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<https://smcgov.zoom.us/j/95851442845>

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**San Mateo County Flood & Sea Level Rise
Resiliency District
Board of Directors**

County Supervisors:

District 3 Don Horsley
At-Large Dave Pine - **Chair**

City Representatives:

North Donna Colson
Central Diane Papan
South Lisa Gauthier
Coast Debbie Ruddock – **Vice Chair**
At-Large Maryann Moise Derwin

AGENDA

December 14, 2020

4:00 PM

1. **Roll Call**
2. **Public Comment** Persons wishing to address the Board on District-related matters not on this Agenda may speak for up to two minutes; comments on Agenda items shall be heard during that item for up to two minutes.
3. **Action to Set the Agenda and Approve the Consent Agenda**
 - A. Approve the Minutes of September 14, 2020 and November 9, 2020 District Board Meetings
 - B. Accept the District’s Audited Financial Statements for January 1 – June 30, 2020 (Attached) and Authorize the Chief Executive Officer, or Designee, to Transmit the Audit to Appropriate Governmental Agencies
 - C. Approve a Policy Establishing Procedures to Protest the District’s Bidding Process for Construction Contracts
 - D. Approve the 2021 Schedule of Regular meetings of the Board of Directors
4. **Regular Business**
 - A. Authorize the Chief Executive Officer to Enter Into an Agreement with the City of South San Francisco Regarding Maintenance of Portions of the Colma Creek Channel
 - B. Authorize the Chief Executive Officer to Enter Into an Access and Permit Agreement with the City of South San Francisco for the City’s Orange Memorial Park Storm Water Capture Project
 - C. Approve an Investment Policy for District Funds
5. **Chair’s Report**
6. **CEO’s Report**
7. **Board Member Reports**
8. **Items for a Future Agenda**
9. **Adjournment**

Meeting information, and public access and communications

- During the meeting, public comment can be submitted at the appropriate time via Zoom Chat or by raising your hand, speaking if joining by phone, or email to board@oneshoreline.org prior to 12:00 pm on the meeting day; please indicate the agenda item to which your comment applies and it will be read or summarized at the meeting by the Board Clerk.
- If you require assistance to participate in the meeting or wish to submit written communication to all Board Members regarding the meeting, please contact the Clerk of the Board by 9:00 am on the day of the meeting.
- Public records relating to an open session item on the agenda are available at least 72 hours prior to a Regular Board meeting or at least 24 hours prior to a Special Board meeting, when these records are distributed to Board members. Public records are available at the District office at 1700 South El Camino Real, Suite 502, San Mateo, CA 94402 and at www.oneshoreline.org. To receive these documents electronically, please email board@oneshoreline.org.

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**

Board of Directors meeting held remotely via Zoom

September 14, 2020

DRAFT - MINUTES

1. Roll Call

Chair Pine called the meeting to order at 4:02 p.m. via Zoom video conference software. Assistant Clerk of the Board of Supervisors Sukhmani Purewal took the roll call.

Directors Present:

Dave Pine, Representing Board of Supervisors, At Large (Chair)
Donna Colson, Representing Northern San Mateo County cities
Maryann Moise Derwin, Representing San Mateo County cities at-large
Lisa Gauthier, Representing Southern San Mateo County cities
Don Horsley, Representing Board of Supervisors, District 3
Diane Papan, Representing Central San Mateo County cities
Debbie Ruddock, Representing Coastside (Vice Chair)

Directors Absent: None

Staff Present:

Len Materman, Chief Executive Officer
Brian Kulich, Esq., Legal Counsel
Colin Martorana, Associate Project Manager
Lucy Dong, Senior Accountant
Makena Wong, Associate Project Manager
Sukhmani Purewal, Assistant Clerk of the Board

2. Public Comment

No written or verbal comments.

3. Action to Set the Agenda

4. Approval of Consent Agenda: Minutes of August 10, 2020 District Board Meeting (ACTION)

Motion made by Director Horsley and seconded by Director Gauthier to set the agenda and to approve the Consent Agenda.

Ayes: Colson, Derwin, Gauthier, Horsley, Papan, Ruddock, Pine

Noes: None Absent: None

Vote: 7-0-0

No written or verbal public comments.

5. Regular Business

District membership in the Association of California Water Agencies (ACWA) and District enrollment in the ACWA Joint Powers Insurance Authority for employee health, dental, vision, and other benefits effective January 1, 2021 (ACTION)

Speakers for this item:

Chair Dave Pine, CEO Len Materman, and Director Maryann Moise Derwin.

No written or verbal public comments.

Motion made by Director Derwin, seconded by Director Gauthier to approve the district membership in Association of California Water Agencies (ACWA) and district enrollment in the ACWA Joint Powers Insurance Authority (JPIA).

Ayes: Colson, Derwin, Gauthier, Horsley, Papan, Ruddock, Pine

Noes: None

Absent: None

Vote: 7-0-0

6. Chair's Report

Chair Pine asked Mr. Len Materman to provide status on several projects that are in the queue but mainly talk about Colma Creek. Several meetings have been held on the topic of Colma Creek with South San Francisco City staff and the Colma Creek Citizens Advisory Committee.

The financing committee consisting of Directors Papan, Ruddock and Pine will be meeting on October 8, 2020 to discuss the long-term funding of District operations and projects.

Chair Pine and Mr. Len Materman are in communication with several City Councilmembers and City Managers regarding District's work and upcoming projects.

7. CEO's Report: on grants and on the following project areas (and benefitting jurisdictions)

- Bayfront Canal & Atherton Channel (Atherton, Menlo Park, Redwood City, San Mateo County)
- Belmont Creek (Belmont, San Carlos, San Mateo County)
- Colma Creek (Colma, Daly City, Pacifica, San Bruno, San Mateo County, and South San Francisco)

Speakers for this item:

Director Dave Pine, Len Materman, Director Don Horsley, Brian Perkins (District Director for Congresswoman Jackie Speier, Arun Parsons, Director Debbie Ruddock, Director Lisa Gauthier, Director Diane Papan, Director Donna Colson, Counsel Brian Kulich.

Mr. Len Materman mentioned that a district Newsletter is being developed, which will be emailed shortly to elected City and County officials.

Mr. Len Materman provided an informational overview of potential District activities with partners through 2021 (ranging from planning, design & CEQA, to construction stages). These include the Countywide Flood Early Warning System, efforts to seek FEMA funding for two project scoping efforts in Redwood Shores and the Cities of Millbrae/Burlingame, the Bayfront Canal and Atherton Channel project, the Belmont Creek Restoration project, and the District's new approach to Colma Creek that seeks to transform the creek from a liability into an asset.

Len Materman asked Chair Pine to go back to Item No. 5 and take formal action to designate a director to serve as the director of ACWA JPIA; and designate a district staff member to serve as alternate director of ACWA JPIA.

Amended motion for Item No. 5 was made by Director Derwin, seconded by Director Gauthier to approve the following:

1. District membership in ACWA and district enrollment in the ACWA JPIA; and
2. Appoint Director Lisa Gauthier as the director of ACWA JPIA; and
3. Appoint district staff Lucy Dong as the alternate director of ACWA JPIA.

8. **Board Member Reports**

9. **Items for a Future Agenda**

Director Diane Papan is happy to announce that City of San Mateo is breaking ground on raising a 1,300-foot levee segment located at the border between San Mateo and Burlingame. The work includes improvements to the Coyote Point and Poplar Avenue pump stations.

No items for future agenda.

10. **Adjournment**

The meeting adjourned to closed session at 5:22 p.m.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Board of Directors meeting held remotely via Zoom
November 9, 2020
DRAFT - MINUTES

1. Roll Call

Acting Chair Ruddock called the meeting to order at 4:02 p.m. via Zoom video conference.

Directors Present:

Donna Colson, Representing Northern San Mateo County cities
Maryann Moise Derwin, Representing San Mateo County cities at-large
Lisa Gauthier, Representing Southern San Mateo County cities
Debbie Ruddock, Representing Coastside communities (Vice Chair)

Directors Absent:

Dave Pine, Representing County Board of Supervisors, At Large (Chair)
Don Horsley, Representing County Board of Supervisors, District 3
Diane Papan, Representing Central San Mateo County cities

Staff Present:

Len Materman, Chief Executive Officer
Brian Kulich, Esq., Legal Counsel
Colin Martorana, Associate Project Manager
Lucy Dong, Senior Accountant
Makena Wong, Associate Project Manager

2. Public Comment

No written or verbal comments.

3. Action to Set the Agenda

Motion: Colson / Second: Gauthier
Ayes: 4 – Ruddock, Colson, Gauthier, Derwin
Noes: 0 – None
Absent: 3 – Dave Pine, Don Horsley, Diane Papan

4. Regular Business

- A. Approval of a Memorandum of Understanding to design, permit, construct, mitigate for, operate, and maintain the Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project (ACTION)

CEO Len Materman displayed images of the current FEMA floodplain map, explained floodplain as it relates to the Bayfront Canal and Atherton channel, and provided an overview of the terms of the proposed Memorandum of Understanding (MOU) among the project partners.

Director Gauthier asked how the conversations with the cities went and how they arrived at the dollar amount. Len Materman shared that the negotiations had been taking place since Spring of 2020, and we first looked at the design MOU (the second MOU of this project), which was generally based on the amount of water flow that each jurisdiction contributed to the system.

In the new MOU, we again took into account the flow percentages, and this time the Town of Atherton capped its contribution and the State provided a grant – with these numbers known, the

amount left was divided among the other three jurisdictions (cities of Menlo Park, Redwood City, and the County). Percentage-wise, only Atherton's has increased since the design MOU. Mr. Materman further listed the dates that each jurisdiction has or is expected to approve the MOU.

Chair Ruddock asked how the flow was calculated for individual contribution. Mr. Materman shared a slide that shows the water flow contributions calculated as part of a watershed study conducted by the County of San Mateo a few years ago. County Public Works Director Jim Porter explained that the study reviewed the entire watershed and the relative permeability of the land cover in each jurisdiction in order to determine flow contributions.

Chair Ruddock asked for questions from the Directors.

Chair Ruddock asked if there was an existing agreement with the U.S. Fish and Wildlife Service. Len Materman shared that the District is now negotiating an encroachment permit to access part of their lands for operations and maintenance.

Motion: Derwin / Second: Colson

Ayes: 4 - Colson, Gauthier, Derwin, Ruddock

Noes: 0 - None

Absent: 3 - Pine, Horsley, Papan

- B. Authorize the Chief Executive Officer to enter into the easement agreements necessary for the Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project (ACTION)

Len Materman described the permanent and temporary construction easements needed from Cargill (with the County and cities of Menlo Park and Redwood City), and an encroachment permit needed from the U.S. Fish and Wildlife Service.

District legal counsel Brian Kulich provided an update on the status of these documents. Approval of this item would authorize Len Materman to complete negotiations and execute the three easements with Cargill.

Chair Ruddock asked if this item will need to come back to the Board for ratification. Mr. Kulich responded that if the Board approves this item, it will not need to come back unless the Board would like to receive a report back. Chair Ruddock requested such an update at a future meeting.

Motion: Colson / Second: Derwin

Ayes: 4 - Colson, Gauthier, Derwin, Ruddock

Noes: 0 - None

Absent: 3 - Pine, Horsley, Papan

- C. Adopt a resolution accepting a \$1 million grant from the California Department of Water Resources Urban Streams Restoration Program to restore Belmont Creek within Twin Pines Park (ACTION)

Mr. Materman displayed an image showing erosion of Belmont Creek within Twin Pines Park, and that this State grant enables the District, with Belmont, San Carlos and the County to restore and stabilize the creek bank with environmentally-friendly approaches and reduce sedimentation which contributes to downstream flooding. He also discussed the history of the project.

Chair Ruddock asked if the grant agreement requires us to spend the local match first before the State funds. Mr. Materman responded no, but that we would spend the local match first to make sure that the \$1 million is available for construction, and to make sure that there is no issue with drawing down the State money and not actually completing the project, in which case it would have to be reimbursed.

Chair Ruddock asked how close we are to secure the local match. Mr. Materman responded that the Agreement among the District, Belmont, San Carlos, and the County is being refined right now to include language that ensures: 1) the local match is secured from the cities and County; and 2) Belmont will complete construction. Belmont asked the District to manage design and CEQA, for which we are developing an RFP. We are hoping to bring that agreement to our Board soon and will not sign an agreement with State until the local Agreement is executed.

Director Derwin asked if the captured stormwater under the parking lot is simply going to be used to recharge the aquifer, or will it also be used for park irrigation?

Colin Martorana mentioned that at this early stage of project planning it hasn't been determined whether the basin would be used to capture stormwater for grey water usage (such as irrigation or toilet-flushing) or have an open bottom to allow for recharging of local groundwater.

Director Gauthier asked if we anticipate an increase in construction or if this will be sufficient for the project. Mr. Materman responded that the grant amount will not increase by the State. The current language in the MOU retains flexibility for the funding and discusses how the parties would handle it if the estimates are short of the expenses.

District legal counsel Brian Kulich clarified that approval of this resolution also authorizes the CEO to execute any necessary documentation with the State regarding this grant.

Motion: Derwin / Second: Gauthier
Ayes: 4 - Colson, Gauthier, Derwin, Ruddock
Noes: 0 - None
Absent: 3 - Pine, Horsley, Papan

5. **Chair's Report**

No report made.

6. **CEO's Report**

Mr. Materman shared an update on the FEMA BRIC grant regarding a District-led effort involving Burlingame, Millbrae and San Francisco International Airport (SFO), and he thanked Director Colson for her leadership and support.

Director Colson commended Mr. Materman and staff for doing a comprehensive job and also acknowledged the City of Burlingame for their work.

Mr. Materman also provided an update on the work of the Board Strategic Planning Committee regarding long-term funding strategies and outreach, and the Finance Committee, which is planning its first meeting on November 19 to discuss the first audit an Investment Policy.

Mr. Materman shared that he made presentations in October to two city councils and the County Board of Supervisors, and our grant application will be on the agenda of the Millbrae and Burlingame City Councils in the next few weeks. He mentioned that plan is being developed to present to other city and town councils in 2021 to spread the word about the District and its projects, and mentioned Director Gauthier's idea of having District Board members that represent specific geographies participate in presentations made to jurisdictions located in their area.

7. **Board Member Reports** – None

8. **Items for a Future Agenda** – None

9. **Adjournment** – The meeting adjourned at 5:00 p.m.

**San Mateo County Flood and Sea Level Rise Resiliency District
Agenda Report**

Date: December 14, 2020

To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors

From: Len Materman, CEO

Subject: Accept the District’s Audited Financial Statements for January 1 – June 30, 2020 (Attached) and Authorize Chief Executive Officer, or Designee, to Transmit Audit to Appropriate Governmental Agencies

Recommendation:

That the Board of Directors (Board) accept Audited Financial Statements for January 1 – June 30, 2020 and Authorize Chief Executive Officer, or Designee, to Transmit Audit to Appropriate Governmental Agencies.

Background and Discussion:

The California Government Code requires the San Mateo County Flood and Sea Level Rise Resiliency District (“District”), as an independent special district, to conduct an annual audit of its financial statements performed by an independent certified public accountant. In June 2020, after a review and evaluation of proposals and approval of the District Board, the District engaged Macias Gini & O’Connell LLP (MGO) to provide professional auditing services for a three-year term.

The work to develop Audited Financial Statements for the six-month period ending June 30, 2020 began in July 2020, and through November, District Finance Manager Lucy Dong worked closely with MGO staff. This audit was more complex than future ones will be because the funds and accounting for the first six months of District operations were under the County of San Mateo (those funds and accounts were transferred to the District after June 30, 2020). The outcome of this effort, including the attached Independent Auditor’s Reports, Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information, was reviewed with the Board Finance Committee at its meeting on November 19, 2020.

Some of the highlights of the audit include:

- There were no material weaknesses, significant unusual transactions, difficulties, or disagreements with management reported by the independent auditor;
- District assets, including funds and capital infrastructure, totaled over \$62 million, while District liabilities totaled almost \$19 million, resulting in a Net Position on June 30, 2020 of approximately \$43 million; and
- District revenues during this period totaled almost \$5.75 million, including almost \$2 million from local agency contributions and grants, \$3.5 million from property taxes, and \$0.24 million in interest, while expenses during this period totaled \$1.38 million; thus, including funds inherited from the previous Flood Control District, this resulted in a fund balance of approximately \$33.5 million.

Attached are the Audited Financial Statements. As an independent special district within California, the District is required to submit these documents to the State and to San Mateo County and make them publicly available, and thus staff recommends that the Board direct staff to transmit make publicly available these documents.

Impact on District Resources:

There is no fiscal impact associated with accepting these Audited Financial Statements.

Attachment: Audited Financial Statements (including the Independent Auditor’s Reports, Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information) for the six-month period ending June 30, 2020

San Mateo County
Flood and Sea Level Rise
Resiliency District

Independent Auditor's Reports,
Basic Financial Statements,
Required Supplementary Information, and
Other Supplementary Information

For the Six-Month Period Ended June 30, 2020

San Mateo, California

SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Awards and Achievements

2020 Mayor's Awards



STATE OF CALIFORNIA



CERTIFICATE OF RECOGNITION

Presented to

SAN MATEO COUNTY FLOOD & SEA LEVEL RISE RESILIENCY DISTRICT

MAYOR'S AWARD WINNER

Warm congratulations on the occasion of your receipt of the Mayor's Award from the San Mateo Chamber of Commerce! Your hard work has made you stand out for this honor. Best wishes for all your future endeavors.

On this 13th day of February, 2020

Jerry Hill
 JERRY HILL
 Senator, 13th District

CALIFORNIA LEGISLATURE



CERTIFICATE OF RECOGNITION

San Mateo County Flood and Sea Level Rise Resiliency District

In honor and recognition of being awarded the Mayor's Award by the San Mateo Area Chamber of Commerce. Congratulations and best wishes in your future endeavors.

February 13, 2020



Kevin Mullin
 Kevin Mullin, 22nd District
 Speaker pro Tempore

**SAN MATEO COUNTY FLOOD AND SEA
LEVEL RISE RESILIENCY DISTRICT**

FY2019-2020

BOARD OF DIRECTORS



Dave Pine (Chair)
Board of Supervisors
At-Large



Debbie Ruddock
(Vice Chair)
Coastside



Diane Papan
Central San Mateo
County Cities



Don Horsley
Board of Supervisors
District 3



Donna Colson
Northern San Mateo
County Cities

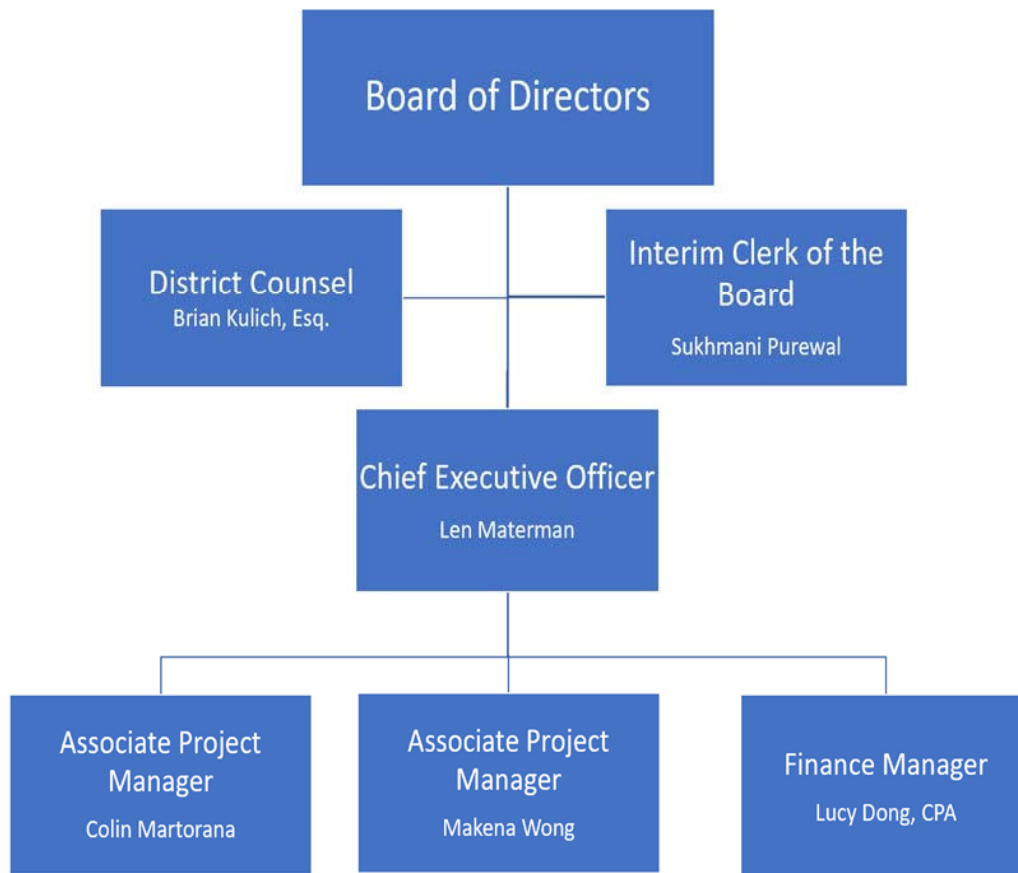


Lisa Gauthier
Southern San Mateo
County Cities



Maryann Moise Derwin
San Mateo County Cities
At-Large

SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT ORGANIZATION CHART



**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
For the Six-Month Period Ended June 30, 2020**

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Independent Auditor's Report

San Mateo County
Flood and Sea Level Rise Resiliency District
San Mateo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Mateo County Flood and Sea Level Rise Resiliency District (District) as of and for the six-month period ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and the schedule of cities support are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedule of cities support are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and schedule of cities support are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Walnut Creek, California
December 10, 2020

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
 Required Supplementary Information (Unaudited)
 For the Six-Month Period Ended June 30, 2020

This Management's Discussion and Analysis provides a narrative overview and analysis of the District's financial activities for the six-month period ended June 30, 2020. The information presented here should be read in conjunction with the information furnished in the financial statements and notes to the financial statements.

Financial Highlights

Government-wide financial position

The District's assets exceeded its liabilities and deferred inflows of resources at the close of the six-month period ended June 30, 2020 by \$43.2 million (net position):

District's Net Position
June 30, 2020

| | |
|----------------------------------|---------------|
| Assets: | |
| Current and other assets | \$ 33,801,526 |
| Capital assets | 28,310,114 |
| Total assets | 62,111,640 |
| | |
| Liabilities: | |
| Long-term liabilities | 18,262,942 |
| Other liabilities | 628,750 |
| Total liabilities | 18,891,692 |
| | |
| Deferred inflows of resources | 39,429 |
| | |
| Net position: | |
| Net investment in capital assets | 9,887,211 |
| Restricted | 1,126,103 |
| Unrestricted | 32,167,205 |
| Total net position | \$ 43,180,519 |

The District's net position at June 30, 2020 is subdivided into the following components:

- \$9.9 million represents the District's investment in capital assets (*net investment in capital assets*). This is comprised of the net book value of capital assets at June 30, 2020 reduced by the balance of obligations pertaining to capital-related activities. These capital assets and related obligations are used to provide services to citizens and are not available for future spending.
- \$1.1 million represents resources that are subject to external restrictions on their use and are available to meet the District's ongoing obligations for programs with external restrictions (*restricted net position*).
- \$32.2 million is available to fund District's programs for citizens and debt obligations to creditors (*unrestricted net position*).

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
 Required Supplementary Information (Unaudited)
 For the Six-Month Period Ended June 30, 2020

The District held \$62.1 million in total assets at June 30, 2020 which were subdivided into the following components:

- \$33.8 million in current and other assets, which are comprised of \$33.2 in cash and cash equivalents, \$0.3 million in receivables and \$0.3 million in prepaid expenses.
- \$28.3 million in capital assets, net of accumulated depreciation.

The District held \$18.9 million in total liabilities at June 30, 2020 which were subdivided into the following components:

- \$18.3 million in long-term liabilities, which are comprised of outstanding principal and unamortized premium on the District's 2015 revenue refunding bonds as well as accrued vacation for the District's employees at June 30, 2020.
- \$0.3 million in accounts payable.
- \$0.3 million in accrued interest payable.

Fund financial position

The District's governmental funds reported combined fund balances of \$33.5 million at June 30, 2020. About \$32.1 million (assigned fund balance) of this amount, or 96%, is available for spending at the District's discretion.

District's Fund Balance
June 30, 2020

| | | |
|--------------------|----|---------------|
| Nonspendable | \$ | 308,000 |
| Restricted | | 1,126,103 |
| Assigned | | 32,074,819 |
| Total fund balance | | \$ 33,508,922 |

Capital assets and debt administration

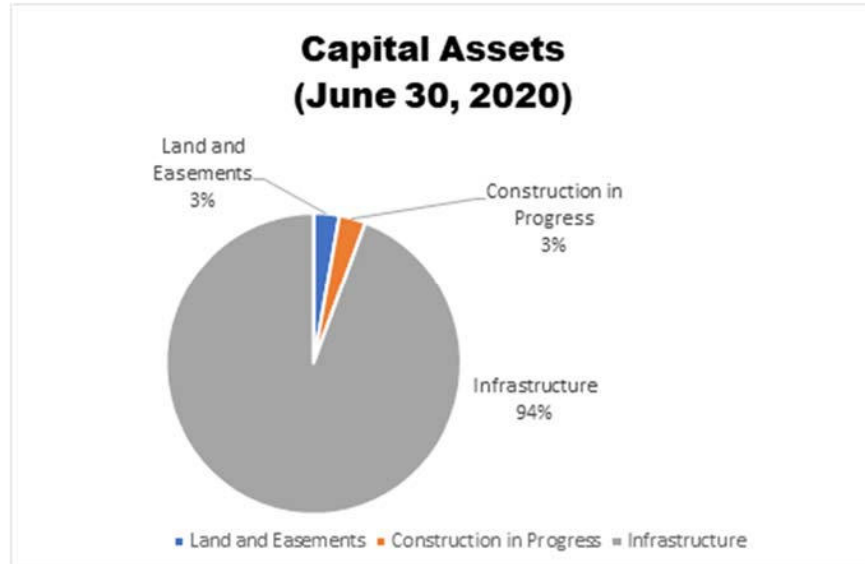
The District's capital assets balance was reported \$28.3 million (net of accumulated depreciation). This includes land, easements, construction in progress and infrastructure. The District's capital assets as of June 30, 2020 is comprised of the followings:

Capital Assets
Net of Accumulated Depreciation

| | | |
|---------------------------|----|---------------|
| Land | \$ | 702,962 |
| Easements | | 92,419 |
| Construction in progress | | 823,405 |
| Infrastructure, net | | 26,691,328 |
| Total capital assets, net | | \$ 28,310,114 |

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**

The District’s capital assets are comprised of and distributed as follows:



Additional information on the District's capital assets can be found in Note 4 on page 28 of this report.

The District's total long-term obligations were reported at \$18.3 million as of June 30, 2020, which is derived from the outstanding principal and premium of the 2015 Colma Creek revenue refunding bonds and outstanding obligations for accrued vacation leave as indicated in the table below:

Long Term Obligations

| | | |
|--|----|---------------|
| 2015 Revenue refunding bonds - principal | \$ | 16,135,000 |
| 2015 Revenue refunding bonds - premium | | 2,121,164 |
| Accrued vacation leave | | 6,778 |
| Total long term obligations | | \$ 18,262,942 |

Additional information on the District's long-term obligations can be found in Note 5 on page 28 of this report.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the District’s basic financial statements. The District’s basic financial statements consist of two components:

- (1) **Government-wide** financial statements
- (2) **Fund** financial statements

The notes to the basic financial statements provide additional context to the various areas of the basic financial statements.

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020

Government-wide Financial Statements provide readers with a broad overview of the District's finances, in a manner similar to private-sector businesses.

The statement of net position presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include public protection.

The government-wide financial statements can be found on pages 17-18 of this report.

Fund Financial Statements provide a narrower view of the District's finances. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of the District are governmental funds which include general, special revenue and debt service funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of governmental activities, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains seven individual governmental funds. Information for the General Fund and the other major funds is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of the nonmajor governmental funds is provided in the combining statements in this report as supplementary information.

The governmental fund financial statements can be found on pages 19 - 22 of this report.

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
 Required Supplementary Information (Unaudited)
 For the Six-Month Period Ended June 30, 2020

Notes to the Basic Financial Statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found on pages 23 - 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the District's net position may serve over time as a useful indicator of whether the District's financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring the District's overall financial position. The District's net position is summarized as follows:

District's Net Position
June 30, 2020

| | |
|----------------------------------|---------------|
| Assets: | |
| Current and other assets | \$ 33,801,526 |
| Capital assets | 28,310,114 |
| Total assets | 62,111,640 |
| Liabilities: | |
| Long-term liabilities | \$ 18,262,942 |
| Other liabilities | 628,750 |
| Total liabilities | 18,891,692 |
| Deferred inflows of resources | 39,429 |
| Net position: | |
| Net investment in capital assets | 9,887,211 |
| Restricted | 1,126,103 |
| Unrestricted | 32,167,205 |
| Total net position | \$ 43,180,519 |

Assets

- *Cash and cash equivalents* reported to \$33.2 million at June 30, 2020. \$30.8 million was deposited in San Mateo County Treasurer's Pool, \$1.25 million was deposited in District's Wells Fargo Bank Account, \$1.1 million was deposited in US Bank for debt service payment.
- *Interest receivable* reported to \$118,198 at June 30, 2020 represents proportionate interest earned at the end of June 30, 2020 and will be distributed in 60 days after fiscal year end.
- *Taxes receivable* reported to \$152,459 at June 30, 2020 represents the property tax was earned at the end of June 30, 2020 and will be distributed in 60 days after fiscal year end.

San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
 Required Supplementary Information (Unaudited)
 For the Six-Month Period Ended June 30, 2020

- *Prepaid expenses* reported to \$322,454 at June 30, 2020. \$308,000 out of prepaid expenses was for San Francisquito Creek Joint Powers Authority Fiscal Year 2020-21 contribution.
- *Capital assets* amount to \$28.3 million, net of accumulated depreciation, and are broken down further in the tables on page 4.

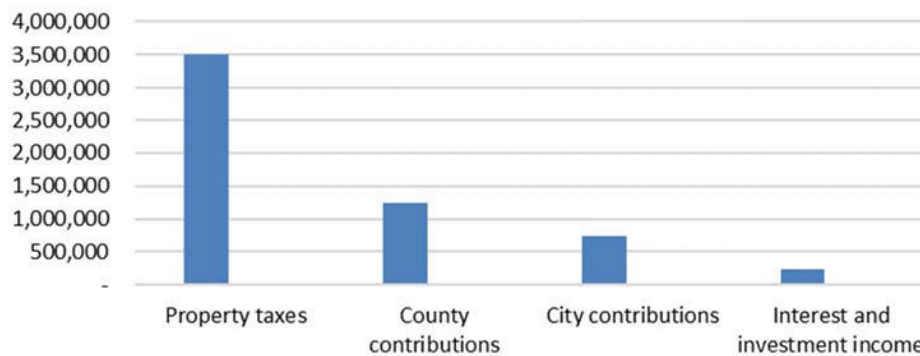
Liabilities

- *Accounts Payable* reported to \$292,604 at June 30, 2020 and represents the sum of all outstanding amounts the District owned to vendors for goods or services received that have not yet been paid for at the end of fiscal year.
- *Accrued Interest* reported to \$336,146 at June 30, 2020 and represents the amount of the interest which the District has been incurred as of June 30, 2020, on 2015 Colma Creek revenue refunding bond but has not yet been paid out.
- *Long-term obligations* reported to \$18.3 million at June 30, 2020 and are further broken down in the table on pg.5. The District has \$710,000 in debt service principal payments due within one year on the 2015 Colma Creek revenue refunding bonds, and \$17.5 million in debt service principal payments due beyond one year on the same bonds. \$6,778 is also accrued for the District’s accrued vacation leave which is due within one year.

Deferred inflows of resources reported to \$39,429 at June 30, 2020 represents deferred gain on 2015 Colma Creek revenue refunding bond.

Analysis of Governmental Activities - Revenues

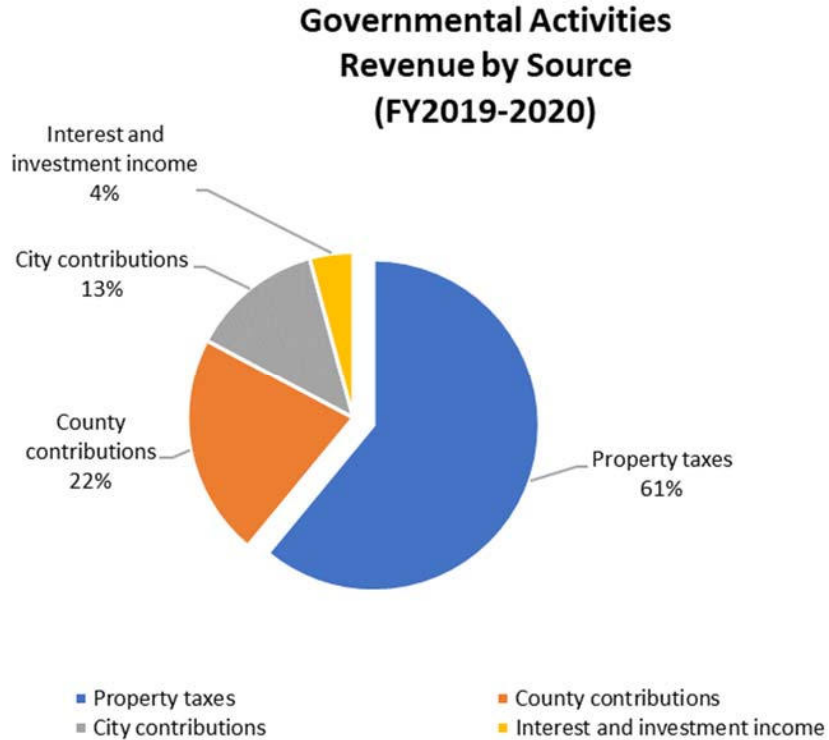
**Governmental Activities
 Revenue by Source
 (FY2019-2020)**



Program Revenues accounted for 35% of the District’s overall governmental activities revenues. Program revenues reported \$2 million at June 30, 2020. \$745,000 were contributed by 20 local cities as first year start-up funding support for the District and \$1.25 million were contributed by San Mateo County which included \$500,000 Measure K additional start-up funding support to the District.

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020

The District's revenues for the six-month period ended June 30, 2020 are comprised of and distributed as follows:

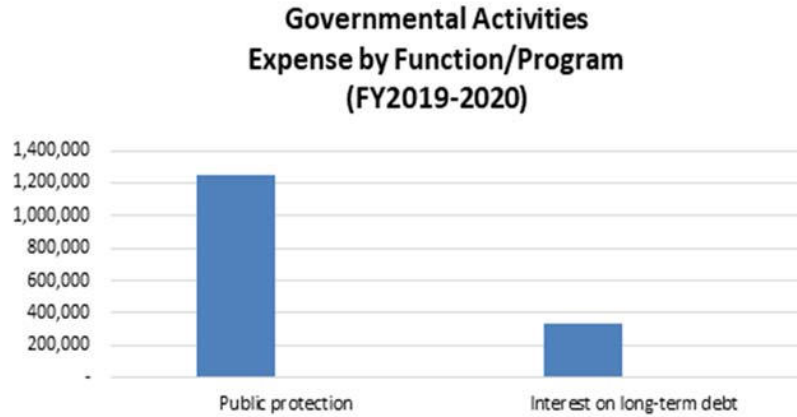


General Revenues reported to \$3.7 million and accounted for 65% of the District's overall governmental activities revenues. General Revenues primarily consisted:

- *Property Tax Revenues* reported \$3.5 million and generated from the District's 9 flood control zones contained within 5 special revenue funds reported in the basic financial statements.
- *Interest and Investment Income* reported \$243,471 and accounted for 4% of the District's overall governmental activities revenues.

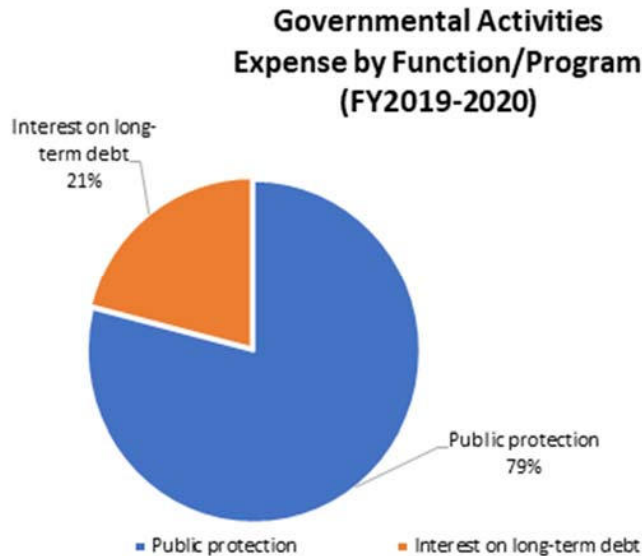
San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
 Required Supplementary Information (Unaudited)
 For the Six-Month Period Ended June 30, 2020

Analysis of Governmental Activities - Expenses



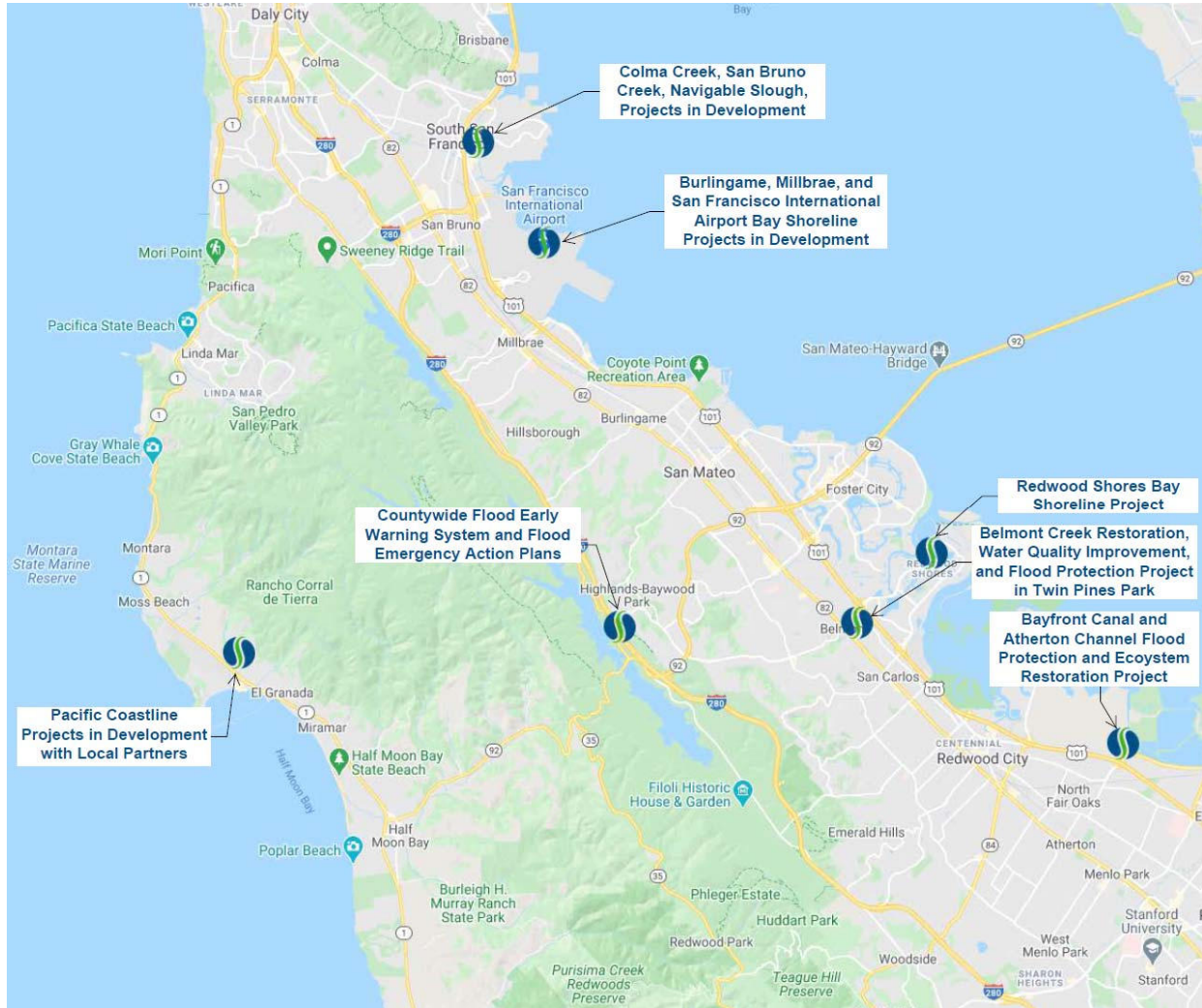
- **Expenses for *Public Protection*** accounted for 76% of the District’s overall governmental activities expenses. Public protection reported \$1,248,989 at June 30, 2020, \$722,045 was the costs of Services and Supplies, \$134,372 was the costs of Salaries and Benefits and \$392,572 was costs for depreciation on various infrastructure capital assets.
- **Expenses for *Interest on long-term debt*** is current portion of the accrued interest of 2015 Colma Creek Revenue Refunding bond, reported \$332,181 and accounted for 21% of the District’s overall governmental activities expenses.

The District’s expenses for the six-month period ended June 30, 2020 are comprised of and distributed as follows:



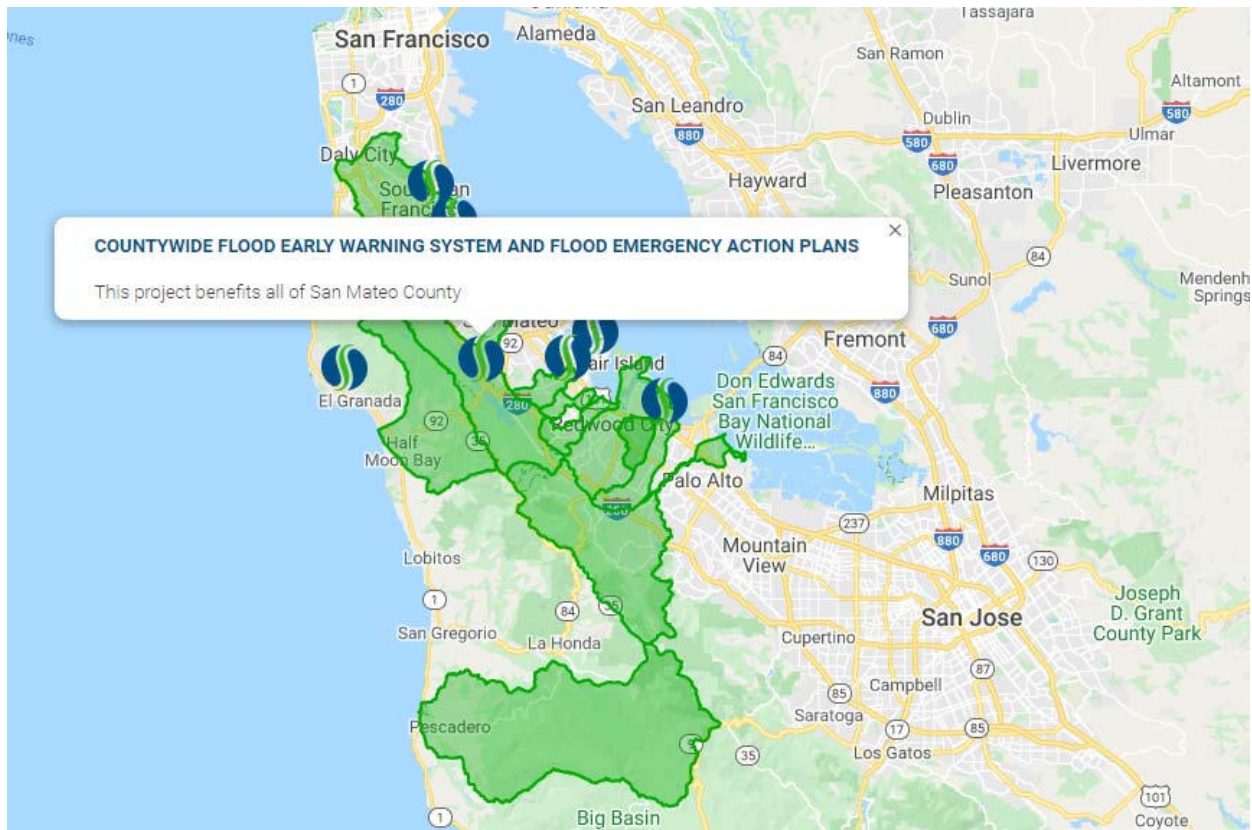
**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**

The District’s current ongoing projects are outlined on the following pages. The Bay Area map below reflects the site locations for these projects:



**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**

Countywide Flood Early Warning System and Flood Emergency Action Plans



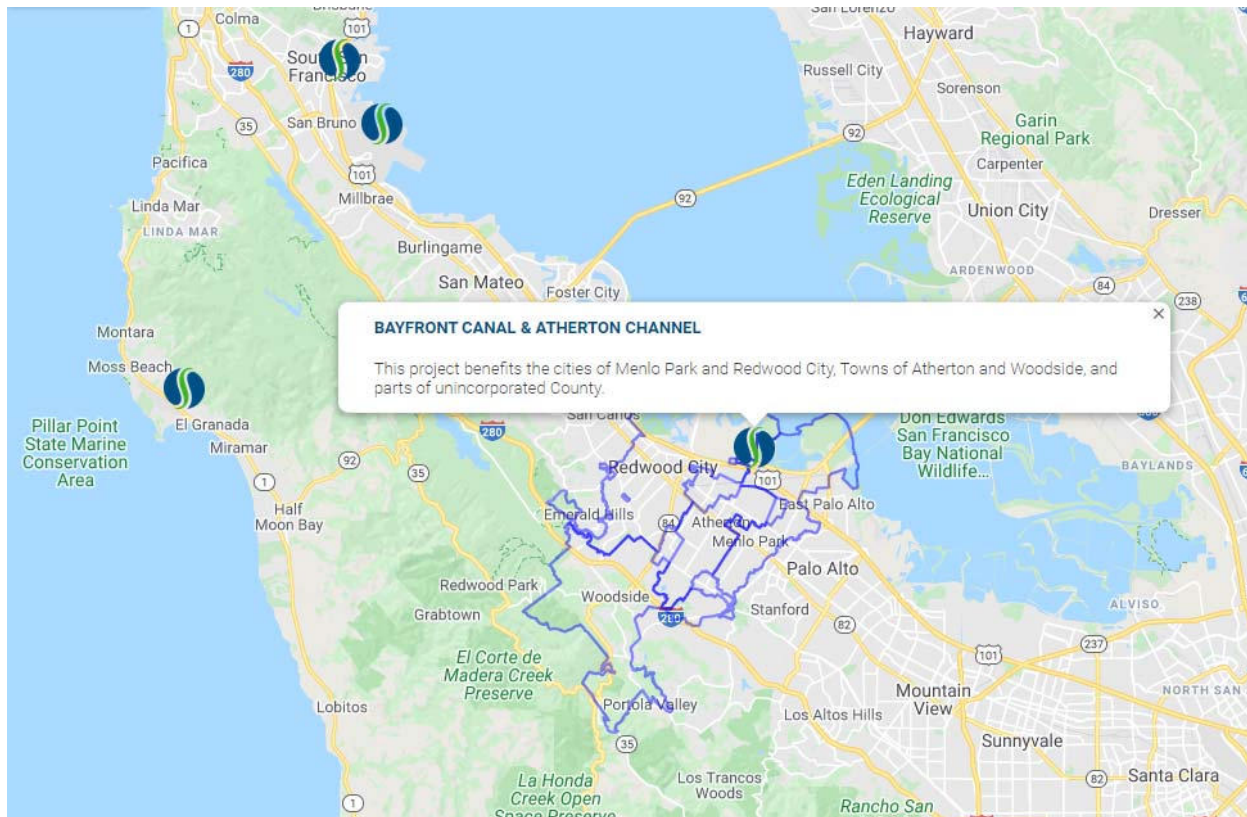
The District is managing a State Emergency Response Grant to create a coordinated county-wide flood emergency preparedness and response program, in collaboration with the Sheriff’s Office of Emergency Services. The work includes the upgrade and expansion of the region’s flood warning system for emergency responders and the public, extensive public outreach and emergency response personnel training, and the creation of a publicly accessible flood monitoring webpage.

The District is also leading the creation of three site-specific Flood Emergency Action Plans (EAPs) to better define and coordinate emergency related responsibilities before, during, and after flood events that cross jurisdictional boundaries. We are developing EAP’s for the following watersheds (and cities):

1. Bayfront Canal and Atherton Channel (Redwood City, Menlo Park, Atherton and Woodside)
2. Colma Creek, San Bruno Creek and Navigable Slough (Daly City, South San Francisco, Colma, and San Bruno)
3. Belmont Creek (Belmont and San Carlos)

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**

Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project



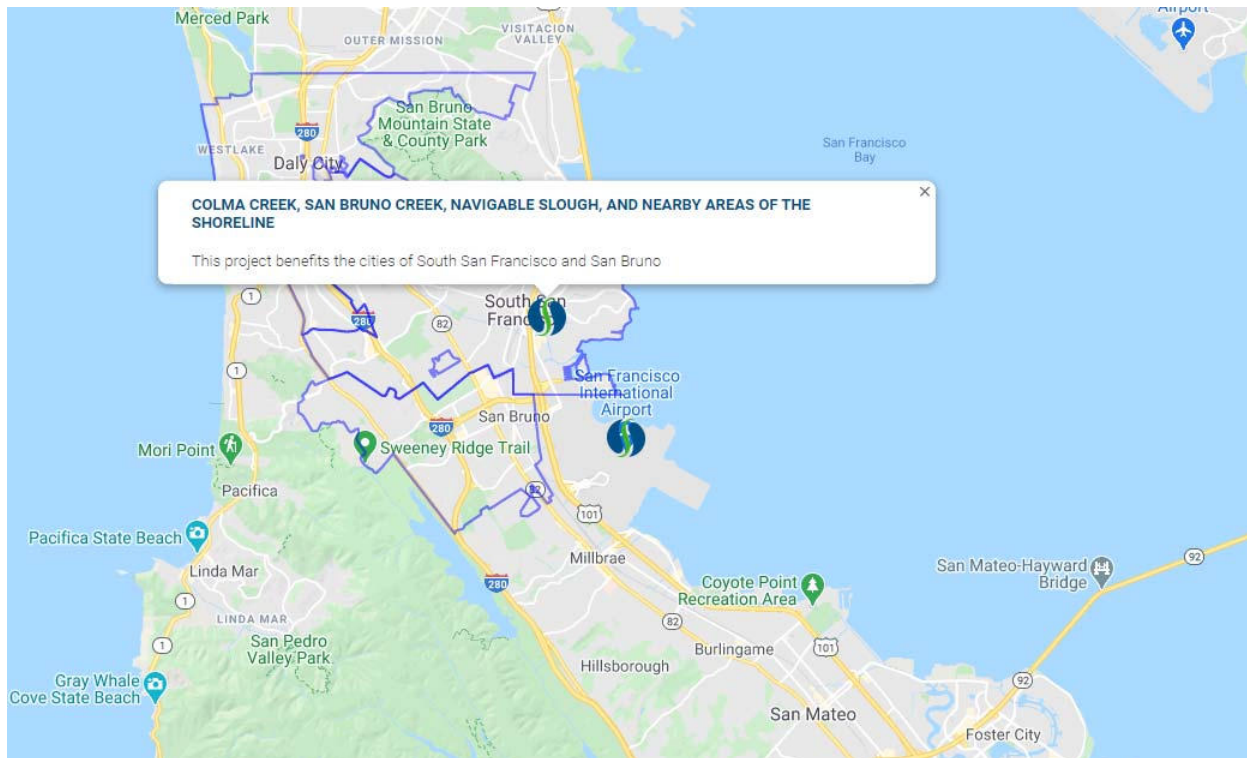
The Bayfront Canal-Atherton Channel watershed drains a predominantly urban, and low-elevation area in San Mateo County, collecting stormwater runoff from the Cities of Menlo Park and Redwood City, Towns of Atherton and Woodside, and parts of unincorporated County. Neighborhoods adjacent to Bayfront Canal and Atherton Channel within the jurisdictions of Redwood City, Menlo Park, and Atherton have experienced flooding 40 times during storm events over the past 70 years, most recently in 2017.

Between 2017-2019, San Mateo County, Menlo Park, Redwood City, and Atherton collectively led an effort to build upon previous work to develop the Bayfront Canal and Atherton Channel Watershed Flood Management Plan. The Plan seeks to identify and prioritize regional improvement projects that can attenuate flood flow peaks and reduce downstream flood risks, while maximizing the potential for additional benefits. These multi-beneficial projects include hydraulic infrastructure solutions, stormwater capture projects such as green infrastructure street improvements, and centralized facilities that divert storm drain or creek flows for detention, infiltration, or reuse.

Now, the District is leading a collaboration with these four entities, as well as the South Bay Salt Pond Restoration Project, Cargill, and other stakeholders to implement the first and most urgent solution in the regional Flood Management Plan: to reduce the most frequent flooding during storms and high tides. This project will reroute Bayfront Canal (after it converges with Atherton Channel), safely discharging floodwaters from both into former salt ponds, which will improve the habitat of that area. In February 2020, the District Board certified the environmental documentation on this project; we are currently completing the design and permitting process, and plan to begin construction by the end of 2020.

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**

Colma Creek, San Bruno Creek, Navigable Slough, and nearby areas of the shoreline



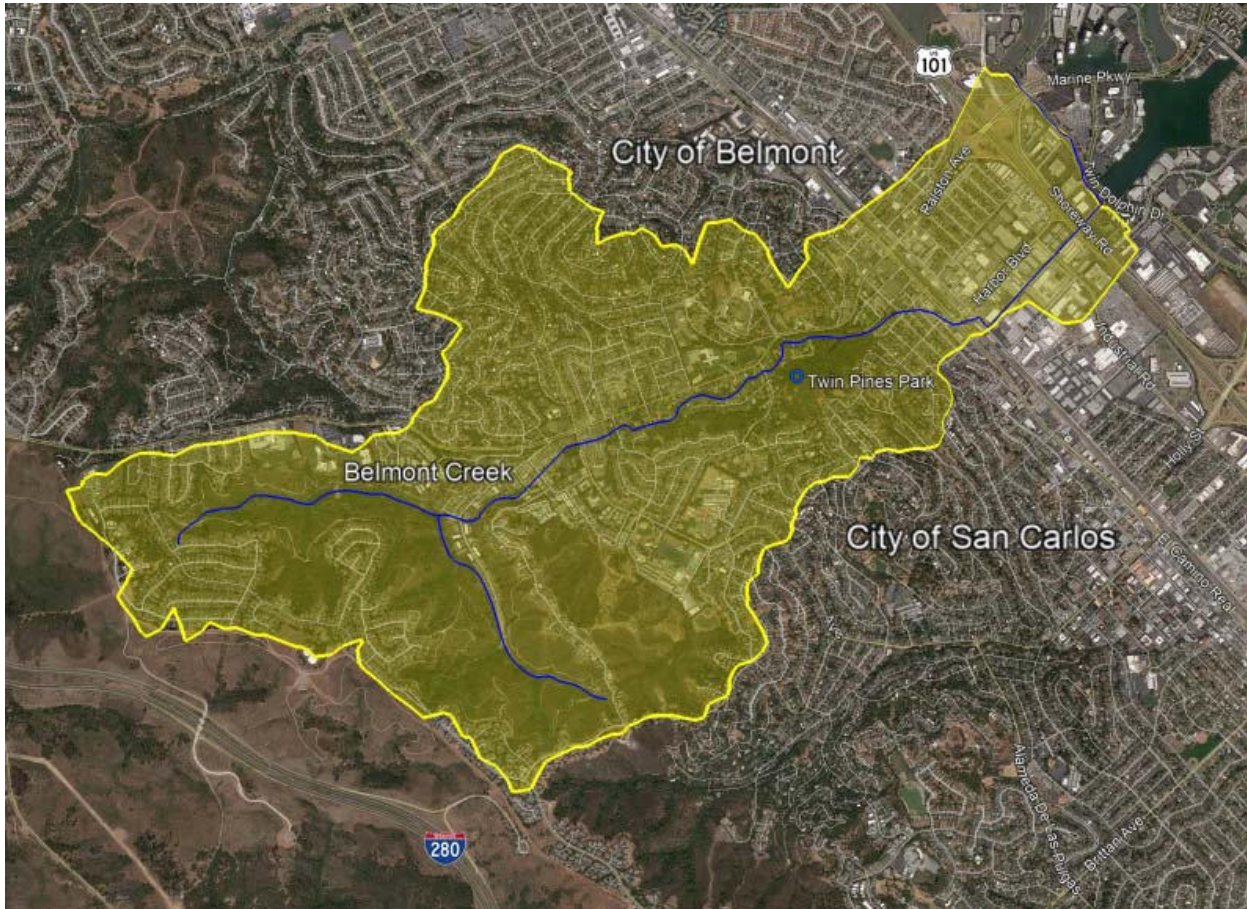
Colma Creek, San Bruno Creek, and Navigable Slough are connected waterways within the cities of South San Francisco and San Bruno that are prone to flooding, especially during high tide levels in the San Francisco Bay. Colma Creek and San Bruno Creek comprise two of the three long-standing active flood zones that OneShoreline inherited from the former San Mateo County Flood Control District (the third is San Francisquito Creek). Over many years, potential projects along these waterways to address flooding, and enhance the environment and recreation, have been extensively studied by these cities and San Mateo County. Over the summer of 2020, the District conducted a survey of these studies and potential projects to establish potential priorities for upcoming projects.

Belmont Creek Restoration, Water Quality Improvement, and Flood Protection Project in Twin Pines Park

From 2017-2019, San Mateo County and the cities of Belmont and San Carlos collectively worked to identify solutions to recurrent flooding from Belmont Creek that impacts properties in both cities and an area of the County between Old County Road and Industrial Road, as well as a Caltrain underpass.

The product of their work, the Belmont Creek Watershed Management Plan, analyzed flow capacity and bank stability, as well as erosion issues, and developed a series of potential projects to reduce the flood threat, sustain the Creek’s riparian corridor, and build green infrastructure to improve water quality. In addition to prioritizing specific projects, the plan identified funding opportunities and presented guidance for community engagement.

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020**



Executive Overview

The following describes three of many finance-related administrative and project-specific efforts of the District during the period of this audit.

Transition to Financial Independence

For the first six months of its existence (until June 30, 2020), the District maintained its general ledger within San Mateo County’s financial accounting system. Effective July 1, 2020, the District transitioned to an independent cloud-based fund accounting system, AccuFund, that provides general ledger, accounts payable, cash receipts, bank reconciliation, and financial and budget reporting. After July 1, 2020, the District separated its financial operations from the County, including a transfer on September 15, 2020, of all District cash balances held within the County pool to a District bank account.

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Six-Month Period Ended June 30, 2020

Urban Streams Restoration Program Grant

In March of 2020, the California Department of Water Resources awarded to the District a \$1 million grant from the Urban Streams Restoration Program. The grant will fund the restoration of Belmont Creek through the City of Belmont's Twin Pines Park, an important recreational area for the region. The Creek's reach through the Park is subject to severe erosion and undercutting, which has led to bank failure and significant downstream sediment deposition. These processes have resulted in a loss of land and occasional closures within the Park and contributed to downstream flooding and property damage in the City of San Carlos and unincorporated San Mateo County. Board action was taken to accept these grant funds at the November 9, 2020 Board meeting.

Statewide Flood Emergency Response Grant

The Department of Water Resources first entered into the Flood Emergency Alert and Preparedness Project grant agreement with the County of San Mateo in August of 2019. With the formation of the District in January 2020, the grant and the associated project responsibilities were transferred to the District, taking effect with District Board action on May 11, 2020. The grant provides funding to improve the region's flood emergency monitoring, warning, and response, through enhancements to equipment, and regional communication, planning, and training.

BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Statement of Net Position
June 30, 2020

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 33,208,415 |
| Interest receivable | 118,198 |
| Taxes receivable | 152,459 |
| Prepaid expenses | 322,454 |
| Capital assets, net of accumulated depreciation | |
| Nondepreciable | 1,618,786 |
| Depreciable | 26,691,328 |
| Total Assets | 62,111,640 |
| Liabilities | |
| Accounts payable | 292,604 |
| Accrued interest | 336,146 |
| Long-term liabilities | |
| Revenue refunding bonds - due within one year | 710,000 |
| Revenue refunding bonds - due beyond one year | 17,546,164 |
| Accrued vacation leave - due within one year | 6,778 |
| Total Liabilities | 18,891,692 |
| Deferred Inflows of Resources | 39,429 |
| Net Position | |
| Net investment in capital assets | 9,887,211 |
| Restricted for debt service | 1,126,103 |
| Unrestricted | 32,167,205 |
| Total net position | \$ 43,180,519 |

The accompanying notes are an integral part of this statement.

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Statement of Activities
For the Six-Month Period Ended June 30, 2020**

| | Governmental Activities |
|---|------------------------------------|
| Program Expenses | |
| Public protection | \$ 1,248,989 |
| Interest on long-term liabilities | 332,181 |
| Total Program Expenses | 1,581,170 |
| Program Revenues | |
| Operating grants and contributions | 1,995,000 |
| Net Program Expenses | 413,830 |
| General Revenues | |
| Property tax | 3,499,521 |
| Interest and investment income | 243,471 |
| Other | 2,768 |
| Total General Revenues | 3,745,760 |
| Special Item | |
| Net position transfer from County Flood Control District as of January 1, 2020 | 39,020,929 |
| Change in Net Position | 43,180,519 |
| Net Position - Beginning | - |
| Net Position - Ending | \$ 43,180,519 |

The accompanying notes are an integral part of this statement.

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
 Governmental Funds
 Balance Sheet
 June 30, 2020

| | General Fund | Colma Creek Flood Control Fund | San Bruno Creek Flood Control Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------|--------------------------------|------------------------------------|-------------------|--------------------------|--------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 1,465,785 | \$ 25,963,592 | \$ 3,512,205 | \$ 1,122,309 | \$ 1,144,524 | \$ 33,208,415 |
| Interest receivable | 1,616 | 98,629 | 12,835 | - | 5,118 | 118,198 |
| Taxes receivable | - | 121,997 | 9,615 | - | 20,847 | 152,459 |
| Other assets | 1,080 | - | 460 | 12,914 | 308,000 | 322,454 |
| Total Assets | \$ 1,468,481 | \$ 26,184,218 | \$ 3,535,115 | \$ 1,135,223 | \$ 1,478,489 | \$ 33,801,526 |
| Liabilities | | | | | | |
| Accounts payable | \$ 121,831 | \$ 153,199 | \$ 7,253 | \$ 9,120 | \$ 1,201 | \$ 292,604 |
| Fund Balances | | | | | | |
| Nonspendable | - | - | - | - | 308,000 | 308,000 |
| Restricted | - | - | - | 1,126,103 | - | 1,126,103 |
| Assigned | 1,346,650 | 26,031,019 | 3,527,862 | - | 1,169,288 | 32,074,819 |
| Total Fund Balances | 1,346,650 | 26,031,019 | 3,527,862 | 1,126,103 | 1,477,288 | 33,508,922 |
| Total Liabilities and Fund Balances | \$ 1,468,481 | \$ 26,184,218 | \$ 3,535,115 | \$ 1,135,223 | \$ 1,478,489 | \$ 33,801,526 |

The accompanying notes are an integral part of this statement.

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
June 30, 2020**

| | |
|--|------------------------------------|
| Fund balances - total governmental funds | \$ 33,508,922 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. | 28,310,114 |
| Interest payable on long-term liabilities does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds. | (336,146) |
| Deferred inflows of resources in governmental activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. | (39,429) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | |
| Revenue refunding bonds | (16,135,000) |
| Premium on revenue refunding bonds | (2,121,164) |
| Accrued vacation leave | <u>(6,778)</u> |
| Net position of governmental activities | <u><u>\$ 43,180,519</u></u> |

The accompanying notes are an integral part of this statement.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Six-Month Period Ended June 30, 2020

| | General Fund | Colma Creek Flood Control Fund | San Bruno Creek Flood Control Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------------------|---|--------------------------|---------------------------------|---------------------------------|
| Revenues | | | | | | |
| Property taxes | \$ - | \$ 3,016,383 | \$ 237,201 | \$ - | \$ 245,937 | \$ 3,499,521 |
| County contributions | 1,250,000 | - | - | - | - | 1,250,000 |
| City contributions | 745,000 | - | - | - | - | 745,000 |
| Interest and investment income | 2,048 | 204,186 | 26,899 | - | 10,338 | 243,471 |
| Other | 1,080 | 1,688 | - | - | - | 2,768 |
| Total Revenues | 1,998,128 | 3,222,257 | 264,100 | - | 256,275 | 5,740,760 |
| Expenditures | | | | | | |
| Salaries and benefits | 127,594 | - | - | - | - | 127,594 |
| Services and supplies | 505,131 | 176,703 | 20,745 | 9,058 | 10,408 | 722,045 |
| Capital outlay | 18,753 | 108,557 | - | - | - | 127,310 |
| Debt service - interest | - | - | - | 403,803 | - | 403,803 |
| Total Expenditures | 651,478 | 285,260 | 20,745 | 412,861 | 10,408 | 1,380,752 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | - | - | - | 1,113,375 | - | 1,113,375 |
| Transfers out | - | (1,113,375) | - | - | - | (1,113,375) |
| Total Other Financing Sources (Uses) | - | (1,113,375) | - | 1,113,375 | - | - |
| Special Item | | | | | | |
| Fund balance transfer from County Flood Control District as of January 1, 2020 | - | 24,207,397 | 3,284,507 | 425,589 | 1,231,421 | 29,148,914 |
| Net Change in Fund Balances | 1,346,650 | 26,031,019 | 3,527,862 | 1,126,103 | 1,477,288 | 33,508,922 |
| Fund Balances - Beginning | - | - | - | - | - | - |
| Fund Balances - Ending | \$ 1,346,650 | \$ 26,031,019 | \$ 3,527,862 | \$ 1,126,103 | \$ 1,477,288 | \$ 33,508,922 |

The accompanying notes are an integral part of this statement.

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities
For the Six-Month Period Ended June 30, 2020**

Net change in fund balances - total governmental funds \$ 33,508,922

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|--|------------------|------------------|
| Expenditures for general capital assets and infrastructure | \$ 127,310 | |
| Less current year depreciation | <u>(392,572)</u> | <u>(265,262)</u> |

The District was newly formed effective January 1, 2020 and established balances for its assets and liabilities which were transferred over from the original flood control district under the County of San Mateo. The impact of these transferred balance sheet items from the original flood control district are presented as a special item on the statement of revenues, expenditures and changes in fund balances and those assets and liabilities that do not reflect current financial resources are reconciling items for the value of the special item between the fund financial statements and the government-wide financial statements.

| | | |
|--|-------------------|------------------|
| Transfer of 2015 outstanding principal for revenue refunding bonds | (16,135,000) | |
| Transfer of outstanding premium on 2015 revenue refunding bonds | (2,191,479) | |
| Deposit for payment of County accrued interest payable | (336,146) | |
| Transfer of deferred gain on refunding | (40,736) | |
| Transfer of net book value capital assets | <u>28,575,376</u> | <u>9,872,015</u> |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

| | | |
|--|----------------|---------------|
| Amortization of bond premium | 70,315 | |
| Amortization of deferred gain on refunding | 1,307 | |
| Change in accrued vacation leave | <u>(6,778)</u> | <u>64,844</u> |

Change in net position of governmental activities \$ 43,180,519

The accompanying notes are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements
For the Six-Month Period Ended June 30, 2020

1. FINANCIAL REPORTING ENTITY

On February 23, 2016, the San Mateo County Board of Supervisors (County Board) approved a report entitled “Improving Flood Control in San Mateo County’s Areas of Responsibilities” (Report) and approved Resolution No. 074363 for an Appropriation Transfer Request to begin implementation of the Report’s recommendations. This included funding totaling \$6.2 million from the County general fund over a three-year period to establish a program to address flood risks in the County’s areas of responsibility as outlined in the Report.

In May of 2017, C/CAG’s Countywide Water Coordination Committee (Committee) was established, which consisted of seven city elected officials and one member of the County Board. In April 2018, the Committee convened a Staff Advisory Team (SAT) comprised of 18 staff level representatives from C/CAG, the County, cities, and other water-related or interested agencies to help develop a proposal to establish a new water management agency.

The SAT, in coordination with the Committee, developed an overall roadmap for the process to create a new agency as described in the “Flood and Sea Level Rise Resiliency Agency Proposal” (Proposal), dated December 21, 2018. This was reviewed and approved by the County Board on January 29, 2019. The Proposal revised (through special legislation) the 1959 San Mateo Flood Control District Act (Act) to change the governance of the District from the County Board to a seven-member board consisting of five city members and two County Board members. The revisions to the Act also enhanced authorities related to sea level rise and coastal erosion, clarified funding and financing authorities to reflect current state regulations/constitutional restrictions, and changed the name of the entity to the Flood and Sea Level Rise Resiliency District. The new entity was officially formed effective January 1, 2020. The District’s mission and role is to address sea level rise, flooding, coastal erosion, and large-scale storm water infrastructure improvements through integrated regional planning, design, permitting, project implementation, and long-term operations and maintenance to create a resilient “one shoreline” approach in San Mateo County by 2100.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities report the financial activities of the District as a whole. The statement of activities presents a comparison between direct expenses and program revenues of the District. Direct expenses are those that are specifically associated with the District’s operations. Program revenues refer to grants, contributions, and other revenues that meet the operational requirements of the program. Any revenues not classified as program revenues are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District’s funds. The emphasis of fund financial statements is on major governmental funds, which are each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are presented as separate columns in the fund financial statements.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds:

- The *General Fund* serves as the District’s primary operating fund and accounts for all financial resources and transactions of the District, except those accounted for in another fund.
- The *Colma Creek Flood Control Fund* accounts for funds that support various flood control projects within the City of Colma Creek. This fund is financed by property taxes.
- The *San Bruno Creek Flood Control Fund* accounts for funds that support various flood control projects within the City of San Bruno. This fund is financed by property taxes.
- The *Debt Service Fund* accounts for the accumulation and resources for, and the payment of, long-term debt principal, interest, and related costs.

(b) Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues from reimbursement type programs are considered to be available when they are collectible within two months of the end of the current fiscal period in order to properly match revenues with related expenditures. Expenditures are recognized in the accounting period in which the liability is incurred.

(c) Implementation of Governmental Accounting Standards Board (GASB) Statements

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements of GASB Statements No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, No. 90, *Majority Equity Interests – an Amendment to GASB Statements No. 14 and No. 61*, No. 91, *Conduit Debt Obligations*, No. 92, *Omnibus 2020*, No. 93, *Replacement of Interbank Offered Rates*, No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements*, and No. 96, *Subscription-Based Information Technology*, and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The District has also evaluated GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which clarifies due dates for the implementation of other preceding GASB Statements in connection with the impacts of the COVID-19 pandemic. The District currently intends to follow the implementation schedule outlined in Statement No. 95 and has no plans to early-implement upcoming standards.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

(e) Prepaid Items

Certain payments to external parties reflect costs applicable to future accounting periods and are recognized as prepaid items in both government-wide and fund financial statements. Prepayments are amortized and recognized as expenditures in the period consumed using the consumption method.

(f) Capital Assets

Capital assets are recorded at historical cost or estimated historical cost if historical cost is not available. The District defines capital assets as assets with an initial unit cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide financial statements. Estimated useful lives for depreciable capital assets currently held by the District range from 46 years to 50 years.

(g) Accrued Vacation Leave

The District allows employees to accumulate earned but unused vacation time, which is eligible for payment upon separation from the District. The liability of such time is reported as incurred in the government-wide financial statements. The liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for accrued vacation leave includes the District's share of social security and Medicare contributions payable on behalf of the employees.

(h) Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until that time. The District has deferred inflows for a deferred gain on refunding connected to the issuance of its 2015 revenue refunding bonds, which is amortized annually.

(i) Property Tax

Secured taxes are distributed from the County of San Mateo to the District monthly on the basis of the County's apportionment schedules.

(j) County and City Contributions

The District receives annual contributions from both the County of San Mateo and the local city governments within the County. The financial obligations are determined each year based on the budget of the District, which is established by the Board of Directors.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Due From/Due To Other Funds and Transfers

Interfund transactions are treated as transfers under the other financial sources and uses section of the statement of revenues, expenditures and changes in fund balance. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

(l) Investment Earnings

Interest is received quarterly from the County Treasurer on cash balances maintained with the San Mateo County Investment Pool (County Pool). Interest is recorded in the year it is earned and is available to pay current liabilities. Interest earnings are apportioned between the District's funds based on average daily cash balance in accordance with County Treasury policies for participants in the County Pool.

(m) Special Items

Special items are transactions or events that are within the control of District management and that are either unusual in nature or infrequent in occurrence.

(n) Accounting Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results based on subsequent events could differ from those estimates.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2020 consist of the following:

| | | |
|--------------------------------------|----|------------|
| Cash in County Treasury | \$ | 30,835,026 |
| Deposits with financial institutions | | 2,373,389 |
| Total cash and cash equivalents | \$ | 33,208,415 |

The District is a participant in the Treasury pool of the County of San Mateo, which is not subject to the fair hierarchy disclosure requirements under GASB Statement No. 72, *Fair Value Measurement and Application*.

The District's cash balances at June 30, 2020 are pooled with other funds in the County Pool. The County Pool includes both voluntary and involuntary participants from external public entities. The District is a voluntary participant in the County Pool. Interest earned is received quarterly. Cash and cash equivalents in the County Pool are reported at fair value. The change in fair value for the year is recorded as unrealized gain or loss and reported as part of investment earnings. Fair value is based on information provided by the County Treasurer.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

3. CASH AND CASH EQUIVALENTS (Continued)

(a) Deposits

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside entity. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. As of June 30, 2020, cash balances in bank were insured up to \$500,000 by the Federal Depository Insurance Corporation. At June 30, 2020, the bank balance of \$1,873,389 was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the name of the District.

(b) Investments

Cash in County Treasury

The District maintains its available cash in the San Mateo County Treasury. The County pools these funds with those of other agencies and invests the cash. These pooled funds are adjusted to fair value on a monthly basis and the adjustment to all participants in the pool is determined based on their respective cash balances at the valuation date. All the funds in the pool share any investments gains and losses proportionately.

Funds with the County Treasurer are invested pursuant to an investment policy established by the Treasurer and approved by the County Board of Supervisors. The objectives of the policy are, in order of priority, safety of principal, liquidity and yield. The policy addresses the soundness of financial institutions in which the County deposits funds, the types of investment instruments and the percentage of the portfolio which may be invested in certain instruments, as permitted by Section 53600 et seq. of the Government Code of the State of California.

Authorized investments in which the County Treasurer can invest are outlined in the County's current effective investment policy, dated January 7, 2020, which can be found on the County Treasurer and Tax Collector's public website at (<https://treasurer.smcgov.org/investment-information>).

As of June 30, 2020, the District's share of the County's cash and investment pool totaled \$30,835,026.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

4. CAPITAL ASSETS

Capital assets activity for the District for the six-month period ended June 30, 2020 is as follows:

| | Balance January 1, 2020 | Additions | Transfers | Deletions | Balance June 30, 2020 |
|--------------------------------------|--|---------------------|------------------|------------------|--|
| Non-Depreciable Capital Assets: | | | | | |
| Land | \$ 702,962 | \$ - | \$ - | \$ - | \$ 702,962 |
| Easements | 92,419 | - | - | - | 92,419 |
| Construction in Progress | 696,095 | 127,310 | - | - | 823,405 |
| Total non-depreciable capital assets | <u>1,491,476</u> | <u>127,310</u> | <u>-</u> | <u>-</u> | <u>1,618,786</u> |
| Depreciable capital assets: | | | | | |
| Infrastructure | 39,253,006 | - | - | - | 39,253,006 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (12,169,106) | (392,572) | - | - | (12,561,678) |
| Depreciable capital assets, net | <u>27,083,900</u> | <u>(392,572)</u> | <u>-</u> | <u>-</u> | <u>26,691,328</u> |
| Total Capital Assets, net | <u>\$ 28,575,376</u> | <u>\$ (265,262)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 28,310,114</u> |

Construction in process for the six-month period ended June 30, 2020 represents work performed on the Colma Creek Flood Control Zone channel improvement and repair projects and a flood warning system project.

5. LONG TERM LIABILITIES

(a) 2015 Lease Revenue Refunding Bonds

In August 2015, the San Mateo County Flood Control District (the “Flood Control District”) issued \$18.7 million in Revenue Refunding Bonds (the “2015 Revenue Refunding Bonds”) with a bond premium of \$2.8 million to refund the County Joint Powers Financing Authority’s (JPFA) outstanding balance of its 1997 Certificates of Participation (COPs) and 2004 COPs and to pay its costs of issuance. The Flood Control District pledged its revenues to repay the 2015 Revenue Refunding Bonds through August 2035.

Revenue refunding bonds are pledged by all revenues, income and investment earnings, received by Colma Creek Flood Control Zone (Colma Creek), including the ad valorem taxes levied by the County and allocable to the Colma Creek. There is no right of acceleration under the indenture in an event of default. In the event of default, the trustee, U.S. Bank National Association, shall exercise its rights to indemnification and protection from liability under the indenture and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the bonds. The trustee shall be entitled to interest on all amounts advanced by it under the indenture at the maximum interest rate permitted by law. Notwithstanding the foregoing, the trustee shall not be required to advance its own funds. The trustee in its individual or other capacity may become the owner or pledgee of the bonds with the same rights it would have if it were not the trustee.

When the District was formed effective January 1, 2020, it assumed the obligations associated with this debt formerly connected to the original County Flood Control District.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

5. LONG TERM LIABILITIES (Continued)

The District's long-term liabilities as of June 30, 2020 are as follows:

| Type of Indebtedness (purpose) | Maturities | Interest Rates | Annual Principal Installments | Original Issue Amount | Outstanding at June 30, 2020 |
|--------------------------------------|-----------------|----------------|-------------------------------|-----------------------|------------------------------|
| 2015 Revenue Refunding Bonds: | | | | | |
| Serial current interest bonds | 8/1/20 - 8/1/35 | 5.00% | \$710,000 - \$1,410,000 | \$ 18,725,000 | \$ 16,135,000 |

Annual debt service requirements for the governmental activities of the District as of June 30, 2020 are summarized as follows:

| Fiscal Year Ended June 30, | Revenue Refunding Bonds | |
|----------------------------|-------------------------|---------------------|
| | Principal | Interest |
| 2021 | \$ 710,000 | \$ 789,000 |
| 2022 | 750,000 | 752,500 |
| 2023 | 785,000 | 714,125 |
| 2024 | 825,000 | 673,875 |
| 2025 | 865,000 | 631,625 |
| 2026-2030 | 5,020,000 | 2,447,250 |
| 2031-2035 | 6,405,000 | 1,025,875 |
| 2036 | 775,000 | 19,375 |
| Total | <u>\$ 16,135,000</u> | <u>\$ 7,053,625</u> |

(b) Accrued Vacation Leave

The District's policy allows employees to accumulate earned but unused vacation time, which is eligible for payment upon separation from the District's service. The liability of such time is reported as incurred in the government-wide financial statements. The liability for those amounts is recorded in the governmental funds only if the liability has matured as result of employee resignations or retirements. The liability for accrued vacation leave includes the District's share of social security and Medicare contributions payable on behalf of the employees. Vacation time accrues at a rate of 160.0 hours for the Executive Director and at a rate of 96.0 hours annually for other District employees, with a cap of 180 hours. Additionally, the Executive Director earns management leave accrual at a rate of 40.0 hours annually. A current and long-term portion of accrued vacation leave is expected to be estimated in future years. However, since this will be determined based on historical trend data, the District does not yet have enough information accumulated in its inception year to make this determination and is electing to report the full balance as current liabilities.

The District's long-term liabilities as of June 30, 2020 are as follows:

| | Balance 1/1/2020 | Additions | Retirements | Balance 6/30/2020 | Amounts Due Within 1 Year |
|-------------------------------|----------------------|-----------------|--------------------|----------------------|---------------------------|
| Revenue refunding bonds | \$ 16,135,000 | \$ - | \$ - | \$ 16,135,000 | \$ 710,000 |
| Add: unamortized premium | 2,191,479 | - | (70,315) | 2,121,164 | 140,630 |
| Revenue refunding bonds, net | 18,326,479 | - | (70,315) | 18,256,164 | 850,630 |
| Accrued vacation leave | - | 7,294 | (516) | 6,778 | 6,778 |
| Total Governmental Activities | <u>\$ 18,326,479</u> | <u>\$ 7,294</u> | <u>\$ (70,831)</u> | <u>\$ 18,262,942</u> | <u>\$ 857,408</u> |

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**

Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

6. LEASE

The District occupies an office building to conduct its business under a noncancelable operating lease. Total rental paid for this lease was \$48,735 for the six-month period ended June 30, 2020, and the future minimum lease payments are as follows:

| <u>Fiscal Year Ended June 30,</u> | |
|-----------------------------------|-------------------|
| 2021 | \$ 98,932 |
| 2022 | 101,906 |
| 2023 | <u>69,472</u> |
| Total | <u>\$ 270,310</u> |

7. REVENUES

(a) County and City Contributions

Pursuant to the resolution approved by the County Board on January 29, 2019, the County and local city agencies within the County are expected to make annual contributions to the District until such time that the District is able to secure adequate independent funding sources of its own. For the six-month period ended June 30, 2020, the County made contributions of \$750,000 as prescribed by Board resolution and an additional voluntary amount of \$500,000 to help fund start-up costs. The city agencies contributed a combined total of \$745,000 for the six-month period ended June 30, 2020.

(b) Property Taxes

The District receives monthly property tax payments from the County of San Mateo based on the County's apportionment factor calculations. The District's tax revenues amounted to \$3,499,521 for the six-month period ended June 30, 2020.

8. FUND BALANCE

Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for the District's governmental funds are made up of the following:

(a) Nonspendable Fund Balance – includes amounts that are (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as prepaid amounts.

(b) Restricted Fund Balance – includes amounts that are restricted for specific purposes due to outside sources or enabling legislation.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

8. FUND BALANCE (Continued)

- (c) **Assigned Fund Balance** – includes amounts intended to be used by the District for specific purposes that are not restricted. Intent is expressed by (a) the Board of Directors or (b) a body (for example: a budget or finance committee) or official to which the Council has delegated the authority to assign amounts to be used for specific purposes.

Assigned fund balances represent all District activities outside of debt service operations, which are encompassed under the restricted fund category. These costs are intended for specific purposes, but are not restricted.

9. TRANSFERS

For the six-month period ended June 30, 2020, the District Colma Creek Flood Control fund made a transfer of \$1,113,375 to the Debt Service fund for the purpose of financing upcoming debt service obligations subsequent to the balance sheet date.

10. NET POSITION

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. To determine the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The District considers restricted net position to have been depleted before unrestricted net position is applied.

11. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. By agreement, the District is an additional insured on the County's excess liability insurance coverage. The existing insurance policy at the balance sheet date is valid through May 22, 2021. County Counsel provides legal representation for any claims or litigation of the District at no charge. The District engages with a separate insurance provider for worker's compensation insurance to employees with a limit of \$1,000,000 per accident. The existing insurance policy for workers' compensation at the balance sheet date is valid through April 1, 2021. Claims have not exceeded coverage for the District since its inception on January 1, 2020.

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT**

Notes to Financial Statements (Continued)
For the Six-Month Period Ended June 30, 2020

12. SPECIAL ITEM

The District was formed on January 1, 2020, at which point it assumed the assets and obligations associated with the original County Flood Control District. This included cash, capital assets and long-term debt connected to the District’s 2015 revenue refunding bonds. The District’s beginning fund balance and beginning net position on the governmental fund balance sheet and statement of net position respectively as of January 1, 2020 is \$0. The assumption of the beginning balances for these assets and liabilities is reflected on the financial statements as a special item. The various beginning balances for the assumed assets, liabilities and deferred inflows of resources comprising the special item totals are summarized below for the fund financial statements and government-wide financial statements respectively.

Value of special item on statement of revenues, expenditures and changes in fund balance:

| | |
|--------------------|--------------|
| Cash | \$29,148,914 |
| Total special item | \$29,148,914 |

Value of special item on statement of activities:

| | |
|---|--------------|
| Cash | \$29,148,914 |
| Net book value of capital assets | 28,575,376 |
| Outstanding principal for 2015 revenue refunding bonds | (16,135,000) |
| Outstanding premium on 2015 revenue refunding bonds | (2,191,479) |
| County deposit for payment of County interest obligations through December 31, 2019 | (336,146) |
| Deferred gain on refunding | (40,736) |
| Total special item | \$39,020,929 |

13. CONTINGENCY – IMPACTS OF COVID-19

In March of 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and related adverse public health developments have adversely affected workforces, customers, economies, and financial markets globally, leading to economic downturn. It has also disrupted the normal operations of many governments. However, it is not possible at this point to predict the duration or magnitude of the adverse results of the outbreak and its effects on the District’s revenues or results of operations at this time.

14. SUBSEQUENT EVENT – TRANSITION TO INDEPENDENT FINANCE OPERATIONS

The District operated under the OFAS accounting system used by the County of San Mateo for maintaining its general ledger through June 30, 2020. The District transitioned to an independent system, AccuFund, effective July 1, 2020 and underwent a process to separate its operations from the County after the balance sheet date. This included a transfer of all cash balances held within the County pool to the District’s independent fiscal agent bank account with Wells Fargo on September 15, 2020. The District may negotiate further accounting services with the County in the future but at this point it plans to handle accounting and financial reporting functions independently.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Six-Month Period Ended June 30, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual Amount Budgetary Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| County contributions | \$ 1,250,000 | \$ 1,250,000 | \$ 1,250,000 | \$ - |
| City contributions | 745,000 | 745,000 | 745,000 | - |
| Intergovernmental revenues | 393,747 | 393,747 | - | (393,747) |
| Interest and investment income | - | - | 2,048 | 2,048 |
| Other | - | - | 1,080 | 1,080 |
| Total Revenues | <u>2,388,747</u> | <u>2,388,747</u> | <u>1,998,128</u> | <u>(390,619)</u> |
| Expenditures | | | | |
| Salaries and benefits | \$ 264,528 | \$ 264,528 | \$ 127,594 | \$ 136,934 |
| Services and supplies | 1,524,219 | 1,524,219 | 505,131 | 1,019,088 |
| Capital outlay | - | - | 18,753 | (18,753) |
| Total Expenditures | <u>1,788,747</u> | <u>1,788,747</u> | <u>651,478</u> | <u>1,137,269</u> |
| Net Change in Fund Balance | <u>\$ 600,000</u> | <u>\$ 600,000</u> | 1,346,650 | <u>\$ 746,650</u> |
| Budgetary Fund Balance - Beginning | | | - | |
| Budgetary Fund Balance - Ending | | | <u>\$ 1,346,650</u> | |

See notes to required supplementary information.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Colma Creek Flood Control Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Six-Month Period Ended June 30, 2020

| | <u>Budgeted Amounts</u> | | Actual Amount Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|-------------------------|----------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property taxes | \$ 2,185,919 | \$ 2,185,919 | \$ 3,016,383 | \$ 830,464 |
| Interest and investment income | 255,491 | 255,491 | 204,186 | (51,305) |
| Other | - | - | 1,688 | 1,688 |
| Total Revenues | <u>2,441,410</u> | <u>2,441,410</u> | <u>3,222,257</u> | <u>780,847</u> |
| Expenditures | | | | |
| Services and supplies | \$ 1,974,164 | \$ 1,974,164 | \$ 176,703 | \$ 1,797,461 |
| Capital outlay | 300,000 | 300,000 | 108,557 | 191,443 |
| Total Expenditures | <u>2,274,164</u> | <u>2,274,164</u> | <u>285,260</u> | <u>1,988,904</u> |
| Special Item | <u>24,824,512</u> | <u>24,824,512</u> | <u>24,207,397</u> | <u>(617,115)</u> |
| Net Change in Fund Balance | <u>\$ 24,991,758</u> | <u>\$ 24,991,758</u> | 27,144,394 | <u>\$ 2,152,636</u> |
| Budgetary Fund Balance - Beginning | | | - | |
| Budgetary Fund Balance - Ending | | | <u>27,144,394</u> | |
| Other financing sources and uses | | | | |
| Operating transfers out | | | <u>(1,113,375)</u> | |
| GAAP Fund Balance | | | <u>\$ 26,031,019</u> | |

See notes to required supplementary information.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
San Bruno Creek Flood Control Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Six-Month Period Ended June 30, 2020

| | <u>Budgeted Amounts</u> | | Actual Amount Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property taxes | \$ 173,152 | \$ 173,152 | \$ 237,201 | \$ 64,049 |
| Interest and investment income | 33,375 | 33,375 | 26,899 | (6,476) |
| Total Revenues | <u>206,527</u> | <u>206,527</u> | <u>264,100</u> | <u>57,573</u> |
| Expenditures | | | | |
| Services and supplies | \$ 231,200 | \$ 231,200 | \$ 20,745 | \$ 210,455 |
| Total Expenditures | <u>231,200</u> | <u>231,200</u> | <u>20,745</u> | <u>210,455</u> |
| Special Item | <u>3,267,815</u> | <u>3,267,815</u> | <u>3,284,507</u> | <u>16,692</u> |
| Net Change in Fund Balance | <u>\$ 3,243,142</u> | <u>\$ 3,243,142</u> | 3,527,862 | <u>\$ 268,028</u> |
| Budgetary Fund Balance - Beginning | | | - | |
| Budgetary Fund Balance - Ending | | | <u>\$ 3,527,862</u> | |

See notes to required supplementary information.

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SAN MATEO
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Required Supplementary Information
For the Six-Month Period Ended June 30, 2020

1. BUDGETS, BUDGETARY PROCESS, AND ENCUMBRANCES

The District adopts an annual operating budget. Annual budgets are prepared using the modified accrual basis of accounting, which is consistent with the basis used to present the District's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

The annual budget is adopted by the Board of Directors. The District has the flexibility to expend funds based on operational needs as long as expenditures do not exceed the approved budget.

The District uses an encumbrance system to assist in controlling expenditures. Purchase orders, contracts, and other commitments for the expenditures of monies are recorded under this system in order to reserve applicable appropriations. Encumbrances outstanding at year-end are reported in assigned fund balance as they do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The District did not have outstanding encumbrances at June 30, 2020.

2. EXPENDITURES LESS THAN BUDGET

The District had many areas of operations for the six-month period ended June 30, 2020 where actual expenditures fell short of budgeted amounts. This is due primarily to the fact that the District is a new entity effective as of January 1, 2020 and some areas of operations did not increase at the pace originally anticipated when the budget was prepared prior to the COVID-19 pandemic.

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SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

| | San Francisquito Creek Flood Control Fund | Ravenswood Slough Flood Control Zone Fund | San Mateo County Flood Control Zone Fund | Total Nonmajor Governmental Funds |
|--|--|--|---|--|
| Assets | | | | |
| Cash and cash equivalents | \$ 693,744 | \$ 433,739 | \$ 17,041 | \$ 1,144,524 |
| Interest receivable | 3,465 | 1,563 | 90 | 5,118 |
| Taxes receivable | 19,541 | 1,306 | - | 20,847 |
| Other assets | 308,000 | - | - | 308,000 |
| Total Assets | <u>\$ 1,024,750</u> | <u>\$ 436,608</u> | <u>\$ 17,131</u> | <u>\$ 1,478,489</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ 1,201 | \$ 1,201 |
| Fund Balances | | | | |
| Nonspendable | 308,000 | - | - | 308,000 |
| Assigned | 716,750 | 436,608 | 15,930 | 1,169,288 |
| Total Fund Balances | <u>1,024,750</u> | <u>436,608</u> | <u>15,930</u> | <u>1,477,288</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,024,750</u> | <u>\$ 436,608</u> | <u>\$ 17,131</u> | <u>\$ 1,478,489</u> |

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Six-Month Period Ended June 30, 2020

| | San Francisquito Creek Flood Control Fund | Ravenswood Slough Flood Control Zone Fund | San Mateo County Flood Control Fund | Total Nonmajor Governmental Funds |
|--|--|--|--|--|
| Revenues | | | | |
| Property taxes | \$ 231,153 | \$ 14,784 | \$ - | \$ 245,937 |
| Interest and investment income | 6,825 | 3,314 | 199 | 10,338 |
| Total Revenues | <u>237,978</u> | <u>18,098</u> | <u>199</u> | <u>256,275</u> |
| Expenditures | | | | |
| Services and supplies | <u>-</u> | <u>-</u> | <u>10,408</u> | <u>10,408</u> |
| Special Item | | | | |
| Fund balance transfer from County Flood Control District as of January 1, 2020 | <u>786,772</u> | <u>418,510</u> | <u>26,139</u> | <u>1,231,421</u> |
| Net Change in Fund Balances | 1,024,750 | 436,608 | 15,930 | 1,477,288 |
| Fund Balances - Beginning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances - Ending | <u>\$ 1,024,750</u> | <u>\$ 436,608</u> | <u>\$ 15,930</u> | <u>\$ 1,477,288</u> |

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Schedule of Cities Support
For the Six-Month Period Ended June 30, 2020**

| City/ Agency | Six-Month Period Ended June 30, 2020 Contributions |
|---------------------|---|
| Atherton | \$ 25,000 |
| Belmont | 40,000 |
| Brisbane | 25,000 |
| Burlingame | 40,000 |
| Colma | 25,000 |
| Daly City | 55,000 |
| East Palo Alto | 40,000 |
| Foster City | 40,000 |
| Half Moon Bay | 25,000 |
| Hillsborough | 25,000 |
| Menlo Park | 40,000 |
| Millbrae | 40,000 |
| Pacifica | 40,000 |
| Portola Valley | 25,000 |
| Redwood City | 55,000 |
| San Bruno | 40,000 |
| San Carlos | 40,000 |
| San Mateo | 55,000 |
| South San Francisco | 55,000 |
| Woodside | 15,000 |
| Total | <u>\$ 745,000</u> |

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**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Directors
San Mateo County Flood and Sea Level Rise Resiliency District
San Mateo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Mateo County Flood and Sea Level Rise Resiliency District (District), as of and for the six-month period ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Walnut Creek, California
December 10, 2020

**San Mateo County Flood and Sea Level Rise Resiliency District
Agenda Report**

Date: December 14, 2020
To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors
From: Len Materman, CEO
Subject: Approve a Policy Establishing Procedures to Protest the District's Bidding Process for Construction Contracts

Recommendation:

That the San Mateo County Flood and Sea Level Rise Resiliency District (District) Board of Directors (Board) approve the District's Bid Protest Procedures (Policy), establishing a procedure for the submittal, receipt, and response to the District's bidding process for construction contracts.

Background and Discussion:

The District is currently preparing to advertise for bids from potential construction contractors for its first major construction project, the Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project with the objective to begin work in the first half of 2021. This and every District construction bidding process will be public, competitive, transparent, and fair.

As is often the case with public works projects, there is the potential for prospective bidders to protest the result following the bid opening. In the event of a bid protest, it is important to have in place a well-defined policy that establishes a standard process for handling protests.

This draft Policy, attached to this Agenda Report, outlines procedures consistent with the District's objective to provide a process that is public, competitive, transparent, and fair. In accordance with these objectives, the proposed Policy establishes the following bid protest procedures:

- Only a bidder is eligible to submit a bid protest, and each protesting bidder must pursue its own protest (i.e., a bidder may not rely on the protest submitted by another bidder).
- Bid protests must be in writing and must be received before 5:00 p.m. no later than two working days following the bid opening.
- The protest must contain a complete statement of the basis for the protest including all supporting documentation, and copies of the protest packet must be transmitted to the protested bidder, as well as to any prospective bidder who is eligible to receive award dependent upon the outcome of the protest.
- The protested bidder may submit a written response to the protest within two working days after receipt of the bid protest, with a copy of the response transmitted to the protesting bidder, as well as to any prospective bidder who is eligible to receive award dependent upon the outcome of the protest.
- The District reserves the right to award the contract to the bidder determined to be the responsible bidder submitting the lowest bid, and to issue a notice to proceed, notwithstanding a pending protest.
- The procedure and time limits set forth in the Policy are mandatory and provide the bidder's sole and exclusive remedy in the event of bid protest.

If approved, this Policy will take effect immediately, will be posted on the District's website, and shall apply to all pending and future bid processes.

Impact on District Resources: There is no fiscal impact associated with the adoption of this Policy.

Attachment: Draft Policy of Bid Protest Procedures

DRAFT

POLICY OF BID PROTEST PROCEDURES

Any bid protest must be in writing and received by the San Mateo County Flood and Sea Level Rise Resiliency District (“District”) by email at info@OneShoreline.org before 5:00 p.m. no later than two working days following bid opening (“Bid Protest Deadline”) and must comply with the following requirements:

1. General. Only a bidder who has actually submitted a Bid Proposal is eligible to submit a bid protest against another bidder. Subcontractors are not eligible to submit bid protests. A bidder may not rely on the bid protest submitted by another bidder, but must pursue its own protest. For purposes of these procedures, a “working day” means a day that District is open for normal business, and excludes weekends and holidays observed by District.

2. Protest Contents. The bid protest must contain a complete statement of the basis for the protest and all supporting documentation. Material submitted after the Bid Protest Deadline will not be considered. The protest must refer to the specific portion or portions of the contract documents upon which the protest is based. The protest must include the name, address, email address, and telephone number of the person representing the protesting bidder if different from the protesting bidder.

3. Copy to Protested Bidder. A copy of the protest and all supporting documents must be concurrently transmitted by fax or by email, by or before the Bid Protest Deadline, to the protested bidder and any other bidder who has a reasonable prospect of receiving an award depending upon the outcome of the protest.

4. Response to Protest. The protested bidder may submit a written response to the protest, provided the response is received by the District by email at info@OneShoreline.org before 5:00 p.m. no later than two working days after receipt of the bid protest (the “Response Deadline”). The response must include all supporting documentation. Material submitted after the Response Deadline will not be considered. The response must include the name, address, email address, and telephone number of the person representing the protested bidder if different from the protested bidder.

5. Copy to Protesting Bidder. A copy of the response to the protest and all supporting documents must be concurrently transmitted by fax or by email, by or before the Bid Protest Deadline, to the protesting bidder and any other bidder who has a reasonable prospect of receiving an award depending upon the outcome of the protest.

6. Exclusive Remedy. The procedure and time limits set forth in these procedures are mandatory and are the bidder’s sole and exclusive remedy in the event of bid protest. A bidder’s failure to comply with these procedures will constitute a waiver of any right to further pursue a bid protest, including filing a Government Code Claim or initiation of legal proceedings.

7. Right to Award. The District Board of Directors reserves the right to award a contract to the bidder it has determined to be the responsible bidder submitting the lowest responsive bid, and to issue a notice to proceed with the work notwithstanding any pending or continuing challenge to its determination.

Approved by the Board of Directors on December 14, 2020

**San Mateo County Flood and Sea Level Rise Resiliency District
Agenda Report**

Date: December 14, 2020
To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors
From: Len Materman, CEO
Subject: Approve the 2021 schedule of Regular meetings of the Board of Directors (ACTION)

Recommendation:

That the San Mateo County Flood and Sea Level Rise Resiliency District (District) Board of Directors (Board) approve the following schedule of Regular meetings for 2021:

| | | |
|-------------------|--------------------|---------------------|
| January 25 | February 22 | March 22 |
| April 26 | May 24 | June 28 |
| July 26 | August 23 | September 27 |
| October 25 | November 15 | December 13 |

All meetings are scheduled to begin at 4:00 p.m. and be held remotely by video due to the COVID-19 pandemic until further notice. When State and local guidelines regarding social distancing and meetings of government bodies allow for in-person meetings, meeting agendas will reflect that change and the location will likely be the meeting room on the first floor of the building housing District offices at 1700 S. El Camino Real in San Mateo, CA.

Background and Discussion:

Since the District Board began meeting in January of 2020, it has met once or twice a month on Mondays at 4:00 p.m. The proposed calendar of Regular Board meetings for 2021 proposes to keep the same day and time. While only one Regular meeting is proposed per month in 2021, should the need arise, a Special Meeting of the Board will be scheduled.

Impact on District Resources:

There is no fiscal impact associated with approving the Board’s 2021 Regular meeting schedule.

**San Mateo County Flood and Sea Level Rise Resiliency District
Agenda Report**

Date: December 14, 2020
To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors
From: Len Materman, CEO
Subject: Authorize the Chief Executive Officer to Enter Into an Agreement with the City of South San Francisco Regarding Maintenance of Portions of the Colma Creek Channel

Recommendation:

That the San Mateo County Flood and Sea Level Rise Resiliency District (“District”) Board of Directors (“Board”) authorize the Chief Executive Officer (“CEO”) to enter into an Agreement with the City of South San Francisco for maintenance of portions of the Colma Creek Flood Control Channel (“Channel”).

Background and Discussion:

The District has land rights in many areas of the Channel (shown in Exhibit A of the attached Agreement), which drains over 16 square miles of watershed in the northern San Francisco Peninsula, including portions of the City of South San Francisco (“City”), cities of Pacifica, Daly City, and San Bruno, Town of Colma, and unincorporated areas of San Mateo County.

In October 2016, the City and the County, acting as the San Mateo County Flood Control District, entered into a memorandum of agreement (“Original MOA”) regarding maintenance of portions of the Channel within the City’s boundaries. The Original MOA addressed various maintenance issues impacting the Channel, including illegal encampments, trash removal, graffiti and vandalism, vegetation removal, and facility maintenance. The County reimbursed the City on a time-and-materials basis for services provided under the Original MOA, which expired on June 30, 2019.

The new Agreement would revive the Original MOA, carrying over all material terms, with the District replacing the County. The coordinated maintenance responsibilities are divided into six categories:

- **Quarterly inspections**, under which the City and the District perform quarterly inspections of the Channel (currently, the County performs this on behalf of the District), the City prepares an annual report, and the District updates the Colma Creek Flood Zone Citizens Advisory Committee;
- **Illegal Encampment Clean-Up Program**, under which the City cleans up homeless encampments in accordance with all applicable legal requirements;
- **Trash Clean-Up Program**, under which the City identifies and prioritizes the clean-up of trash accumulation sites;
- **Grffiti and Vandalism Abatement**, under which the City abates identified graffiti and vandalism according to best management practices;
- **Vegetation Removal**, under which the City removes vegetation according to best management practices at the District’s request; and
- **Facility Maintenance**, under which the City and the District collaborate to identify and perform minor repairs to facilities located within the Channel and in Channel access areas.

Unless terminated by either party, this Agreement would remain in place until June 30, 2023.

Impact on District Resources: From District funds secured through property tax revenue from the Colma Creek Flood Zone, the Agreement includes a total not-to-exceed amount of \$100,000 in payments to the City based on the rates provided in Exhibit B. In addition, Flood Zone funds would cover time of County staff working with the City on behalf of the District, and District staff time to coordinate efforts with the City.

Attachment: Agreement with the City of South San Francisco Regarding Colma Creek Channel Maintenance

DRAFT
AGREEMENT
 between the
CITY OF SOUTH SAN FRANCISCO
 and the
SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
REGARDING COLMA CREEK CHANNEL MAINTENANCE

This Agreement, made and entered into this _____ day of _____, 2020, by and between the City of South San Francisco (“City”), a municipal corporation of the State of California, and the San Mateo County Flood and Sea Level Rise Resiliency District ("District"), a special district in San Mateo County, State of California.

WHEREAS, a portion of the Colma Creek Flood Control Channel financed, constructed, and maintained by District lies within the incorporated limits of the City; and

WHEREAS, the City and District have identified a need for a collaborative effort and sharing of resources in vegetation management, abatement of graffiti, vandalism, illegal dumping, illegal encampments, minor maintenance efforts, and the collection and disposal of trash and debris deposited in and around the Colma Creek Flood Control Channel in the City; and

WHEREAS, trash in the creeks and waterways is detrimental to the community and to the environment; and

WHEREAS, the City and District have implemented programs that include the removal of trash along creeks and waterways to comply with National Pollutant Discharge Elimination System (NPDES) Municipal Regional Stormwater Permit issued by the San Francisco Bay Regional Water Quality Control Board (Order R2-2009-0074, NPDES Permit No. CAS612008, October 14, 2009); and

WHEREAS, the City has the resources and current programs to assist in the management of vegetation, graffiti, vandalism, illegal dumping, illegal encampments, and minor maintenance in and around the Colma Creek Flood Control Channel in the City; and

WHEREAS, the City and District desire to enter into an Agreement to utilize City resources for vegetation management, abatement of graffiti, vandalism, illegal dumping, illegal encampments, minor maintenance, and trash prevention and removal activities within and adjacent to the Colma Creek Flood Control Channel; and

WHEREAS, the City and District also intend to enter into an Access and Permit Agreement related to the City’s Orange Memorial Park Storm Water Capture Project (“OMP Project”) to provide water quality improvements pursuant to the above-referenced Municipal Regional Stormwater Permit, which Access and Permit Agreement, among other items, imposes upon the City certain maintenance obligations related to the OMP Project separate from those covered by this Agreement; and

WHEREAS, the City and District are government agencies duly authorized and existing under the laws of the State of California, and situated within the boundaries of the County of San Mateo; and

WHEREAS, Government Code section 54981 allows the legislative body of any local government agency to contract with another agency for performance of municipal services or functions; and

WHEREAS, Government Code section 6502 provides that, if authorized by their legislative or other governing bodies, two or more public agencies may by agreement jointly exercise any power common to the parties.

NOW, THEREFORE, in consideration of their mutual covenants in this Agreement, the CITY and DISTRICT agree as follows:

I. TERMS AND CONDITIONS

A. Term of Agreement

The term of this Agreement shall be from the date first set forth above to June 30, 2023. This Agreement may be terminated pursuant to Section J.

B. Authorizations

The City Manager is authorized to approve extensions to the term of this Agreement, to modify due dates, to resolve conflicts, or otherwise grant approvals on behalf of the City, provided such approvals are not vested in the authority of the City Council, and provided that any approval requiring payment of funds in excess of appropriated funds shall require City Council approval of the appropriation of those funds.

The Chief Executive Officer of the District is authorized to approve the extension of the term of this Agreement, to modify due dates, to resolve conflicts, or otherwise grant approvals on behalf of District, provided that any approval requiring payment of funds in excess of appropriated funds requires approval of the appropriation of excess funds by the District Board of Directors.

C. Insurance

Each party shall maintain a program of self-insurance or excess insurance, or any combination thereof, and shall name the other party as an additional insured thereto to protect against any liability for bodily injury or property damage arising out of, or in connection with, the performance of the insuring party, its appointed or elected officials, officers, agents, and employees, under this Agreement. The liability coverage under such program of self-insurance or excess insurance shall not be less than Two Million Dollars (\$2,000,000) combined single limit for each occurrence. Each party shall supply a certificate of self-insurance to the other party on or before the time of execution of this Agreement. Each party shall notify the other party in writing prior to any termination of such self-insurance program.

D. Indemnification

Pursuant to Government Code section 895.4, each party agrees to fully indemnify, defend, and hold the other party (including its appointed and elected officials, officers, employees, and agents) harmless from any damage or liability imposed for injury (as defined by Government Code section 810.8) occurring by reason of the negligent acts or omissions or willful misconduct of the indemnifying party, its appointed or elected officials, officers, employees, or agents, under or in connection with any work, authority, or jurisdiction delegated to such party under this Agreement. No party, nor any appointed or elected official, officer, employee, or agent thereof shall be responsible for any damage or liability occurring by reason of the negligent acts or omissions or willful misconduct of the other party hereto,

its appointed or elected officials, officers, employees, or agents, under or in connection with any work, authority, or jurisdiction delegated to such other party under this Agreement.

E. Amendment

This Agreement may be amended at any time upon the written mutual approval of the parties.

F. Notices

Any and all notices required to be given hereunder shall be deemed to have been delivered upon deposit in the United States mail, postage prepaid, addressed to either of the parties at the following address or such other address as is provided by either party in writing:

| | |
|---|--|
| To City: City of South San Francisco P.O. Box 711 South San Francisco, CA 94083 Attn: Director, Public Works | To District: San Mateo County Flood and Sea Level Rise Resiliency District 1700 S. El Camino Real, Suite 502 San Mateo, CA Attn: Len Materman, Chief Executive Officer |
|---|--|

G. Severability

If any provision of this Agreement shall be held to be invalid, void, or unenforceable, the validity, legality, or enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

H. Entire Agreement

This Agreement, together with Exhibit A and Exhibit B attached hereto and incorporated herein contains the entire agreement between the parties with respect to the subject matter hereof, and supersedes all prior negotiations, documents, and discussions pertaining thereto.

I. Debt Limitation

The City and District are both subject to laws or policies which limit their ability to incur debt in future years. Nothing in this Agreement shall constitute an obligation of future legislative bodies of the City or District to appropriate funds for purposes of this Agreement.

J. Termination

Either party may terminate this Agreement by providing the other party with written notice of termination, no less than thirty (30) days prior to the effective date of termination.

K. Conflict of Interest

The City and the District shall each avoid all conflicts of interest in the performance of this Agreement and shall immediately notify the other should a conflict of interest arise that would prohibit or impair the party's ability to perform under this Agreement.

L. Non-Discrimination

Neither the City nor District will discriminate, in any way, against any person on the basis of race, sex, color, age, religion, sexual orientation, actual or perceived gender identification, disability, ethnicity, or national origin, in connection with or related to the performance of this Agreement.

M. Limitations

Sites that may require the performance of the activities under the terms of this Agreement must satisfy all of the following: (i) within the limits of the City, (ii) in or immediately adjacent to the Colma Creek Flood Control Channel as depicted on Exhibit A, and (iii) subject to a City and/or District right-of-way, easement, or permit. Other sites not meeting the requirements of (i), (ii), and (iii) of this subsection are not covered under this Agreement.

N. Disputes

The City and District agree that, with regard to all disputes or disagreements arising under this Agreement which are not resolved informally at the staff level after a good faith attempt by both parties, the parties may, at their sole and mutual discretion, agree to engage in mediation. The costs of the mediation shall be divided equally between the parties, unless otherwise agreed.

O. Payment for Services

In consideration of the services provided by the City or the City's contractors within District right-of-way, easement or future easements as depicted on Exhibit A in accordance with all terms, conditions, and scope set forth herein, the District shall make payment to the City based on the rates and in the manner specified. The City shall submit an invoice to the District upon completion of District-authorized work. Said invoice shall include an accounting of all charges for personnel, material, equipment, and/or outside services which the City shall have used for the performance of the work and a description of the work performed including dates of the work performed. Payments shall be in accordance with the rates described in Exhibit B. Every July 1, the City may notify the District in writing of any rate adjustments as identified in Exhibit B. Rate adjustments are subject to District approval. District shall make payment within thirty (30) days of receipt of invoice. In no event shall District's total fiscal obligation under the term of this Agreement exceed One Hundred Thousand Dollars (\$100,000). Invoices shall be submitted on a monthly basis whenever work is performed under this Agreement.

II. DEFINITIONS

- A. Channel** - The Colma Creek Flood Control Channel financed, constructed, and maintained by District from the confluence with the Navigable Slough (also known historically as San Bruno Creek/Canal/Slough) to the general vicinity of the intersection of El Camino Real and Valley Street in the City of Daly City.
- B. Active Illegal Encampment** - An illegal encampment that appears to have been recently used as an encampment site as evidenced by (i) the presence of persons at or around the encampment, or (ii) the organized, systematic and methodical appearance of the encampment where it would be reasonable to assume that it is currently being used as an encampment.

- C. City Waste** - All wastes generated by or collected by the City in the performance of all municipal services, including Grit and Screenings, but excluding Sewage Sludge or other residue from waste-water treatment facilities, and including, but not limited, to debris from street and sewer repairs and construction, debris from public and private lot clean-up operations, tires from municipal vehicles, debris from street sweepings, grass clippings, leaves and tree trimmings from maintenance of City parks, streets, median strips, and property, rock and concrete not exceeding a non-diagonal dimension of four (4) feet, asphalt pavement as found in streets, tree stumps and branches no more than eight (8) feet long and no more than two (2) feet in diameter, bulky wastes such as large appliances and furniture found in clean-up operations of real property, parks or other public or private lands, and other similar wastes generated by or collected by the City. Except as provided in this Section II.C, City Waste shall not include residential garbage and rubbish, or commercial garbage and rubbish that is generated by private individuals or private businesses and is regularly collected by the City's waste hauler from private property.
- D. Grit and Screenings** - Grit includes sand, gravel, cinder, or other heavy solid materials that are "heavier" (higher specific gravity) than the organic biodegradable solids in wastewater. Grit also includes eggshells, bone chips, seeds, coffee grounds, and large organic particles, such as food waste. Screenings are suspended solids or objects such as rags, paper, plastics, and metals to prevent damage and clogging of downstream equipment, piping, and appurtenances.
- E. Hazardous Waste** - A solid waste, or combination of solid wastes, which, because of its quantity, concentration, or physical, chemical, or infectious characteristics may: (i) cause, or significantly contribute to an increase in mortality, or an increase in serious irreversible, or incapacitating reversible illness; or (ii) pose a substantial, present, or potential hazard to human health or the environment when improperly treated, stored, transported, or disposed of, or otherwise managed.
- F. Illegal Encampment** - A camp located in or immediately adjacent to the Colma Creek Flood Control Channel within the City that has not been permitted by the City, District, and/or other agencies with jurisdiction to regulate that camping activity.
- G. Inactive Illegal Encampment** - An illegal encampment that does not appear to have recently been used as an encampment as evidenced by: (i) the lack of persons at or around the encampment, and (ii) the unorganized, unmethodical, unsystematic, haphazard appearance of the encampment where it would be reasonable to assume that it was abandoned.
- H. Right-of-Way** - Recorded deed for property, either in form of fee title ownership or easement.
- I. Sewage Sludge** - Sewage sludge are nutrient-rich organic materials resulting from the treatment of domestic sewage in a wastewater treatment facility.
- J. Trash** - All illegal dumping and improperly discarded waste material, including, but not limited to, shopping carts, tires, furniture, pallets, convenience food, beverage, and other product packages or containers constructed of steel, aluminum, glass, paper, plastic, and other natural and synthetic materials, thrown or deposited on the lands and waterways within the City. For the purposes of this Agreement, Trash does not include sediment or vegetation; except for yard waste that is illegally disposed in or along the Colma Creek Flood Control Channel.

- K. Universal Waste** - Any of the following hazardous wastes that are subject to the universal waste requirements of 40 CFR part 273 or CCR Title 22, Division 4.5, Chapter 23, including: (1) Batteries as described in § 273.2; (2) Pesticides as described in § 273.3; (3) Mercury-containing equipment as described in § 273.4; and (4) Lamps as described in § 273.5. (source: 40 CFR §273.9)
- L. Advisory Committee** – The Colma Creek Flood Control District Citizens Advisory Committee

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III. SCOPE

A. Agreement Administration

1. *Quarterly Channel Inspections*

The City shall perform quarterly inspections of the Channel from the confluence of Colma Creek and Navigable Slough to five hundred (500) feet upstream of the McClellan Avenue crossing (City boundary). Staff shall inspect areas within and adjacent to the Channel. The quarterly inspections shall:

Identify issues related to maintenance needs, including litter problem areas, illegal dumping sites, abandoned shopping carts, graffiti, vandalism, Active and Inactive Illegal Encampments, areas in need of vegetation maintenance, including those areas within the Channel and along access roads, and fence repair needs along the Channel.

2. *Reporting*

a. The City shall prepare an Annual Report.

- i. The Annual Report for each fiscal year (July 1 – June 30) shall be prepared and submitted to District by the City by July 31 of each year this Agreement is in effect.
- ii. The Report must include at a minimum the following:
 - Status, accomplishments, and requests to be completed under this Agreement;
 - Number of sites, site locations, and amount of material collected during all clean-up programs or projects under this Agreement;
 - Number of sites and site locations of Illegal Encampments removed under this Agreement;
 - Actual expenditures under this Agreement.
- iii. The information provided pursuant to ii. above, and other appropriate metrics as agreed upon by District and the City, shall be used to determine the success of the maintenance program, and generate information that supports Municipal Regional Stormwater Permit reporting.

b. The Annual Report shall be submitted by District to the Advisory Committee each calendar year for the Advisory Committee's September meeting.

3. *Environmental Permitting*

For maintenance activities by the City in and around the areas of Colma Creek that are included in the District's long-term maintenance permit from environmental regulatory agencies, City shall be responsible for compliance with the provisions of such permit(s) in the performance of these activities. For other activities by the City in and around Colma Creek, the City shall obtain all necessary permits.

B. Illegal Encampment Clean-up Program

The Illegal Encampment clean-up program focuses on the cleanup of Active and Inactive Illegal Encampment sites and is led by the City on an as-needed basis.

1. City Actions

The City shall:

- a. Coordinate site identification, which includes the identification of the sites and verification (in collaboration with District staff) that the sites are within the City limits, that either District or the City has right-of-way on the sites, and that the sites are in or adjacent to the Colma Creek Flood Control Channel;
- b. Coordinate site logistics, which includes coordinating the timing of the clean-ups; and coordinating with the District on services and supplies needed as described in 2. below under District Actions for this program;
- c. Provide clean-up personnel and supervision, which includes providing sufficient personnel and supervision to conduct the cleanup. Alternately, the City may contract with another entity to provide personnel for clean-up of Active Illegal Encampments. The City shall ensure that notices of the clean-up are posted by the City at least seventy-two (72) hours prior to the clean-up date of the sites and in accordance with all applicable laws.
- d. Coordinate appropriate social services, which includes coordinating appropriate and available resources to attend clean-ups and direct any encampment occupants to social services as needed and in accordance with all applicable laws;
- e. Provide disposal of non-hazardous wastes, which includes the acceptance at an appropriate disposal facility of materials meeting all of the following conditions:
 - i. Materials meet the definition of "Trash";
 - ii. Materials include only Trash from this clean-up program; no other materials may be commingled with the material collected pursuant to this Agreement;
 - iii. Any vehicle or container used for this purpose must be empty at the start of the clean-up and must be dumped at the end of the clean-up without being used for any other purpose; all containers must be secured to prevent unauthorized deposition of waste in the containers;
 - iv. Materials include no Hazardous Wastes (such as containers of fuel, paint, or chemicals), Universal Wastes (such as batteries, lamps, televisions, or other electronic waste), sediment or vegetation, or other materials banned from landfill disposal (such as tires, appliances, motor vehicles, and other large metallic discards);
 - v. Delivery is accompanied by properly completed forms; and
 - vi. All regulations at the disposal facility shall be observed by disposal vehicle drivers.
- f. Lawfully manage personal possessions, which include the receipt, storage, and management by the City of personal possessions collected during clean-ups.

2. District Actions

The District shall:

- a. Ensure appropriate permits are obtained for the performance of maintenance work in and around the Colma Creek Flood Control Channel pursuant to this Agreement;
- b. Provide notifications when appropriate and coordinate with permitting agencies when requested by the City.

3. *Standard Operating Procedures*

- a. The parties agree that all clean-up of Illegal Encampments under the encampment clean-up program will be performed in accordance with the City's standard procedures.
- b. The City procedures may be amended from time to time by the City. City shall notify District of any amendments to City procedures impacting clean-up of Illegal Encampments.

C. Trash Clean-Up Program

The Trash Clean-Up Program helps address the clean-up of Trash accumulations that fall outside the scope of the encampment cleanup program. It is coordinated by City staff through the Quarterly Channel Inspections described in Section III.A.1 of this Agreement. Sites must be located within the Colma Creek Flood Control Channel right-of-way, easement, and the boundaries of the City.

1. *Site Identification:*

- a. City staff will identify the Trash Clean-Up Program sites, using the following criteria for prioritization:
 - i. Site is a historically-reoccurring litter problem area
 - ii. Site has received complaints from the public
 - iii. Site provides opportunity for proactive intervention
 - iv. Site has a significant accumulation of debris

2. *Implementation*

- a. The City shall on an annual basis develop, maintain, and distribute to appropriate City and District personnel a list of trash prevention and removal programs and their associated staff contacts. This list is intended to improve coordination and make communications with residents more seamless.

D. Abatement of Graffiti and Vandalism

- a. The City may abate graffiti and vandalism within the Colma Creek Flood Control Channel right-of-way, easement, and the boundaries of the City.
- b. Recognizing that timely abatement of graffiti and vandalism discourages proliferation of associated illegal activities, District authorizes the City to abate upon notice by any party.
- c. The City shall provide photographs of graffiti that was removed (before and after) as a condition of reimbursement for services provided under this Agreement.

- d. Proper best management practices (BMPs) shall be followed to ensure compliance with water quality laws and regulations, including, but not limited to, BMPs for methods of proper capture and disposal of wastes generated during graffiti removal activities.

E. Vegetation Management

- a. Vegetation removal within the Channel and access road areas may be conducted by the City upon request by the District.
- b. Vegetation removal within the Channel shall not occur unless the necessary permit coverage has been obtained by District.
- c. Proper best management practices (BMPs) shall be followed to ensure compliance with water quality laws and regulations, including, but not limited to, BMPs for methods of proper capture and disposal of debris generated during vegetation removal activities.
- d. Use of herbicides shall be compliant with the NPDES requirements pursuant to the San Francisco Bay Municipal Regional Stormwater Permit and requirements of the City's Integrated Pest Management Plan, if applicable.

F. Minor Maintenance

The City and District will work collaboratively on identifying and performing minor repairs to the following, but not limited to, facilities within the Colma Creek Flood Control Channel right-of-way and access road areas:

- Fences, posts, cables, and gates.
- Flap gates, valves, and other flow restriction devices.
- Concrete or asphalt pavement/sidewalk.

When requested by District, the City shall submit a proposal that includes a scope of work and anticipated costs. District shall authorize the proposed work by the City prior to commencement of repairs. Reimbursement for actual costs shall be in accordance with the terms under Section I-O, "Payment for Services".

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have executed this Agreement.

“City”
CITY OF SOUTH SAN FRANCISCO,
a California municipal corporation

“District”
SAN MATEO COUNTY FLOOD AND
SEA LEVEL RISE RESILIENCY DISTRICT

By: _____
Mike Futrell, City Manager

By: _____
Len Materman, Chief Executive Officer

Date: _____

Date: _____

Authorized by
Resolution No.: _____

By: _____
City Clerk

Adopted: _____, 2020

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Sky Woodruff, City Attorney

Brian E. Kulich, District Legal Counsel

Date: _____

Date: _____

EXHIBITS:

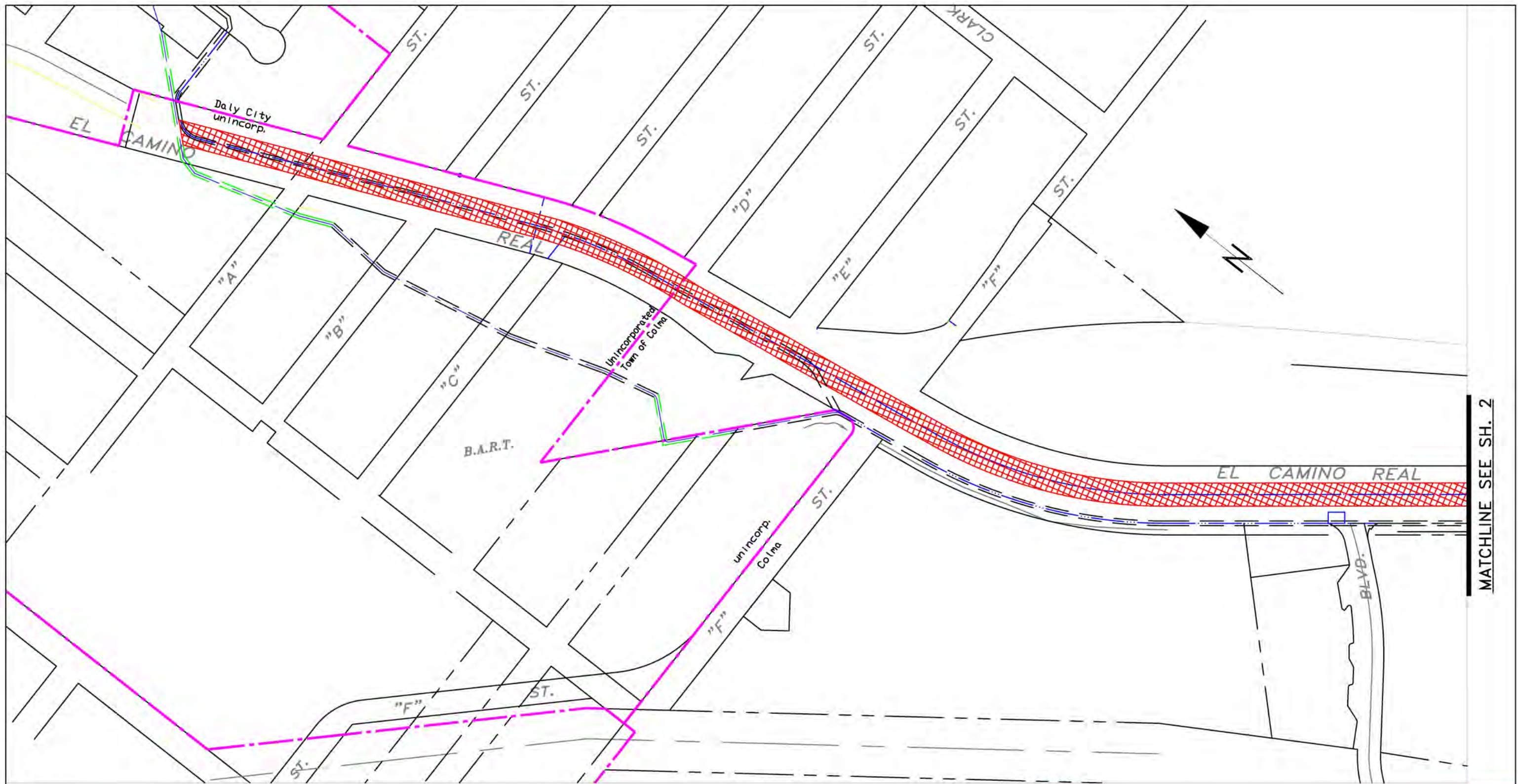
- A – Colma Creek Flood Control Channel Right-of-Way Map
- B – City of South San Francisco Labor, Material, and Equipment Rates

EXHIBIT "A"

COLMA CREEK FLOOD CONTROL CHANNEL

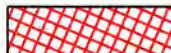





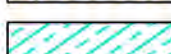
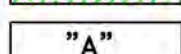
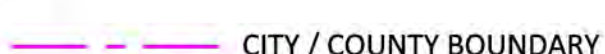
RIGHT-OF-WAY MAP

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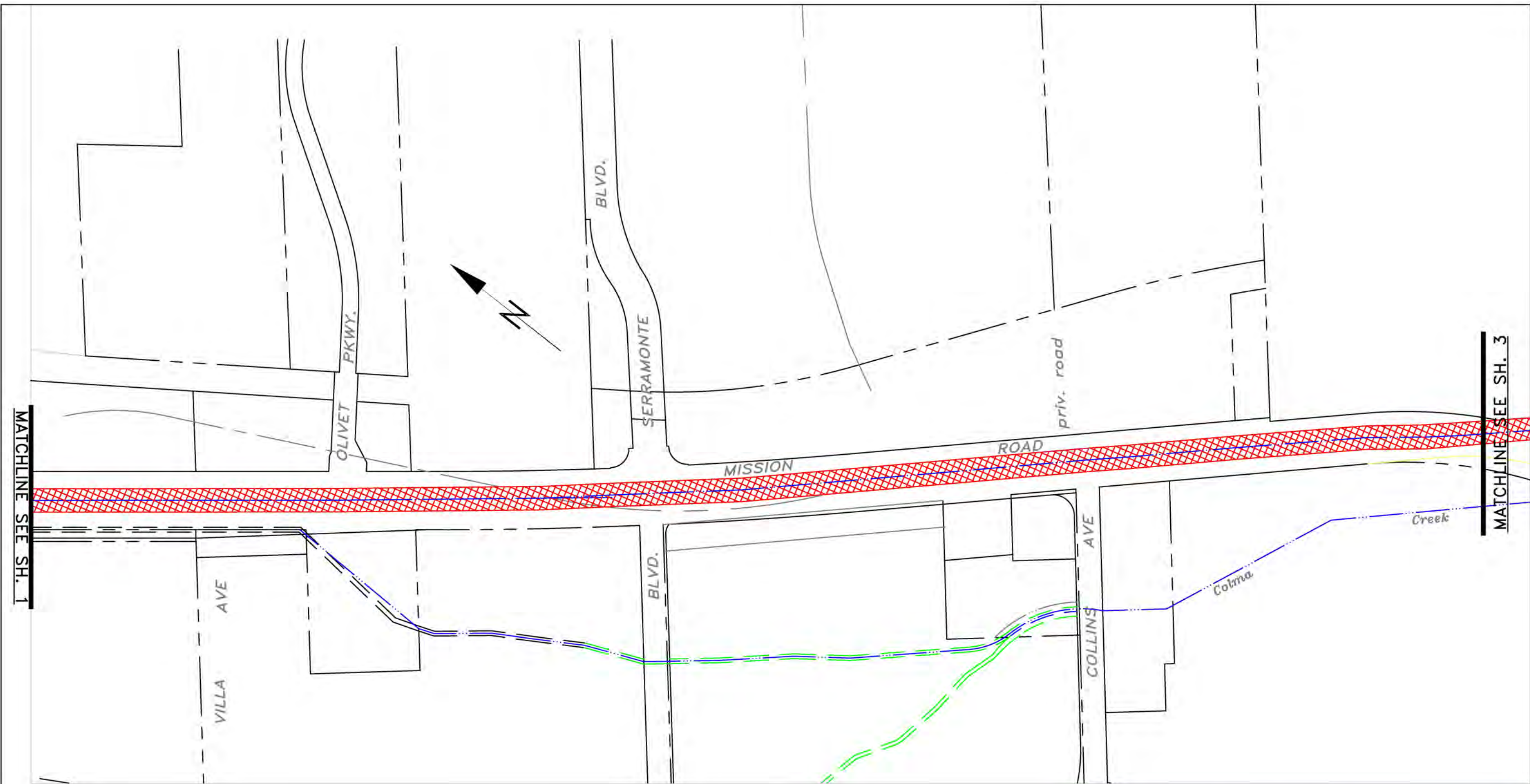


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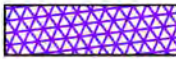




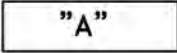

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|  CALTRANS |  S.M.CO. FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT |
|  CITY OF SOUTH SAN FRANCISCO |  S. P. T. C. (UNION PACIFIC) |
|  PENINSULA-CORRIDOR-JOINT-POWERS-BOARD |  TOWN OF COLMA |
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| |  CITY / COUNTY BOUNDARY |

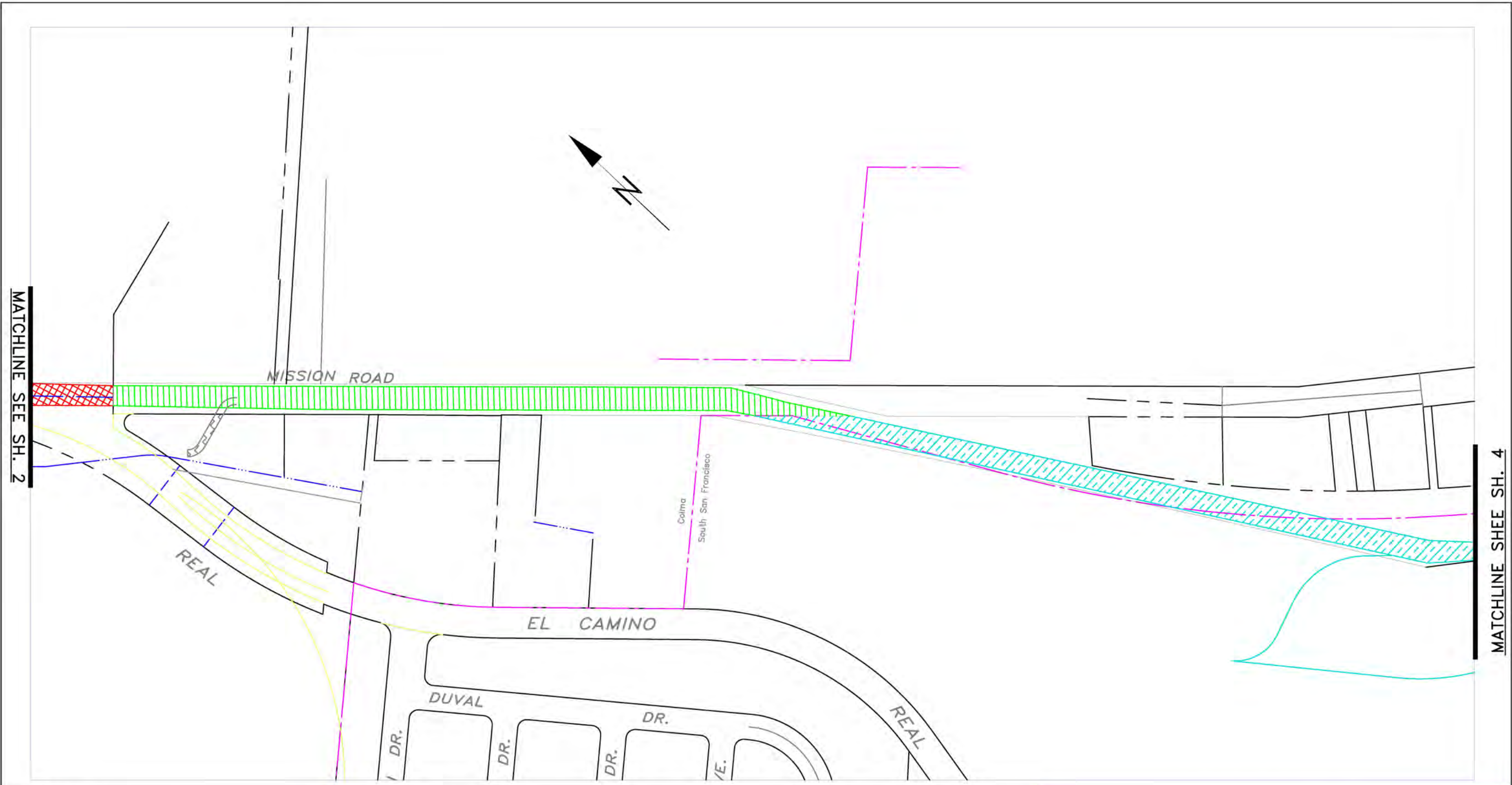
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 COLMA CREEK FLOOD CONTROL CHANNEL
 SAN MATEO COUNTY
 FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
 SCALE: 1" = 200'





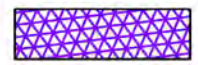


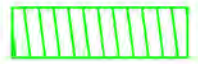

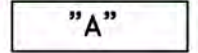

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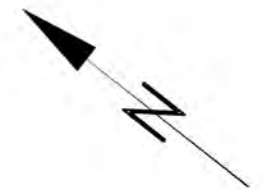
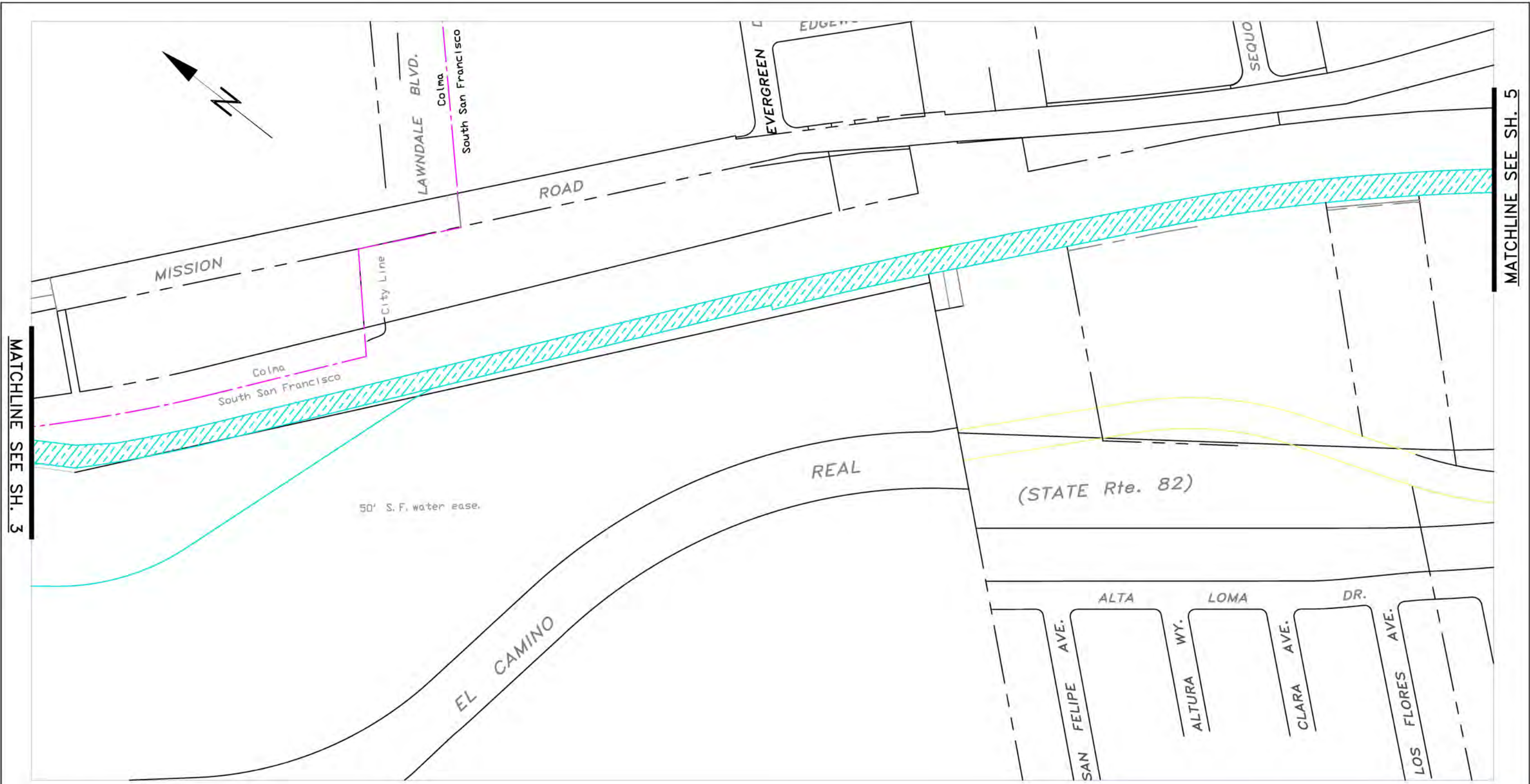
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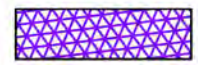


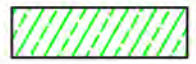

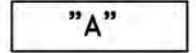
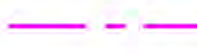
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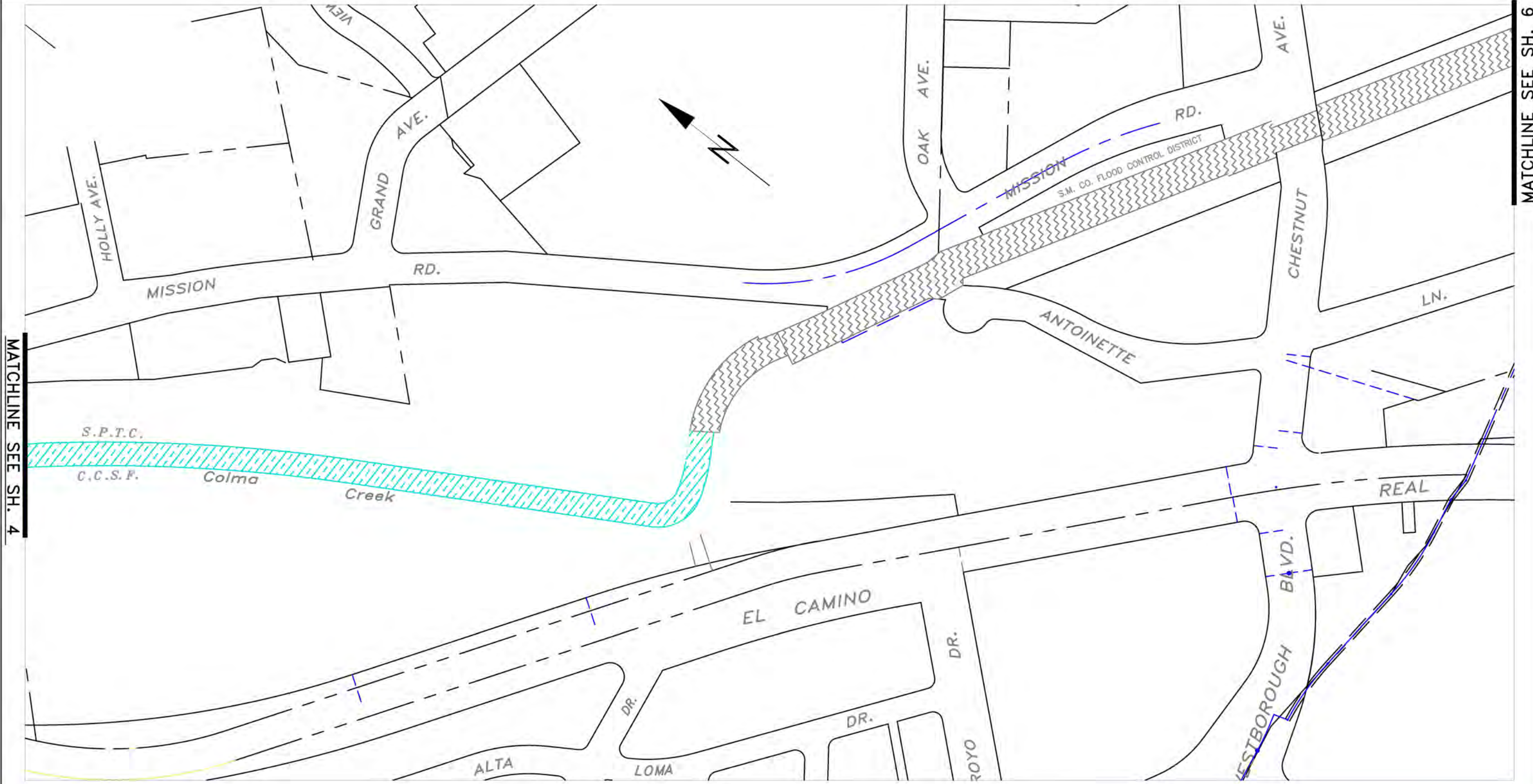
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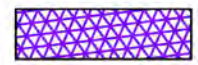




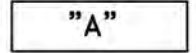

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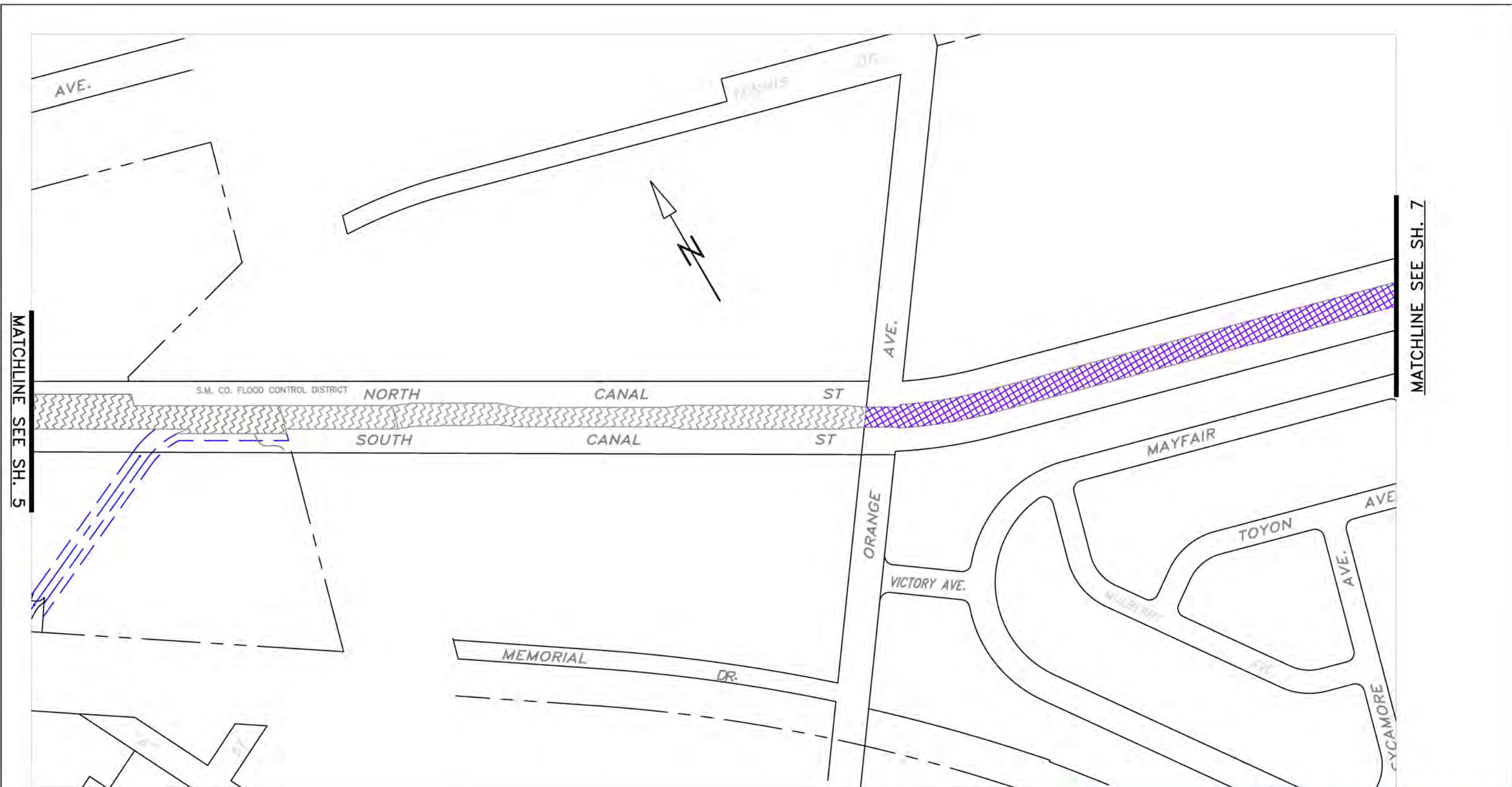
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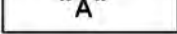

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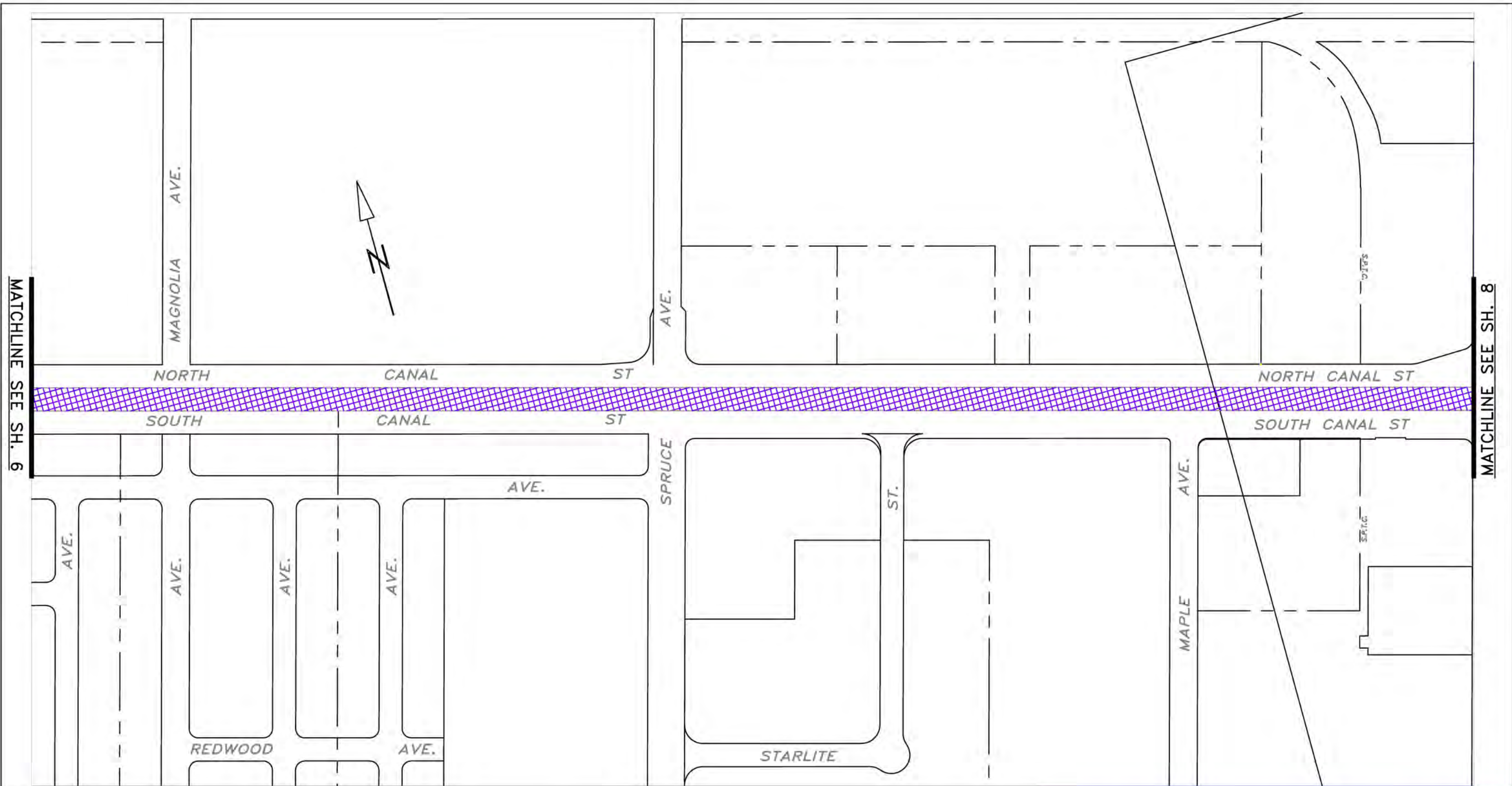
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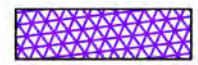




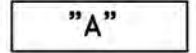

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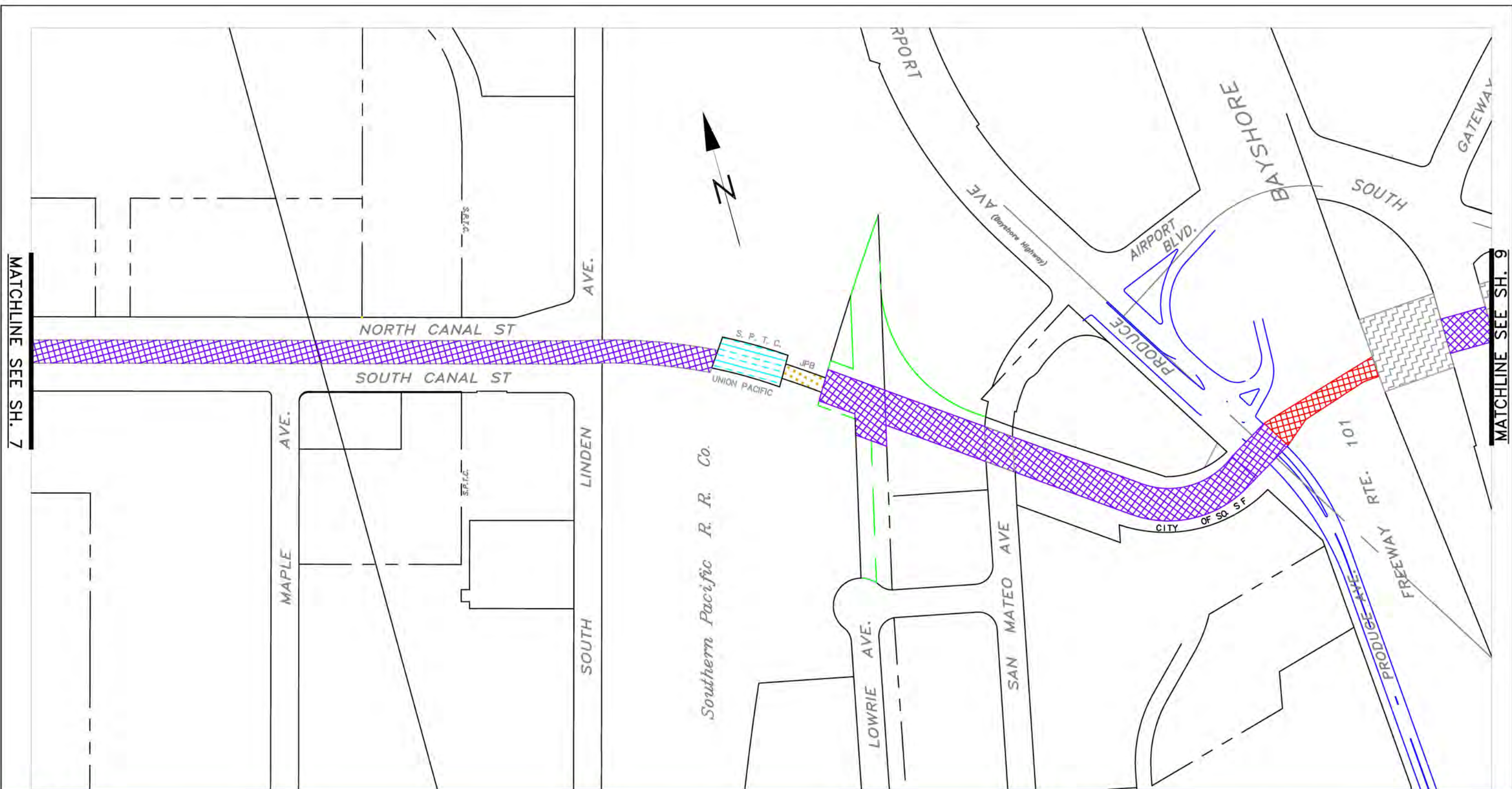
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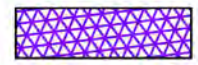




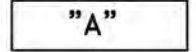

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 SAN MATEO COUNTY
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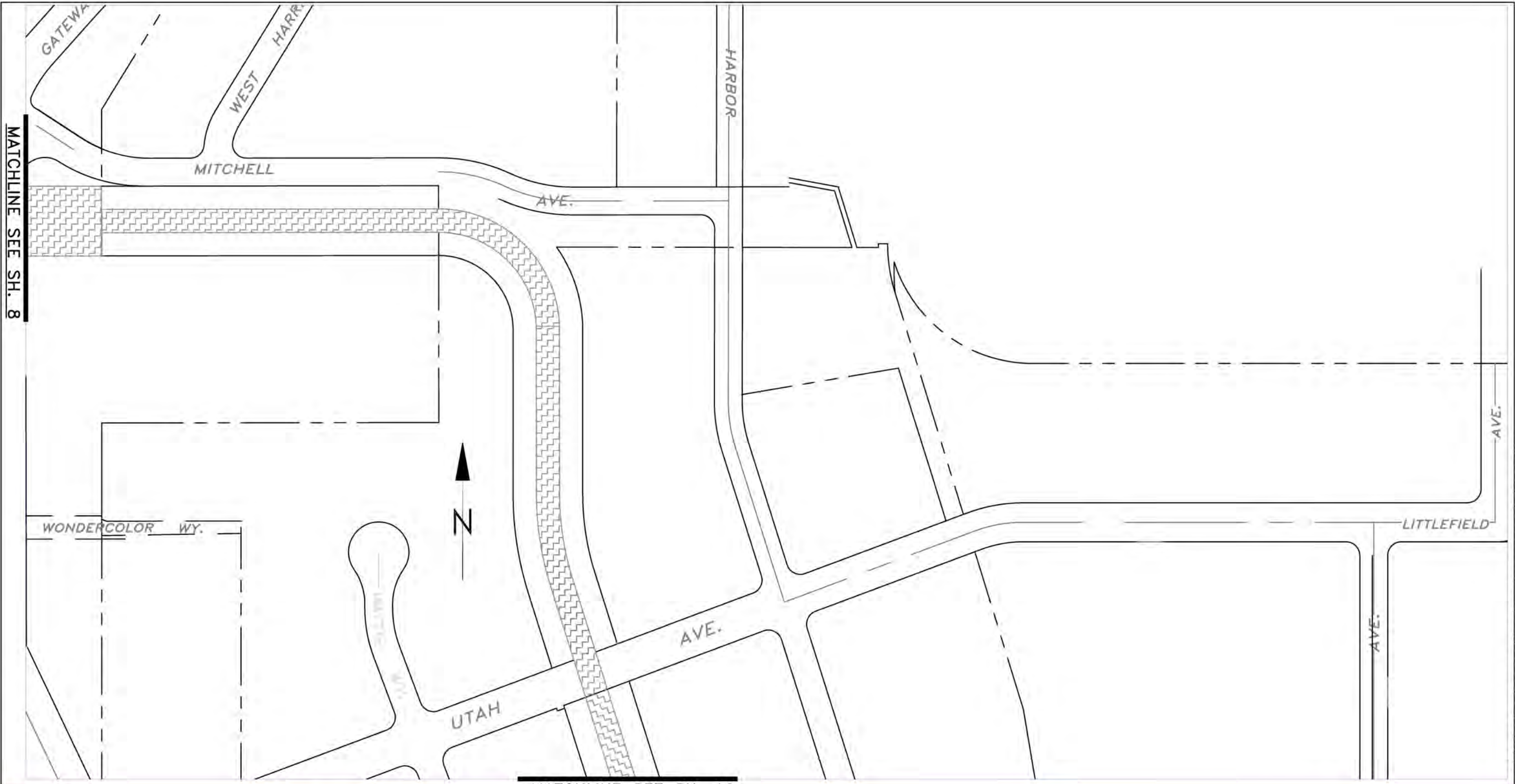
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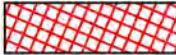

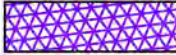




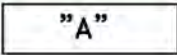

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RIGHT-OF-WAY MAP
 COLMA CREEK FLOOD CONTROL CHANNEL
 SAN MATEO COUNTY
 FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
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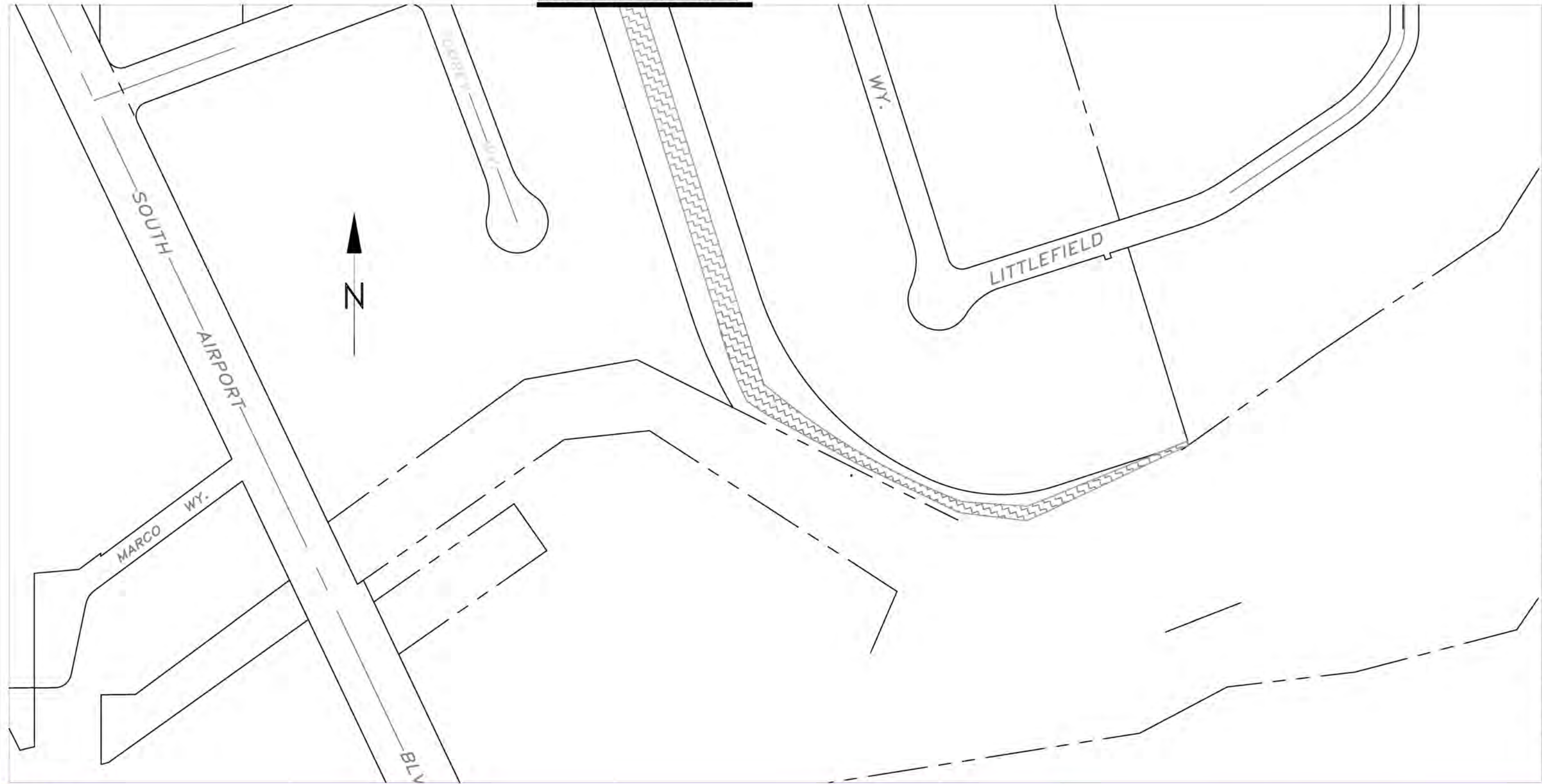
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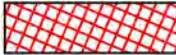

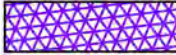




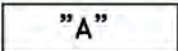

RIGHT-OF-WAY MAP
 COLMA CREEK FLOOD CONTROL CHANNEL
 SAN MATEO COUNTY
 FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
 SCALE: 1" = 200'

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|  CITY OF SOUTH SAN FRANCISCO |  S. P. T. C. (UNION PACIFIC) |
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 SAN MATEO COUNTY
 FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
 SCALE: 1" = 200'

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EXHIBIT "B"

CITY OF SOUTH SAN FRANCISCO

LABOR, MATERIALS, AND EQUIPMENT RATES

| | |
|--|----------------------|
| | |
| Public Works Director/City Eng. | 175.20 |
| Deputy Public Works Director | 130.00 |
| PW Program Manager | 105.00 |
| PW Maintenance Supervisor | 90.00 |
| PW Electrical Services Supervisor | 100.00 |
| Management Analyst I | 85.00 |
| Management Analyst II | 90.00 |
| Administrative Assistant I | 55.00 |
| Administrative Assistant II | 60.00 |
| PW Maint. Worker | 60.00 |
| Senior PW Maint. Worker | 65.00 |
| Lead PW Maint. Worker | 70.00 |
| Electrical Technician | 80.00 |
| Senior Electrical Technician | 90.00 |
| Lead Electrical Technician | 100.00 |
| Sweeper Operator | 70.00 |
| Equipment Operator | 70.00 |
| Equipment Mechanic | 74.00 |
| Parks Maint. Worker | 60.00 |
| Police Officer | 110.00 |
| Police Sgt. | 130.00 |
| Safety Inspector | 110.00 |
| | |
| Equipment (Caltrans Rate Description) | Hourly Charge |
| Truck (6,000-12,000 GVW) | 31.00 |
| Truck (12,000-20,000 GVW) | 40.16 |
| Backhoe (JCB 314 Loader w/ Backhoe) | 55.74 |
| Bucket Truck (12,000-20,000 GVW w/ boom type lift 25-50ft) | 71.69 |

| | |
|---|--------|
| Crane (truck 48,000-60,000 GVW w/ boom type lift 25-50ft) | 102.56 |
| Sweeper (Vacuum sweeper w/ 6 yd. hopper) | 166.60 |
| Jetter* | 105.00 |
| Vac-Con* | 175.00 |
| * Not in the Caltrans List of Equipment | |

***Equipment rates not specifically called out in this agreement will be charged according to the State of California/California State Transportation Agency Labor Surcharge and Equipment Rental Rates.*

3636264.2

DRAFT

San Mateo County Flood and Sea Level Rise Resiliency District
Agenda Report

Date: December 14, 2020
To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors
From: Len Materman, CEO
Subject: Authorize the Chief Executive Officer to Enter Into an Access and Permit Agreement with the City of South San Francisco for the City’s Orange Memorial Park Storm Water Capture Project

Recommendation:

That the San Mateo County Flood and Sea Level Rise Resiliency District (“District”) Board of Directors (“Board”) authorize the Chief Executive Officer (“CEO”) to enter into an Access and Permit Agreement (“Agreement”) with the City of South San Francisco (“City”) for construction and maintenance of the Orange Memorial Park Storm Water Capture Project (“Project”).

Background and Discussion:

The City is undertaking the Project to provide water quality improvements in a portion of Colma Creek within Orange Memorial Park that is controlled by the District. Once completed, the Project will capture and treat approximately 16% of the annual volume in Colma Creek, which drains over 16 square miles of watershed in the northern San Francisco Peninsula, including portions of the City of South San Francisco (“City”), cities of Pacifica, Daly City, and San Bruno, Town of Colma, and unincorporated areas of San Mateo County.

The City has already obtained the necessary regulatory approvals and permits to begin Project construction, and wishes to do so in 2021. As a part of the Project, the City plans to install an instream diversion structure to divert water from the Creek channel into an underground infiltration facility and an overflow structure to allow water to flow back into the channel. These two permanent structures will be located within the District’s right-of-way.

The Agreement, which is attached to this Agenda Report, provides the City access to District property to construct, install, operate, maintain, and repair the improvements. Specifically, under the Agreement:

- The District grants the City a revocable license to access the Creek channel for the above purposes;
- The Agreement may be terminated by the City if/when the improvements become obsolete, and by the District if either the improvements or City actions under the Agreement interfere with the District’s operations or use of its property, or there is a breach of the Agreement by the City;
- The City must obtain the District’s advance written approval for any other improvements;
- The City must obtain all necessary permits, comply with all laws (including CEQA) and exercise due care, restore any damage to District property, properly maintain the improvements, and indemnify the District for any damage/harm caused.

The City’s maintenance of Colma Creek unrelated to this project are covered under the Agreement that is the subject of Agenda Item 4.A. at this Board meeting.

Impact on District Resources:

There is no impact on District resources associated with authorizing the CEO to enter into the Agreement.

Attachment: Access and Permit Agreement with the City of South San Francisco for the City’s Orange Memorial Park Storm Water Capture Project

DRAFT ACCESS AND PERMIT AGREEMENT

This ACCESS AND PERMIT AGREEMENT (this “*Permit*”) is made and entered into as of _____, 2020 (the “*Effective Date*”), by and between the City of South San Francisco, a municipal corporation (the “*City*”), and San Mateo County Flood and Sea Level Rise Resiliency District, a California special district (“*District*”).

RECITALS

A. The District is the owner of certain real property within Colma Creek Flood Control Zone, including the right of way within the Colma Creek Flood Control Channel located in the incorporated limits of the City, as described more particularly on Exhibit A attached to this Agreement (the “*Permit Area*”).

B. The City is undertaking the Orange Memorial Park Storm Water Capture Project (“*Project*”), which will provide water quality improvements meeting National Pollutant Discharge Elimination System (*NPDES*) requirements pursuant to the San Francisco Bay Municipal Regional Stormwater Permit (Order R2-2009-0074, NPDES Permit No. CAS612008, October 14, 2009), including reducing PCB and mercury discharge into the San Francisco Bay. The Project would capture and treat approximately sixteen (16) percent of the annual drainage from approximately 6,500 acres of land in the City of South San Francisco, Town of Colma, the City of Daly City, and a portion of unincorporated San Mateo County.

C. As a part of the Project, the City needs to install an instream diversion structure and overflow pipe at the upper end of the Colma Creek Flood Control Channel (Channel) within Orange Memorial Park (“*Facilities*”). These Facilities are located within the District’s right of way in the Permit Area, and will be constructed as permanent fixtures. The City requires access to the Permit Area to construct, install, operate, maintain and repair the Facilities.

D. The Project, including the construction, modification and removal of the Facilities, is subject to various federal, state and local regulatory oversight and the City has obtained regulatory approvals and permits that are necessary to commence Project construction, including permits from the California Department of Fish and Wildlife, California State Water Resources Control Board, the U.S. Army Corps of Engineers, and the California Department of Transportation.

E. In 2019, the City submitted plans and designs of the Facilities to the San Mateo County Flood Control District, predecessor to the District. On October 15, 2020, the City provided detailed plans of the Facilities to the District for review, and the City agrees to construct the Facilities in accordance with such submitted plans and designs, the City’s standard engineering practices, and all applicable laws and regulations.

F. To facilitate the construction of the Facilities and to complete the Project, the City desires to obtain the District’s permission to locate the Facilities in the Permit Area and to provide for the construction, operation, and maintenance activities and related purposes by City and its contractors, agents, and employees over the Permit Area, and District desires to grant such access and permit pursuant to the terms contained herein.

AGREEMENT

NOW THEREFORE, in consideration of the promises set forth in this Permit and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, City and District agree as follows:

1. **GRANT OF PERMIT.** District grants to City a permit to access the Permit Area and to construct the Facilities within the Permit Area, and to operate, maintain and repair the Facilities within the Permit Area after it has been constructed (collectively, the “*Permitted Use*”), subject to the terms and conditions set forth in this Permit. This Permit gives City a license only, and nothing in this Permit shall be construed as granting or creating any additional rights pursuant to any federal, state or local laws. Upon the Commencement Date of this Permit, the use and enjoyment of the Permit Area by City shall be governed by and subject to the terms and conditions of this Permit.

2. **RIGHTS OF EGRESS AND INGRESS.** City shall have the non-exclusive rights of ingress and egress across District property to conduct the Permitted Use under this Permit, provided that such ingress and egress activity shall not impede or interfere unduly with District’s operations and use of District property, and which ingress and egress activity may be suspended by District if: (a) District provides written notice of such impediment or interference to City, and (b) such impediment or interference continues for seven (7) days after notice has been received by City.

3. **GRANT OF OTHER EASEMENTS, LICENSES, CONVEYANCES, ENCUMBRANCES.** District reserves the right to grant easements or crossings in, over, upon, and under the Permit Area, and nothing herein contained shall be construed as limiting the powers of District to lease, convey, or otherwise transfer or encumber during the term of this Permit the lands described in this Permit for any purposes whatsoever, provided that such lease, conveyance, transfer or encumbrance do not impede or interfere with the Facilities’ location, structural integrity or operation, or with the City’s ability to carry out the Permitted Use within the Permit Area.

4. **TERMINATION.**

a. This Permit shall continue in full force and effect unless:

i. The Facilities become obsolete and no longer serves the Project’s purpose, as determined by the City Engineer. In that event, City shall provide the District with sixty (60) days’ advance notice of the proposed termination.

ii. The Permitted Use or the Facilities impede or interfere unduly with District’s operations or use of District property, and such impediment or interference continues for thirty (30) days after notice of such impediment or interference by District.

b. Upon termination of this Permit, City and District will meet and confer regarding whether the Facilities are to be sealed and abandoned in place, or to be removed and the steps to facilitate such removal. If after meeting and conferring the Parties are unable to reach an agreement regarding abandonment or removal of the Facilities, City shall remove all Facilities, as well as any equipment and other improvements in the Permit Area, and shall cause the Permit Area

to be in the same condition as when received, provided that City shall not be responsible for damages by fire, earthquake, other natural disasters, act of God, or circumstances beyond its control and that cannot be reasonably anticipated or mitigated.

c. Notwithstanding the foregoing, District may also terminate the Permit upon the occurrence of an Event of Default (as defined below in Section 11) for which the City fails to provide a timely cure or to initiate cure as provided in Section 11.

5. PERMITTED USE. City shall use the Permit Area for the Permitted Use and for no other purpose.

a. No Exclusivity. City acknowledges and agrees that City has no exclusive rights under this Permit except as provided herein.

b. Prohibited Activities. Without limiting any other provision of this Permit, City shall not without the prior written consent of District: (a) cause or permit anything to be done, in or about the Permit Area, or bring or keep anything thereon which might (i) create a nuisance as defined under applicable laws; (ii) in any way obstruct or interfere with District's rights or third-party rights on District properties; (b) commit or suffer to be committed any waste upon the Permit Area; or (c) use, or allow the Permit Area to be used, for any illegal purpose in violation of applicable laws.

c. Inspection. District may cause the Permit Area and City's Permitted Use to be inspected at any time to ensure compliance with this Permit including that the Facilities are constructed in accordance with the approved plans and designs dated October 15, 2020. Moreover, City agrees to share with District, upon written request by District, all data collected by the Facilities installed pursuant to this Permit.

6. NO ASSIGNMENT. City shall not assign, encumber, or otherwise transfer ("*Transfer*"), whether voluntary or involuntary or by operation of law, the Permit Area, this Permit, or any right hereunder, without District's prior written consent, which consent may be granted or denied in District's sole and absolute discretion. District's consent to one Transfer shall not be deemed a consent to subsequent Transfers. Any Transfer made without District's consent shall constitute a default hereunder and shall be voidable at District's election.

7. COMPLIANCE WITH LAWS.

a. General Obligation. At all times, City shall cause the Permit Area and the Permitted Use to comply with all present and future applicable federal, state and local laws, rules, regulations, and ordinances, as the same may be amended from time to time, whether foreseen or unforeseen, ordinary as well as extraordinary.

b. California Environmental Quality Act. City agrees that for purposes of the California Environmental Quality Act, Public Resources Code Section 21000, *et seq.* ("*CEQA*"), and the CEQA Guidelines, 14 Cal. Code Regs. Section 15000, *et seq.*, City is the "Lead Agency" for the Project and will comply with all CEQA requirements before installing the Facilities pursuant to this Permit.

8. WAIVER; INSURANCE; INDEMNITY.

a. Waiver. City, on behalf of itself and its successors and assigns, waives its rights to recover from and forever releases and discharges District and its employees, officers, board members, agents, and representatives, and assigns, from any and all losses liabilities, judgments, suits, claims, damages, costs, and expenses (including reasonable attorneys' fees, investigation costs, remediation costs, and court costs), of any kind or nature ("**Losses**") whether direct or indirect, known or unknown, foreseen or unforeseen, that may arise on account of or in any way be connected with: (a) the Permitted Use; (b) the physical and environmental condition of the Permit Area; (c) the City's performance of its obligations under this Permit; (d) any damage suffered or sustained by City or any person whosoever may at any time in connection with the Permitted Use; and (e) any act or omission (whether negligent, non-negligent, or otherwise) of City with respect to the Permitted Use or the Facilities, whether or not such Losses are caused in part by an act, or omission of District or its employees, officers, board members, agents, and representatives, except to the extent such Losses are caused by the sole negligence or willful misconduct of District and/or its employees, officers, board members, agents, and representatives. In connection with the foregoing waiver, City expressly waives the benefits of California Civil Code Section 1542, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

b. Indemnity. In addition to, and not in limitation of the foregoing, City shall forever indemnify, defend, hold, and save District and/or its employees, officers, board members, agents, and representatives free and harmless of, from, and against any and all Losses caused in whole or in part by (a) any act or omission of City with respect to the Permitted Use, (b) City's operations on the Permit Area whether or not Losses are caused in part by any act or omission of District or its employees, officers, board members, agents, and representatives or (c) any default by City hereunder. The foregoing indemnity shall not extend to any Loss caused by the sole negligence or willful misconduct of District. The rights and obligations in this indemnity provision shall survive the life of this Permit.

c. Insurance. City shall procure and maintain the following insurance, or be self-insured pursuant to California Government Code, as follows:

(i) *Commercial General Liability Insurance* with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage.

(ii) *Workers Compensation Insurance* with Employer's Liability limits not less than \$1,000,000 each accident, together with adequate provision for Social Security and Unemployment Compensation.

(iii) *Business Automobile Liability Insurance* with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including owned, non-owned and hired automobile coverages, as applicable.

(iv) *Property Insurance* on improvements, fixtures, and equipment insuring against the perils of fire, lightning, extended coverage perils, vandalism, and malicious mischief in the Permit Area in an amount equal to the full replacement value of tenant improvements, fixtures, and equipment.

(v) As to all above required insurance policies, District shall be named as an additionally-insured and City shall provide proof of such insurance upon request by District. Moreover, notwithstanding anything to the contrary herein, City waives any right of recovery against District for any loss or damage to the extent the same is covered by City's insurance. City shall obtain from its insurer, if possible, a waiver of subrogation the insurer may have against District in connection with any Loss covered by City's property insurance policy.

9. FACILITIES; ALTERATIONS AND IMPROVEMENTS.

a. Facilities. The City agrees to construct the Facilities in accordance with plans and designs submitted to the District on October 15, 2020, the City's standard engineering practices, and all applicable laws and regulations.

b. Improvements. In addition to construction of the Facilities and subject to the provisions of Section 9.c below, City at its own expense may construct, place, install or erect on the Permit Area any improvements, make any alterations, additions, or improvements thereto, and install all fixtures and equipment therein related to the Permitted Use (collectively "*Alterations*"). Additionally, with the prior written consent of District, City at its own expense may construct, place, or erect on the Permit Area City's trade fixtures, specialty equipment, furnishings, finishes, or other necessary improvements to Permit Area and thereafter, to alter, modify, or enlarge the same.

c. District's Approval Rights with Respect to Alterations. City shall not make or suffer to be made any Alterations without District's prior written consent. City shall cause all such Alterations to be performed in a workmanlike manner and in compliance with the City's standard engineering practices and all applicable laws. After receiving District's written consent to any Alterations, prior to the construction of such Alterations, City shall submit detailed plans and specifications to the District for approval, whose approval shall not be unreasonably withheld, and shall require all contractors and their subcontractors constructing/effecting such Alterations to maintain evidence of insurance meeting the requirements of Section 8(c) above, as well as all licensing and bonding as required by applicable laws. District agrees to act within thirty (30) days upon receipt of such plans and specifications and upon requests for approval of Alterations in said plans or specifications. If the District does not take any action or notify City of any comments or revisions to such plans and specifications, the District shall be deemed to have approved the proposed Alterations.

d. Notice and Permits. City shall give written notice to District not less than seven (7) days prior to the commencement of any Alterations work. City shall obtain and pay all

fees for all permits required for Alterations, and shall furnish copies of all such permits to District prior to the commencement of any work.

d. Exercise of Due Care. City shall use due care at all times to avoid any direct or indirect damage or harm to District's property within the Permit Area.

e. Restoration of Permit Area. Any damage to existing concrete channel, walls and banks, box culverts, pavement, underground facilities, or other improvements belonging to District resulting from the City carrying out the Permitted Use shall be repaired to the satisfaction of District by City at City's expense. City shall promptly backfill any trench made by it on the Permit Area so as to leave the surface of the ground as nearly normal as practical, and restore pavement and landscaping to its original condition. Immediately following completion of any work permitted hereunder, City shall remove all debris and any excess dirt and restore the Permit Area to its condition immediately prior to City's use hereunder, to the satisfaction of District. If applicable, City shall restore excavated areas with new vegetation (including irrigation and maintenance until established) and erosion control netting, all as requested by District.

f. Installation of Above-Ground Markers. City shall install above-ground markers identifying the location of any underground Alterations installed pursuant to this Permit.

g. As-Built Drawings. Promptly upon completion of the installation of the Facilities and/or Alterations, City shall furnish District with as-built drawings and other documentation requested by the District depicting the improvements. In the event that Permittee or its agents or consultants prepares any environmental, seismic, geophysical, or other written report relating to the Permit Area and/or any work performed thereon, City shall furnish to District a complete copy of such report, including any schedules, exhibits and maps, promptly upon completion of the same.

10. MAINTENANCE.

a. As-Is Condition. City specifically acknowledges and agrees that District is permitting the Permit Area to City on an "As Is With All Faults" basis and that City is not relying on any representations or warranties of any kind whatsoever, express or implied, from District as to any matters concerning the Permit Area, including: (i) the quality, nature, adequacy, and physical condition and aspects of the Permit Area including landscaping, (ii) the quality, nature, adequacy, and physical condition of soils, geology, and any groundwater, (iii) the existence, quality, nature, adequacy, and physical condition of utilities serving the Premises, (iv) the development potential of the Permit Area, and the Permit Area's use, habitability, merchantability, or fitness, suitability, value, or adequacy of the Premises for any particular purpose, (v) the zoning or other legal status of the Permit Area or any other public or private restrictions on use of the Permit Area, (vi) the compliance of the Permit Area or its operation with any applicable codes, laws, regulations, statutes, ordinances, covenants, conditions, and restrictions of any governmental or quasi-governmental entity or of any other person or entity, (vii) the presence of hazardous materials on, under, or about the Permit Area or the adjoining or neighboring property, (viii) the quality of any labor and materials used in any improvements on the real property, (ix) the condition of title to the Permit Area, and (x) any agreements affecting the Permit Area.

b. City's Maintenance Obligations. City, at all times and at City's sole cost and expense, agrees to maintain the Facilities authorized to be installed by this Permit and all other Alterations in good order and repair, to inspect the equipment as necessary, including after every storm event, and to repair and replace the equipment and/or other Alterations as necessary.

11. DEFAULT; REMEDIES

a. Event of Default. The occurrence of any one or more of the following events shall constitute a breach of this Permit and an "*Event of Default*" hereunder:

i. City Transfers the Permit without the prior approval of the District;
or

ii. City abandons, deserts, or vacates the Permit Area and/or the Facilities installed pursuant to this Permit or other Alternations other than as provided in Section 4 above and such abandonment continues for a period of more than thirty (30) days from written notice of such failure by District; or

iii. A lien has been filed against the Permit Area as a result of an act or omission of City, and has not be discharged or contested by City in good faith by proper legal proceedings within twenty (20) days after receipt of notice of such lien by City; or

iv. City fails to obtain and maintain the insurance required under this Permit or provide copies of the policies or certificates to District as required and such failure continues for a period of more than thirty (30) days from written notice of such failure by District;
or

v. City fails to keep, perform, and observe each and every other promise, covenant, and agreement set forth in this Permit, and such failure continues for a period of more than thirty (30) days from written notice of such failure by District.

b. Remedies. Upon the occurrence and during the continuance of an Event of Default and expiration of the applicable cure periods, District shall have, in addition to all other rights and remedy available to it under the law, the following remedies:

i. The right to terminate this Permit;

ii. For any failure to keep, perform, and observe each and every other promise, covenant, and agreement set forth in this Permit that continues for a period of more than thirty (30) days from notice of such failure by District as set forth above in Section 11(a)(v), District may, without any obligation to do so, perform any necessary repairs and/or correct failures at City's expense, which expense City shall pay to District within thirty (30) days upon demand by District.

iii. Nothing in this Paragraph 11.b shall be deemed to limit the Parties' right to terminate this Permit as provided above in Section 4 [TERMINATION].

12. **GOVERNING LAW.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

13. **NOTICES.** All notices and demands which either party is required or desires to give to the other shall be given in writing by certified mail, return receipt requested with appropriate postage paid, by personal delivery, by facsimile or by private overnight courier service to the address or facsimile number set forth below for the respective party, provided that if any party gives notice of a change of name or address or number, notices to that party shall thereafter be given as demanded in that notice. All notices and demands so given shall be effective upon receipt by the party to whom notice or demand is being given, except that any notice given by certified mail shall be deemed delivered three (3) days after deposit in the United States mail.

If to District: San Mateo County Flood and Sea Level Rise Resiliency District
1700 S. El Camino Real, Suite 502
San Mateo, CA 94402
Attn: Len Materman, Chief Executive Officer

If to the City: City of South San Francisco
400 Grand Avenue
South San Francisco, CA 94080
Attn: Eunee Kim, Public Works Director

14. **SEVERABILITY.** Each provision of this Permit is intended to be severable. If any term of provision shall be determined by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such provision shall be severed from this Permit and shall not affect the validity of the remainder of this Permit.

15. **COUNTERPARTS.** This Permit may be executed in counterparts, each of which shall be deemed an original, but all of which, taken together, shall constitute one and the same instrument.

16. **ENTIRE AGREEMENT.** This Permit constitutes the entire agreement among the parties hereto with respect to the subject matter hereof, and supersedes all prior understandings or agreements.

17. **NO IMPLIED WAIVER.** No failure by either party to insist upon the strict performance of any obligation of the other party under this Permit or to exercise any right, power, or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or of such term, covenant or condition. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver.

18. **AMENDMENTS.** Except as specifically provided herein, neither this Permit nor any term or provisions hereof may be changed, waived, discharged, or terminated, except by a written instrument signed by both parties.

19. MUTUAL NEGOTIATION. This Permit has been the subject of negotiations by the parties, and this Permit will not be construed for or against any party merely because of such party's involvement in its initial preparation and negotiation.

[Signature Pages Follow]

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IN WITNESS WHEREOF the parties have executed this Agreement as of the Effective Date written above.

THE CITY:

CITY OF SOUTH SAN FRANCISCO,
a municipal corporation

By: _____

Mike Futrell
City Manager

[Signature Page Continues]

DRAFT

THE DISTRICT:

**SAN MATEO COUNTY FLOOD AND SEA LEVEL
RISE RESILIENCY DISTRICT**

By: _____

Len Materman
Chief Executive Officer

DRAFT

EXHIBIT A

Permit Area

The Permit Area encompasses the entire Colma Creek Right-of-Way within the City of South San Francisco's Orange Memorial Park between the eastern property line of the Peninsula Pines parcel and the West Orange Avenue right-of-way, and an approximate 130-foot long by 50-foot wide area immediately east of the West Orange Avenue bridge that includes the existing maintenance access ramp down to the creek. The total area is 1.60 acres and measures 50-foot wide by an approximate average length of 1,394 feet.

DRAFT



EXHIBIT A.1
ORANGE MEMORIAL PARK STORM WATER CAPTURE PROJECT

Lotus Water
 engineering
 660 Mission Street, 2nd Floor
 San Francisco, CA 94105
 (415) 800-6805 www.lotuswater.com

©2019 Lotus Water. THE DESIGNS AND CONCEPTS SHOWN ARE THE SOLE PROPERTY OF LOTUS WATER AND MAY NOT BE USED WITHOUT THE PRIOR WRITTEN CONSENT OF LOTUS WATER.

SCALE:
 1" = 60'

DRAWN BY:
 ST

CHECKED BY:
 SD

DATE:
 NOVEMBER 25, 2020

DRAWING NUMBER:

EX-A

San Mateo County Flood and Sea Level Rise Resiliency District
Agenda Report

Date: December 14, 2020
To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors
From: Len Materman, CEO
Subject: Approve an Investment Policy for District Funds

Recommendation:

That the San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors (“Board”) approve the attached Draft Investment Policy and direct the CEO to request a proposal from a financial institution that may act as a custodian and a prospective investment management firm.

Background and Discussion:

After July 1, 2020, the San Mateo County Flood and Sea Level Rise Resiliency District (“District”) separated its financial operations and accounting from San Mateo County, and on September 15, 2020, the County transferred all District cash balances held within the County pool to a District bank account.

As this account earns a very low rate of return, it is financially prudent for the District to invest these funds in financial instruments that earn a higher rate of return, preserve fund principal and liquidity, and enable the District to pursue investment objectives that factor in environmental, social, and governance goals.

During the month of October, District Finance Manager Lucy Dong reviewed the State of California’s Local Agency Investment Guidelines and the investment policies of several agencies within San Mateo County. At the November 19, 2020 meeting of the Board Finance Committee, the District staff discussed the development of an Investment Policy; the attached draft Investment Policy includes information from that discussion. Since November 19, Finance Committee Chair Donna Colson and District staff have begun discussions regarding future steps should the attached draft Investment Policy be approved by the Board.

The draft Investment Policy outlines the authorities, standard of care, objectives, procedures, authorized vehicles, internal controls, and other issues related to District investments. This Investment Policy applies to all investment activities of the District, and all funds (General Fund, Capital Project Funds, Debt Service Funds, and Trust and Agency Funds) under the control of the District Finance Manager, unless specifically exempted by statute or ordinance.

Impact on District Resources:

Approving an Investment Policy has no fiscal impact. While staff time will be required to implement the policy, doing so will have a beneficial impact on District financial resources.

Attachment: Draft Investment Policy



DRAFT RESOLUTION NO. 2020-12-14

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
APPROVING AN INVESTMENT POLICY FOR DISTRICT FUNDS**

RESOLVED by the San Mateo County Flood and Sea Level Rise Resiliency District (“District”) Board of Directors (“Board”) that:

After July 1, 2020, the District separated its financial operations and accounting from the County of San Mateo (“County”) and, on September 15, 2020, the County transferred all District cash balances held within the County pool to a District bank account; and

It is financially prudent for the District to invest its funds in financial instruments that earn a higher rate of return, preserve fund principal and liquidity, and enable the District to pursue investment objectives that factor in environmental, social, and governance goals; and

The District’s Finance Committee, at its November 19, 2020 meeting, discussed development of an investment policy that outlines the authorities, standard of care, objectives, procedures, authorized vehicles, internal controls, and other issues related to District investments (“Investment Policy”), which has been developed; and

The Investment Policy will be effective January 1, 2021 and it applies to all investment activities of the District, and all funds (General Fund, Capital Project Funds, Debt Service Funds, and Trust and Agency Funds) under the control of the District’s Finance Manager, unless specifically exempted by statute or ordinance; and

The Board has reviewed the Investment Policy, and desires to approve it.

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the Board approves the Investment Policy.

PASSED, APPROVED, AND ADOPTED this 14th day of December, 2020 by the following vote:

AYES:

NOES:

ABSENT:

ATTEST:

APPROVED:

Clerk of the Board of Directors

Chair of the Board of Directors



Draft

**San Mateo County
Flood and Sea Level Rise Resiliency District**

INVESTMENT POLICY

Effective January 1, 2021

Approved by the
San Mateo County Flood and Sea Level Rise Resiliency Board of Directors
on XXXXXXXX XX, 20XX
Resolution No. XXXX-XX-XX

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I. Introduction

It is the policy of the San Mateo County Flood and Sea Level Rise Resiliency District (“District”) to invest public funds in a manner which will provide maximum security of principal invested with secondary emphasis on providing adequate liquidity, achieving a competitive yield while conforming to all applicable statutes and resolutions governing the investment of public funds and in a manner consistent with the environmental and social purposes of the District. The authority governing investments for local agencies is outlined in the California Government Code Sections §53600 et. seq.

II. Delegation of Authority

The Chief Executive Officer (“CEO”) may delegate his/her authority over investment activities to the Finance Manager or Treasurer to invest and reinvest the funds of the District and other depositors as specified in California Government Code Sections §53607. The Finance Manager or Treasurer may assign staff members to perform day-to-day treasury activities related to the investment of District funds. No person may engage in an investment transaction except as expressly provided under the terms of this Policy. Outside investment advisors must be approved by the CEO.

III. Policy Statement

This Investment Policy establishes cash management and investment guidelines for the Finance Manager or Treasurer, and those to whom he/she delegates investment authority, who are responsible for the stewardship of the District Funds. Each transaction and the entire portfolio must comply with California Government Code and this Policy. All portfolio activities will be monitored and judged by the standards of this Policy and its investment objectives. Activities that violate its intent will be considered contrary to policy.

The Finance Manager or Treasurer will annually render to the District Board of Directors (“Board”) Finance Committee a statement of investment policy, which the Finance Committee shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved by the Board at a public meeting.

IV. Standard of Care

The standard of prudence to be used for managing the District’s investments shall be California Government Code Section §53600.3, the prudent investor standard, which states that “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.”

The District recognizes 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 may occur due to economic, bond market, or individual security credit events. These occasional declines in value must be considered within the context of the overall investment program objectives and the resultant long-term rate of return. The Finance Manager or Treasurer and other individuals assigned to manage the investment portfolio, acting within the intent and scope of this 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.

V. Scope

This Investment Policy (“Policy”) applies to all the investment activities of the District. The Policy will also apply to all other funds under the Finance Manager or Treasurer’s span of control unless specifically exempted by statute or ordinance. All the invested financial assets are accounted for in the District’s fund accounting system which includes: General Fund, Capital Project Funds, Debt Service Funds, and Trust and Agency Funds.

All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Investment income shall be distributed to funds within the District’s fund accounting system at a minimum of once per year.

This Investment Policy does not apply to the investment of bond proceeds, which are governed by the appropriate bond documents. This does not apply to any pension or other post-employment benefit funds held in a trust, as the District does not have any such funds at this time.

VI. Investment Objectives

The primary objectives, in priority order, of the investment activities of the District are:

1. **SAFETY** – Safety of principal is the foremost objective of the District. The District shall seek to preserve principal by mitigating credit risk and market risk, as defined below:

“**Credit Risk**” - the risk of loss due to failure of the issuer of a security or the diminished quality of its rating. Credit risk shall be mitigated by diversifying the investment portfolio.

“**Market Risk**” - the risk of market value fluctuations due to overall changes in the general level of interest rates. Market risk shall be mitigated by limiting the average maturity of the District’s portfolio to three years and the maximum maturity of any one security in the portfolio to five years. The portfolio shall be structured with an adequate mix of highly liquid securities and those with maturities scheduled to meet major cash outflow requirements.
2. **LIQUIDITY** – The District’s portfolio will remain sufficiently liquid to enable the District to meet its cash flow requirements. It is important that the portfolio contain investments which provide the ability of being easily sold at any time with minimal risk of loss of principal or interest.
3. **RETURN** – The District’s portfolio will be designed to attain a market rate of return through economic cycles consistent with the constraints imposed by its safety objective and cash-flow considerations.

VII. ESG Investment Criteria

ESG investing is the process of incorporating the analysis of non-financial environmental, social, and governance factors into investment decisions alongside more traditional financial criteria. As outlined in this Investment Policy, it is the District’s objective to integrate environmental, social, and governance (“ESG”) factors into investment decisions for its investment portfolio to the extent practical and possible. To achieve this objective, the District will apply the ESG Investment Criteria as defined below to the Acceptable Investment Instruments as defined in the District’s Investment Policy.

The ESG investment criteria will be based on the ESG risk ratings, industry and sub-industry definitions, and sub-industry rankings provided by Sustainalytics as of the most recent prior-month end date. The ESG Investment Criteria will be reviewed annually by the District’s Finance Manager or Treasurer.

| ESG Investment Criteria | |
|--|---|
| Criteria #1: Industry Exclusions <i>Based on Sustainalytics industry definitions</i> | (1) Energy Services (2) Oil & Gas Producers (3) Refiners & Pipelines |
| Criteria #2: ESG Environment Risk Limit <i>Based on Sustainalytics ESG risk ratings</i> | The environmental risk component of an issuer's ESG Risk Rating must be no greater than (\leq) 7.5 points |
| Criteria #3: ESG Risk Rating Limit <i>Based on Sustainalytics ESG risk ratings</i> | The issuer ESG Risk Rating must be no greater than ($<$) 30 |
| ESG Risk Rating Limit Exception: Top ESG Performers Within Industry Peer Groups | If Criteria #1 and #2 are satisfied, an issuer is eligible if the issuer's ESG Risk Rating is between 30-39.99 and the issuer's subindustry ranking is in the top 25 th percentile |
| Acceptable Investments subject to the ESG Investment Criteria | Commercial Paper Negotiable Certificates of Deposit Bankers' Acceptances Corporate obligations Medium-Term Notes |

If a previously purchased investment no longer satisfies the ESG Investment Criteria set forth herein, the District will continue to hold that investment unless the District directs its investment advisor to sell the investment.

VIII. Investment Procedures

The Finance Manager or Treasurer will establish investment procedures for the operation of the District's investment program for approval by the Board Finance Committee.

IX. Ethics and Conflicts of Interest

Officers and employees involved in the investment process will refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

X. Authorized Financial Dealers and Institutions

The Finance Manager or Treasurer will maintain a list of financial dealers and institutions qualified and authorized to transact business with the District.

The purchase by the District of any investment other than those purchased directly from the issuer will be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section §25004 of the Corporations Code, which is a member of the Financial Industry Regulatory Authority (FINRA), or a member of a federally regulated securities exchange, a national or state-chartered bank, a federal or state association (as defined by Section §5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

The Finance Manager or Treasurer will investigate all institutions that wish to do business with the District to determine if they are adequately capitalized, make markets in securities appropriate for the District's needs, and agree to abide by the conditions outlined in the District's Investment Policy and any other guidelines that may be provided. This will be done annually by having financial institutions:

1. Provide written notification that they have read, and will abide by, the District's Investment Policy.
2. Submit their most recent audited Financial Statement within 120 days of the institution's fiscal year-end.

If the District has an investment advisor, the investment advisor may use its own list of authorized broker-dealers to conduct transactions on behalf of the District.

Purchase and sale of securities will be made based on best execution.

XI. Authorized Investments

Where this section specifies a percentage limitation for a particular security type or issuer, that percentage is applicable only on the date of purchase and shall be calculated based on market value. Credit criteria listed in this section refers to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the Finance Manager or Treasurer or his/her designee will perform a timely review and decide whether to sell or hold the investment.

The District will diversify its investment by security type and institution. With the exception of U.S. Treasury and federal agency securities, investment pools, and market funds, no more than 5% of the market value of the District's portfolio will be invested in a single issuer regardless of sector.

Acceptable investments authorized for purchase by the Finance Manager or Treasurer are:

1. **U.S. Treasury obligations** for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. **Federal agency or United States government-sponsored enterprise obligations**, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
3. **Obligations of the State of California or any local agency within the state**, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or any local agency, or by a department, board, agency, or authority of the state or any local agency that is rated in a rating category of "A" or its equivalent or better by a nationally recognized statistical-rating organization (NRSRO). Purchases of the obligations described in this subdivision and in subdivision 4 (registered treasury notes or bonds of any of the other 49 states in addition to California) collectively may not exceed 20% of the District's portfolio.
4. **Registered treasury notes or bonds of any of the other 49 states in addition to California**, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state, or by a department, board, agency, or authority of any of these states that are rated in a rating category of "A" or its equivalent or better by an NRSRO. Purchases of the obligations described in this subdivision and in subdivision 3 (obligations of the State of California or any local agency within the state) collectively may not exceed 20% of the District's portfolio.
5. **Commercial Paper** of "prime" quality of the highest-ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper must meet all of the following conditions in either paragraph (a) or paragraph (b):
 - a. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.

- b. The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over-collateralization, letters of credit, or surety bond, and (iii) has a commercial paper that is rated “A-1” or higher, or the equivalent, by an NRSRO.

Eligible commercial paper will have a maximum maturity of 270 days or less. No more than 20% of the District’s portfolio may be invested in commercial paper. The District may purchase no more than 10% of the outstanding commercial paper of any single issuer. No more than 5% of the outstanding commercial paper investments can be invested in the Energy industry/sector.

- 6. **Negotiable Certificates of Deposit** issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section §5102 of the Financial Code), a state or federal credit union, or by a federally- or state-licensed branch of a foreign bank. Eligible negotiable certificates of deposit (negotiable CDs) shall be rated in a rating category of “A” for long-term, “A-1” for short-term, their equivalents, or better by an NRSRO. No more than 30% of the District’s portfolio may be invested in negotiable CDs.
- 7. **Demand Deposits - Collateralized**
- 8. **Passbook Savings Accounts - Collateralized**
- 9. **Shares of beneficial interest issued by diversified management companies** that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment, money market funds must be managed with the goal of maintaining a stable net asset value (NAV) per share of \$1.00.

Further, to be eligible for investment pursuant to this subdivision these companies (money market funds) will either: (i) attain the highest ranking or the highest letter and numerical rating provided by at least two NRSROs or (ii) have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds and with assets under management in excess of \$500,000,000.

It is possible that a money market fund that is managed with the goal of maintaining a stable NAV per share of \$1.00 may be unable to maintain an NAV of \$1.00 per share due to market conditions or other factors. In such instances, the Finance Manager or Treasurer or his/her designee will perform a timely review and decide whether to sell or hold the fund(s), subject to any restraints imposed by the money market fund(s).

No more than 20% of the District’s investment portfolio may be invested in money market funds. Further, no more than 10% of the District’s investment portfolio may be invested in any one money market fund.

- 10. **Repurchase Agreements.** Overnight Repurchase Agreement shall be used solely as a short-term investment not to exceed 3 days.
- 11. **Local Agency Investment Fund (State Pool)** an investment pool run by the State Treasurer. The District can invest up to the maximum amount permitted by the State Treasurer.
- 12. **San Mateo County Pool** - The District may invest in the San Mateo County Pool established by the San Mateo County Treasurer for the benefit of local agencies (as established in California Code Section §53684).

13. **Local Government Investment Pools (LGIPs)** - Shares of beneficial interest issued by a joint powers authority (Local Government Investment Pools or "Pool") organized pursuant to Government Code Section 6509.7 that invest in the securities and obligations authorized in subdivisions (a) to (r) of California Government Code Section 53601, inclusive. Each share will represent an equal proportional interest in the underlying pool of securities owned by the Joint Powers Authority. The Pool will be rated in a rating category "AAA" or its equivalent by a NRSRO. To be eligible under this section, the shares will maintain a stable net asset value (NAV) and the joint powers authority issuing the shares will have retained an investment adviser that meets all of the following criteria:
- a. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
 - b. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q) Government Code Section 53601, inclusive.
 - c. The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
14. **Bankers' Acceptance** otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances may not exceed 180 days maturity or 40% of the District's portfolio that may be invested pursuant to this section. However, no more than 30% of the District's portfolio may be invested in bankers' acceptances or any one commercial bank pursuant to this section.
15. **Medium-Term Notes** defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and shall not exceed 30% of the District's portfolio that may be invested pursuant to this section.

XII. Collateralization

Section 53600 et. seq. of the State of California Government Code outlines the collateral requirements for public funds on deposit above the FDIC insurance amounts. These collateral requirements apply to both active bank deposits (checking and savings accounts) and inactive bank deposits (non-negotiable certificates of deposit).

XIII. Maturity Limit

To the extent possible, the District will match its investments with cash flow requirements. Investments will be purchased with the intent to hold until maturity. However, this will not preclude the sale of securities prior to maturity in order to reposition the portfolio's duration, credit quality, to meet unanticipated cash flow requirements, and/or to enhance the rate of return. State law requires that the maturity of any given instrument should not exceed five years unless specifically approved by the Board of Directors at least three months before the investment is made.

XIV. Internal Control

The Finance Manager or Treasurer is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that the assets of the District are protected from loss, theft, or misuse. The Finance Manager or Treasurer or designee shall

arrange for an annual audit by an external CPA firm in compliance with the requirements of state law and generally accepted accounting principles as pronounced by the GASB (Governmental Accounting Standards Board.) As part of the audit, investment transactions will be tested. The annual audit will be an integral part, but not the sole part, of management's program of monitoring internal controls.

XV. Custody of Securitites

All securities owned by the District, except time deposits and securities used as collateral for repurchase agreements, will be kept in safekeeping by a third-party bank's trust department, acting as an agent for the District under the terms of a custody agreement executed by the bank and the District. All securities will be received and delivered using standard delivery versus payment procedures.

XVI. Performance Standards

The Finance Manager or Treasurer shall submit quarterly investment reports, in compliance with Government Code Sections §53646, §53607, and §27134, to the Finance Committee and the Board within 30 days after the end of the quarter. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. This includes the type of investments, name of the issuer, maturity date, par, yield, return, performance benchmark and current market value of all securities.

XVII. Policy Review

This Investment Policy will be reviewed at least annually to ensure its consistency with:

1. The California Government Code sections regulate the investment and reporting of public funds.
2. The overall objectives of the preservation of principal, sufficient liquidity, and a market return.
3. Performance of investment advisor(s) against the appropriate benchmark.

XVIII. Investment Policy Adoption

This Investment Policy is approved through Resolution No. 2020-12-14 (attached) of the Board on December 14, 2020. The Policy shall be reviewed at least annually by the Finance Committee and any modifications made thereto must be approved by the Board.

Glossary

Asset-Backed Securities (ABS) are securities backed by loans or receivables on assets other than real estate. ABS can be secured by a variety of assets including, but not limited to credit card receivables, auto loans, and home equity loans.

Bankers' Acceptances are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument.

Broker-Dealer is a person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

Certificates of Deposit

1. **Negotiable Certificates of Deposit** are large-denomination CDs. They are issued at face value and typically pay interest at maturity if maturing in less than 12 months. CDs that mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs), and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs. However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.
2. **Non-negotiable Certificates of Deposit** are time deposits with financial institutions that earn interest at a specified rate for a specified term. Liquidation of the CD prior to maturity incurs a penalty. There is no secondary market for these instruments, therefore, they are not liquid. They are classified as public deposits, and financial institutions are required to collateralize them. Collateral may be waived for the portion of the deposits that are covered by FDIC insurance.

Collateral refers to securities, evidence of deposits, or other property that a borrower pledges to secure repayment of a loan. It also refers to securities pledged by a bank to secure deposits. In California, repurchase agreements, reverse repurchase agreements, and public deposits must be collateralized.

Commercial Paper is a short term, an unsecured, promissory note issued by a corporation to raise working capital.

Demand Deposits are funds held that can be withdrawn at any time without advance notice to the institution holding the funds.

Duration is a measure of the sensitivity of the price of a security or a portfolio of securities to a change in interest rates, typically stated in years.

Federal Agency Obligations are issued by U.S. Government Agencies or Government Sponsored Enterprises (GSE). Although they were created or sponsored by the U.S. Government, most Agencies and GSEs are not guaranteed by the United States Government. Examples of these securities are notes, bonds, bills, and discount notes issued by Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Home Loan Bank System (FHLB), and Federal Farm Credit Bank (FFCB). The Agency market is a very large and liquid market, with billions traded every day.

Guaranteed Investment Contracts (GIC) are contracts that guarantee principal repayment after a certain period along with a predetermined interest rate.

Issuer means any corporation, governmental unit, or financial institution that borrows money through the sale of securities.

Liquidity refers to the ease and speed with which an asset can be converted into cash without loss of value. In the money market, security is said to be liquid if the difference between the bid and asked prices is narrow, and reasonably sized trades can be done at those quotes.

Local Agency Investment Fund (LAIF) is a special fund in the State Treasury that local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating in a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via direct deposit to the agency's LAIF account. The State keeps an amount for reasonable costs of making the investments, not to exceed one-quarter of one percent of the earnings.

Local Government Investment Pools (LGIP) are investment tools similar to money market funds that allow public entities to invest funds.

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

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

Medium-Term Notes are debt obligations issued by corporations and banks, usually in the form of unsecured promissory notes. These are negotiable instruments that can be bought and sold in a large and active secondary market. For the purposes of the California Government Code, the term "Medium-Term" refers to a maximum remaining maturity of five years or less. They can be issued with fixed or floating-rate coupons, and with or without early call features, although the vast majority are fixed-rate and non-callable. Corporate notes have a greater risk than Treasuries or Agencies because they rely on the ability of the issuer to make payment of principal and interest.

Money Market Fund is a type of investment comprising a variety of short-term securities with high quality and high liquidity. The fund provides interest to shareholders. Eligible money market funds must strive to maintain a stable net asset value (NAV) of \$1 per share.

Mortgage-Backed Securities (MBS) or Mortgage Passthrough Securities are securities that are backed cash flows from an underlying pool of mortgages.

Principal describes the original cost of security. It represents the amount of capital or money that the investor pays for the investment.

Repurchase Agreements are short-term investment transactions. Banks buy temporarily idle funds from a customer by selling him U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date at an agreed-upon interest rate. Repurchase Agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the Repo. Repurchase Agreements must be collateralized.

Supranational Entities are formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. Examples of supranational institutions include the European Investment Bank and the World Bank. Similarly, to the government bonds, the bonds issued by these institutions are considered direct obligations of the issuing nations and have a high credit rating.

Total Return is the performance of a portfolio including interest income and any capital appreciation or depreciation as a result of interest rate movements.

U.S. Treasury Issues are the direct obligations of the United States Government. They are highly liquid and are considered the safest investment security. U.S. Treasury issues include:

1. **Treasury Bills** are non-interest-bearing discount securities issued by the U.S. Treasury to finance the national debt. Bills are currently issued in one, three, six, and twelve-month maturities.
2. **Treasury Notes** that have original maturities of one to ten years.
3. **Treasury Bonds** that have original maturities of greater than 10 years.

Yield to Maturity is the rate of income return on an investment, minus any premium above par or plus any discount with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.