

C/CAG

CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY

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

C/CAG FINANCE COMMITTEE MEETING AGENDA

Date: Wednesday, August 23, 2023	Join by Zoom Meeting: https://us02web.zoom.us/j/83817613505?pwd=K3dubzJUyTdWeHJqN0ZjNzFNYll1Zz09
Time: 12:00 p.m.	Zoom Meeting ID: 838 1761 3505
Primary Location: San Mateo City Hall Conference Room C 300 W. 20th Ave San Mateo, CA 94403	Password: 952306
	Join by Phone: (669) 900-6833

HYBRID MEETING - IN-PERSON AND BY VIDEOCONFERENCE

This meeting of the C/CAG Finance Committee will be held in person and by teleconference pursuant to Government Code Section 54953(e). Members of the public will be able to participate in the meeting remotely via the Zoom platform or in person at the location above. For information regarding how to participate in the meeting, either in person or remotely, please refer to the instructions at the end of the agenda.

1. CALL TO ORDER/ROLL CALL Chair Colson No materials
2. PUBLIC COMMENT ON RELATED ITEMS NOT ON THE AGENDA Chair Colson No materials
Note: Public comment is limited to two minutes per speaker. Please refer to the instructions at the end of this agenda for details regarding how to provide public comments. Members of the public who wish to address the Committee should complete a speaker's slip to make a public comment in person or raise their hand in Zoom to speak virtually
3. Approval of minutes of May 24, 2023 meeting. (Action) Wever Page 1-2
4. Receive copies of monthly investment statements for April, May, and June 2023. (Information) Wever Page 3-21
5. Review of the quarterly investment report and recommend modifications to the C/CAG investment portfolio as needed. (Action) Charpentier/Harris /Mak Page 22-27

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

Charpentier/Harris Page 28-45
/Mak

ADJOURN

The next regularly scheduled meeting will be on November 29, 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.

ADA REQUESTS: Persons with disabilities who require auxiliary aids or services to participate in this meeting should contact Kim Wever at (650) 599-1451 or kwever@smcgov.org by 10:00 a.m. prior to the meeting date.

PUBLIC PARTICIPATION DURING HYBRID MEETINGS: During hybrid meetings of the Finance Committee, members of the public may address the Committee as follows:

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 in person and through Zoom. Public comments will be taken first by speakers in person, followed by via Zoom. Please read the following instructions carefully:

***In-person participation:**

1. If you wish to speak to the C/CAG Finance Committee, please fill out a speaker's slip located on the 2nd floor auditorium side table against the wall. If you have anything that you wish distributed to the Committee and included in the official record, please hand it to the C/CAG staff who will distribute the information to the Committee members and staff.

***Remote participation:**

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 Co-Chairs call for the item on which you wish to speak, click on “raise hand.” Staff will activate and unmute speakers in turn. Speakers will be notified shortly before they are called on to speak. If calling in via phone, press *9 to raise your hand and when called upon press *6 to unmute.
5. 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
May 24, 2023**

In compliance with the provisions of the Government Code section 54953(e), this meeting of the C/CAG Finance Committee was held in person and by teleconference.

Committee Members Attending In-Person:

Carlos Romero (City of East Palo Alto)
Donna Colson (City of Burlingame)
Ricardo Ortiz (City of Burlingame)

Committee Members Attending Remotely in Publicly Accessible Teleconference Location:

Davina Hurt (City of Belmont)

Committee Members Absent:

Adam Rak (City of San Carlos)

Guests or Staff Attending In-Person:

Sean Charpentier, Kaki Cheung, Kim Wever – C/CAG Staff

Guests or Staff Attending Remotely:

Tammy Mak – City of San Carlos Finance Staff

1. Call to order/Roll Call

At 12:13 P.M. Chair Colson called the Finance Committee meeting to order.

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

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

3. Approval of minutes of April 26, 2023 meeting. (Action)

Motion – To approve the minutes of the April 26, 2023 Finance Committee meeting, Romero/Hurt. Roll Call was taken. All members in attendance voted to approve. Motion passed 4-0

4. Receive copies of monthly investment statements for January, February, and March 2023. (Information)

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

5. 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.

Member Romero asked the Committee if they should modify the portfolio allocation from 60-40 to 50-70 or wait another quarter. C/CAG Executive Director Sean Charpentier clarified that the portfolio does allow that modification without changing the portfolio range, since right now 60-40 is right in the middle of the allowed range. He also added that the allocation will vary a little based on cash flow needs.

Committee members recommended no modifications to the C/CAG investment portfolio.

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 4-0

6. Review and accept the Transportation Fund for Clean Air (TFCA) Program Manager Fund Projects Financial Audit for Project Period Ended June 30, 2021 (Action)

C/CAG staff Kim Wever provided background on the Transportation Fund for Clean Air (TFCA) Program Manager Fund Projects Financial Audit for Project Period Ended June 30, 2021. For San Mateo County, the auditors completed all of the audit procedures and collected sufficient evidence to issue the audit report in October of 2022. However, because the auditors were waiting for materials from other County Program Managers from other Counties, the auditors did not finalize the TFCA audit until March of 2023. Ms. Wever stated that there were not any notable findings in the audit.

Motion – To accept the Transportation Fund for Clean Air (TFCA) Program Manager Fund Projects Financial Audit for Project Period Ended June 30, 2021, Romero/Ortiz. Roll Call was taken. All members in attendance voted to approve. Motion passed 4-0

7. Review and recommend Board approval of the draft final C/CAG Program Budget and Member Fees for Fiscal Year 2023/24 (Action)

C/CAG Executive Director Sean Charpentier presented an update on the C/CAG Program Budget and Member Fees for Fiscal Year 2023/24. Based on input from the C/CAG Board and the Finance Committee when the draft budget was presented, staff has updated the Final Budget to account for the more up-to-date information available, as well as included minor corrections. Key updates included more current projected interest earning in FY 2022/23, estimated interest payments from the SMCEL-JPA on the C/CAG operating loan, and new information on projected revenues/expenditures for various projects.

Motion – To recommend Board approval of the draft final C/CAG Program Budget and Member Fees for Fiscal Year 2023/24, Ortiz/Hurt. Roll Call was taken. All members in attendance voted to approve. Motion passed 4-0

8. Adjournment.

The meeting adjourned at approximately 12:46 P.M.

C/CAG AGENDA REPORT

Date: August 23, 2023

To: C/CAG Finance Committee

From: Sean Charpentier, Executive Director

Subject: Receive copies of monthly investment statements for April, May, and June 2023

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

RECOMMENDATION

That the C/CAG Finance Committee receives copies of monthly investment statements for April, May, and June 2023.

FISCAL IMPACT

None

SOURCE OF FUNDS

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

BACKGROUND

The current C/CAG Investment Policy states that the C/CAG Finance Committee shall analyze investment portfolio at least every quarter. Attached are the monthly statements for C/CAG investment funds for the quarter ending on June 30, 2023.

ATTACHMENTS

1. C/CAG's Monthly Major Cash Inflows and Outflows, LAIF, and SMC Investment Fund Summary for April, May, and June 2023.
2. LAIF Performance Report Quarter Ending June 30, 2023.
3. San Mateo County Treasurer's Office Pool Participants Distribution June 30, 2023.
4. County Summary of Pool Earnings for April, May, and June 2023.
5. Overview of Market and Investment Statements Quarter Ending June 30, 2023.

April Cash Flow

CITY & COUNTY ASSOCIATION OF GOVERNMENTS
 Recap of Monthly Major Cash Inflows and Outflows
 for Quarter Ended June 30, 2023

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
Apr 2023	Beginning book balance (Checking)		2,242,881
	Measure M	Caltrans, DMV	1,208,154
	Congestion Relief & Management	Metropolitan Transportation Commission	461,075
	NPDES	San Mateo County	329,855
	Energy Watch	PG&E	35,705
	All other Receipts (1)	WF Interest	8,880
		Total Apr Cash Inflow	2,043,669
	Smart Corridor	Kimley-Horn & Assoc, Redwood City	(4,359)
	Congestion Relief & Management	Gray Bowen Scott, Mariposa Planning, Ken Brown, San Mateo County, and Redwood City	(160,690)
	Express Lane JPA	County of San Mateo, Redwood City	(527,990)
	NPDES	EOA Inc., County of San Mateo, Redwood City, BAWSCA, Shaw/Yoder/Antwih Inc.	(167,469)
	Energy Watch	San Mateo County, Redwood City	(33,529)
	Measure M	EOA Inc., County of San Mateo, Redwood City, Placeworks	(123,887)
	All other payments (15)	various	(52,387)
	Transfer	San Mateo County Pool	(400,000)
	Transfer	LAIF	(600,000)
		Total Apr Cash Outflow	(2,070,311)
		Net Cash Inflow/(Outflow)	(26,642)
	Ending book balance (Checking)		2,216,240

California State Treasurer
Fiona Ma, CPA



April LAIF Statement

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

May 01, 2023

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[PMIA Average Monthly Yields](#)

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

[Tran Type Definitions](#)

Account Number: 40-41-004

April 2023 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
4/14/2023	4/13/2023	QRD	1726787	N/A	SYSTEM	106,751.06
4/20/2023	4/19/2023	RD	1728490	N/A	CARRIE TAM	600,000.00

Account Summary

Total Deposit:	706,751.06	Beginning Balance:	15,558,261.87
Total Withdrawal:	0.00	Ending Balance:	16,265,012.93



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

April County Pool Statement
Statement Ending Date: 4/30/2023
Account: 03412

STATEMENT OF ACCOUNT

City/County Association of Governments - 03412

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
3/31/2023	Balance brought forward			\$10,384,088.60
4/1/2023	Q3-Interest Allocation		\$63,186.48	\$10,447,275.08
4/20/2023	Wire In		\$400,000.00	\$10,847,275.08
4/30/2023	Ending Balance			\$10,847,275.08

CITY & COUNTY ASSOCIATION OF GOVERNMENTS
Recap of Monthly Major Cash Inflows and Outflows
for Quarter Ended June 30, 2023

May Cash Flow

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
May 2023	Beginning book balance (Checking)		2,216,240
	Congestion Relief & Management	Caltrans	163,699
	Energy Watch	PG&E	35,808
	All other Receipts (1)	various	13,349
	Transfer	San Mateo County Pool	500,000
	Transfer	LAIF	1,000,000
		Total May Cash Inflow	1,712,856
	Measure M	EOA Inc., Craftwater Engineering, San Mateo County, Redwood City, San Bruno, Millbrae, Woodside, Foster City	(411,164)
		TJKM Transportation, Gray Bowen Scott, Advanced Mobility, Mariposa Planning, Commute.org, Steer Davies & Gleave, Shaw/Yoder/Antwih Inc., San	(440,940)
	Congestion Relief & Mgmt	Mateo County, Redwood City	
	Express Lane JPA	Redwood City, San Mateo County	(56,867)
	NPDES	EOA Inc., Bay Tree Design, and Shaw/Yoder/Antwih Inc.	(150,867)
	Express Lane JPA	Redwood City	
	Energy Watch	County of San Mateo	(33,775)
	Smart Corridor	Iteris Inc, Kimley-Horn & Assoc., Aegis ITS, Redwood City	(45,313)
	Bay Area Air Quality	Commute.org, San Mateo County	(196,601)
	All other payments (14)	various	(41,608)
		Total May Cash Outflow	(1,377,134)
		Net Cash Inflow/(Outflow)	335,722
	Ending book balance (Checking)		2,551,961

California State Treasurer
Fiona Ma, CPA



May LAIF Statement

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

June 01, 2023

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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

May 2023 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
5/9/2023	5/9/2023	RW	1729246	N/A	CARRIE TAM	-500,000.00
5/17/2023	5/16/2023	RW	1729541	N/A	REBECCA MENDENHALL	-500,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	16,265,012.93
Total Withdrawal:	-1,000,000.00	Ending Balance:	15,265,012.93



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

May County Pool Statement
Statement Ending Date: 5/31/2023
Account: 03412

STATEMENT OF ACCOUNT

City/County Association of Governments - 03412

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
4/30/2023	Balance brought forward			\$10,847,275.08
5/19/2023	Wire Out	\$500,000.00		\$10,347,275.08
5/31/2023	Ending Balance			\$10,347,275.08

CITY & COUNTY ASSOCIATION OF GOVERNMENTS
Recap of Monthly Major Cash Inflows and Outflows
for Quarter Ended June 30, 2023

June Cash Flow

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
	Beginning book balance (Checking)		2,551,961
Jun 2023	Measure M	DMV	1,191,092
	San Mateo Express Lanes	JPA Loan Payment	503,489
	NPDES	San Mateo County	163,031
	Energy Watch	PG&E	26,147
	All other payments (1)	Interest income	10,307
		Total Jun Cash Inflow	1,894,067
	Measure M	EOA Inc, Placeworks, San Carlos, Redwood City, San Mateo County	(574,087)
	Congestion Relief & Management	Gray Bowen Scott, Santa Clara Valley, Mariposa Planning, Ken Brown, Redwood City, San Mateo County	(210,378)
	NPDES	EOA Inc., Regional Monitoring, Shaw/Yoder/Antwih Inc, Clear Creek solution, BAWSCA, Redwood City, San Mateo County	(281,156)
	Bay Area Air Quality	Redwood City, San Mateo County	(48,292)
	Smart Corridor	Aegis ITS and Iteris Inc, South San Francisco, Redwood City	(98,507)
	Energy Watch	Redwood City, Joint Venture	(15,421)
	All other payments (19)	various	(85,496)
	Transfer	San Mateo County Pool	(650,000)
	Transfer	LAIF	(1,100,000)
		Total Jun Cash Outflow	(3,063,337)
		Net Cash Inflow/(Outflow)	(1,169,270)
	Ending book balance (Checking)		1,382,691

California State Treasurer
Fiona Ma, CPA



June LAIF Statement

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

July 05, 2023

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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

June 2023 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
6/28/2023	6/27/2023	RD	1730918	N/A	REBECCA MENDENHALL	1,100,000.00

Account Summary

Total Deposit:	1,100,000.00	Beginning Balance:	15,265,012.93
Total Withdrawal:	0.00	Ending Balance:	16,365,012.93



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

June County Pool Statement
Statement Ending Date: 6/30/2023
Account: 03412

STATEMENT OF ACCOUNT

City/County Association of Governments - 03412

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
5/31/2023	Balance brought forward			\$10,347,275.08
6/28/2023	Wire Out		\$650,000.00	\$10,997,275.08
6/30/2023	Ending Balance			\$10,997,275.08
7/1/2023	FY22-23 Interest Allocation Q4		\$81,516.42	\$11,078,791.50



PMIA/LAIF Performance Report as of 07/26/23



Quarterly Performance Quarter Ended 06/30/23

LAIF Apportionment Rate ⁽²⁾ :	3.15
LAIF Earnings Ratio ⁽²⁾ :	0.0008636172883763
LAIF Administrative Cost ^{(1)*} :	0.06
LAIF Fair Value Factor ⁽¹⁾ :	0.984828499
PMIA Daily ⁽¹⁾ :	3.26
PMIA Quarter to Date⁽¹⁾:	3.01
PMIA Average Life ⁽¹⁾ :	260

PMIA Average Monthly Effective Yields⁽¹⁾

June	3.167
May	2.993
April	2.870
March	2.831
February	2.624
January	2.425

Pooled Money Investment Account Monthly Portfolio Composition ⁽¹⁾ 06/30/23 \$178.4 billion

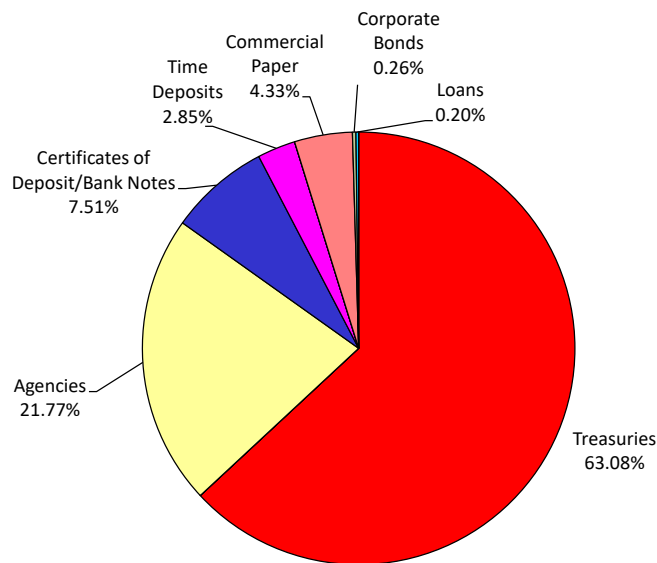


Chart does not include \$2,861,000.00 in mortgages, which equates to 0.002%. Percentages may not total 100% due to rounding.

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).

*The percentage of administrative cost equals the total administrative cost divided by the quarterly interest earnings. The law provides that administrative costs are not to exceed 5% of quarterly EARNINGS of the fund. However, if the 13-week Daily Treasury Bill Rate on the last day of the fiscal year is below 1%, then administrative costs shall not exceed 8% of quarterly EARNINGS of the fund for the subsequent fiscal year.

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

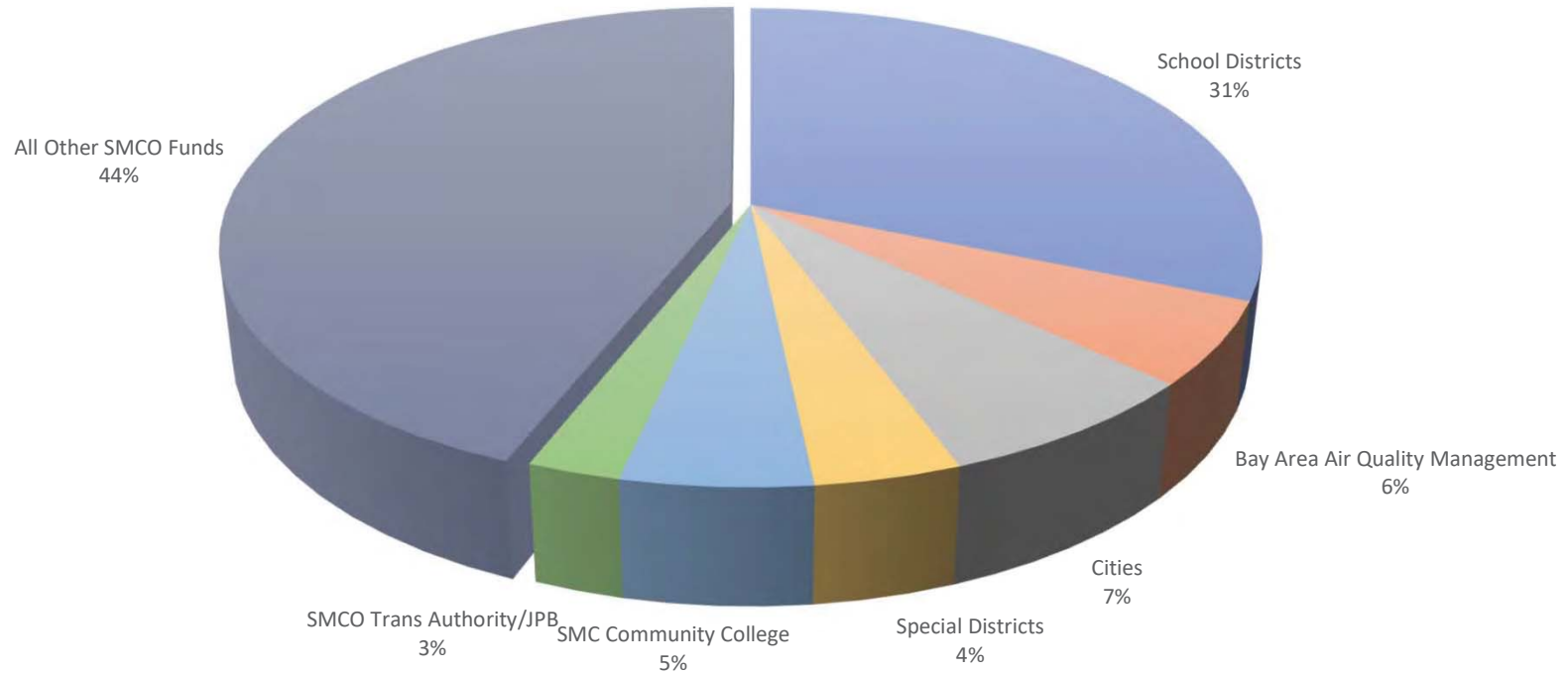
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1977	5.770	5.660	5.660	5.650	5.760	5.850	5.930	6.050	6.090	6.090	6.610	6.730
1978	6.920	7.050	7.140	7.270	7.386	7.569	7.652	7.821	7.871	8.110	8.286	8.769
1979	8.777	8.904	8.820	9.082	9.046	9.224	9.202	9.528	9.259	9.814	10.223	10.218
1980	10.980	11.251	11.490	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	2.007	2.173
2023	2.425	2.624	2.831	2.870	2.993	3.167	3.305*					

* Revised



SAN MATEO COUNTY TREASURER'S OFFICE POOL PARTICIPANTS DISTRIBUTION June 30, 2023

ATTACHMENT 3



Participants	\$	%
School Districts	\$ 2,507,485,265.08	31.3%
Bay Area Air Quality Management	445,691,850.42	5.6%
Cities	597,631,101.22	7.5%
Special Districts	315,502,159.81	3.9%
SMC Community College	410,265,447.16	5.1%
SMCO Trans Authority/JPB	200,244,010.74	2.5%
All Other SMCO Funds	3,522,614,104.54	44.0%
Total	\$ 7,999,433,938.97	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

April 2023

	<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	\$ 1,425,455,000.00	\$ 1,084,932.51	U S Treasury Notes	\$ 480,752.39
Corporate Notes	712,727,000.00	1,470,897.57	Corporate Notes	97,973.16
Floating Rate Securities	12,000,000.00	14,656.44	Certificate of Deposit	132,152.89
Federal Agencies	2,432,822,000.00	6,767,262.99	Federal Agencies	1,627,671.37
U.S. Instrumentalities	129,040,000.00	74,090.15	U.S. Instrumentalities	18,712.17
Asset Backed Securities	46,949,272.65	19,494.78	Dreyfus	231,705.82
Certificate of Deposit	-	-	CAMP	976,885.78
	\$ 4,758,993,272.65	\$ 9,431,334.44	Union Bank Earnings Credit	34,249.76
			Total Realized Income	\$3,600,103.34
<u>Short Term Securities Maturing < 1 year</u>				
U S Treasury Notes	\$ 605,200,000.00	\$ 699,432.66		
Corporate Notes	142,120,000.00	129,307.51		
Floating Rate Securities	10,000,000.00	17,630.72		
Federal Agencies	1,890,874,000.00	4,813,668.65		
U.S. Instrumentalities	176,356,000.00	326,145.45		
U.S. Treasury Bills	80,000,000.00	161,081.94		
Asset Backed Securities	1,373,027.45	166.48		
Certificate of Deposit	100,000,000.00	420,068.49		
Commercial Paper	55,000,000.00	220,215.28		
Dreyfus	94,171,066.41	-		
CAMP	400,000,000.00	984,424.66		
LAIF	-	-		
	\$ 3,555,094,093.86	\$ 7,772,141.84		
Total Accrued Interest	\$ 8,314,087,366.51	\$ 17,203,476.28		
Total Dollar Earnings for April		\$ 20,803,579.62		

	AVERAGE BALANCE	\$ 8,085,825,586.30
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	3.130%	20,803,579.62
ADMINISTRATION FEES*		(631,358.98)
NET EARNINGS RATE / NET DOLLAR EARNINGS	3.035%	\$ 20,172,220.63

*Current admin fees rate is at 9.5bp



ESTIMATED SUMMARY OF POOL EARNINGS

May 2023

	<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	\$ 1,395,405,000.00	\$ 1,311,193.65	Corporate Notes	\$ 198,366.86
Corporate Notes	834,727,000.00	1,638,279.11	Federal Agencies	1,565,136.72
Federal Agencies	2,527,087,000.00	8,129,700.04	U.S. Instrumentalities	8,196.62
U.S. Instrumentalities	129,040,000.00	84,203.66	Asset Backed Securities	23,264.34
Asset Backed Securities	45,085,511.84	23,107.13	Dreyfus	278,293.46
Certificate of Deposit	-	-	Union Bank Earnings Credit	38,136.25
	\$ 4,931,344,511.84	\$ 11,186,483.59	Total Realized Income	\$ 2,111,394.25
<u>Short Term Securities Maturing < 1 year</u>				
U S Treasury Notes	\$ 629,200,000.00	\$ 724,601.40		
Corporate Notes	133,940,000.00	108,433.18		
Floating Rate Securities	10,000,000.00	18,218.41		
Federal Agencies	1,787,584,000.00	5,505,840.30		
U.S. Instrumentalities	163,581,000.00	514,170.70		
U.S. Treasury Bills	80,000,000.00	339,493.05		
Asset Backed Securities	976,087.09	128.90		
Certificate of Deposit	100,000,000.00	460,541.10		
Commercial Paper	55,000,000.00	245,890.28		
Dreyfus	55,232,536.52	-		
CAMP	250,000,000.00	345,904.11		
	\$ 3,265,513,623.61	\$ 8,263,221.43		
Total Accrued Interest	\$ 8,196,858,135.45	\$ 19,449,705.02		
Total Dollar Earnings for May		\$ 21,561,099.24		

	AVERAGE BALANCE		\$ 8,263,414,637.06
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	3.072%		21,561,099.24
ADMINISTRATION FEES*			(666,733.04)
NET EARNINGS RATE / NET DOLLAR EARNINGS	2.977%		\$ 20,894,366.20

*Current admin fees rate is at 9.5bp



ESTIMATED SUMMARY OF POOL EARNINGS

June 2023

	<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	\$ 1,325,180,000.00	\$ 1,335,869.28	Corporate Notes	\$ 25,818.22
Corporate Notes	818,142,000.00	1,988,257.50	Federal Agencies	1,457,126.03
Floating Rate Securities	10,000,000.00	17,630.72	Commercial Paper	118,350.00
Federal Agencies	2,230,145,318.87	6,431,079.48	US Treasury Notes	403,635.35
U.S. Instrumentalities	129,040,000.00	81,487.41	U.S. Instrumentalities	152,016.81
Asset Backed Securities	43,575,381.65	21,179.45	Asset Backed Securities	20,620.56
Certificate of Deposit	-	-	Dreyfus	94,636.39
	\$ 4,556,082,700.52	\$ 9,875,503.85	Total Realized Income	\$ 2,272,203.36
<u>Short Term Securities Maturing < 1 year</u>				
U S Treasury Notes	\$ 684,425,000.00	\$ 642,559.92		
Corporate Notes	154,025,000.00	147,251.07		
Floating Rate Securities	-	-		
Federal Agencies	1,800,299,000.00	5,251,621.21		
U.S. Instrumentalities	175,043,000.00	477,869.74		
U.S. Treasury Bills	80,000,000.00	328,541.66		
Asset Backed Securities	513,796.69	62.30		
Certificate of Deposit	100,000,000.00	445,684.93		
Commercial Paper	111,000,000.00	264,200.00		
Dreyfus	126,120,700.39	-		
CAMP	225,000,000.00	237,972.61		
LAIF	-	-		
	\$ 3,456,426,497.08	\$ 7,795,763.44		
Total Accrued Interest	\$ 8,012,509,197.60	\$ 17,671,267.29		
Total Dollar Earnings for June		\$ 19,943,470.65		

		AVERAGE BALANCE	\$ 8,041,814,404.90
GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS		3.017%	19,943,470.65
ADMINISTRATION FEES*			(627,922.49)
NET EARNINGS RATE / NET DOLLAR EARNINGS		2.922%	\$ 19,315,548.15

*Current admin fees rate is at 9.5bp



SUMMARY OF POOL EARNINGS **Q4 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	\$ 1,325,180,000.00	\$ 3,231,359.24	U S Treasury Notes	\$ 1,973,890.82
Corporate Notes	818,142,000.00	4,597,641.91	Corporate Notes	860,844.68
Floating Rate Securities	10,000,000.00	53,479.86	Floating Rate Securities	24,183.12
Federal Agencies	2,230,145,318.87	15,533,207.85	Certificate of Deposit	132,152.88
U.S. Instrumentalities	129,040,000.00	239,781.22	Federal Agencies	13,544,671.75
Asset Backed Securities	43,575,381.65	21,347.44	U.S. Instrumentalities	486,578.67
Certificate of Deposit	-	-	Commercial Paper	385,733.34
	\$ 4,556,082,700.52	\$ 23,676,817.52	Asset Backed Securities	86,647.90
<u>Short Term Securities Maturing < 1 year</u>				
U S Treasury Notes	\$ 684,425,000.00	\$ 1,477,727.12	CAMP	976,885.73
Corporate Notes	154,025,000.00	336,570.94	Dreyfus	604,635.67
Floating Rate Securities	-	-	Union Bank Earnings Credit	72,386.01
Federal Agencies	1,800,299,000.00	12,463,655.42	Total Realized Income	\$19,148,610.57
U.S. Instrumentalities	175,043,000.00	1,018,067.05		
U.S. Treasury Bills	80,000,000.00	829,116.66		
Asset Backed Securities	513,796.69	66.17		
Certificate of Deposit	100,000,000.00	1,326,294.52		
Commercial Paper	111,000,000.00	462,922.22		
Dreyfus	126,120,700.39	-		
CAMP	225,000,000.00	1,568,301.37		
	\$ 3,456,426,497.08	\$ 19,482,721.48		
Total Accrued Interest	\$ 8,012,509,197.60	\$ 43,159,539.00		
Total Dollar Earnings for Q4		\$ 62,308,149.57		

	AVERAGE BALANCE		\$ 8,131,762,502.33
	GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS	3.073%	62,308,149.57
	ADMINISTRATION FEES*		(1,926,002.38)
	TRUE-UP ADJUSTMENT FROM Q3 FY 2022-23**		529,750.00
	TRUE-UP ADJUSTMENT FROM Q4 FY 2022-23**		1,926,002.38
	NET EARNINGS RATE / NET DOLLAR EARNINGS	3.099%	62,837,899.57

*Current admin fees rate is at 9.5bp

**True-up adjustments are made based on the Treasurer's Office actual budget

C/CAG Investment Portfolio Performance and Composition 2Q 2023
Report Created for Finance Committee Meeting August 23, 2023

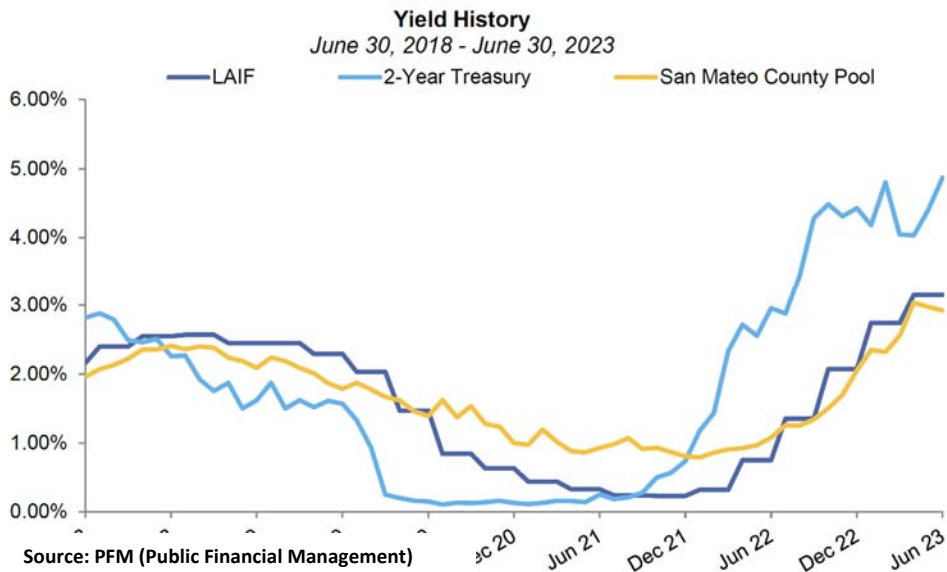
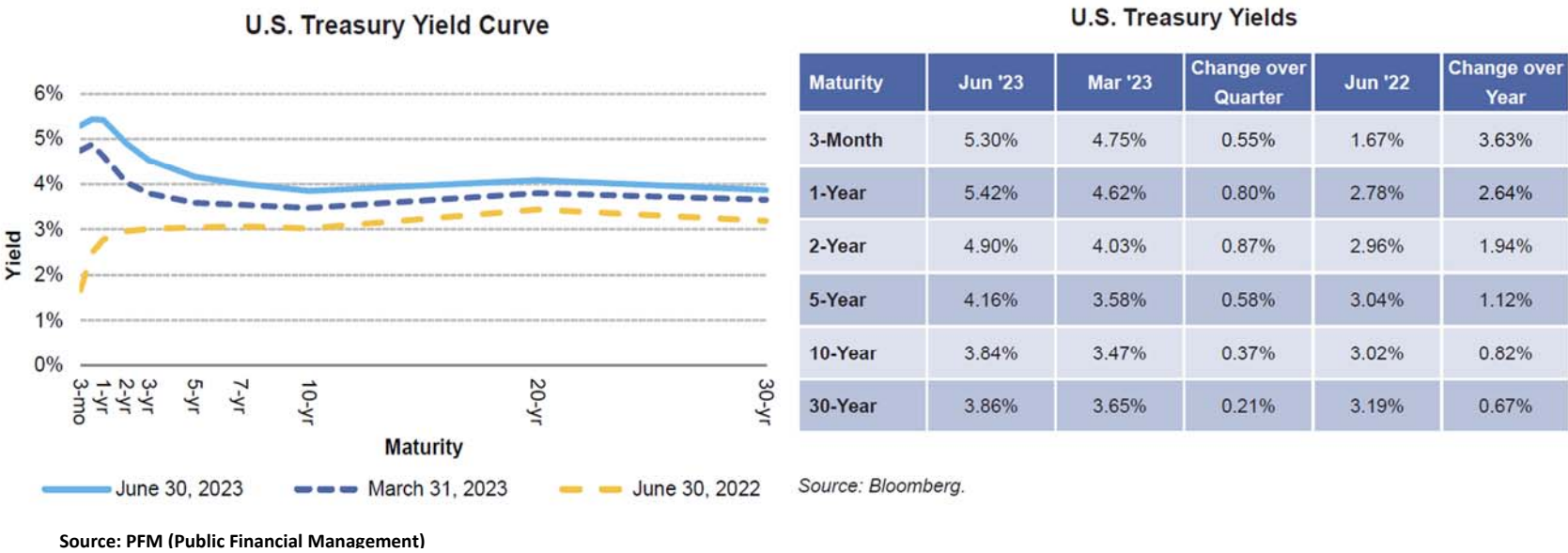
Capital Markets Summary 2Q 2023

Mid-year 2023 concluded with the S&P 500 at a 14-month high based on gains spurred by the pause in Fed rate hikes, stronger-than-expected corporate earnings, and resolution of the debt ceiling. Corporate earnings were boosted by enthusiasm around Artificial Intelligence that played out in a strong technology sector. Year-to-date the S&P 500 is up 16.89% which was slightly ahead of international developed markets that posted 12.13% increases. Broad fixed-income markets realized slightly negative returns for the second quarter as investors moved to riskier assets.

US Treasury Yield Curve & US Treasury Yields Over Time

A closer look at the fixed-income markets indicates that shorter-duration instruments outperformed as bond investors priced in the likely end to near-term Fed rate hikes. The highest quarterly returns were the 1–3-month Treasury sector at about 1.23% for the quarter and 2.33% year-to-date. Additionally, the US Corporate High Yield markets were the highest performing at over 5% year-to-date.

Overall, the yield curve remained mostly flat with the highest yields on the shortest-term instruments. And as shown in the adjacent exhibit, the yields on the 2-Year treasury bills continued to rise and exceed that of the SMC Pool fund and the LAIF. The LAIF pool also continues to be allocated over 63% to US Treasuries while the County pool is approximately 26% in Treasuries and 50% in Government Agency securities and has a small allocation of about 12% to corporate bonds. The two funds continue to hold a diverse array of securities.



Portfolio Performance 2Q 2023

The C/CAG investment portfolio returns for the second quarter of 2023 were nearly identical with 3.01% for LAIF and 3.10% for the CoPool Fund. Over the quarter the LAIF portfolio extended their duration and also the yield increased to just over 3% while the CoPool saw the monthly effective yield decline slightly to 2.9% with a 1.5-year average duration. The total C/CAG portfolio asset allocation at the end of the second quarter was 59.8% to LAIF and 40.2% to the CoPool Fund, which is within the stated investment policy allocation ranges.

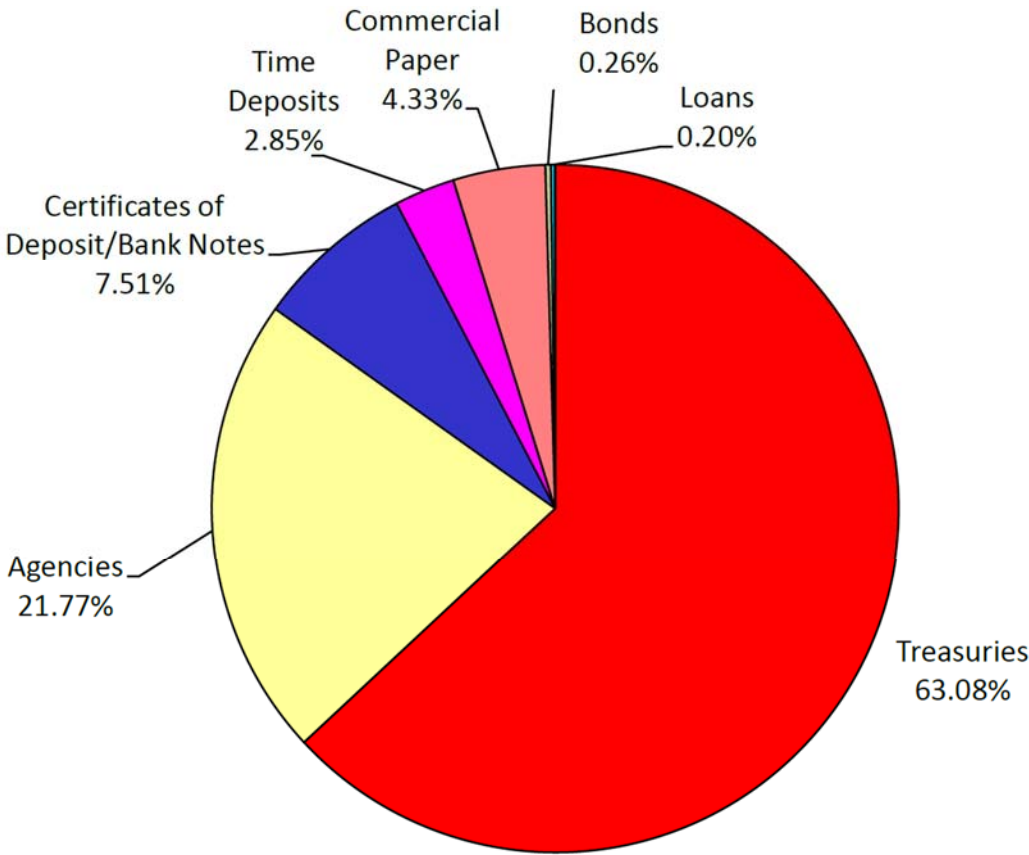
LAIF

PMIA Average Monthly Effective Yields:

April 2023	2.870
May 2023	2.993
June 2023	3.167

PMIA Quarter to Date: 3.01% PMIA Average Life: 260 days or 0.71 years

Portfolio Composition Pie Chart:



Source: PMIA/LAIF Performance Report as of 7/26/2023

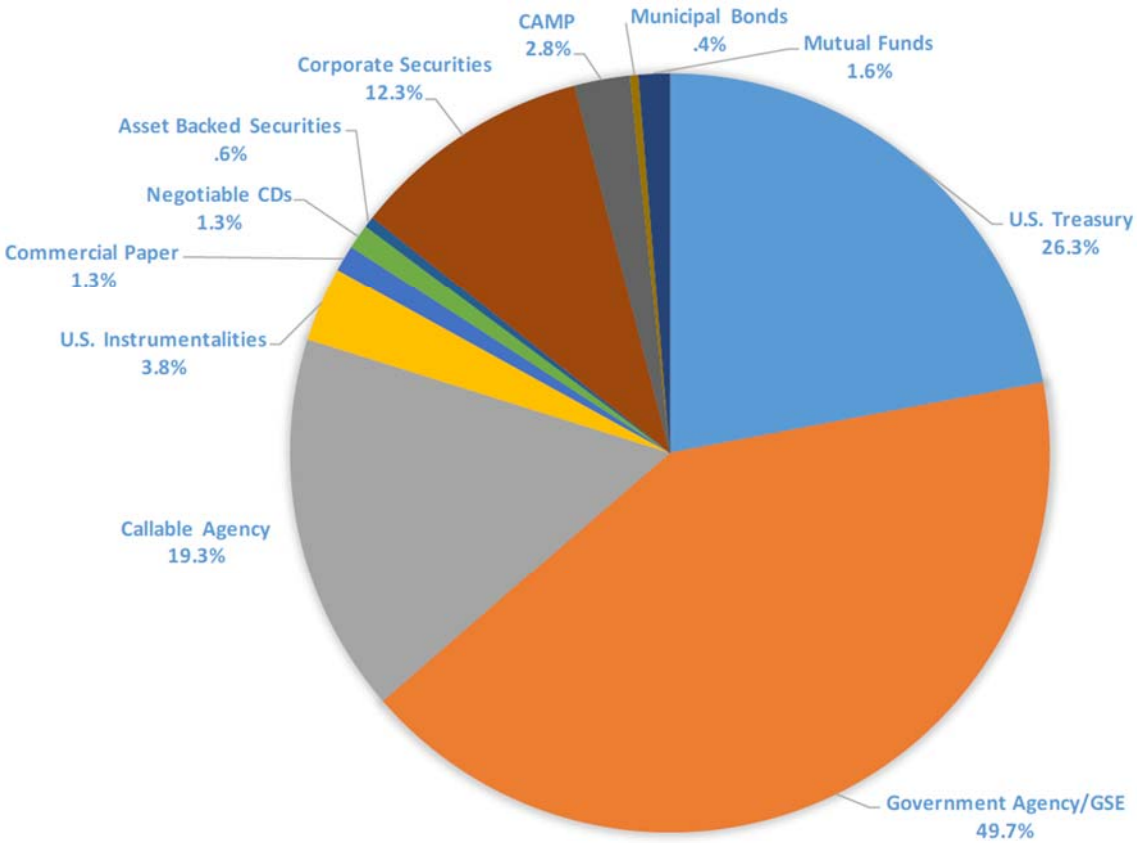
COPOOL

PMIA Average Monthly Effective Yields:

April 2023	3.035
May 2023	2.977
June 2023	2.922

PMIA Quarter to Date: 3.10% PMIA Average Duration: 1.50 years

Portfolio Composition Pie Chart:



Source: San Mateo County Investment Portfolio Compliance Report June 2023

C/CAG AGENDA REPORT

Date: August 23, 2023

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 6/30/23 net interest earning rate is 3.01%
 San Mateo County Pool Quarter Ending 6/30/23 net interest earning rate is 3.10%

The LAIF’s average life is 260 days, or 0.71 of a year. San Mateo County Pool’s current average maturity of the portfolio is 1.65 years with an average duration of 1.50 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	FINANCE COMMITTEE GUIDANCE ON 12/2/2020
LAIF	50% to 70%	60%
COPOOL	30% to 50%	40%

On May 24, 2023, the Finance Committee reviewed the investment portfolio and recommend no change to portfolio, but guided staff to continue monitoring the interest rates. On June 8, 2023, the C/CAG Board approved of no change to the investment portfolio.

The investment portfolio as of June 30, 2023 is as follows:

	3/31/2023		6/30/2023	
	Amount	Percent	Amount	Percent
LAIF	\$15,558,262	60.0%	\$16,365,013	59.8%
COPOOL	\$10,384,089	40.0%	\$10,997,275	40.2%
Total	\$25,942,351	100%	\$27,362,288	100%

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

ATTACHMENTS

1. Quarterly Investment Report as of June 30, 2023 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: Paul Harris, Financial Services Manager
Date: August 23, 2023

SUBJECT: Quarterly Investment Report as of June 30, 2023

RECOMMENDATION:

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

ANALYSIS:

The attached investment report indicates that on June 30, 2023, funds in the amount of \$27,362,288 were invested producing a weighted average yield of 3.05%. Of the total investment portfolio, 59.8% of funds were invested in the Local Agency Investment Fund (LAIF) and 40.2% 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 \$204,290.

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

	Qtr Ended 6/30/2023	Qtr Ended 3/31/2023	Increase (Decrease)
Total Portfolio	\$ 27,362,288	\$ 25,942,351	\$ 1,419,937
Weighted Average Yield	3.05%	2.55%	0.50%
Accrued Interest Earnings	\$ 204,290	\$ 169,937	\$ 34,353

There was an increase of \$1.42 million in the portfolio balance this quarter compared to the previous quarter mainly due to the timing of cash receipts offset by expenses for Measure M, Bay Area Air Quality, Congestion Relief and Management and Smart Corridor. 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, 2023, 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 June 30, 2023

2 – Historical Summary of Investment Portfolio

CITY & COUNTY ASSOCIATION OF GOVERNMENTS

SUMMARY OF ALL INVESTMENTS

For Quarter Ending June 30, 2023

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)	3.01%	16,365,013	59.8%	16,116,731
San Mateo County Investment Pool (COPOOL)	3.10%	10,997,275	40.2%	10,683,853

Agency Securities

none

Total - Investments	3.05%	27,362,288	100%	26,800,584
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GRAND TOTAL OF PORTFOLIO	3.05%	\$ 27,362,288	100%	\$ 26,800,584
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Total Interest Earned This Quarter	204,290
Total Interest Earned (Loss) Fiscal Year-to-Date	585,293

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

LAIF - 50% to 70%

COPOOL - 30% to 50%

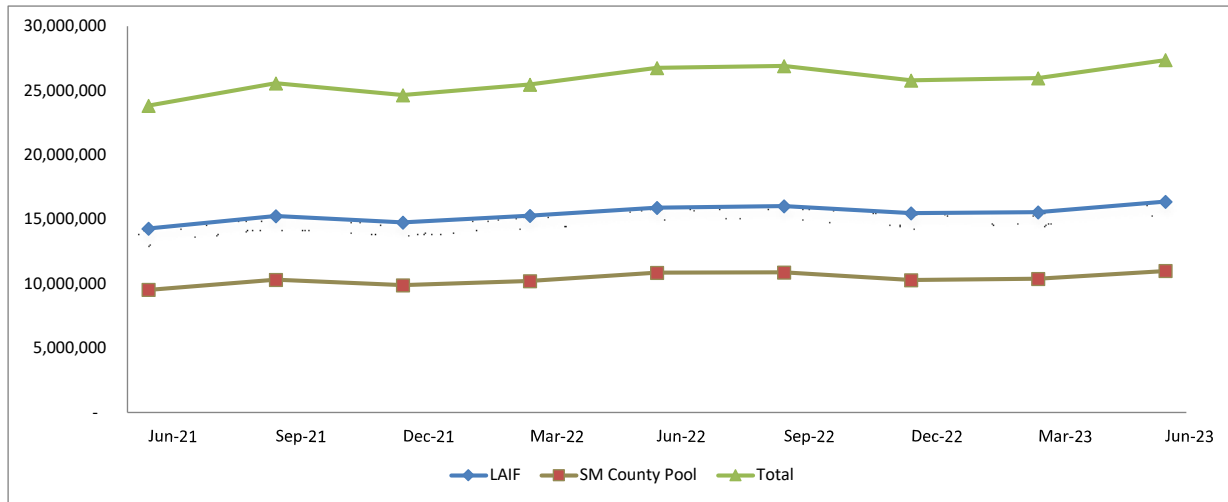
On December 2, 2020, the Finance Committee reviewed the investment portfolio and noted the increasing gap between the quarterly interest rate, net of administrative fees, of LAIF and the COPOOL, with LAIF lagging behind the COPOOL.

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
June 30, 2023



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

City/County Association of Governments Investment Portfolio

	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
LAIF	14,283,843	15,245,744	14,754,699	15,263,178	15,900,010	16,028,660	15,480,103	15,558,262	16,365,013
SM County Pool	9,532,812	10,307,116	9,881,668	10,203,262	10,849,975	10,877,624	10,288,794	10,384,089	10,997,275
Total	23,816,655	25,552,860	24,636,367	25,466,440	26,749,985	26,906,284	25,768,897	25,942,351	27,362,288

C/CAG AGENDA REPORT

Date: August 23, 2023

To: C/CAG Finance Committee

From: Sean Charpentier, Executive Director

Subject: Review and recommend approval of the C/CAG Investment Policy annual update

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

RECOMMENDATION

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

FISCAL IMPACT

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

SOURCE OF FUNDS

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

BACKGROUND

On September 10, 2020, the C/CAG Board approved Resolution 20-50 adopting the C/CAG Investment Policy update as recommended by the Finance Committee. The C/CAG Investment Policy stated that the policy shall be reviewed at least annually, and that it shall be adopted by resolution of the C/CAG Board on an annual basis.

Previous years' modifications to the policy were made to be consistent with state standards recommended by the California Debt and Investment Advisory Commission (CDIAC). Similarly, this year's proposed modifications to the C/CAG Investment Policy from staff are based on CDIAC guidelines updated on 1/1/2023. The modifications have been changed and shown as a track change attached. The Finance Committee shall review and recommend any modifications.

ATTACHMENT

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

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

INVESTMENT POLICY

Adopted on September 15, 2023

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~~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~~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 ~~forty-five (45)~~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 program or~~ impairs their ability to make impartial investment decisions. ~~Additionally~~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~~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 forty-five (45) ~~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, , 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. 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.

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](#).

4. 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 2540% of the cost value of the portfolio. Also, no more than 530% 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. The amount invested in commercial paper of any one issuers in combination with any other securities from that issuer shall not be exceed 5% 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. The amount invested in NCD's with any one financial institution in combination with any other securities from that financial institution shall not exceed 5% of the portfolio.
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.

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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. The amount invested in the medium-term notes of any one issuer in combination with any other securities from the issuer shall not exceed 5% of the portfolio.

9.8. 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.

10.9. 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. A maximum of 10% of the portfolio may be invested in this category.

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.	C N/A
San Mateo County Investment Pool	53684	Upon Demand	N/A	As approved by the C/CAG Board	C N/A
Treasury Obligations (bills, notes & bonds)	53601(b)	5 Years	N/A	100%	10% 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	25 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%	5% N/A
Placement Service Deposits – Deposits or Certificates of Deposits	53601.8 and 53635.8	5 Years	N/A	50%	N/A

Commented [RM1]: Should this have the percentages allowed? Is "as approved by the board" defined somewhere?

Same comment for SMC Pool

Commented [TM2R1]: See Note C I added

Commented [RM3R1]: Ok thanks

Medium Term Corporate Notes	53601(k)	5 Years	A	30%	<u>5%</u> N/A
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(A) 54% of outstanding paper of issuing corporation.

(B) No more than 53% of the agency's money may be in bankers' acceptances of any one commercial bank.

(C) C/CAG Board approved the investment portfolio mix on November 13, 2013.

LAIF - 50% to 70%

COPOOL - 30% to 50%

(B) The Finance Committee guided staff to target LAIF investment to 60% allocation and COPOOL investments to 40% allocation.

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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 ~~monneys~~money 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](#).~~

POLICY REVIEW

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

Glossary of Terms

Accrued Interest- Interest earned but not yet received.

Active Deposits- Funds which are immediately required for disbursement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

County Pool- County of San Mateo managed investment pool.

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

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

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

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

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

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

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

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

Federal Reserve System- The central bank of the U.S. that consists of a seven member Board of Governors, 12 regional banks and approximately 8,000 commercial banks that are members.

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

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

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

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

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

Inactive Deposits- Funds not immediately needed for disbursement.

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

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

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

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

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

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

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

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

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

Portfolio- Collection of securities held by an investor.

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

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

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

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

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

Risk- Degree of uncertainty of return on an asset.

Safekeeping- see custody.

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

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

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

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

Treasury Obligations- Debt obligations of the U.S. Government that are sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

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

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

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

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