1,067,000	(1,200,000)
Transfers (out)	(1,200,000)	(1,200,000)	(171,028)	1,028,972
Total Other Financing Sources (Uses)	1,067,000	1,067,000	895,972	(171,028)
NET CHANGE IN FUND BALANCES	\$ (891,017)	\$ (891,017)	1,211,029	\$ 2,102,046
FUND BALANCES AT BEGINNING OF YEAR			7,666,162	
FUND BALANCES AT END OF YEAR			\$ 8,877,191	

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**NATIONAL POLLUTANT DISCHARGE AND ELIMINATION SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 248,299	\$ 248,299	\$ 235,404	\$ (12,895)
NPDES fees	1,499,799	1,499,799	1,536,333	36,534
Investment income	9,000	9,000	(28,906)	(37,906)
Total Revenues	1,757,098	1,757,098	1,742,831	(14,267)
EXPENDITURES				
Professional services	1,998,886	1,998,886	1,522,789	476,097
Administrative services	32,292	32,292	31,158	1,134
Dues and membership	17,380	17,380	26,449	(9,069)
Conferences and meetings	6,000	6,000	617	5,383
Distributions	18,000	18,000	27,749	(9,749)
Others	1,000	1,000	37	963
Total Expenditures	2,073,558	2,073,558	1,608,799	464,759
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(316,460)	(316,460)	134,032	450,492
OTHER FINANCING (USES)				
Transfers in	40,000	40,000	40,000	-
Transfers (out)	-	-	(51,254)	(51,254)
Total Other Financing (Uses)	40,000	40,000	(11,254)	(51,254)
NET CHANGE IN FUND BALANCES	\$ (276,460)	\$ (276,460)	122,778	\$ 399,238
FUND BALANCES AT BEGINNING OF YEAR			1,585,221	
FUND BALANCES AT END OF YEAR			\$ 1,707,999	

CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY

BAY AREA AIR QUALITY MANAGEMENT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
AB 434 DMV Fees	\$ 1,106,000	\$ 1,106,000	\$ 1,051,676	\$ (54,324)
Investment income	8,000	8,000	(27,478)	(35,478)
Total Revenues	1,114,000	1,114,000	1,024,198	(89,802)
EXPENDITURES				
Professional services	355,792	355,792	125,519	230,273
Administrative services	4,231	4,231	100	4,131
Distributions	1,935,000	1,935,000	794,182	1,140,818
Other	-	-	-	-
Total Expenditures	2,295,023	2,295,023	919,801	1,375,222
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,181,023)	(1,181,023)	104,397	1,285,420
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	-	(5,847)	(5,847)
Total Other Financing Sources (Uses)	-	-	(5,847)	(5,847)
NET CHANGE IN FUND BALANCES	\$ (1,181,023)	\$ (1,181,023)	98,550	\$ 1,279,573
FUND BALANCES AT BEGINNING OF YEAR			1,316,805	
FUND BALANCES AT END OF YEAR			\$ 1,415,355	

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**AB 1546 FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 250	\$ 250	\$ 425	\$ 175
Investment income	3,000	3,000	(8,639)	(11,639)
Total Revenues	3,250	3,250	(8,214)	(11,464)
EXPENDITURES				
Professional services	32,500	32,500	201,629	(169,129)
Distributions	674,000	674,000	4,133	669,867
Total Expenditures	706,500	706,500	205,762	500,738
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(703,250)	(703,250)	(213,976)	489,274
NET CHANGE IN FUND BALANCES	<u>\$ (703,250)</u>	<u>\$ (703,250)</u>	(213,976)	<u>\$ 489,274</u>
FUND BALANCES AT BEGINNING OF YEAR			752,353	
FUND BALANCES AT END OF YEAR			<u>\$ 538,377</u>	

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**ENERGY WATCH FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 234,127	\$ (115,873)
Investment income	2,000	2,000	(6,544)	(8,544)
Total Revenues	352,000	352,000	227,583	(124,417)
EXPENDITURES				
Professional services	397,500	397,500	257,609	139,891
Administrative services	16,329	16,329	13,192	3,137
Conferences and meetings	10,000	10,000	-	10,000
Total Expenditures	423,829	423,829	270,801	153,028
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(71,829)	(71,829)	(43,218)	28,611
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	150,000	-
Transfers (out)	-	-	(28,845)	(28,845)
Total Other Financing (Uses)	150,000	150,000	121,155	(28,845)
NET CHANGE IN FUND BALANCES				
	\$ 78,171	\$ 78,171	77,937	\$ (234)
FUND BALANCES AT BEGINNING OF YEAR			376,441	
FUND BALANCES AT END OF YEAR			\$ 454,378	

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**MEASURE M FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 7,035,000	\$ 7,035,000	\$ 6,950,787	\$ (84,213)
Investment income	80,000	80,000	(185,800)	(265,800)
Cost reimbursement	958,283	958,283	648,528	(309,755)
Total Revenues	8,073,283	8,073,283	7,413,515	(659,768)
EXPENDITURES				
Professional services	2,916,694	2,916,694	2,579,896	336,798
Administrative services	44,738	44,738	41,491	3,247
Distributions	4,949,882	4,949,882	3,976,720	973,162
Conferences and meetings	7,000	7,000	1,652	5,348
Total Expenditures	7,918,314	7,918,314	6,599,759	1,318,555
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	154,969	154,969	813,756	658,787
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(2,307,000)	(2,307,000)	(2,327,658)	(20,658)
Total Other Financing (Uses)	(2,307,000)	(2,307,000)	(2,327,658)	(20,658)
NET CHANGE IN FUND BALANCES	<u>\$(2,152,031)</u>	<u>\$(2,152,031)</u>	(1,513,902)	<u>\$ 638,129</u>
FUND BALANCES AT BEGINNING OF YEAR			12,604,484	
FUND BALANCES AT END OF YEAR			<u>\$ 11,090,582</u>	

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**SAN MATEO COUNTY EXPRESS LANE JPA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 267,520	\$ 267,520
Investment income	-	-	11,755	11,755
Total Revenues	-	-	279,275	279,275
EXPENDITURES				
Administrative services	105,000	105,000	131,146	(26,146)
Professional services	221,000	221,000	139,154	81,846
Total Expenditures	326,000	326,000	270,300	55,700
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(326,000)	(326,000)	8,975	334,975
OTHER FINANCING SOURCES (USES)				
Transfers in	1,050,000	1,050,000	1,050,000	-
Total Other Financing (Uses)	1,050,000	1,050,000	1,050,000	-
NET CHANGE IN FUND BALANCES	<u>\$ 724,000</u>	<u>\$ 724,000</u>	1,058,975	<u>\$ 334,975</u>
FUND BALANCES AT BEGINNING OF YEAR			1,825,901	
FUND BALANCES AT END OF YEAR			<u>\$ 2,884,876</u>	

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

CALPERS COST SHARING PLAN
Last 10 Years*
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Measurement Date of	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21
Plan's proportion of the Net Pension Liability (Asset)	0.00414%	0.012329%	0.012726%	0.012976%	0.013413%	0.013740%	0.014096%	0.014096%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 257,601	\$ 338,250	\$ 442,081	\$ 511,510	\$ 505,489	\$ 550,228	\$ 594,576	\$ 357,268
Plan's Covered Payroll	272,087	285,078	257,693	270,037	311,785	298,420	316,724	325,885
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	94.68%	118.65%	171.55%	189.42%	162.13%	184.38%	187.73%	109.63%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	79.01%	75.20%	73.84%	75.10%	74.27%	73.59%	84.92%

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes).

Changes in assumptions: In 2020, there were no changes in the discount rate

* Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

**CALPERS COST SHARING PLAN
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS**

Fiscal year ended	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 43,618	\$ 41,142	\$ 40,857	\$ 54,162	\$ 61,955	\$ 70,981	\$ 80,555	\$ 83,910
Contributions in relation to the actuarially determined contributions	(43,618)	(41,142)	(40,857)	(54,162)	(61,955)	(70,981)	(80,555)	(83,910)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$285,078	\$257,693	\$270,037	\$311,785	\$298,420	\$316,724	\$325,885	\$312,885
Contributions as a percentage of covered payroll	15.30%	15.97%	15.13%	17.37%	20.76%	22.41%	24.72%	26.82%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	8 Years as of the Valuation Date
Asset valuation method	Market Value of Assets
Discount Rate	7.15%
Inflation	2.50%
Salary increases	Annual increase vary by category, entry age and duration of service
Retirement age	50 years and up

* Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Single-employer Defined Benefit Post Employment Healthcare plan (OPEB)
Last 10 years*

Measurement Date	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21
Total OPEB Liability					
Service Cost	\$ 20,211	\$ 22,676	\$ 24,240	\$ 27,879	\$ 28,715
Interest	16,127	17,515	19,323	22,675	25,324
Differences between expected and actual experience	(9,558)	-	(21,201)	-	30,225
Changes in assumptions	8,580	7,876	37,405	-	6,362
Benefit payments	(23,408)	(9,531)	(10,330)	(9,217)	(8,804)
Net change in total OPEB liability	11,952	38,536	49,437	41,337	81,822
Total OPEB liability - beginning	239,601	251,553	290,089	339,526	380,863
Total OPEB liability - ending (a)	\$ 251,553	\$ 290,089	\$ 339,526	\$ 380,863	\$ 462,685
OPEB fiduciary net position					
Contributions - employer	\$ 48,408	\$ 54,162	\$ 53,132	\$ 57,669	\$ 49,048
Net investment income	4,093	5,389	9,662	10,179	52,102
Administrative expense	(31)	(46)	(30)	(94)	(120)
Other expense	-	(115)	-	-	-
Benefit payments, including refunds of employee contributions	(23,408)	(9,531)	(10,330)	(9,217)	(8,804)
Net change in plan fiduciary net position	29,062	49,859	52,434	58,537	92,226
Plan fiduciary net position - beginning	57,882	86,944	136,803	189,237	247,774
Plan fiduciary net position - ending (b)	\$ 86,944	\$ 136,803	\$ 189,237	\$ 247,774	\$ 340,000
Net OPEB liability - ending (a)-(b)	\$ 164,609	\$ 153,286	\$ 150,289	\$ 133,089	\$ 122,685
Plan fiduciary net position as a percentage of the total OPEB liability	35%	47%	56%	65%	73%
Covered-employee payroll	\$ 311,785	\$ 283,864	\$ 298,420	\$ 308,984	\$ 325,887
Net OPEB liability as a percentage of covered-employee payroll	52.80%	54.00%	50.36%	43.07%	37.65%

Notes to schedule:

* - Fiscal year 2018 was the first year of implementation.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

SCHEDULE OF CONTRIBUTIONS
Single-employer Defined Benefit Post Employment Healthcare plan (OPEB)
Last 10 years*

Fiscal Year Ended June 30,	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 54,162	\$ 54,899	\$ 55,709	\$ 49,312	\$ 50,016
Contributions in relation to the actuarially determined contributions	54,162	53,132	57,669	49,048	50,016
Contribution deficiency (excess)	\$ -	\$ 1,767	\$ (1,960)	\$ (264)	\$ -
Covered-employee payroll	\$ 283,864	\$ 298,420	\$ 308,984	\$ 325,887	\$ 330,000
Contributions as a percentage of covered-employee payroll	19.08%	17.80%	18.66%	15.05%	15.16%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

*Valuation date: June 30, 2019

Funding Method	Entry Age Normal Cost, level percent of pay
Amortization Method	9 year closed Level dollar
Asset Valuation Method	Market value of assets
General Inflation Rate	2.50%
Healthcare cost trend rates	5.4% in 2021, fluctuating down to 4.0% by 2076
Salary Increase	3.00%
Investment rate of return	6.15% net of plan expenses
Retirement Age	50 to 75
Mortality	2017 CalPERS Experience Study
Mortality Improvement	MacLeod Watts Scale 2020

* - Fiscal year 2018 was the first year of implementation.

* The ADC for fiscal year end June 30, 2020 was developed from the 2017 valuation.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – C/CAG BUDGETARY INFORMATION

C/CAG's Governing Board adopts an annual operating budget on or before June 30 for the ensuing fiscal year for all funds. C/CAG follows a budgeting process in which C/CAG plans and objectives are outlined and budgeted. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various funds.

C/CAG's Governing Board may amend the budget by resolution during the fiscal year. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Expenditures in Excess of Budget

For the year ended June 30, 2022, none of the funds had expenditures exceeding the budgeted amounts.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2022**

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**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY
MEMORANDUM ON INTERNAL CONTROL
For The Year Ended June 30, 2022**

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MEMORANDUM ON INTERNAL CONTROL

To the Governing Board of the City/County Association
of Governments of San Mateo County
Redwood City, California

In planning and performing our audit of the basic financial statements of the C/CAG as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered C/CAG's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of C/CAG's internal control. Accordingly, we do not express an opinion on the effectiveness of C/CAG's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of C/CAG's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Governing Board, others within the organization, and agencies and pass-through entities requiring compliance with *Government Audit Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
October 15, 2022

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**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2022**

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**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY
REQUIRED COMMUNICATIONS
For The Year Ended June 30, 2022**

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REQUIRED COMMUNICATIONS

To the Governing Board of the City/County Association
of Governments of San Mateo County
Redwood City, California

We have audited the basic financial statements of the City/County Association of Governments of San Mateo County (C/CAG) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 29, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Accounting Policies – Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by C/CAG are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year.

Unusual Transactions, Controversial or Emerging Areas – We noted no transactions entered into by C/CAG during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates – Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting C/CAG's financial statements were):

Estimated Net Pension Assets and Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension assets and liabilities and deferred outflows/inflows of resources are disclosed in Note 5 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the C/CAG. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Obligation: Management's estimate of the net OPEB obligation is disclosed in Note 6 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of C/CAG. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Fair Value of Investments: As of June 30, 2022, C/CAG held approximately \$27.4 million of cash and investments as measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2022. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2022.

Disclosures – The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the C/CAG's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Governing Board.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated October 15, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the C/CAG's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the C/CAG's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

This information is intended solely for the use of the Governing Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
October 15, 2022

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C/CAG AGENDA REPORT

Date: November 30, 2022

To: C/CAG Finance Committee

From: Sean Charpentier, Executive Director

Subject: Accept the C/CAG State Transportation Improvement Program (STIP) Planning, Programming & Monitoring Program (PPM) Final Project Expenditure Audit Report from July 1, 2020 through June 30, 2022 and from July 1, 2021 through June 30, 2022.

(For further information contact Sean Charpentier at scharpentier@smcgov.org)

RECOMMENDATION

That the Finance Committee accept the C/CAG State Transportation Improvement Program (STIP) Planning, Programming & Monitoring Program (PPM) Final Project Expenditure Audit Report from July 1, 2020 through June 30, 2022 and from July 1, 2021 through June 30, 2022.

FISCAL IMPACT

None.

SOURCE OF FUNDS

State Transportation Improvement Program (STIP) Planning, Programming & Monitoring (PPM) funds come from State transportation grant.

BACKGROUND

C/CAG received a State grant for Planning, Programming & Monitoring (PPM) fund from the State Transportation Improvement Program (STIP), in an amount of \$263,000 for fiscal year 2020/21. This grant was expended during the period from July 1, 2020 through June 30, 2022. Additionally, C/CAG received a State grant for Planning, Programming & Monitoring (PPM) fund from the State Transportation Improvement Program (STIP), in an amount of \$262,000 for fiscal year 2021/22. This grant was expended during the period from July 1, 2021 through June 30, 2022.

To comply with grantor's requirement, an independent audit was performed on this state grant. Final Project Expenditure Audit Report is shown in the attachment. No issues were identified that required correction.

The auditor expressed their opinion that the financial statements present fairly, in all material respects, the Final Project Expenditure Report as of June 30, 2022, and the respective changes in financial position for the period of July 1, 2020 through June 30, 2022 and the period of July 1, 2021 through June 30, 2022, then ended in conformity with accounting principles generally accepted in the United States of America.

ATTACHMENT

1. C/CAG State Transportation Improvement Program (STIP) Planning, Programming & Monitoring Program (PPM) Final Project Expenditure Audit Report from July 1, 2020 through June 30, 2022 (attached as well as available on-line at: <http://ccag.ca.gov/committees/finance-committee/>)
2. C/CAG State Transportation Improvement Program (STIP) Planning, Programming & Monitoring Program (PPM) Final Project Expenditure Audit Report from July 1, 2021 through June 30, 2022 (attached as well as available on-line at: <http://ccag.ca.gov/committees/finance-committee/>)

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)
PLANNING, PROGRAMMING & MONITORING PROGRAM (PPM)
PROJECT EXPENDITURES AUDIT REPORT
PROJECT NUMBER PPM 21-6419(031)**

**FROM JULY 1, 2020
THROUGH JUNE 30, 2022**

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**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)
PLANNING, PROGRAMMING & MONITORING (PPM)
FROM JULY 1, 2020 THROUGH JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of the City/County
Association of Governments of San Mateo County
Redwood City, California

Opinion

We have audited the accompanying Project Expenditures Report (Report) for Project Number PPM 21-6419(031) (the Program) of the City/County Association of Governments of San Mateo County, California (C/CAG), for the period of July 1, 2020 through June 30, 2022, and the related notes to the report.

In our opinion, the Report referred to above presents fairly, in all material respects, the position of the Program as of June 30, 2022, and the respective changes in financial position for the period of July 1, 2020 through June 30, 2022, then ended in accordance with the financial reporting provisions of the Department of Transportation of California STIP Planning, Programming & Monitoring Program (PPM).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of C/CAG and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the Report, which describes the basis of accounting. The Report is prepared by C/CAG, in accordance with the financial reporting provisions of the California State Transportation Improvement Program (STIP), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of STIP. As a result, the Report may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of STIP, as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

This Report is intended solely for the information and use the City/County Association of Governments of San Mateo County, California, and the State of California and is not intended to be and should not be used by anyone other than these specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2022, on our consideration of C/CAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the C/CAG's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the C/CAG's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 15, 2022

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**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**PROJECT EXPENDITURES REPORT
PROJECT NUMBER PPM 21-6419 (031)
From July 1, 2020
Through June 30, 2022**

State Funds Allocated:	<u><u>\$ 263,000</u></u>
Expenditures Incurred:	
Project Costs:	
Preliminary Engineering	\$ 263,000
Sources and Amounts of Additional Funds Used (Local Fund):	<u><u>\$ -</u></u>
State Funds Allocated but Not Used	<u><u>\$ -</u></u>

See Accompanying Notes to Project Expenditures Report

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)
PLANNING, PROGRAMMING & MONITORING (PPM)
PPM 21-6419(031)
PROJECT EXPENDITURES REPORT
NOTES TO PROJECT EXPENDITURES REPORT**

Note 1: Project Description

PPM is defined as the project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program (RTIP) and the STIP as required, and for the monitoring of project implementation for projects approved in the STIP.

Note 2: Basis of Accounting

The STIP PPM Fund Transfer Agreement for State Funded Projects authorizes the use of monies received by the state for certain purposes. Reimbursement requests are submitted to the State to release funds directly to the City/County Association of Governments of San Mateo County (C/CAG). The amounts distributed to the C/CAG are maintained in the C/CAG's Congestion Management Fund. The expenditures and revenues of other activities of the C/CAG have not been included in this report. This report is presented in accordance with the STIP PPM Fund Transfer Agreement for State Funded Projects.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Governing Board of the City/County
Association of Governments of San Mateo County
Redwood City, California

Report on Compliance

Opinion on the Program

We have audited the C/CAG's compliance with the types of compliance requirements in the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement Project PPM 21-6419(031) that could have direct and material effect on the Project Expenditures Report (Report) for the period of July 1, 2020 through June 30, 2022.

In our opinion, C/CAG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Program for the period ended June 30, 2022.

Basis for Opinion on the Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of C/CAG and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the program. Our audit does not provide a legal determination of C/CAG's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on C/CAG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about C/CAG's compliance with the requirements of the program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding C/CAG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of C/CAG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the STIP PPM, but not for the purpose of expressing an opinion on the effectiveness of C/CAG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the STIP PPM Fund Transfer Agreement. Accordingly, this report is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
October 15, 2022

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**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)
PLANNING, PROGRAMMING & MONITORING PROGRAM (PPM)
PROJECT EXPENDITURES REPORT
PROJECT NUMBER PPM22L-6419(032)**

**FROM JULY 1, 2021
THROUGH JUNE 30, 2022**

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**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)
PLANNING, PROGRAMMING & MONITORING PROGRAM (PPM)
FROM JULY 1, 2021 THROUGH JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of the City/County
Association of Governments of San Mateo County
Redwood City, California

Opinion

We have audited the accompanying Project Expenditures Report (Report) for Project Number PPM22L-6419(032) (the Program) of the City/County Association of Governments of San Mateo County, California (C/CAG), for the period of July 1, 2021 through June 30, 2022, and the related notes to the report.

In our opinion, the Report referred to above presents fairly, in all material respects, the position of the Program as of June 30, 2022, and the respective changes in financial position for the period of July 1, 2021 through June 30, 2022, then ended in accordance with the financial reporting provisions of the Department of Transportation of California STIP Planning, Programming & Monitoring Program (PPM).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of C/CAG and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the Report, which describes the basis of accounting. The Report is prepared by C/CAG, in accordance with the financial reporting provisions of the California State Transportation Improvement Program (STIP), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of STIP. As a result, the Report may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of STIP, as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

This Report is intended solely for the information and use of the City/County Association of Governments of San Mateo County, California, and the State of California and is not intended to be and should not be used by anyone other than these specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2022, on our consideration of C/CAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the C/CAG's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the C/CAG's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 15, 2022

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**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**PROJECT EXPENDITURES REPORT
PROJECT NUMBER PPM 22L-6419(032)
From July 1, 2021
Through June 30, 2022**

State Funds Allocated:	<u>\$</u> <u>262,000</u>
Expenditures Incurred:	
Project Costs:	
Preliminary Engineering	\$262,000
Sources and Amounts of Additional Funds Used (Local Fund):	<u>\$</u> <u>-</u>
State Funds Allocated but Not Used	<u>\$</u> <u>-</u>

See Accompanying Notes to Project Expenditures Report

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP) PLANNING,
PROGRAMMING & MONITORING (PPM)
PPM22L-6419(032)
PROJECT EXPENDITURES REPORT
NOTES TO PROJECT EXPENDITURES REPORT**

Note 1: Project Description

PPM is defined as the project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program (RTIP) and the STIP as required, and for the monitoring of project implementation for projects approved in the STIP.

Note 2: Basis of Accounting

The STIP PPM Fund Transfer Agreement for State Funded Projects authorizes the use of monies received by the state for certain purposes. Reimbursement requests are submitted to the State to release funds directly to the City/County Association of Governments of San Mateo County (C/CAG). The amounts distributed to the C/CAG are maintained in the C/CAG's Congestion Management Fund. The expenditures and revenues of other activities of the C/CAG have not been included in this report. This report is presented in accordance with the STIP PPM Fund Transfer Agreement for State Funded Projects.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH APPLICABLE REQUIREMENTS AND ON INTERNAL
CONTROL OVER COMPLIANCE**

To the Governing Board of the City/County
Association of Governments of San Mateo County
Redwood City, California

Report on Compliance

Opinion on the Program

We have audited the C/CAG's compliance with the types of compliance requirements in the State Transportation Improvement Program (STIP) Planning, Programming and Monitoring Program (PPM) Fund Transfer Agreement Project PPM 21-6419(032) that could have direct and material effect on the Project Expenditures Report (Report) for the period of July 1, 2021 through June 30, 2022.

In our opinion, C/CAG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Program for the year ended June 30, 2022.

Basis for Opinion on the Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of C/CAG and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the program. Our audit does not provide a legal determination of C/CAG's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on C/CAG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about C/CAG's compliance with the requirements of the program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding C/CAG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of C/CAG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the STIP PPM, but not for the purpose of expressing an opinion on the effectiveness of C/CAG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the STIP PPM Fund Transfer Agreement. Accordingly, this report is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
October 15, 2022

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C/CAG AGENDA REPORT

Date: November 30, 2022
To: C/CAG Finance Committee
From: Sean Charpentier, Executive Director
Subject: Accept the Measure M Fund Financial Statements (Audit) for the Year Ended June 30, 2022

(For further information contact Sean Charpentier at scharpentier@smcgov.org)

RECOMMENDATION

That the C/CAG Finance Committee accept the Measure M Fund Financial Statements (Audit) for the Year Ended June 30, 2022.

FISCAL IMPACT

None.

SOURCE OF FUNDS

Dedicated motor vehicle fee.

BACKGROUND

On an annual basis, C/CAG conducts a separate independent audit on the Measure M Fund (\$10 vehicle registration fee). An audit report (Financial Statements) for the Measure M Funds for the year ended June 30, 2022 has been prepared. No issue was identified that require correction.

The auditor expressed their opinion that the Measure M financial statements present fairly, in all material respects, the respective financial position of the Measure M Fund, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

ATTACHMENT

1. Measure M Fund Financial Statements (audit report) for Fiscal Year Ended June 30, 2022 (attached as well as available on-line at: <http://ccag.ca.gov/committees/finance-committee/>)

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS
OF SAN MATEO COUNTY, CALIFORNIA

MEASURE M FUND

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2022**

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CITY/COUNTY ASSOCIATION OF
GOVERNMENTS OF SAN MATEO COUNTY,
CALIFORNIA

MEASURE M FUND
FINANCIAL STATEMENTS

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Governing Board of City/County Association of
Governments of San Mateo County
Redwood City, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Measure M Fund (Fund) of the City/County Association of Governments of San Mateo County (C/CAG), California, as of and for the year ended June 30, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2022, on our consideration of the C/CAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the C/CAG's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the C/CAG's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 15, 2022

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**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**MEASURE M FUND
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2022**

	Measure M Fund
ASSETS	
Cash	\$ 12,054,221
Accounts receivable	<u>1,636,366</u>
Total Assets	<u><u>\$ 13,690,587</u></u>
LIABILITIES	
Accounts payable	<u>\$ 2,600,005</u>
Total Liabilities	<u>2,600,005</u>
FUND BALANCE	
Restricted for Measure M	<u>11,090,582</u>
Total Fund Balance	<u>11,090,582</u>
Total Liabilities and Fund Balance	<u><u>\$ 13,690,587</u></u>

See accompanying notes to financial statements.

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

**MEASURE M FUND
STATEMENT OF GOVERNMENTAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Measure M Fund
REVENUES	
From other agencies	\$ 6,950,787
Cost reimbursement	648,528
Investment income	(185,800)
Total Revenues	7,413,515
EXPENDITURES	
Distributions	3,976,720
Professional services	2,579,896
Conferences and meetings	1,652
Administrative services	41,491
Total Expenditures	6,599,759
Excess (Deficiency) of Revenues	
Over (under) Expenditures	813,756
OTHER FINANCING SOURCES (USES)	
Transfers out	(2,327,658)
Total Other Financing Sources (Uses)	(2,327,658)
NET CHANGE IN FUND BALANCE	(1,513,902)
FUND BALANCE AT BEGINNING OF YEAR	12,604,484
FUND BALANCE AT END OF YEAR	\$ 11,090,582

See accompanying notes to financial statements.

**CITY/ COUNTY ASSOCIATION OF
GOVERNMENTS OF SAN MATEO COUNTY**

**MEASURE M FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

The City/County Association of Governments of San Mateo County (C/CAG), California Measure M Fund (Fund) is used to account for the Fund's activities. This fund accounts for Motor Vehicle Fees of \$10 per vehicle per year for 25 years. This will raise approximately \$170 million, with \$85 million allocated to the cities and the County for Water Pollution Prevention Programs and Congestion Management Programs. The remaining \$85 million will go to transit and senior mobility improvement, safe routes to schools, Intelligent Transportation System projects, and County-wide Water Pollution Prevention Programs.

The Fund is a governmental fund of the C/CAG, and the accompanying financial statements are included in the C/CAG basic financial statements.

The accompanying financial statements are for the Fund only and are not intended to fairly present the financial position of the C/CAG or the results of its operations.

b. Basis of Presentation – Fund Financial Statements

The Fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major funds. The Fund reports the following major governmental funds:

The Measure M Fund (Fund) is the primary operating fund. It accounts for all financial resources.

c. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues susceptible to accrual consist of grants and interest. Grants collected within 365 days after year-end are accrued as revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**CITY/ COUNTY ASSOCIATION OF
GOVERNMENTS OF SAN MATEO COUNTY**

**MEASURE M FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 1: Summary of Significant Accounting Policies (Continued)

d. Assets, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and Investments

The Fund's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The C/CAG categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Receivables and Payables

All receivables are shown net of an allowance for uncollectibles.

Activity between C/CAG funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**CITY/ COUNTY ASSOCIATION OF
GOVERNMENTS OF SAN MATEO COUNTY**

**MEASURE M FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Fund has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fund has no items that qualify for reporting in this category.

Fund Equity

The Fund reports a restricted fund balance which include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

**CITY/ COUNTY ASSOCIATION OF
GOVERNMENTS OF SAN MATEO COUNTY**

**MEASURE M FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 2: Cash and Investments

At June 30, 2022, the Fund's cash and investment totaled \$12,054,221.

The investment fair value measurements within the fair value hierarchy are established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Fund's cash and investments are pooled with C/CAG's cash and investments in order to generate optimum interest income. Each C/CAG fund's share of the pooled cash account is separately accounted for, and investment income is allocated to all participating funds based on the relationship of their average daily cash balances to the total of the pooled cash and investments. Information regarding the authorized types of deposits and investments, the type of risks (i.e., credit, interest rate, custodial, etc.). Fair value hierarchy and other disclosures associated with the fund's pooled cash and investments is included in the C/CAG's basic financial statements, which are available at 555 County Center Fifth Floor, Redwood City, CA 94063.

Note 3: Commitments and Contingent Liabilities

The Fund is subject to litigation arising in the normal course of business. In the opinion of legal counsel there is no pending litigation, which is likely to have a material adverse effect on the financial position of the fund.

**CITY/COUNTY ASSOCIATION
OF GOVERNMENTS OF SAN MATEO COUNTY**

**MEASURE M FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 7,035,000	\$ 7,035,000	\$ 6,950,787	\$ (84,213)
Investment income	80,000	80,000	(185,800)	(265,800)
Cost reimbursement	958,283	958,283	648,528	(309,755)
Total Revenues	8,073,283	8,073,283	7,413,515	(659,768)
EXPENDITURES				
Professional services	2,916,694	2,916,694	2,579,896	336,798
Administrative services	44,738	44,738	41,491	3,247
Distributions	4,949,882	4,949,882	3,976,720	973,162
Conferences and meetings	7,000	7,000	1,652	5,348
Total Expenditures	7,918,314	7,918,314	6,599,759	1,318,555
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	154,969	154,969	813,756	658,787
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(2,307,000)	(2,307,000)	(2,327,658)	(20,658)
Total Other Financing (Uses)	(2,307,000)	(2,307,000)	(2,327,658)	(20,658)
NET CHANGE IN FUND BALANCES	<u>\$(2,152,031)</u>	<u>\$(2,152,031)</u>	(1,513,902)	<u>\$ 638,129</u>
FUND BALANCES AT BEGINNING OF YEAR			12,604,484	
FUND BALANCES AT END OF YEAR			<u>\$ 11,090,582</u>	

**CITY/ COUNTY ASSOCIATION OF
GOVERNMENTS OF SAN MATEO COUNTY**

**MEASURE M FUND
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

Note 1: Budget Policy

C/CAG's Governing Board adopts an annual operating budget on or before June 30 for the ensuing fiscal year for all funds. C/CAG follows a budgeting process in which C/CAG plans and objectives are outlined and budgeted. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various funds.

C/CAG's Governing Board may amend the budget by resolution during the fiscal year. Budgets are adopted on a basis consistent with generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT ON MEASURE M COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Governing Board of City/County Association of
Governments of San Mateo County
Redwood City, California

Report on Compliance for Measure M Fund

Opinion on Compliance for Measure M Fund

We have audited the City/County Association of Governments of San Mateo County's (C/CAG) compliance with the types of compliance requirements in Measure M – California Government Code Section 65089.20 that could have a direct and material effect on the Measure M Fund (Fund) for the year ended June 30, 2022.

In our opinion, C/CAG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Fund for the year ended June 30, 2022.

Basis for Opinion on the Fund

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of C/CAG and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Fund. Our audit does not provide a legal determination of C/CAG's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Fund.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on C/CAG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about C/CAG's compliance with the requirements of the Fund as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding C/CAG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of C/CAG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the requirements of Measure M, but not for the purpose of expressing an opinion on the effectiveness of C/CAG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Measure M – California Government Code Section 65089.20. Accordingly, this report is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
October 15, 2022

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C/CAG AGENDA REPORT

Date: November 30, 2022

To: C/CAG Finance Committee

From: Sean Charpentier, Executive Director

Subject: Review and approve the 2023 Finance Committee Meeting Calendar

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

RECOMMENDATION

It is recommended that the Finance Committee review and approve the meeting calendar for 2023.

FISCAL IMPACT

None

SOURCE OF FUNDS

None

BACKGROUND

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

C/CAG Board requested the Committee to review the Draft Annual Budgets before it goes to the C/CAG Board in May. Therefore, staff is recommending an extra meeting in April to discuss the Draft Budget only.

The following dates are proposed:

Review Quarter	Meeting Date (12:00PM Noon)
October-December 2022	Wednesday, February 22, 2023
Draft Budget Study Session	Wednesday, April 26, 2023
January-March 2023	Wednesday, May 23, 2023
April-June 2023	Wednesday, August 23, 2023
July- September 2023	Wednesday, November 29, 2023

Staff recommends the Finance Committee review and approve the meeting calendar for 2023.

ATTACHMENTS

None

C/CAG AGENDA REPORT

Date: November 30, 2022

To: C/CAG Finance Committee

From: Sean Charpentier, Executive Director

Subject: Review and recommend approval of the C/CAG Investment Policy annual update with the addition of a Socially Responsible Investment Objective.

(For further information or questions contact Sean Charpentier at scharpentier@smcgov.org)

RECOMMENDATION

That the C/CAG Finance Committee reviews and recommends approval of the C/CAG Investment Policy annual update with the addition of a Socially Responsible Investment Objective.

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 15, 2022, the C/CAG Board approved Resolution 22-71 adopting the C/CAG Investment Policy update as recommended by the Finance Committee at their August meeting. 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.

Although the Finance Committee recommended approval of the annual update as is, the Committee directed staff to research the County's investment policy for any changes including their policy on environmental, social, and governance (ESG) principles including but not limited to, environmental sustainability, social and economic justice, and good corporate governance. Staff did incorporate the County's ESG policy on page 10 of the Draft C/CAG Investment Policy Revised (Attachment 1). The Finance Committee shall review the revised C/CAG Investment Policy annual update with the addition of a Socially Responsible Investment Objective.

ATTACHMENT

1. Draft C/CAG Investment Policy Revised (with track change)

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

INVESTMENT POLICY

Adopted on September 15, 2022

Revised on December 1, 2022

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 National Mortgage Association (FNMA), , 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 or placement service 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 50% (effective January 1, 2020) of the investment portfolio may be invested in this investment type. A maturity limitation of five years is applicable. Effective January 1, 2020, no more than 50 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.
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 \$75 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
Placement Service Deposits – Deposits or Certificates of Deposits	53601.8 and 53635.8	5 Years	N/A	50%	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.

Socially Responsible Investment. In addition to and while complying with California Government Code provisions that regulate the investment of public funds (which require that, when managing and investing public funds, the objectives shall be, primarily, to safeguard principal of invested funds; secondarily, to meet the liquidity needs of the local government; and third, to achieve a return on invested funds), C/CAG recognizes the importance of socially responsible investing. C/CAG supports that the County's Treasurer will consider and promote investment in authorized issuers that display adherence to strong environmental, social and governance (ESG) principles, including but not limited to, environmental sustainability, social and economic justice, and good corporate governance. The County's Socially Responsible Investment Objectives can be found on page 3 of the [San Mateo County Investment Policy Statement](#).

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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 Mac- 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.