

# 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

<b>Date:</b> Wednesday, August 21, 2024	<b>Join by Zoom Webinar:</b> <a href="https://us02web.zoom.us/j/84741227573?pwd=pcsjXgGvyba0KzeR1FfPPIIgDVBKs.1">https://us02web.zoom.us/j/84741227573?pwd=pcsjXgGvyba0KzeR1FfPPIIgDVBKs.1</a>
<b>Time:</b> 9:00 A.M.	<b>Zoom Webinar ID:</b> 847 4122 7573
<b>Location:</b> San Mateo City Hall Conference Room A 300 W. 20th Ave San Mateo, CA 94403	<b>Password:</b> 743714
	<b>Join by Phone:</b> (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. The Committee welcomes comments, including criticism, about the policies, procedures, programs, or services of the agency, or of the acts or omissions of the Board and committees. Speakers shall not disrupt, disturb, or otherwise impede the orderly conduct of a Board meeting. 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 from the May 22, 2024 meeting. (Action) Wever    Page 1-3
4. Receive copies of monthly investment statements for April, May, and June 2024. (Information) Wever    Page 4-22
5. Review of the quarterly investment report and recommend modifications to the C/CAG investment portfolio as needed. (Action) Charpentier/Harris    Page 23-28

- |                                                                                                                          |                     |            |
|--------------------------------------------------------------------------------------------------------------------------|---------------------|------------|
| 6. Review and recommend approval of the C/CAG Investment Policy annual update. (Action)                                  | Charpentier/Harris  | Page 29-44 |
| 7. Receive update on financial forecast and associated risks, and discuss potential mitigation strategies. (Information) | Charpentier/Corbett | Page 45-47 |
| 8. Review and recommend Board approval of amendment to the Fiscal Year 2024-2025 Agency Budget. (Action)                 | Shiramizu/Cheung    | Page 48-54 |

ADJOURN

The next regularly scheduled meeting will be on December 4, 2024.

**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](mailto: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](mailto: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](mailto:scharpentier@smcgov.org) or Kim Wever at [kwever@smcgov.org](mailto:kwever@smcgov.org)*

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS  
FINANCE COMMITTEE  
MEETING MINUTES  
May 22, 2024**

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)  
Adam Rak (City of San Carlos)  
Michael Salazar (City of San Bruno)

**Guests or Staff Attending In-Person:**

Sean Charpentier, Kaki Cheung, Kim Wever – C/CAG Staff  
Drew Corbett – DKG Consultants

**Guests or Staff Attending Remotely:**

Paul Harris, Paula Decano – City of San Carlos Finance Staff  
Reid Bogert – C/CAG Staff  
Cathy MacLeod – MacLeod Watts, Inc.  
Daniel Iacofano – MIG

**1. Call to order/Roll Call**

At 12:08 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 from the April 24, 2024 meetings. (Action)**

*Motion – To approve the minute from the April 24, 2024 Finance Committee meetings, Romero/Rak. All members in attendance voted to approve. Motion passed.*

**4. Receive copies of monthly investment statements for January, February, and March 2024. (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. Sean stated that the total C/CAG portfolio asset allocation at the end of the quarter was

60% to LAIF and 40% to the CoPool Fund, which is within the stated investment policy allocation ranges and Sean recommended no modifications at this time.

*Motion – To recommend no change to the C/CAG investment portfolio. The Committee guided staff to continue monitoring the interest rates, Rak/Salazar. All members in attendance voted to approve. Motion passed.*

**6. Review and recommend Board approval of the draft final C/CAG Program Budget and Member Fees for Fiscal Year 2024/25 (Action)**

C/CAG Executive Director Sean Charpentier and Drew Corbett, Principal at DKG Consultants presented an update on the C/CAG Program Budget and Member Fees for Fiscal Year 2024/25. Drew shared key updates to the Final Budget including more up-to-date information available, which included refining projections for year-end estimates for fiscal year 2023-24 and updating fiscal year 2024-25 budget amounts.

Drew also shared that the federal funds are granted over a four-to-five-year period and there is higher reimbursements in the upcoming short term, which means the total grant commitment will be depleted earlier. Committee members discussed options to fund the forecasted funding gap, including utilizing local funds for project and trying to get the repayment from the EL-JPA loan sooner. Sean stated that C/CAG staff will bring a separate item to the Committee next meeting to discuss strategies.

*Motion – To recommend Board approval of the draft final C/CAG Program Budget and Member Fees for Fiscal Year 2024/25, Salazar/Romero. All members in attendance voted to approve. Motion passed.*

**7. Receive a copy of the Actuarial Valuation of Other Post-Employment Benefit (OPEB) Programs as of June 30, 2023 and GASB 75 Report for the fiscal year ending June 30, 2024. (Action)**

C/CAG Executive Director Sean Charpentier provided background on OPEB and summarized the report. Sean introduced Cathy MacLeod Watts from MacLeod Watts, Inc. who prepared the report and was available to answer Committee's questions.

Sean shared that there is no contribution required for Fiscal Year ending in 2024, but the agency budget included \$55,000 to help pay down the unfunded liability. Committee members supported paying down the unfunded liability this fiscal year regardless.

*Motion – To receive a copy of the Actuarial Valuation of Other Post-Employment Benefit (OPEB) Programs as of June 30, 2023 and GASB 75 Report for the fiscal year ending June 30, 2024., Rak/Salazar. All members in attendance voted to approve. Motion passed.*

**8. Receive a presentation on the C/CAG Strategic Plan development process and participate in a discussion on the proposed Agency mission, vision, core values, goals, objectives, and performance measures. (Information)**

C/CAG Executive Director Sean Charpentier introduced the C/CAG Strategic Plan and Daniel

Iacofano from MIG, who presented on the proposed Agency mission, vision, core values, goals, objectives, and performance measures.

Vice Chair Rak suggested adding Housing to the agency's mission.

Member Romero stated that the term "equitable outcomes" is not the same as equity. He recommended including definitions for terms such as "equitable outcome" and "accessible" to enhance the public's understanding.

#### **9. Discussion on changing the Committee meeting time. (Possible Action)**

C/CAG staff Kim Wever shared that the Committee expressed interest in discussing a possible change to the meeting time and directed staff to explore other time slots. Staff recommended changing the meeting start time from 12:00 P.M. Noon to 9:00 A.M. to create more flexibility for current and future Finance Committee members' schedules. Committee members were supportive of the 9:00 A.M. start time.

Member Romero requested if the August meeting can be a week early. C/CAG staff will follow up with San Carlos staff to explore a week earlier meeting.

*Motion – To amend the Committee meeting time to start at 9:00 A.M. for the remaining 2024 calendar, Colson/Rak. All members in attendance voted to approve. Motion passed.*

#### **10. Adjournment.**

The meeting adjourned at approximately 1:25 P.M.

**C/CAG AGENDA REPORT**

Date: August 21, 2024

To: C/CAG Finance Committee

From: Sean Charpentier, Executive Director

Subject: Receive copies of monthly investment statements for April, May, and June 2024  
(For further information contact Kim Wever at [kwever@smcgov.org](mailto:kwever@smcgov.org))

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**RECOMMENDATION**

That the C/CAG Finance Committee receives copies of monthly investment statements for April, May, and June 2024.

**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, 2024.

**EQUITY IMPACTS AND CONSIDERATIONS**

C/CAG's Investment Policy supports 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.

**ATTACHMENTS**

1. C/CAG's Monthly Major Cash Inflows and Outflows, LAIF, and SMC Investment Fund Summary for April, May, and June 2024.
2. LAIF Performance Report Quarter Ending June 30, 2024.
3. San Mateo County Treasurer's Office Pool Participants Distribution June 30, 2024.
4. County Summary of Pool Earnings for April, May, and June 2024.
5. Overview of Market and Investment Statements Quarter Ending June 30, 2024.

April Cash Flow

CITY & COUNTY ASSOCIATION OF GOVERNMENTS  
 Recap of Monthly Major Cash Inflows and Outflows  
 for Quarter Ended June 30, 2024

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
Apr 2024	<b>Beginning book balance (Checking)</b>		<b>1,647,547</b>
	Congestion Relief & Management	Caltrans	164,384
	Measure M	DMV, Colma	564,568
	Express Lane JPA	San Mateo County Transportation Authority	148,636
	NPDES	San Mateo County, US Environmental Protection Agency	374,467
	Energy Watch	PG&E	45,203
	All other Receipts (1)	WF Interest	3,727
	Transfer	LAIF	800,000
		<b>Total Apr Cash Inflow</b>	<b>2,100,985</b>
	Smart Corridor	Kimley-Horn & Assoc, Aegis ITS, Iteris Inc	(24,813)
	Congestion Relief & Management	Kittelson & Associates, Gray Bowen Scott, Mariposa Planning, Shaw/Yoder/Antwih, Fehr & Peers Associates, Menlo Park City	(342,099)
	NPDES	EOA Inc, Ken Brown, San Mateo County, Shaw/Yoder/Antwih, Mig Inc,	(252,689)
	Energy Watch	BAWSCA, Geosyntec consultant, CASQA	(7,479)
	AB1546	Kim Springer, Mig Inc.	(10,000)
	Measure M	EOA Inc	(137,518)
	All other payments (14)	EOA Inc	(41,781)
	Transfer	various	(700,000)
		San Mateo County Pool	(1,516,379)
		<b>Total Apr Cash Outflow</b>	<b>(1,516,379)</b>
		<b>Net Cash Inflow/(Outflow)</b>	<b>584,607</b>
	<b>Ending book balance (Checking)</b>		<b>2,232,153</b>



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 10, 2024

[LAIF Home](#)  
[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 2024 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
4/3/2024	3/29/2024	RW	1749532	1709958	PAUL HARRIS	-800,000.00
4/15/2024	4/12/2024	QRD	1750743	N/A	SYSTEM	177,178.52

**Account Summary**

Total Deposit:	177,178.52	Beginning Balance:	16,915,926.66
Total Withdrawal:	-800,000.00	Ending Balance:	16,293,105.18



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

**April County Pool Statement**  
Statement Ending Date: 4/30/2024  
Account: 03412

## STATEMENT OF ACCOUNT

City/County Association of Governments - 03412

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
3/31/2024	Balance brought forward			\$11,267,828.12
4/1/2024	FY 23-24 Interest Allocation-Q3		\$100,248.18	\$11,368,076.30
4/11/2024	Wire In		\$700,000.00	\$12,068,076.30
4/30/2024	Ending Balance			\$12,068,076.30

CITY & COUNTY ASSOCIATION OF GOVERNMENTS  
 Recap of Monthly Major Cash Inflows and Outflows  
 for Quarter Ended June 30, 2024

## May Cash Flow

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
May 2024	<b>Beginning book balance (Checking)</b>		<b>2,232,153</b>
	NPDES	San Mateo County, US Environmental Protection Agency	292,216
	Congestion Relief & Management	Metropolitan Transportation Commission	527,299
	Energy Watch	PG&E	29,217
		DMV, Foster City, Redwood City, Menlo Park, Caltrans, San Mateo County	
	Measure M	District	790,402
	Express Lane JPA	San Mateo County Transportation Authority	57,260
	All other Receipts (1)	WF Interest	1,964
	Transfer	LAIF	600,000
		<b>Total May Cash Inflow</b>	<b>2,298,359</b>
	Measure M	EOA Inc., San Carlos City, Woodside Town, Kaki Cheung, Pacifica, Redwood City, San Mateo County	(398,621)
		Gray Bowen Scott, Kittelson & Associates, Mariposa Planning, Redwood City, San Mateo County, San Mateo Daily Journal, Santa Clara Valley, Ken Brown,	(658,801)
	Congestion Relief & Mgmt	Shaw/Yoder/Antwih, Commute.org	
	Express Lane JPA	Redwood City, San Mateo County, Kaki Cheung, Adrienne Taylor	(83,910)
	NPDES	EOA Inc., San Mateo County, Redwood City, BAWSCA, Reid Bogert, Clear Creek Solution, SM County Harbor, Mig Inc, Geosyntec, Climate Resilient	(459,520)
	Energy Watch	Redwood City, San Mateo County, Mig Inc.	(155,451)
	Smart Corridor	Kimley-Horn & Assoc., Aegis ITS, South San Francisco	(231,926)
	Bay Area Air Quality	Commute.org, San Mateo County	(150,030)
	All other payments (28)	various	(85,809)
		<b>Total May Cash Outflow</b>	<b>(2,224,067)</b>
		<b>Net Cash Inflow/(Outflow)</b>	<b>74,291</b>
	<b>Ending book balance (Checking)</b>		<b>2,306,445</b>

# 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 05, 2024

[LAIF Home](#)  
[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 2024 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
5/3/2024	5/2/2024	RW	1752888	1713314	PAUL HARRIS	-600,000.00

### Account Summary

Total Deposit:	0.00	Beginning Balance:	16,293,105.18
Total Withdrawal:	-600,000.00	Ending Balance:	15,693,105.18



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

**May County Pool Statement**  
Statement Ending Date: 5/31/2024  
Account: 03412

## STATEMENT OF ACCOUNT

City/County Association of Governments - 03412

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
4/30/2024	Balance brought forward			\$12,068,076.30
5/31/2024	Ending Balance			\$12,068,076.30

CITY & COUNTY ASSOCIATION OF GOVERNMENTS  
 Recap of Monthly Major Cash Inflows and Outflows  
 for Quarter Ended June 30, 2024

**June Cash Flow**

Major Cash Inflows and Outflows

Month	Program	From/To	Amount - In/(Out)
Jun 2024	<b>Beginning book balance (Checking)</b>		<b>2,306,445</b>
	Bay Area Air Quality	Bay Area Quality Mgmt District	509,854
	Measure M	DMV	606,669
	Energy Watch	PG&E	43,796
	All other Receipts (1)	WF Interest	2,456
	Transfer	San Mateo County Pool	700,000
		Total Jun Cash Inflow	<u>1,862,775</u>
	Measure M	Millbrae, San Bruno, Menlo Park, San Mateo County, Redwood City, Mig Inc., East Palo Alto	(945,015)
	Congestion Relief & Management	Gray Bowen Scott, Kittelson & Associates, Redwood City, Mig Inc, Ken Brown, Fehr & Peers, Menlo Park	(171,561)
	NPDES	Redwood City, Regional Monitoring, Shaw/Yoder/Antwih, Mig Inc, BAWSCA, Geosyntec	(151,661)
	Express Lane JPA	Redwood City	(16,665)
	Smart Corridor	Aegis Its, Iteris Inc, Kimley-Horn & Associates Inc	(46,177)
	Energy Watch	Redwood City, Mig Inc, Joint Venture	(27,736)
	AB1546	East Palo Alto	(125,000)
	All other payments (15)	various	(105,919)
	Transfer	LAIF	(1,400,000)
		Total Jun Cash Outflow	<u>(2,989,734)</u>
		<b>Net Cash Inflow/(Outflow)</b>	<b><u>(1,126,959)</u></b>
	<b>Ending book balance (Checking)</b>		<b><u>1,179,485</u></b>

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 08, 2024

[LAIF Home](#)  
[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 2024 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
6/24/2024	6/21/2024	RD	1754359	1714794	PAUL HARRIS	700,000.00
6/28/2024	6/28/2024	RD	1754612	1715052	PAUL HARRIS	700,000.00

**Account Summary**

Total Deposit:	1,400,000.00	Beginning Balance:	15,693,105.18
Total Withdrawal:	0.00	Ending Balance:	17,093,105.18



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

**June County Pool Statement**  
Statement Ending Date: 6/30/2024  
Account: 03412

## STATEMENT OF ACCOUNT

City/County Association of Governments - 03412

DATE	DESCRIPTION	DEBITS	CREDITS	ACCOUNT BALANCE
5/31/2024	Balance brought forward			\$12,068,076.30
6/27/2024	Wire Out	\$700,000.00		\$11,368,076.30
6/30/2024	Ending Balance			\$11,368,076.30
7/1/2024	FY23-24 Interest Allocation Q4		\$117,141.49	\$11,485,217.79





## PMIA/LAIF Performance Report as of 8/07/24



### Quarterly Performance Quarter Ended 06/30/24

LAIF Apportionment Rate <sup>(2)</sup> :	4.55
LAIF Earnings Ratio <sup>(2)</sup> :	0.00012419067099490
LAIF Administrative Cost <sup>(1)*</sup> :	0.16
LAIF Fair Value Factor <sup>(1)</sup> :	0.996316042
PMIA Daily <sup>(1)</sup> :	4.52
<b>PMIA Quarter to Date<sup>(1)</sup>:</b>	<b>4.36</b>
<b>PMIA Average Life<sup>(1)</sup>:</b>	<b>217</b>

### PMIA Average Monthly Effective Yields<sup>(1)</sup>

<b>July</b>	<b>4.516</b>
June	4.480
May	4.332
April	4.272
March	4.232
February	4.122

### Pooled Money Investment Account Monthly Portfolio Composition <sup>(1)</sup> 6/30/24 \$178.0 billion

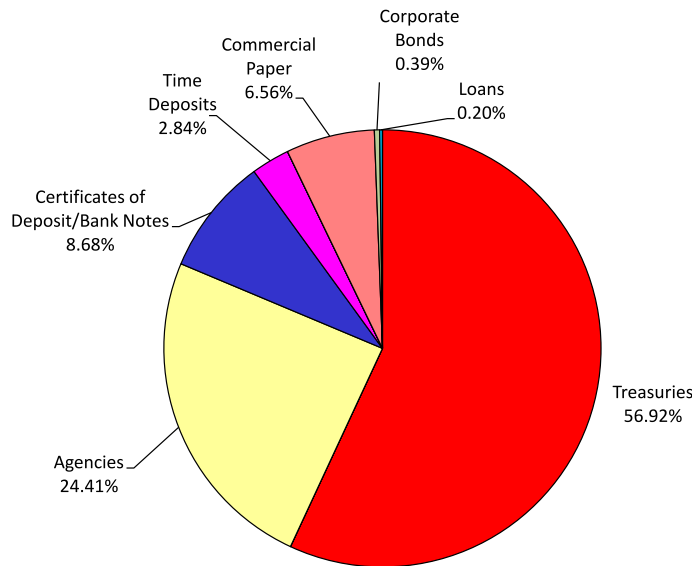


Chart does not include \$1,567,000.00 in mortgages, which equates to 0.001%. Percentages may not total 100% due to rounding.

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:

<sup>(1)</sup> State of California, Office of the Treasurer

<sup>(2)</sup> State of California, Office of the Controller

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California State Treasurer  
Fiona Ma, CPA



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LOCAL AGENCY INVESTMENT FUND

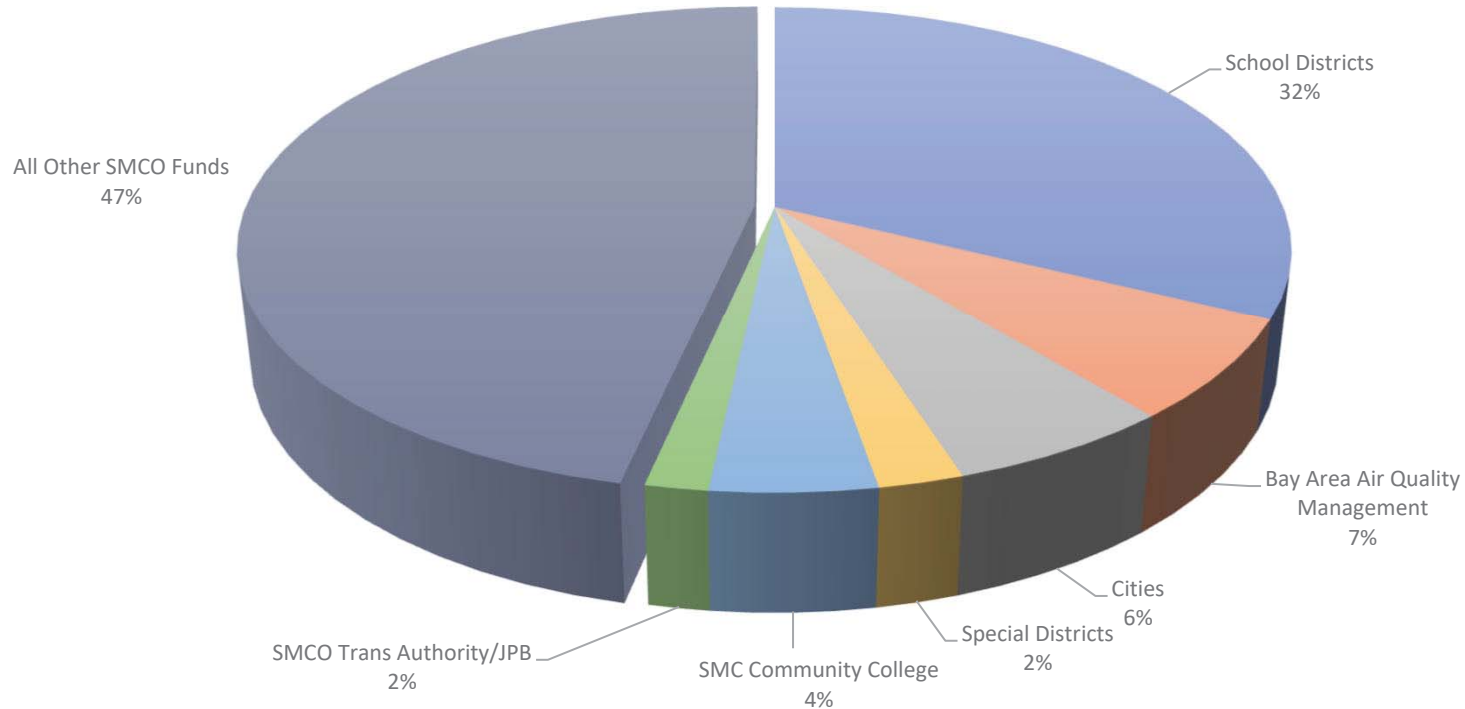
### PMIA Average Monthly Effective Yields

	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*	3.434	3.534	3.670	3.843	3.929
2024	4.012	4.122	4.232	4.272	4.332	4.480	4.516					

\* Revised



**SAN MATEO COUNTY TREASURER'S OFFICE POOL PARTICIPANTS DISTRIBUTION**  
**June 30, 2024**



<b>Participants</b>	<b>\$</b>	<b>%</b>
School Districts	\$ 2,735,838,282.73	32.3%
Bay Area Air Quality Management	566,384,420.99	6.7%
Cities	514,141,001.66	6.1%
Special Districts	190,998,210.70	2.3%
SMC Community College	374,264,039.48	4.4%
SMCO Trans Authority/JPB	141,087,305.73	1.7%
All Other SMCO Funds	3,949,587,478.70	46.6%
<b>Total</b>	<b>\$ 8,472,300,739.99</b>	<b>100.0%</b>

\*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 2024**

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss &amp; Interest Received</u>	<u>Period Earnings</u>
<b>Fixed Income Securities Maturing &gt; 1 year</b>				
U S Treasury Notes	\$ 1,548,305,000	\$ 2,763,852.63	Corporate Notes	\$ 222,967.50
Corporate Notes	810,117,000	2,481,525.43	Federal Agencies	823,857.09
Federal Agencies	2,003,549,000	6,271,957.88	U.S. Instrumentalities	7,260.27
U.S. Instrumentalities	520,548,000	1,479,384.67	Asset Backed Securities	14,103.68
Asset Backed Securities	29,425,525	15,128.17	U S Treasury Notes	402,591.76
Certificate of Deposit	37,000,000	156,632.88	Dreyfus	85,125.95
	<b>\$ 4,948,944,524.94</b>	<b>\$ 13,168,481.66</b>	US Bank Earnings Credit	31,708.68
			CalTrust	183,342.74
			CAMP	904,722.82
			<b>Total Realized Income</b>	<b>\$ 2,675,680.49</b>
<b>Short Term Securities Maturing &lt; 1 year</b>				
U S Treasury Notes	\$ 457,270,000	\$ 430,233.43		
Corporate Notes	292,610,000	467,041.75		
Federal Agencies	1,426,879,000	5,034,163.63		
U.S. Instrumentalities	528,684,000	1,980,645.60		
U.S. Treasury Bills	200,000,000	777,030.49		
Certificate of Deposit	321,800,000	1,277,648.60		
Commercial Paper	332,000,000	1,457,572.22		
Dreyfus	80,384,678.17	-		
CAMP	275,000,000	994,486.30		
CALTRUST	150,000,000	503,424.66		
	<b>\$ 4,064,627,678.17</b>	<b>\$ 12,922,246.68</b>		
<b>Total Accrued Interest</b>	<b>\$ 9,013,572,203.11</b>	<b>\$ 26,090,728.34</b>		
<b>Total Dollar Earnings for April</b>		<b>\$ 28,766,408.83</b>		

<b>AVERAGE BALANCE</b>	<b>\$ 8,887,792,301.85</b>
<b>GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS</b>	<b>3.949%</b>
<b>ADMINISTRATION FEES*</b>	<b>(693,978.30)</b>
<b>NET EARNINGS RATE / NET DOLLAR EARNINGS</b>	<b>\$ 28,072,430.53</b>

\*Current admin fees rate is at 9.5bp



**ESTIMATED SUMMARY OF POOL EARNINGS**

**May 2024**

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss &amp; Interest Received</u>	<u>Period Earnings</u>
<b>Fixed Income Securities Maturing &gt; 1 year</b>				
U S Treasury Notes	\$ 1,525,280,000	\$ 3,026,978.83		\$ 259,991.41
Corporate Notes	789,612,000	2,573,401.37		235,328.38
Federal Agencies	2,031,890,000	7,014,078.14		723,008.57
U S Instrumentalities	481,123,000	1,759,136.80		371,783.97
Asset Backed Securities	28,157,861	15,242.16		14,314.63
Certificate of Deposit	37,000,000	161,853.97		90,333.34
	<b>\$ 4,893,062,861</b>	<b>\$ 14,550,691.27</b>		4,236.19
<b>Short Term Securities Maturing &lt; 1 year</b>				
U S Treasury Notes	\$ 463,270,000	\$ 590,650.68		961,825.38
Corporate Notes	319,330,000	525,014.66		37,757.70
Federal Agencies	1,387,688,000	4,911,565.52		
U S Instrumentalities	534,514,000	1,814,491.17		
U S Treasury Bills	200,000,000	891,938.82		
Asset Backed Securities	-	-		
Certificate of Deposit	416,700,000	1,813,142.04		
Commercial Paper	282,000,000	1,334,567.22		
Dreyfus	2,606,286	-		
CAMP	225,000,000	777,116.44		
CALTRUST	100,000,000	304,794.51		
	<b>\$ 3,931,108,286</b>	<b>\$ 12,963,281.07</b>		
<b>Total Accrued Interest</b>	<b>\$ 8,824,171,147</b>	<b>\$ 27,513,972.35</b>		
<b>Total Dollar Earnings for May</b>		<b>\$ 30,212,551.91</b>		

	<b>AVERAGE BALANCE</b>		<b>\$ 8,902,480,774.24</b>
	<b>GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS</b>	<b>4.007%</b>	<b>30,212,551.91</b>
	<b>ADMINISTRATION FEES*</b>		<b>(716,333.49)</b>
	<b>NET EARNINGS RATE / NET DOLLAR EARNINGS</b>	<b>3.912%</b>	<b>\$ 29,496,218.41</b>

\*Current admin fees rate is at 9.5bp



**ESTIMATED SUMMARY OF POOL EARNINGS**

**June 2024**

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss &amp; Interest Received</u>	<u>Period Earnings</u>
<b>Fixed Income Securities Maturing &gt; 1 year</b>				
U S Treasury Notes	\$ 1,473,905,000	\$ 2,910,756.69	U S Treasury Notes	\$ 281,155.69
Corporate Notes	789,612,000	2,709,999.44	Corporate Notes	27,234.75
Federal Agencies	1,807,390,000	5,929,394.13	Federal Agencies	1,633,621.36
U S Instrumentalities	481,123,000	1,636,231.49	U S Instrumentalities	311,989.19
Asset Backed Securities	26,908,142	13,535.50	Asset Backed Securities	12,608.50
Certificate of Deposit	37,000,000	156,632.88	Commercial Paper	232,866.67
	<b>\$ 4,615,938,142</b>	<b>\$ 13,356,550.12</b>	US Bank Earnings Credit	22,913.54
			Dreyfus	122,937.83
			CAMP	-
			CALTRUST	(390,410.96)
			<b>Total Realized Income</b>	<b>\$ 2,254,916.57</b>
<b>Short Term Securities Maturing &lt; 1 year</b>				
U S Treasury Notes	\$ 502,170,000	\$ 608,816.54		
Corporate Notes	304,330,000	533,054.21		
Federal Agencies	1,295,038,000	4,213,411.17		
U S Instrumentalities	459,514,000	1,591,524.60		
U S Treasury Bills	200,000,000	863,166.60		
Asset Backed Securities	-	-		
Certificate of Deposit	496,700,000	1,989,919.73		
Commercial Paper	202,000,000	922,683.33		
Dreyfus	68,536,117	-		
CAMP	250,000,000	286,506.83		
CALTRUST	100,000,000	321,917.81		
	<b>\$ 3,878,288,117</b>	<b>\$ 11,331,000.82</b>		
<b>Total Accrued Interest</b>	<b>\$ 8,494,226,259</b>	<b>\$ 24,687,550.94</b>		
<b>Total Dollar Earnings for June</b>		<b>\$ 26,942,467.52</b>		

<b>AVERAGE BALANCE</b>		<b>\$ 8,609,217,301.55</b>
<b>GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS</b>	<b>3.818%</b>	<b>26,942,467.52</b>
<b>ADMINISTRATION FEES*</b>		<b>(670,389.87)</b>
<b>NET EARNINGS RATE / NET DOLLAR EARNINGS</b>	<b>3.723%</b>	<b>\$ 26,272,077.65</b>

\*Current admin fees rate is at 9.5bp



**SUMMARY OF POOL EARNINGS  
Q4 FISCAL YEAR 2023-24**

	<u>Par Value</u>	<u>Gross Earnings</u>	<u>Realized Gain/Loss &amp; Interest Received</u>	<u>Period Earnings</u>
<b>Fixed Income Securities Maturing &gt; 1 year</b>				
U S Treasury Notes	\$ 1,473,905,000	\$ 7,651,448	U S Treasury Notes	\$ 2,005,062.69
Corporate Notes	789,612,000	7,173,266.23	Corporate Notes	1,292,675.51
Federal Agencies	1,807,390,000	15,176,407.14	Municipalities	13,000.70
U.S. Instrumentalities	481,123,000	4,481,359.53	Federal Agencies	9,953,032.74
Asset Backed Securities	26,908,142	13,652.28	U S Instrumentalities	2,439,890.48
Certificate of Deposit	37,000,000	475,119.73	Asset Backed Securities	71,280.37
	<b>\$ 4,615,938,142.46</b>	<b>\$ 34,971,252.64</b>	Certificate of Deposit	316,166.67
			Commercial Paper	982,827.77
			US Bank Earnings Credit	92,379.92
			Dreyfus	1,169,889.18
			CAMP	904,722.82
			CALTRUST	183,342.74
			<b>Total Realized Income</b>	<b>\$ 19,424,271.59</b>
<b>Short Term Securities Maturing &lt; 1 year</b>				
U S Treasury Notes	\$ 502,170,000	\$ 1,618,517.27		
Corporate Notes	304,330,000	1,309,625.71		
Federal Agencies	1,295,038,000	11,416,853.11		
U.S. Instrumentalities	459,514,000	4,031,197.76		
U S Treasury Bills	200,000,000	2,532,135.92		
Asset Backed Securities	-	-		
Certificate of Deposit	496,700,000	5,080,710.37		
Commercial Paper	202,000,000	2,739,028.33		
Dreyfus	68,536,117	-		
CAMP	250,000,000	2,058,109.59		
CALTRUST	100,000,000	739,726.03		
	<b>\$ 3,878,288,116.93</b>	<b>\$ 31,525,904.09</b>		
<b>Total Accrued Interest</b>	<b>\$ 8,494,226,259.39</b>	<b>\$ 66,497,156.73</b>		
<b>Total Dollar Earnings for Q4 FY 2023-24</b>		<b>\$ 85,921,428.32</b>		

	<b>AVERAGE BALANCE</b>	<b>\$ 8,799,277,775.95</b>
	<b>GROSS EARNINGS RATE / GROSS DOLLAR EARNINGS</b>	<b>3.927%</b>
	<b>ADMINISTRATION FEES*</b>	<b>(2,078,408.64)</b>
	<b>TRUE-UP ADJUSTMENT FROM Q3 FY 2023-24</b>	<b>259,792.00</b>
	<b>TRUE-UP ADJUSTMENT FROM Q4 FY 2023-24</b>	<b>2,078,408.64</b>
	<b>NET EARNINGS RATE / NET DOLLAR EARNINGS</b>	<b>\$ 86,181,220.32</b>

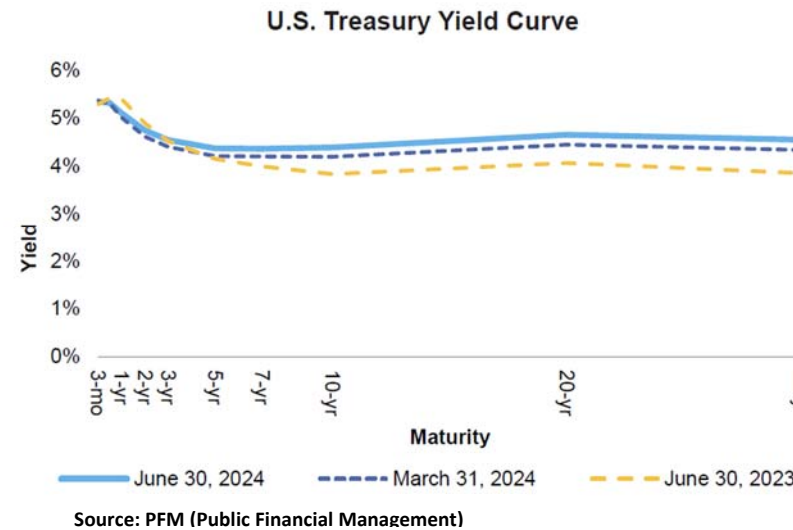
\*Current admin fees rate is at 9.5bp

## C/CAG Investment Portfolio Performance and Composition 4Q 2023

### Report Created for Finance Committee August 21, 2024

### Capital Markets Summary 2Q 2024

In the second quarter of 2024, the U.S. economy experienced moderate growth, with inflation slowing toward the Fed's 2% target. Consumer activity began to taper, and the labor market showed improved balance. The Fed maintained its target rate at 5.25%-5.50%, marking seven consecutive meetings without a change. This suggests only one or two rate cut(s) in 2024, the first perhaps in September, aligning with market expectations. Investment markets were optimistic, expecting a "soft landing," which supported risk asset valuations. Equity markets, particularly technology stocks, performed well, with the S&P 500 rising 4.3% and the NASDAQ 8.5%. U.S. Treasury yields also increased across all maturities.



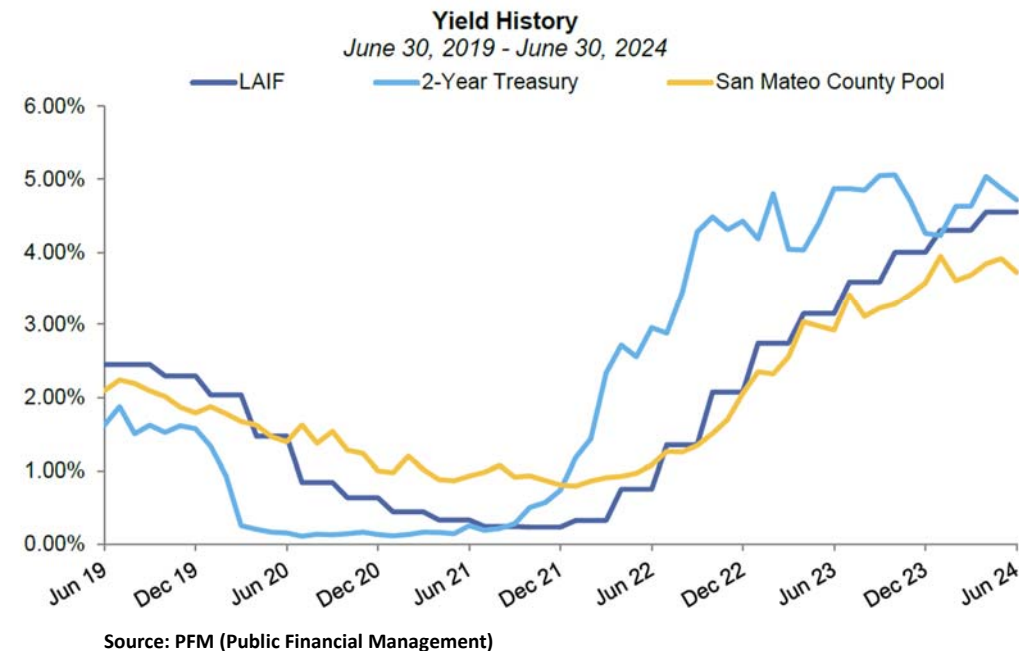
#### U.S. Treasury Yields

Maturity	Jun '24	Mar '24	Change over Quarter	Jun '23	Change over Year
3-Month	5.36%	5.37%	(0.01%)	5.30%	0.06%
1-Year	5.12%	5.03%	0.09%	5.42%	(0.30%)
2-Year	4.76%	4.62%	0.14%	4.90%	(0.14%)
5-Year	4.38%	4.21%	0.17%	4.16%	0.22%
10-Year	4.40%	4.20%	0.20%	3.84%	0.56%
30-Year	4.56%	4.34%	0.22%	3.86%	0.70%

Source: Bloomberg.

### US Treasury Yield Curve & US Treasury Yields Over Time

In the second quarter of 2024, with U.S. inflation moving closer to the Fed's 2% target, the Personal Consumption Expenditures Index (PCE) fell and core PCE reached a multi-year low of 2.6% in May. U.S. GDP growth slowed to 1.4% in Q1, due to negative contributions from net exports, private inventories, and declining personal spending. The labor market softened, with unemployment rising to 4.1% in June, ending a 28-month period below 4.0%. Despite this, wage growth continued to outpace inflation, supporting consumption. U.S. Treasury yields rose modestly, with shorter-duration indices performing well amid elevated Fed rates. A 20-basis point rise in the 30-Year U.S. Treasury yield at Q2's end erased gains for most agency mortgage-backed securities (MBS), though agency commercial MBS outperformed. Asset-backed securities excelled with strong demand, while short-term credit experienced general tightening.





## Portfolio Performance 2Q 2024

The C/CAG investment portfolio returns for the second quarter of 2024 were strong, with a 4.36% return for LAIF and a 3.94% return for the County Pool Fund. Both investment pools continue a trend of increasing quarterly effective yields, with LAIF's effective yield increasing from 4.12% to 4.36% since the first quarter of the fiscal year, and the County Pool Fund's increasing from 3.75% to 3.94% during that same time period. The total C/CAG portfolio asset allocation at the end of the first quarter was 60% to LAIF and 40% to the County Pool Fund, which is within the stated investment policy allocation ranges.

### LAIF

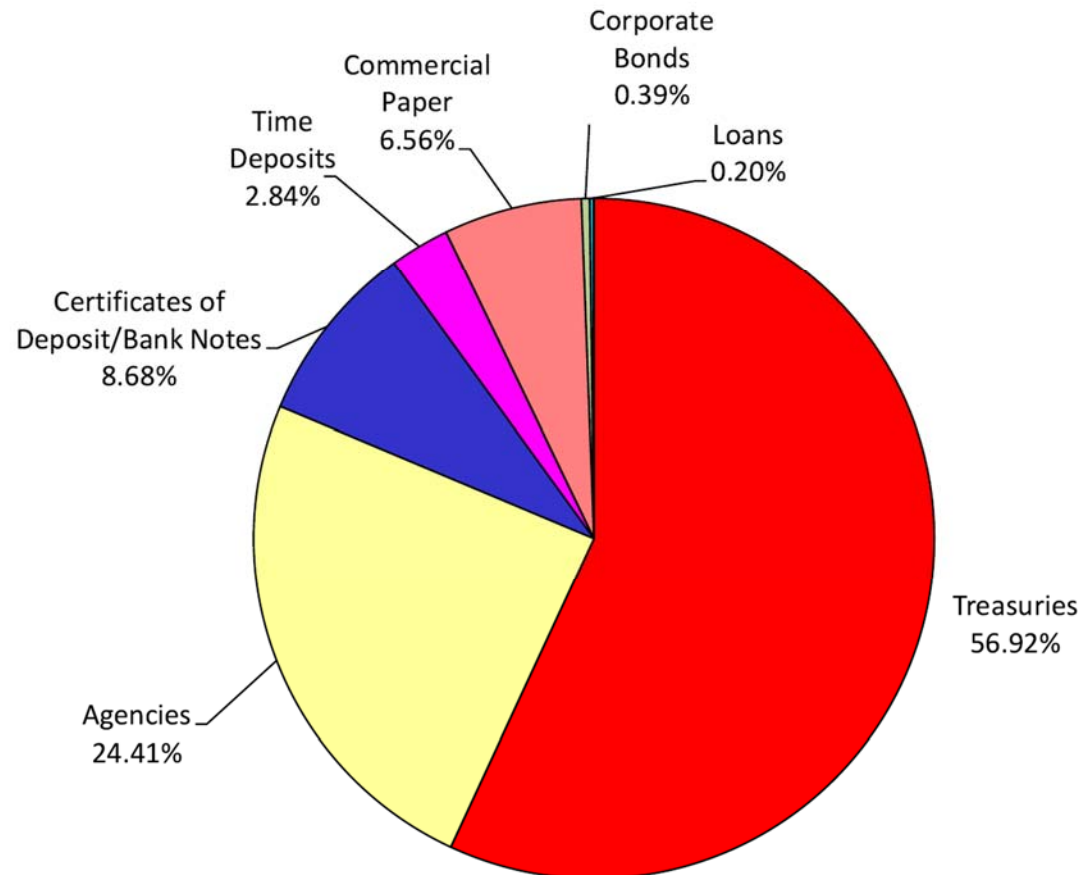
PMIA Average Monthly Effective Yields:

April 2024	4.272
May 2024	4.332
June 2024	4.480

PMIA Quarter to Date: 4.36%

PMIA Average Life: 217 days or 0.59 years

Portfolio Composition Pie Chart:



Source: PMIA/LAIF Performance Report as of 8/7/2024

### COPOOL

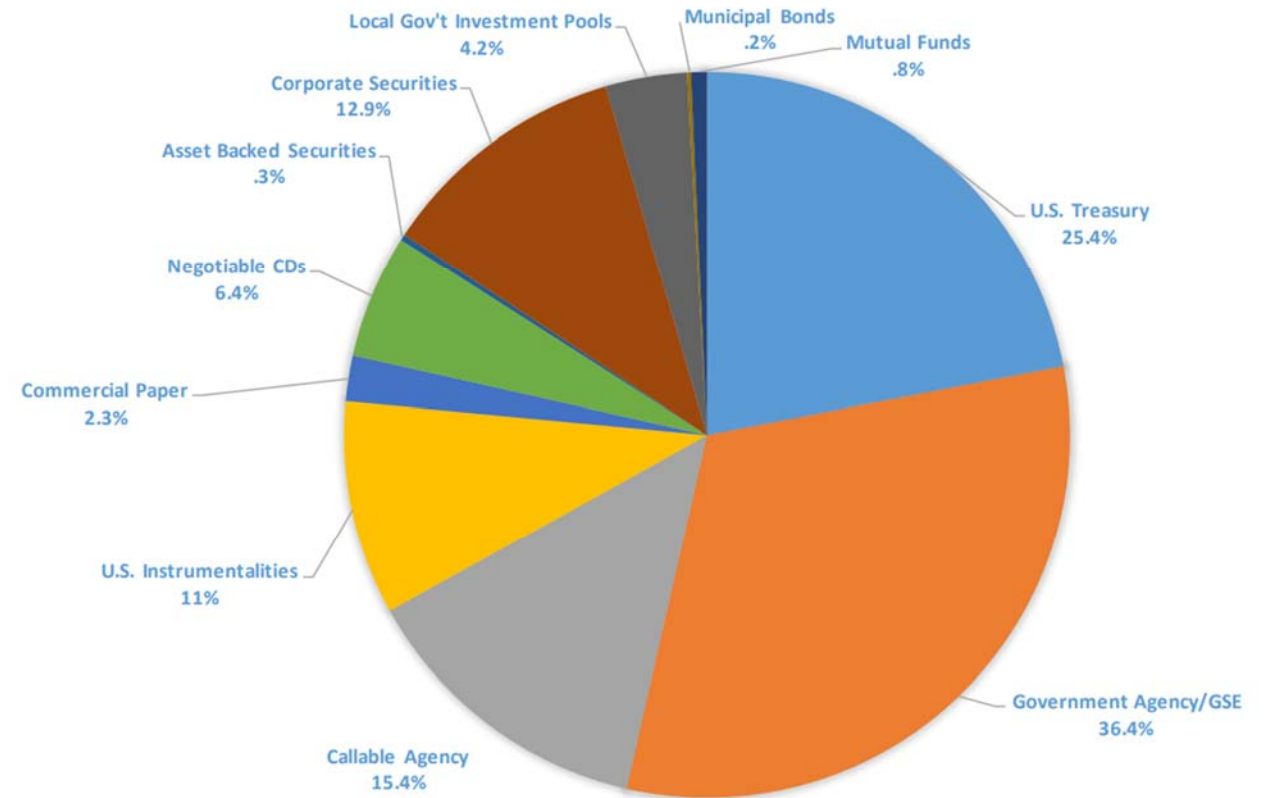
PMIA Average Monthly Effective Yields:

April 2024	3.843
May 2024	3.912
June 2024	3.723

PMIA Quarter to Date: 3.94%

PMIA Average Duration: 1.49 years

Portfolio Composition Pie Chart:



Source: San Mateo County Investment Portfolio Compliance Report June 2024

## C/CAG AGENDA REPORT

Date: August 21, 2024

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](mailto:kwever@smcgov.org))

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### 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 6/30/24 net interest earning rate is 4.36%  
 San Mateo County Pool Quarter Ending 6/30/24 net interest earning rate is 3.94%

The LAIF’s average life is 217 days, or 0.59 of a year. San Mateo County Pool’s current average maturity of the portfolio is 1.64 years with an average duration of 1.49 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 22, 2024, the Finance Committee reviewed the investment portfolio and recommend no change to portfolio, but guided staff to continue monitoring the interest rates. On June 13, 2024, the C/CAG Board approved of no change to the investment portfolio.

The investment portfolio as of June 30, 2024 is as follows:

	3/31/2024		6/30/2024	
	Amount	Percent	Amount	Percent
LAIF	\$16,915,927	60%	\$17,093,105	60%
COPOOL	\$11,267,828	40%	\$11,485,218	40%
Total	\$28,183,755	100%	\$28,578,323	100%

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

**EQUITY IMPACTS AND CONSIDERATIONS**

C/CAG Investment Policy supports 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.

**ATTACHMENTS**

1. Quarterly Investment Report as of June 30, 2024 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 21, 2024**

**SUBJECT: Quarterly Investment Report as of June 30, 2024**

**RECOMMENDATION:**

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

**ANALYSIS:**

The attached investment report (Attachment 1) indicates that on June 30, 2024, funds in the amount of \$28,578,323 were invested producing a weighted average yield of 4.19%. Of the total investment portfolio, 60.0% of funds were invested in the Local Agency Investment Fund (LAIF) and 40.0% 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 \$297,639.

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

	<b>Qtr Ended 06/30/2024</b>	<b>Qtr Ended 03/31/2023</b>	<b>Increase (Decrease)</b>
Total Portfolio	\$ 28,578,323	\$ 28,183,755	\$ 394,568
Weighted Average Yield	4.19%	3.97%	0.22%
Accrued Interest Earnings	\$ 297,639	\$ 277,427	\$ 20,212

There was an increase of \$394,568 in the portfolio balance at the end of this quarter compared to the previous quarter mainly due to the timing of cash receipts offset by expenses for NPDES, Congestion Relief and Management, Express Lane, Smart Corridor, and AB1546. The higher quarterly interest rate resulted in higher interest earnings.

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, 2024, 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 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, 2024
- 2 – Historical Summary of Investment Portfolio

**CITY & COUNTY ASSOCIATION OF GOVERNMENTS**

**SUMMARY OF ALL INVESTMENTS**

For Quarter Ending June 30, 2024

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)	4.36%	17,093,105	60%	17,030,135
San Mateo County Investment Pool (COPOOL)	3.94%	11,485,218	40%	11,385,296

**Agency Securities**

none

<b>Total - Investments</b>	<b>4.19%</b>	<b>28,578,323</b>	<b>100%</b>	<b>28,415,431</b>
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<b>GRAND TOTAL OF PORTFOLIO</b>	<b>4.19%</b>	<b>\$ 28,578,323</b>	<b>100%</b>	<b>\$ 28,415,431</b>
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<b>Total Interest Earned This Quarter</b>	<b>297,639</b>
<b>Total Interest Earned (Loss) Fiscal Year-to-Date</b>	<b>1,066,902</b>

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

LAIF - 50% to 70%

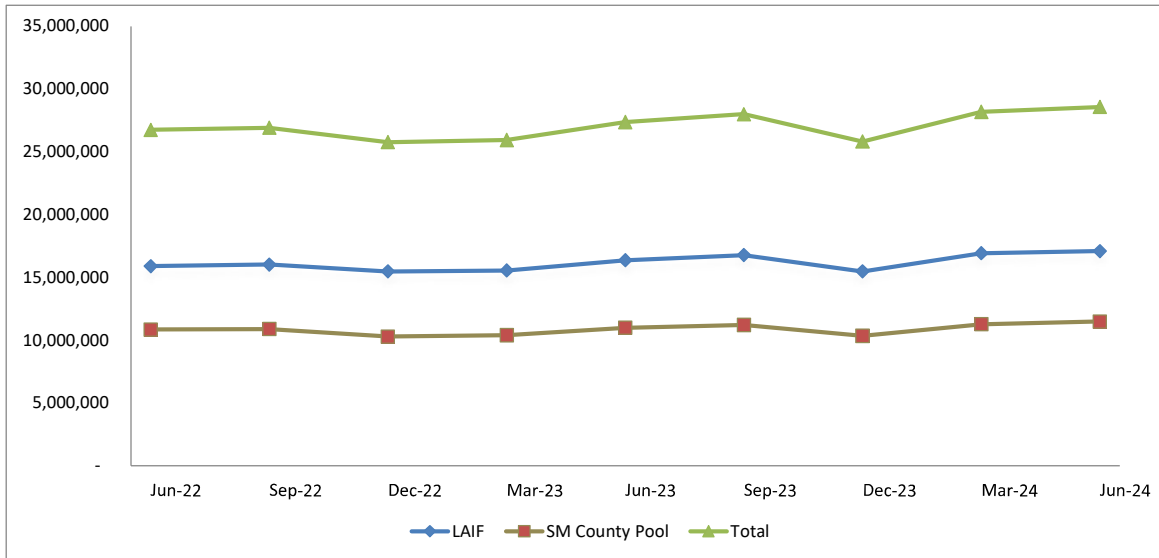
COPOOL - 30% to 50%

On 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, 2024



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-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
LAIF	15,900,010	16,028,660	15,480,103	15,558,262	16,365,013	16,787,787	15,478,855	16,915,927	17,093,105
SM County Pool	10,849,975	10,877,624	10,288,794	10,384,089	10,997,275	11,204,132	10,341,684	11,267,828	11,485,218
<b>Total</b>	<b>26,749,985</b>	<b>26,906,284</b>	<b>25,768,897</b>	<b>25,942,350</b>	<b>27,362,288</b>	<b>27,991,920</b>	<b>25,820,539</b>	<b>28,183,755</b>	<b>28,578,323</b>

**C/CAG AGENDA REPORT**

Date: August 21, 2024  
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](mailto:scharpentier@smcgov.org))

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**RECOMMENDATION**

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

**FISCAL IMPACT**

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

**SOURCE OF FUNDS**

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

**BACKGROUND**

On September 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 1/1/2024. 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 ~~xx15~~, 202~~43~~

**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 53600+ 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~~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 ~~s~~Safety of ~~p~~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:

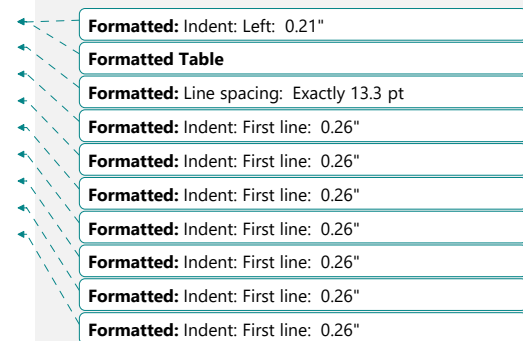
<u>Maturity Range</u>	<u>Suggested Percentage</u>
1 day to 7 days	10 to 50%
7 days to 180	10 to 30%
180 days to 360 days	10 to 30%
1 year to 2 years	10 to 20%
2 years to 3 years	0 to 20%
3 years to 4 years	0 to 20%
4 years to 5 years	0 to 20%

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 forty-five (45) 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 forty-five (45) 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~~brokers/dealers approved to do business with C/CAG. 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),<sup>7</sup> the Federal National Mortgage Association (FNMA),<sup>8</sup> 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 and not issued or guaranteed by an agency or issuer identified in California Government Code Section 53601 subdivision (b) or (f) 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% 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.

5. 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 4025% of the cost value of the portfolio. Also, no more than 305% of the agency's money may be in bankers' acceptances of any one commercial bank.
6. 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 "A2" or better rating on its long-term debentures as provided by NRSRO. Purchases of eligible commercial paper may not exceed 270 days to maturity and 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 105% of the portfolio.
7. 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.~~
8. 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%. Investments made pursuant to 53635.8 remain subject to a maximum of 30% of the portfolio.
9. 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~~

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10. 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.
11. 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)Ⓢ
San Mateo County Investment Pool	53684	Upon Demand	N/A	As approved by the C/CAG Board	(C)Ⓢ
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	<del>40</del> 25 %	(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%	<del>N/A</del> 5%
Placement Service Deposits – Deposits or Certificates of Deposits	53601.8 and 53635.8	5 Years	N/A	50%	N/A

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Medium Term Corporate Notes	53601(k)	5 Years	A	30%	<del>N/A</del> <del>5%</del>
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- (A) ~~10~~5% of outstanding paper of issuing corporation.
- (B) No more than ~~30~~5% 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%

**DERIVATIVE INVESTMENTS**

The use of derivatives is prohibited under this policy. Derivatives are financial instruments whose performance is derived, at least in part, from the performance of an underlying asset, security or index.

**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 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.

## **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.

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**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.

[Secured Overnight Financing Rate \(SOFR\)- represents a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.](#)

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

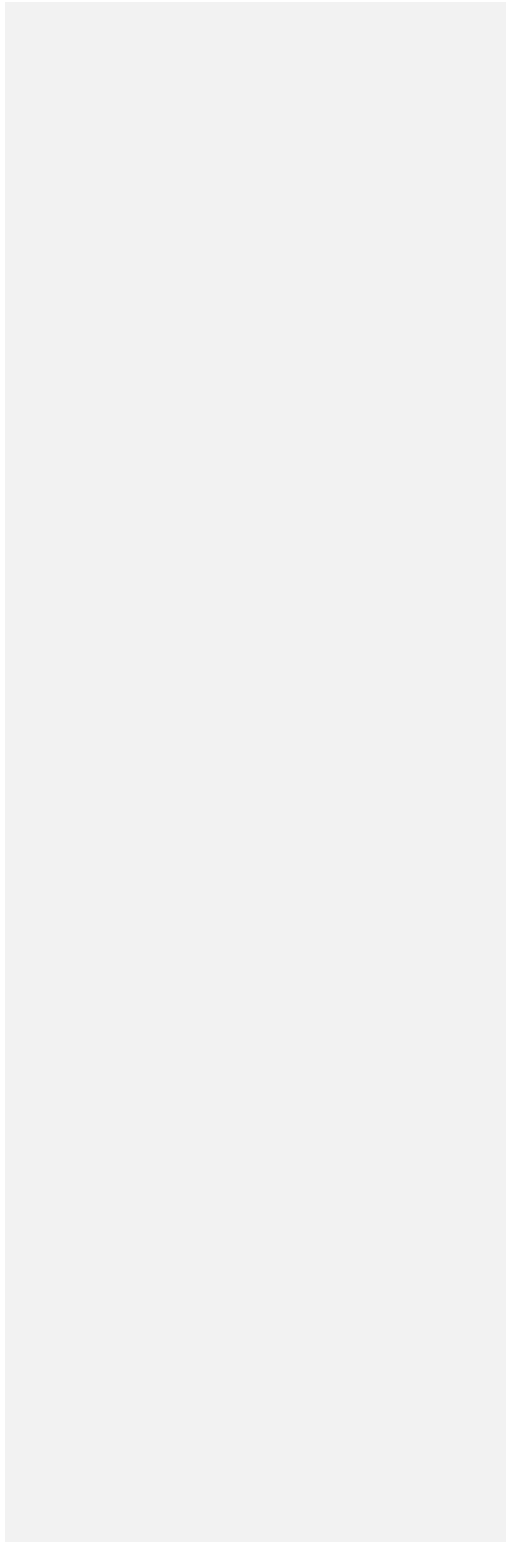
**Treasury Obligations-** Debt obligations of the U.S. Government that are sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations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

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

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

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

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



## C/CAG AGENDA REPORT

Date: August 21, 2024

To: C/CAG Finance Committee

From: Sean Charpentier, Executive Director

Subject: Receive update on financial forecast and associated risks, and discuss potential mitigation strategies.

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

### RECOMMENDATION

That the C/CAG Finance Committee receive a presentation on the financial forecast and associated risk, followed by a discussion on mitigation strategies.

### FISCAL IMPACT

There is no direct fiscal impact for the Finance Committee receiving this update.

### SOURCE OF FUNDS

There is no funding required for this update to the Finance Committee.

### BACKGROUND

Throughout the process to review the draft and final fiscal year 2024-25 operating budget for C/CAG, staff identified certain financial vulnerabilities facing the Agency. The section below outlines some of these challenges and previews potential solutions.

### DISCUSSION

#### 1. Short Term Funding Sources

C/CAG is heavily reliant on short-term funding sources. As demonstrated by table 1 below, 82% of the estimated staff funding in FY 23/24 came from sources approved annually, such as member fees, or on a contractual basis every four to five years, like the One Bay Area Grant (OBAG) program funds. This uncertainty makes longer-term financial planning challenging, necessitating the accumulation of funds over time to ensure sufficient resources and the maintenance of reserves to manage irregularity of certain funding sources.



Table 1: Estimated FY2023-2024 Staffing Cost by Funding Source and Grant Duration

<b>Funding Source</b>	<b>Estimated Amount</b>	<b>% of Total Costs</b>	<b>Grant Duration</b>
<b>Administrative Program</b>	\$186,326	6.4%	Annual
<b>Transportation</b>	\$1,490,653	51.4%	Every 4 years
<b>Express Lane JPA</b>	\$474,000	16.3%	Annual
<b>SMCRP</b>	\$189,782	6.5%	Every four years
<b>LGP Energy Watch</b>	\$18,299	0.6%	Every two to three years
<b>TFCA Programs</b>	\$26,000	0.9%	Annual
<b>Smart Corridor</b>	\$15,587	0.5%	Ongoing Measure M Program (Expires 2035)
<b>NPDES</b>	\$286,426	9.9%	Ongoing Assessment
<b>Measure M</b>	\$214,949	7.4%	Ongoing Measure M Program (Expires 2035)
<b>Total</b>	<b>\$2,902,022</b>	<b>100.0%</b>	

Source: Fiscal Year 2023-24 C/CAG Consolidated Year End Estimate

## 2. Increased costs and related impacts

Funding levels have not kept up with increased costs, particularly for staffing. Staffing costs increase is at an estimated rate of 8-10% each year, dependent on regular merit increases, Cost of Living Adjustments, and the costs of benefits. C/CAG’s membership and Congestion Relief Program (CRP) funds were not increased for 6 years and 15 years, respectively. In 2022 and 2024, C/CAG approved indexing the member and CRP fees to CPI (with a 3% ceiling), respectively. Federal funds like the OBAG cycle 3 and state funds, such as the State Transportation Improvement Program, have only included minor baseline increases for planning and project activities. At the rate of current expenditures, C/CAG will likely deplete existing Federal OBAG 3 funds prior to the end of the current funding cycle (fiscal year 2025-26). Based on current balances in the Transportation and Congestion Relief Program funds, staff believes the \$1 million shortfall for the current cycle can be absorbed through those two sources; however, the current shortfall highlights two significant issues heading to planning for the OBAG Cycle 4:

- a. The OBAG 3 cycle included a one-time COVID relief funding enhancement that is not expected for the OBAG 4 cycle.
- b. While there are sufficient balances to bridge the gap, the next OBAG 4 Cycle will have to include a larger portion set aside for staffing (planning activities), which will reduce the programming capacity for project delivery.

## 3. Smart Corridor Program Construction Costs

C/CAG has entered into, or is recommended to enter into, a total of \$12.4M in funding or purchase agreements with Daly City, Colma, and Brisbane for the completion of the Smart Corridor project in northern part of the County. While the countywide Smart Corridor project is nearing successful completion with the project underway in Daly City, Colma and Brisbane, recent construction bids have been volatile, exceeding engineers estimate. The Northern Cities projects rely on \$10.3M in STIP and Local Partnership Program (LPP) funding, which must be awarded to construction contracts by September 30th to avoid forfeiture. When construction bids exceed estimates due to the current volatile bidding environment, C/CAG bears the responsibility of securing additional funding or

covering the costs beyond the initial projections. C/CAG has limited capacity to absorb additional expenses. The higher bids require C/CAG to amend the Agency budget to allocate an additional \$350,000 to the project to fully fund the construction contracts. The recommended amendment is detailed in Agenda item #8 of the Committee meeting agenda. Staff is diligently working with our partners to minimize the risk, but as with all construction projects, some level of risk remains.

#### 4. Express Lane JPA Loan

C/CAG currently has a \$2.7M loan for the SMCEL-JPA start-up costs. This loan represents approximately 16% of C/CAG’s operating budget.

Table 2: Express Lane Program Loan in proportion to C/CAG Budget

<b>Adopted 24/25 Budget</b>	
Total Expenditures	\$40,704,708
Distributions	\$24,263,246
Operating Budget	\$16,441,462
SMCEL Loan	\$2,697,133
Loan % Operating Budget	16%

These funds could be used for staffing, programs, and projects, as well as maintain cash flow and smooth the irregularity of the other funding sources. The timing of the repayment could significantly affect C/CAG’s financial flexibility and resilience as it begins planning for OBAG Cycle 4 and construction of the Smart Corridor project gets underway. Staff will return to the Finance Committee at the next meeting with an overview of the loan terms and options for repayment.

Staff is seeking initial feedback from the Finance Committee on the outline of financial challenges and potential solutions.

#### **EQUITY IMPACTS AND CONSIDERATIONS**

Progress made to advance equity in Fiscal Year 2023-2024 was summarized in previous reports with the adoption of the annual budget. Staff aims to provide annual updates together with the budget review process.

#### **ATTACHMENT**

None

## C/CAG AGENDA REPORT

Date: August 21, 2024

To: City/County Association of Governments of San Mateo County Board of Directors

From: Sean Charpentier, Executive Director

Subject: Review and recommend Board approval of Fiscal Year 2024-2025 Agency Budget amendment.

(For further information or questions, contact Sean Charpentier at [scharpentier@smcgov.org](mailto:scharpentier@smcgov.org))

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### RECOMMENDATION

That the C/CAG Finance Committee review and recommend Board approval of the Fiscal Year 2024-2025 Agency budget amendment.

### FISCAL IMPACT

Staff recommends amending the C/CAG Fiscal Year 2024-2025 budget, transferring an additional \$350,000 from the existing fund balance of the C/CAG Measure M program, specifically under the ITS category, to the Smart Corridor fund. The transfer is necessary to address the increased construction costs reflected in the recently received bids.

Additionally, staff recommends amending the Congestion Relief Program (CRP) budget by reallocating certain consultant expenditures from the federal One Bay Area Grant (OBAG) cycle 3 program to the CRP program. This \$300,000 of adjustment will help manage the expenditure rate of the federal OBAG funds more effectively.

### SOURCE OF FUNDS

C/CAG Measure M, the \$10 vehicle registration fee, will provide additional funding for the Smart Corridor program. All member jurisdictions make contributions to the C/CAG Congestion Relief Program. The formula is based on two factors: population data and trip generation information from the travel demand model.

### BACKGROUND

#### **San Mateo County Smart Corridor Program**

##### Project History

The San Mateo County Smart Corridor project is a longstanding Agency priority. It is designed to improve mobility of local arterial streets by installing Intelligent Transportation System (ITS) equipment, such as an interconnected traffic signal system, close circuit television (CCTV) cameras, dynamic message signs, and vehicle detection system, on predefined designated local streets and state routes. The equipment is connected to underground fiberoptic communication infrastructure, enabling the equipment to communicate and share data with local transportation management centers (TMCs). The ITS infrastructure provides local cities and Caltrans with day-to-day traffic management capabilities to address recurring and non-recurring traffic congestion. The segments between City of

San Bruno at the northern limits to the Santa Clara County line in the City of East Palo Alto has been completed. This portion of the project includes more than 238 intersections, 50 miles of fiberoptic communication cable, and 600 devices installed as part of the Smart Corridor. The devices include 270 CCTV cameras, 117 trailblazer/arterial dynamic message signs, and 40 vehicle detection systems. The South San Francisco expansion is currently in construction and is expected to be completed in early 2025.

Continuing with the vision to build the Smart Corridor from the Santa Clara County line to the San Francisco County line, the Northern Cities segment is the next segment of the project. The project is a joint effort by the cities of Daly City and Brisbane, the Town of Colma, C/CAG, and the California Department of Transportation (Caltrans). The design is complete for the Northern Cities segment and the project is ready to enter into the construction phase. A map of the Northern Cities project is included as Attachment 2 to the staff report. C/CAG is the program manager and project sponsor. The City of Daly City is leading construction of the segment located in Daly City and Colma. The City of Brisbane is managing construction within its city limit.

### Existing Agreements

On May 11, 2023, C/CAG and the California Department of Transportation (Caltrans) entered into a construction cooperative agreement (co-op) outlining project responsibilities and funding details for project construction. The original funding total was \$9,912,000. The co-op was amended in September 2023 to an updated total of \$9,916,938. C/CAG secured approval from the California Transportation Commission (CTC) in June 2024 to allocate a supplemental amount of \$400,000 state funds for project construction. C/CAG is working with Caltrans to amend the co-op to reflect this funding update.

The funding in the co-op agreement is for costs associated with the construction phases of the project in Daly City/Town of Colma and Brisbane. C/CAG has construction funding agreements with Daly City and the Town of Colma for \$5.8 million and with the City of Brisbane for \$3.6 million. Under these agreements, C/CAG will fund the construction capital costs, construction support, department furnished materials, and provide construction contingency.

In addition, C/CAG has earlier funding agreements with Daly City and Brisbane for \$672,500 and \$1.2M, respectively, to purchase, install, and connect its main fiber to the Smart Corridor devices in Daly City, and in Brisbane, to purchase and install the fiber communications needed for the Smart Corridor network.

### Daly City/Colma Procurement

For Daly City/Colma, the construction contract was initially advertised on February 4, 2024 and bids were opened on March 4, 2024. The engineer's estimate for the construction cost for the Daly City/Colma segment was approximately \$3.7M. One firm submitted a bid at a cost of approximately \$5.9M, 59% higher than the engineer's estimate. After evaluating the bid package, the project team noted that bid prices were significantly higher than recent industry standards and above reasonable inflation. As a result, the Council of Daly City rejected the bid on April 8, 2024.

The construction contract was re-advertised on May 29, 2024. For the new advertisement, the construction documents were revised to solicit more competitive pricing. For example, the documents were streamlined and revised for better clarity for prospective bidders and the environmental commitments were more clearly defined in the technical specifications. Additionally, the City of Daly City extended the bid submittal deadline to a longer time to allow prospective bidders more time to submit bids.

Bids were opened on June 26, 2024. The revised engineer's estimate was approximately \$4M. Three 49

firms submitted bids. The lowest responsive bid came in at approximately \$5.4M, approximately 33% higher than the engineer's estimate. This brings the total construction phase for the Daly City/Colma segment to approximately \$7.1M.

### Brisbane Procurement

For Brisbane, the construction contract was advertised on July 10, 2024. The engineer's estimate for the construction cost for the Brisbane segment was approximately \$2.4M.

Bids were opened on August 15, 2024. Three firms submitted bids, with total base bid costs ranging from \$2.9M to \$3.6M. The apparent lowest responsive bid came in at \$2.9M, approximately 20% higher than the engineer's estimate. This brings the total construction phase for the Brisbane segment to approximately \$3.8M.

### Recommended Amendment

C/CAG has been the project manager and project sponsor of the Smart Corridor since inception. The Northern Cities segment of Daly City, Colma, and Brisbane is the last remaining segment to complete a Countywide Smart Corridor network. C/CAG is responsible and committed to funding and delivering this project to completion. Currently, C/CAG has approximately \$10.3M in state funds to deliver this project. If C/CAG and its city partners are not able to fully fund and complete the project, C/CAG is at risk of losing the state funding. C/CAG and its city partners have until September 30, 2024 to award the construction contracts, otherwise, C/CAG will lose the state funding.

To complete the projects and the Countywide network, accommodate a potential accelerated draw down on existing funding agreements, and prevent the loss of funding, C/CAG staff are recommending transferring \$350,000 from the C/CAG Measure M fund balance, specifically the ITS/Smart Corridor category. This strategy would allow C/CAG to retain the state funds and ensure that the project proceeds without delays. Postponing the project could lead to increased construction costs and a larger funding gap in the future.

However, depleting the C/CAG Measure M ITS program fund reserves come with risks if there are additional expenses associated with the completion of these projects. Additionally, without the ITS program reserves, C/CAG would be unable to invest in other technology projects or make capital improvements in the near future.

To avoid losing the state funding and fulfill our commitment to complete the Smart Corridor project, staff recommends amending the C/CAG Fiscal Year 2024-2025 budget, transferring an additional \$350,000 from the existing fund balance of the C/CAG Measure M program, specifically under the ITS category, to the Smart Corridor fund.

### Congestion Relief Program

Due to a few factors, including the short-term nature of the C/CAG's program funding, the Agency's funding levels not keeping pace with rising costs, and the current loan for the Express Lane Joint Powers Authority, staff recommends amending the Congestion Relief Program (CRP) budget. This amendment involves reallocating certain consultant expenditures from the federal One Bay Area Grant (OBAG) cycle 3 program to the CRP program to better manage the expenditures rate of the federal OBAG funds.

For example, staff initially budgeted nearly \$200,000 in federal funds to update the County Transportation Plan. To slow the rate of current expenditures, these costs will now be covered using local Congestion Relief Program funds. Additionally, C/CAG plans to submit grant applications to the 50

San Mateo County Transportation Authority’s Bike and Pedestrian and Alternative Congestion Relief and Transportation Demand Management (ACR-TDM) programs call for projects. The grant programs require a minimum of \$70,000 in funding match that was not previously anticipated. These strategies and efforts will help to preserve the existing Federal OBAG 3 funds prior to the end of the current funding cycle (fiscal year 2025-26).

**SUMMARY**

Staff are requesting support for the following budget amendments.

1. Transfer \$350,000 from the Measure M ITS Smart Corridor Category to the Smart Corridor Fund.
2. Transfer \$300,000 in expenses from the Transportation Programs funds to the SMCRP Program.

For reference, a summary of the requested budget amendments is included in the following table:

Table 1: Summary of Budget Amendments

Fund	Account	Account Type	Original Budget Amount	Change	Modified Budget Amount	Impact on Ending Balance
Transportation	C2346000-520303	Expenditure	\$2,321,895	(\$230,000)	\$2,091,895	\$230,000
Congestion Relief	C4353000-520303	Expenditure	\$1,155,793	\$300,000	\$1,455,793	(\$300,000)
Measure M	C1023900-590001	Transfer Out	\$2,400,000	\$350,000	\$2,750,000	(\$350,000)
Smart Corridor	C5687000-490001	Transfer In	\$2,400,000	\$350,000	\$2,750,000	\$350,000

**EQUITY IMPACTS AND CONSIDERATIONS**

The Smart Corridor is a countywide project aimed at improving mobility throughout the region. For the existing southern segments, the Smart Corridor has helped reduce traffic times along arterial roads during major freeway incidents. This benefits all road users, especially motorists who spend a larger portion of their income or time on transportation.

Additionally, the Smart Corridor system has positive impacts for non-motorists and other vulnerable populations. For example, the system can be used to implement transit signal priority, which can reduce travel times for transit riders. In Belmont, the City used Smart Corridor infrastructure to implement an adaptive traffic control system. This allowed the City to use real-time traffic conditions to change signal timing accordingly, which resulted in reduced congestion and improved access to schools. The Smart Corridor also includes dozens of trailblazer message signs installed along arterial roads to guide road users through detour routes. These wayfinding signs are especially beneficial for users that may not have a smartphone or internet access.

The Northern Cities expansion will provide a comprehensive system all along US-101 in the County, providing Smart Corridor benefits for the many different communities that live and travel within and around the bayside. The expansion will also connect communities along I-280 for the first time.

**ATTACHMENTS**

1. Proposed Revised C/CAG Fiscal Year 2024-25 Consolidated Program Budget
2. Adopted C/CAG Fiscal Year 2024-25 Consolidated Program Budget
3. Map of the Northern Cities project corridors

FISCAL YEAR 2024-25 C/CAG CONSOLIDATED PROGRAM BUDGET											
	Administrative Program	Transportation Programs	Express Lanes JPA	SMCRP Program	Smart Corridor	LGP Energy Watch	TFCA Programs	NPDES Programs	AB 1546 Fees	Measure M Fees	Total
<b>BEGINNING BALANCE</b>	<b>1,890,408</b>	<b>3,709,324</b>	<b>2,697,133</b>	<b>3,254,198</b>	<b>13,420,294</b>	<b>665,728</b>	<b>1,535,939</b>	<b>1,171,285</b>	<b>406,301</b>	<b>10,090,993</b>	<b>38,841,603</b>
<b>REVENUES</b>											
Interest Earnings	87,373	123,591	69,244	158,567	144,147	21,032	46,651	78,662	19,471	347,862	1,096,600
Member Contribution	307,060	457,222	0	1,942,500	0	0	0	164,343	0	0	2,871,125
Cost Reimbursements	0	0	634,116	0	0	0	0	0	0	0	634,116
MTC/ Federal Funding	0	2,197,165	0	0	0	0	0	0	0	706,268	2,903,433
Grants	0	1,757,273	0	0	0	850,000	0	1,525,000	0	0	4,132,273
DMV Fee	0	0	0	0	0	0	1,044,800	0	0	6,700,000	7,744,800
NPDES Fee	0	0	0	0	0	0	0	1,471,800	0	0	1,471,800
TA Cost Share	0	200,000	0	0	0	0	0	0	0	0	200,000
Miscellaneous/ SFIA	0	0	0	0	0	0	0	0	0	0	0
Street Repair Funding	0	0	0	0	0	0	0	0	0	0	0
PPM-STIP	0	308,000	0	0	0	0	0	0	0	0	308,000
Assessment	0	0	0	0	0	0	0	0	0	0	0
TLSP	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>394,433</b>	<b>5,043,251</b>	<b>703,360</b>	<b>2,101,067</b>	<b>144,147</b>	<b>871,032</b>	<b>1,091,451</b>	<b>3,239,805</b>	<b>19,471</b>	<b>7,754,130</b>	<b>21,362,147</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>2,284,841</b>	<b>8,752,575</b>	<b>3,400,493</b>	<b>5,355,265</b>	<b>13,564,441</b>	<b>1,536,760</b>	<b>2,627,390</b>	<b>4,411,090</b>	<b>425,772</b>	<b>17,845,123</b>	<b>60,203,750</b>
<b>EXPENDITURES</b>											
Administration Services	111,984	103,944	195,387	93,725	16,834	19,763	2,000	26,010	0	50,838	620,484
Professional Services	95,743	1,871,572	349,604	291,462	125,000	27,646	39,637	529,636	0	259,339	3,589,639
Consulting Services	640,729	2,721,895	0	1,705,793	941,000	892,125	0	3,156,984	10,000	1,948,288	12,016,814
Supplies	23,000	0	0	10,000	0	2,000	0	2,000	0	0	37,000
Prof. Dues & Memberships	18,525	0	0	0	0	17,500	0	28,000	0	500	64,525
Conferences & Meetings/Trainings	31,000	15,000	0	15,000	0	2,000	0	6,000	0	2,500	71,500
Printing/ Postage	10,000	0	0	0	0	0	0	0	0	0	10,000
Publications	3,000	0	0	0	0	0	0	0	0	0	3,000
Distributions	0	0	0	1,285,500	13,762,081	0	2,351,848	30,000	374,000	6,459,817	24,263,246
OPEB Trust	55,000	0	0	0	0	0	0	0	0	0	55,000
Miscellaneous	15,000	0	0	0	0	0	0	0	0	0	15,000
Bank Fee	3,500	0	0	0	0	0	0	0	0	0	3,500
Audit Services	25,000	0	0	0	0	0	0	0	0	0	25,000
Loan to SMCEL JPA	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>1,032,481</b>	<b>4,712,411</b>	<b>544,991</b>	<b>3,401,480</b>	<b>14,844,915</b>	<b>961,034</b>	<b>2,393,485</b>	<b>3,778,630</b>	<b>384,000</b>	<b>8,721,282</b>	<b>40,774,708</b>
<b>TRANSFERS</b>											
Transfers In	0	0	0	60,000	3,441,000	157,500	0	40,000	0	0	3,698,500
Transfers Out	0	0	60,000	848,500	0	0	0	0	0	2,790,000	3,698,500
Administrative Allocation	(698,977)	345,004	95,177	67,269	24,770	8,279	7,271	97,038	0	54,169	0
<b>TOTAL</b>	<b>(698,977)</b>	<b>345,004</b>	<b>155,177</b>	<b>855,769</b>	<b>(3,416,230)</b>	<b>(149,221)</b>	<b>7,271</b>	<b>57,038</b>	<b>0</b>	<b>2,844,169</b>	<b>0</b>
<b>NET CHANGE</b>	<b>60,929</b>	<b>(14,164)</b>	<b>3,192</b>	<b>(2,156,182)</b>	<b>(11,284,538)</b>	<b>59,219</b>	<b>(1,309,305)</b>	<b>(595,863)</b>	<b>(364,529)</b>	<b>(3,811,321)</b>	<b>(19,412,561)</b>
<b>TRANSFER TO RESERVES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL USE OF FUNDS</b>	<b>333,504</b>	<b>5,057,415</b>	<b>700,168</b>	<b>4,257,249</b>	<b>11,428,685</b>	<b>811,813</b>	<b>2,400,756</b>	<b>3,835,668</b>	<b>384,000</b>	<b>11,565,451</b>	<b>40,774,708</b>
<b>ENDING BALANCE</b>	<b>1,951,337</b>	<b>3,695,160</b>	<b>2,700,325</b>	<b>1,098,016</b>	<b>2,135,756</b>	<b>724,947</b>	<b>226,634</b>	<b>575,422</b>	<b>41,772</b>	<b>6,279,672</b>	<b>19,429,042</b>
<b>RESERVE FUND</b>											
Beginning Balance	40,000	800,000	0	300,000	0	0	0	120,000	0	340,000	1,600,000
Transfers In	0	0	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	40,000	800,000	0	300,000	0	0	0	120,000	0	340,000	1,600,000

ATTACHMENT 2

FISCAL YEAR 2024-25 C/CAG CONSOLIDATED PROGRAM BUDGET											
	Administrative Program	Transportation Programs	Express Lanes JPA	SMCRP Program	Smart Corridor	LGP Energy Watch	TFCA Programs	NPDES Programs	AB 1546 Fees	Measure M Fees	Total
<b>BEGINNING BALANCE</b>	<b>1,890,408</b>	<b>3,709,324</b>	<b>2,697,133</b>	<b>3,254,198</b>	<b>13,420,294</b>	<b>665,728</b>	<b>1,535,939</b>	<b>1,171,285</b>	<b>406,301</b>	<b>10,090,993</b>	<b>38,841,603</b>
<b>REVENUES</b>											
Interest Earnings	87,373	123,591	69,244	158,567	144,147	21,032	46,651	78,662	19,471	347,862	1,096,600
Member Contribution	307,060	457,222	0	1,942,500	0	0	0	164,343	0	0	2,871,125
Cost Reimbursements	0	0	634,116	0	0	0	0	0	0	0	634,116
MTC/ Federal Funding	0	2,197,165	0	0	0	0	0	0	0	706,268	2,903,433
Grants	0	1,757,273	0	0	0	850,000	0	1,525,000	0	0	4,132,273
DMV Fee	0	0	0	0	0	0	1,044,800	0	0	6,700,000	7,744,800
NPDES Fee	0	0	0	0	0	0	0	1,471,800	0	0	1,471,800
TA Cost Share	0	200,000	0	0	0	0	0	0	0	0	200,000
Miscellaneous/ SFIA	0	0	0	0	0	0	0	0	0	0	0
Street Repair Funding	0	0	0	0	0	0	0	0	0	0	0
PPM-STIP	0	308,000	0	0	0	0	0	0	0	0	308,000
Assessment	0	0	0	0	0	0	0	0	0	0	0
TLSP	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>394,433</b>	<b>5,043,251</b>	<b>703,360</b>	<b>2,101,067</b>	<b>144,147</b>	<b>871,032</b>	<b>1,091,451</b>	<b>3,239,805</b>	<b>19,471</b>	<b>7,754,130</b>	<b>21,362,147</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>2,284,841</b>	<b>8,752,575</b>	<b>3,400,493</b>	<b>5,355,265</b>	<b>13,564,441</b>	<b>1,536,760</b>	<b>2,627,390</b>	<b>4,411,090</b>	<b>425,772</b>	<b>17,845,123</b>	<b>60,203,750</b>
<b>EXPENDITURES</b>											
Administration Services	111,984	103,944	195,387	93,725	16,834	19,763	2,000	26,010	0	50,838	620,484
Professional Services	95,743	1,871,572	349,604	291,462	125,000	27,646	39,637	529,636	0	259,339	3,589,639
Consulting Services	640,729	2,951,895	0	1,405,793	941,000	892,125	0	3,156,984	10,000	1,948,288	11,946,814
Supplies	23,000	0	0	10,000	0	2,000	0	2,000	0	0	37,000
Prof. Dues & Memberships	18,525	0	0	0	0	17,500	0	28,000	0	500	64,525
Conferences & Meetings/Trainings	31,000	15,000	0	15,000	0	2,000	0	6,000	0	2,500	71,500
Printing/ Postage	10,000	0	0	0	0	0	0	0	0	0	10,000
Publications	3,000	0	0	0	0	0	0	0	0	0	3,000
Distributions	0	0	0	1,285,500	13,762,081	0	2,351,848	30,000	374,000	6,459,817	24,263,246
OPEB Trust	55,000	0	0	0	0	0	0	0	0	0	55,000
Miscellaneous	15,000	0	0	0	0	0	0	0	0	0	15,000
Bank Fee	3,500	0	0	0	0	0	0	0	0	0	3,500
Audit Services	25,000	0	0	0	0	0	0	0	0	0	25,000
Loan to SMCEL JPA	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>1,032,481</b>	<b>4,942,411</b>	<b>544,991</b>	<b>3,101,480</b>	<b>14,844,915</b>	<b>961,034</b>	<b>2,393,485</b>	<b>3,778,630</b>	<b>384,000</b>	<b>8,721,282</b>	<b>40,704,708</b>
<b>TRANSFERS</b>											
Transfers In	0	0	0	60,000	3,091,000	157,500	0	40,000	0	0	3,348,500
Transfers Out	0	0	60,000	848,500	0	0	0	0	0	2,440,000	3,348,500
Administrative Allocation	(698,977)	345,004	95,177	67,269	24,770	8,279	7,271	97,038	0	54,169	0
<b>TOTAL</b>	<b>(698,977)</b>	<b>345,004</b>	<b>155,177</b>	<b>855,769</b>	<b>(3,066,230)</b>	<b>(149,221)</b>	<b>7,271</b>	<b>57,038</b>	<b>0</b>	<b>2,494,169</b>	<b>0</b>
<b>NET CHANGE</b>	<b>60,929</b>	<b>(244,164)</b>	<b>3,192</b>	<b>(1,856,182)</b>	<b>(11,634,538)</b>	<b>59,219</b>	<b>(1,309,305)</b>	<b>(595,863)</b>	<b>(364,529)</b>	<b>(3,461,321)</b>	<b>(19,342,561)</b>
<b>TRANSFER TO RESERVES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL USE OF FUNDS</b>	<b>333,504</b>	<b>5,287,415</b>	<b>700,168</b>	<b>3,957,249</b>	<b>11,778,685</b>	<b>811,813</b>	<b>2,400,756</b>	<b>3,835,668</b>	<b>384,000</b>	<b>11,215,451</b>	<b>40,704,708</b>
<b>ENDING BALANCE</b>	<b>1,951,337</b>	<b>3,465,160</b>	<b>2,700,325</b>	<b>1,398,016</b>	<b>1,785,756</b>	<b>724,947</b>	<b>226,634</b>	<b>575,422</b>	<b>41,772</b>	<b>6,629,672</b>	<b>19,499,042</b>
<b>RESERVE FUND</b>											
Beginning Balance	40,000	800,000	0	300,000	0	0	0	120,000	0	340,000	1,600,000
Transfers In	0	0	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	40,000	800,000	0	300,000	0	0	0	120,000	0	340,000	1,600,000



# Northern Cities Project Limits

