



**San Mateo County Flood & Sea Level Rise
Resiliency District
BOARD OF DIRECTORS**

HYBRID MEETING: IN-PERSON AND BY VIDEOCONFERENCE

This meeting will be held **in-person on the first floor of 1700 S. El Camino Real in San Mateo, and remotely** pursuant to Government Code Section 54953(e). Participants attending the meeting remotely via Zoom should click on the following link:

<https://oneshoreline-org.zoom.us/j/83520405955>

or call 669-444-9171 (Meeting ID# 835 2040 5955)

County Supervisors:

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

City Representatives:

North Donna Colson
Central vacant
South Lisa Gauthier
Coast Debbie Ruddock – **Vice Chair**
At-Large Marie Chuang

AGENDA

December 12, 2022

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. Adopt Resolution 2022-12-12 to continue conducting meetings of the Board of Directors remotely due to public health concerns caused by the COVID-19 pandemic
 - B. Authorize the Chief Executive Officer to execute the First Amendment to the Memorandum of Understanding for the Bay Area Flood Protection Agencies Association (“BAFPAA”) to enable the District to join BAFPAA
- 4. Regular Business**
 - A. Approve the 2023 Schedule of Regular meetings of the Board of Directors
 - B. Approve the appointment of a new at-large member to the Colma Creek Citizens Advisory Committee
 - C. Accept the District’s Audited Financial Statements for July 1, 2021 – June 30, 2022 and authorize the Chief Executive Officer, or Designee, to transmit the Audit to appropriate governmental agencies
 - D. Receive an update on the performance of District investments and consider amendments to the District’s Investment Policy recommended by the Board Finance Committee
- 5. Chair’s Report ***
- 6. CEO’s Report *** Planning Guidance Policy, grant application to protect portions of San Bruno and South San Francisco, Bayfront Canal & Atherton Channel Project
- 7. Board Member Reports and Items for a Future Agenda ***
- 8. Adjournment**

* There is no written staff report for this item

Meeting information, and public access and communications

- Verbal public comments will be accepted during the meeting in person or remotely. Remote comments can be submitted at the appropriate time by raising your hand via Zoom’s Chat or hand raising functions, or by speaking if joining by phone. Written public comments can be submitted by email to board@OneShoreline.org by noon on the meeting day – 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 OneShoreline.org. To receive these documents electronically, please email board@OneShoreline.org.

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

Date: December 12, 2022
To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors
From: Len Materman, CEO
Subject: Continued remote meetings due to public health concerns caused by the COVID-19 pandemic

Recommendation

That the San Mateo County Flood and Sea Level Rise Resiliency District (“District”) Board of Directors (“Board”) adopts Resolution 2022-12-12 re-invoking the provisions of Assembly Bill 361 (“AB 361”), finding that the COVID-19 pandemic state of emergency continues to present imminent risks to the health or safety of attendees and continues to impact the ability of the Board to meet safely exclusively in person.

Background and Discussion

AB 361 sets forth remote meeting requirements and procedures for local legislative bodies during a proclaimed state of emergency. Specifically, AB 361 allows a local legislative body to continue holding remote meetings between October 1, 2021 and January 1, 2024 under the following circumstances:

- Automatically whenever the legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing; or
- When the legislative body holds a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees; or
- When the legislative body holds a meeting during a proclaimed state of emergency and has determined, by majority vote that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

Once the Board complies with AB 361, the following Brown Act rules for remote meetings are suspended: that the Board makes available a physical location to observe the meeting or to make a public comment, and each teleconference location has posted notices or agendas, is accessible to the public, and is identified by address on the agenda.

At all of its meetings since enactment of AB 361, the Board has adopted, by unanimous vote, resolutions finding that, as a result of the continuing COVID-19 state of emergency, meeting in person would present imminent risks to the health or safety of attendees. The circumstances, though improved, remain materially similar.

Reducing the circumstances under which people come into close contact remains a vital component of an effective COVID-19 response strategy. While local agency public meetings are an essential government function, the last two-plus years have proven that holding such meetings *in person* is often not essential.

The Board has found, and it continues to be the case, that indoor public meetings of the Board and its committees (collectively, “Legislative Bodies”) pose risks for transmission of COVID-19, as such meetings would bring together residents from across the county and the open nature of public meetings makes it difficult to enforce compliance with vaccination, physical distancing, masking, and other safety measures essential to enabling that all residents — including those who are unvaccinated or with compromised immune systems — can safely participate.

Persons experiencing any potential symptoms of COVID-19, who test positive but are asymptomatic, or who are exposed to someone with COVID-19, should follow medical advice regarding self-isolation or self-quarantine and avoiding public gatherings such as in-person meetings of the Board. Such persons should be able to do so without sacrificing their right to participate in public business during periods of self-isolation or self-quarantine.

Moreover, because the onset of symptoms of COVID-19 or a positive test may occur too close to the start of a meeting for alternative arrangements for attendance to be made consistently with the Brown Act, providing a remote attendance option for Board meetings should be maintained for as long as COVID transmission remains a potential risk of in-person meetings.

Therefore, it is recommended that the Board adopt a resolution re-invoking the provisions of AB 361 with findings to confirm that the Board has reconsidered the circumstances of the state of emergency caused by the spread of COVID-19; that the state of emergency caused by the spread of COVID-19 continues to directly impact the ability of the Legislative Bodies to meet safely in person; and that conducting meetings exclusively in-person and without an option for online teleconference/remote participation at the present time would present an imminent risk to the health and safety of attendees.

Impact on District Resources

There is no impact on District resources associated with this item.

Attachment

Draft Resolution 2022-12-12

DRAFT RESOLUTION NO. 2022-12-12

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
RE-INVOKING THE PROVISIONS OF ASSEMBLY BILL 361, FINDING THAT THE COVID-19
PANDEMIC STATE OF EMERGENCY CONTINUES TO PRESENT IMMINENT RISKS
TO THE HEALTH OR SAFETY OF ATTENDEES AND CONTINUES TO DIRECTLY IMPACT
THE ABILITY OF THE BOARD OF DIRECTORS TO MEET SAFELY IN PERSON**

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

WHEREAS, on March 4, 2020, pursuant to Government Code Section 8550, *et seq.*, Governor Newsom proclaimed a state of emergency related to the COVID-19 novel coronavirus (“COVID-19”) and, subsequently, the San Mateo County Board of Supervisors declared a local emergency related to COVID-19, and the proclamation by the Governor and declaration by the Board of Supervisors remain in effect; and

WHEREAS, on March 17, 2020, Governor Newsom issued Executive Order N-29-20, which suspended certain provisions in the California Open Meeting Law, codified at Government Code Section 54950, *et seq.* (the “Brown Act”), related to teleconferencing by local agency legislative bodies, provided that certain requirements were met and followed; and

WHEREAS, on June 11, 2021, the Governor issued Executive Order N-08-21, which extended certain provisions of Executive Order N-29-20 that waive otherwise applicable Brown Act requirements related to remote/teleconference meetings by local agency legislative bodies through September 30, 2021; and

WHEREAS, on September 16, 2021, Governor Newsom signed into law Assembly Bill 361 (“AB 361”) which provides that a local agency legislative body may continue to meet remotely without complying with otherwise applicable requirements in the Brown Act related to remote/teleconference meetings, provided that a state of emergency has been proclaimed and the legislative body determines that meeting in person would present imminent risks to the health or safety of attendees; and

WHEREAS, the COVID-19 pandemic has informed legislative bodies about the unique advantages of remote public meetings, as well as the unique challenges, which are frequently surmountable; and

WHEREAS, at all of its meetings since enactment of AB 361, the Board has adopted, by unanimous vote, resolutions finding that, as a result of the continuing COVID-19 state of emergency, meeting in person would present imminent risks to the health or safety of attendees, and current circumstances, though improved, remain materially the same; and

WHEREAS, the Board has an important interest in protecting the health and safety of those who participate in its meetings, and reducing the circumstances under which people come into close contact remains a vital component of an effective COVID-19 response strategy; and

WHEREAS, the Board has found, and it continues to be the case, that indoor public meetings of the Board and its committees (collectively, “Legislative Bodies”) pose risks for transmission of COVID-19, as such meetings would bring together residents from across the county and the open nature of public meetings makes it difficult to enforce compliance with vaccination, physical distancing, masking, and other safety measures essential to enabling that all residents — including those who are unvaccinated or with compromised immune systems — can safely participate; and

WHEREAS, persons experiencing any potential symptoms of COVID-19, who test positive but are asymptomatic, or who are exposed to someone with COVID-19, should follow medical advice regarding self-isolation or self-quarantine and avoiding public gatherings such as in-person meetings of the Board, and such persons should be able to do so without sacrificing their right to participate in public business during periods of self-isolation or self-quarantine; and

WHEREAS, because the onset of symptoms of COVID-19 or a positive test may occur too close to the start of a meeting for alternative arrangements for attendance to be made consistently with the Brown Act, providing a remote attendance option for Board meetings should be maintained for as long as COVID transmission remains a potential risk of in-person meetings; and

WHEREAS, this Board has reconsidered the circumstances of the state of emergency and finds that the state of emergency continues to impact the ability of the Board to conduct its meetings exclusively in person because there is a continuing threat of COVID-19 to the community and that in-person meetings of the Legislative Bodies would pose risks to the health or safety of participants through person-to-person contact and make it difficult for those who are immuno-compromised or unvaccinated to be able to safely participate, and it is challenging to ascertain and ensure compliance with vaccination and other safety recommendations at such meetings; and

WHEREAS, in the interest of public health and safety, as affected by the state of emergency caused by the spread of COVID-19, the Board finds that this state of emergency continues to directly impact the ability of the Legislative Bodies to meet safely exclusively in person and that meeting only in person would present imminent risks to the health or safety of attendees, and the Board will therefore re-invoke the provisions of AB 361 related to teleconferencing for meetings of the Legislative Bodies.

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that:

1. The above recitals are true and correct.
2. The Board has reconsidered the circumstances of the state of emergency caused by the spread of COVID-19.
3. The Board reinvoles the provisions of AB 361 and finds that the state of emergency caused by the spread of COVID-19 continues to directly impact the ability of the Legislative Bodies to meet safely in person.
4. The Board further finds that meeting in person would continue to present imminent risks to the health or safety of meeting attendees and directs staff to, for the next 30 days, continue to agendize public meetings of the Legislative Bodies to include an option of online teleconference/remote participation.

PASSED AND ADOPTED this 12th day of December 2022, by the following vote:

AYES:

NOES:

ABSENT:

ATTEST:

APPROVED:

Clerk of the Board of Directors

Chair of the Board of Directors

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

Date: December 12, 2022
To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors
From: Len Materman, CEO
Subject: Authorize the CEO to execute the First Amendment to the Memorandum of Understanding for the Bay Area Flood Protection Agencies Association

Recommendation

That the San Mateo County Flood and Sea Level Rise Resiliency District (“District”) Board of Directors (“Board”) authorize the CEO to execute the First Amendment to the Memorandum of Understanding for the Bay Area Flood Protection Agencies Association (“BAFPAA”) to enable the District to join as a Member Agency.

Background and Discussion

BAFPAA was established in July 2007 to provide a regional forum to promote the sharing of ideas, technologies, permitting and funding strategies, and State and federal advocacy, for the planning and implementation of flood protection services in the Bay Area.

In September 2011, BAFPA members executed a Memorandum of Understanding (“MOU”) to establish an expenditure account to procure agreed-upon services and supplies for projects intended to benefit all Member Agencies. This MOU defined the roles and responsibilities of those Agencies in establishing, maintaining, and utilizing this account. The MOU also stipulates that each member agency designate one staff representative and as many alternates as deemed necessary to provide representation at BAFPA meetings.

BAFPAA Member Agencies now wish to amend the original MOU to add new members, including our District, and provide a mechanism for future additional members. In addition to the District, the Agencies that intend to participate include:

- Alameda County Flood Control and Water Conservation District
- Zone 7 of Alameda County Flood Control and Water Conservation District
- Contra Costa County Flood Control and Water Conservation District
- Marin County Flood Control and Water Conservation District
- Napa County Flood Control and Water Conservation District
- Santa Clara Valley Water Agency
- Santa Cruz County Flood Control and Water Conservation District, Zone 7
- Sonoma County Water Agency
- Vallejo Flood and Wastewater District

The Board’s action today to authorize the CEO to execute the First Amendment to the BAFPA MOU will allow the District to participate as a Member Agency and take advantage of BAFPA services. District counsel has reviewed and approved the First Amendment Memorandum of Understanding as to form.

Impact on District Resources

The impact on District resources, in the form of annual membership fees, is relatively minor: \$3,320 is the current annual amount and it has been included in the Fiscal Year 2022-23 Operating Budget approved by the Board at its June 27, 2022 meeting.

Attachment

First Amendment to the MOU for the Bay Area Flood Protection Agencies Association

**First Amendment to and Restated
Memorandum of Understanding
for the
Bay Area Flood Protection Agencies Association
October 2022**

This First Amended and Restated Memorandum of Understanding (“MOU”) is entered into as of October 1, 2022, (“Effective Date”) by and among the Bay Area Flood Protection Agencies Association’s member agencies listed in Exhibit A attached hereto (“Member Agencies” and each a “Member Agency;” the Member Agencies are sometimes collectively referred to as the “Association”).

Recitals

Whereas, in 2007, a Charter Article was developed regarding formation of the Bay Area Flood Protection Agencies Association (BAFPAA, or Association);

Whereas, the Bay Area Flood Protection Agencies Association was established to coordinate and provide mutual support in planning and implementing flood protection services amongst the flood protection agencies in the Bay Area; and

Whereas, the Association also provides a unified voice for Bay Area flood protection agencies in developing and implementing regional plans and working with other regional agencies at the State and Federal level and participates in the Integrated Regional Water Management Planning efforts in the Bay Area to integrate projects and programs across all functional service areas; and

Whereas, the Association members desire to establish an expenditure account to pay for or procure agreed-upon services or supplies; and

Whereas, in September of 2011, Member Agencies entered into the original memorandum of understanding (Original MOU) for the purpose of defining the roles and responsibilities of each of these entities in establishing, maintaining and utilizing an expenditure account (Association Account); and

Whereas, the Member Agencies now wish to amend the Original MOU to provide for the inclusion of new members, among other changes, while restating the unchanged terms; and

Whereas, the Member Agencies have adopted Rules of Governance for the Association, which are incorporated herein by reference and which may be amended from time to time by a unanimous vote of the Member Agencies.

1. Parties and Effective Date; New Members

This MOU is entered into as of the Effective Date by and between the Member Agencies identified in Exhibit A. A Member Agency may withdraw from this MOU pursuant to Section 9.

New Member Agencies may become a party to this MOU following (a) a written request to the Chair of BAFPAA to become a member and specifying if they will be a paying or non-paying member (refer to Section 2.c.iv), (b) the unanimous approval of all then-current Member Agencies, (c) New Member Agency's submittal of a copy of Exhibit B to this MOU with a signature block signed by the New Member Agency's authorized representative, and a copy of the New Member Agency's official action approving their membership. Membership is effective upon satisfactory completion of these elements. By Members signing this MOU, and New Members signing Exhibit B of this MOU, each agrees to the terms of this MOU and to the principles contained in the 2007 Charter Article and to the current edition of the Rules of Governance.

2. Association Account and Role of Treasurer Agency

The Member Agencies agree to the following provisions to establish and maintain an expenditure account:

a. Association Account - The Association hereby establishes an expenditure account (Association Account) in which the Member Agencies will place funds for the sole purpose of paying for activities that the Association deems appropriate.

b. Account Amount - The maximum amount in the Association Account will be determined, as necessary, by a unanimous vote of the Member Agencies, as warranted by the planned expenses in the near future.

c. Account Deposits

i. At the beginning of each calendar year, the Association, by a unanimous vote of Member Agencies, will identify the anticipated activities for the year that the Association will fund and the Association Account balance needed to pay for those activities. This information will be made available for Member Agencies to set their annual budget (Fiscal Year beginning July 1). At any time during the year, the Association, by unanimous vote of Member Agencies, may identify a need for an increase in the Association Account balance to respond to required or desired needs.

ii. The Treasurer Agency may accept funds from any Member Agency. The Treasurer Agency may also accept funds from an entity that is not a Member Agency, provided the Association agrees by unanimous vote of Member Agencies.

iii. Whenever the Association approves an Association Account balance or an increase, each Member Agency shall forward its pro rata share to the Treasurer Agency within thirty days of receiving an invoice for its pro rata share from the Treasurer Agency.

iv. Notwithstanding the above provisions, a Member Agency may elect in advance to not contribute to funding the Association Account, in which case the Member Agency will not be entitled to vote on matters affecting the Association Account or activities funded from the Association Account.

d. Treasurer Agency - Any Member Agency may act as the Treasurer Agency, which shall have the duty to invoice, collect, and otherwise manage and maintain the Association Account.

e. Treasurer Agency Duties

i. The Treasurer Agency shall collect, be the depository of, and have custody of, all Association Account funds from whatever source.

ii. The Treasurer Agency shall be accountable for all funds and for reporting all receipts and disbursements.

iii. The Treasurer Agency shall perform all duties required to be performed by an auditor.

iv. The Treasurer Agency agrees to hold the Association Account funds in one or more separate, interest-bearing accounts.

v. Except as otherwise provided in Subsection 2.e.vi (grant or subgroup funds), the costs to the Treasurer Agency to maintain, monitor and report on the Association Account will be covered by the Treasurer Agency.

vi. If the Treasurer Agency is holding funds from a grant to the whole Association or is holding funds for a subgroup of Member Agencies, which funds are from a grant or are for a project or program for the benefit of the subgroup, then the costs to the Treasurer Agency to maintain, monitor, and report on those grant or project/program funds will be paid to the Treasurer Agency directly from the grant or project/program funds.

vii. The Treasurer Agency may return all funds to the Member Agencies pro rata if the balance of the Association Account is less than \$500.

f. Expenditure Approval - Any disbursement of Association funds from the Association Account by the Treasurer Agency must be approved by a unanimous vote of Member Agencies.

g. Regional Expenditure Activities - Expenditures from the Association Account should be for activities of a regional nature that will benefit all Member Agencies, except as otherwise provided in Subsection h (Subgroup Expenditure Activities).

h. Subgroup Expenditure Activities - A subgroup of Member Agencies may want to utilize the Association Account as a means to facilitate funding activities that only benefit a subgroup of Member Agencies. All costs associated with these subgroup activities, including the Treasurer Agency's administrative costs, will be funded by the subgroup. The subgroup must first submit a written proposal and proposed terms for use of the Association Account for any subgroup purpose. A unanimous vote of the Member Agencies is required to approve this type of use of the Association Account.

i. Account Reporting - The Treasurer Agency will report on the Association Account balance, expenditures, encumbrances, and accounts receivable once a quarter at a regularly-scheduled Association meeting.

j. Association Duties - Once each year, or more often if needed, the Association shall designate one of the Member Agencies to be the Treasurer Agency. This designation shall require unanimous approval of the Member Agencies. Member Agencies shall hold the Treasurer Agency harmless from all claims and liability arising from the reasonable performance of its duties in accordance with generally accepted governmental procedures and accounting practices.

3. Voting

Voting on matters related to the Association Account shall be conducted in accordance with the Association's Rules of Governance, with each Member Agency entitled to one vote, except as provided otherwise in Section 2.c.iv (non-contributing Member Agencies).

4. Amendments

This MOU may be amended only with the written approval of all Member Agencies. Any Member Agency may propose amendments that it considers desirable or necessary.

5. Limitations

Performance under this MOU is subject to the availability of resources to the parties to this MOU for the described purposes, and is subject to revised administrative and personnel policies, which may affect the terms of this MOU. Each party shall assume full control and sole responsibility only for its respective personnel and activities incident to the performance of this MOU consistent with its law(s).

6. Incurring Debt

Except as authorized by unanimous vote of the Member Agencies under Section 3.f (Expenditure Approval) or Section 3.h (Subgroup Expenditure Activities), neither the Association nor the Treasurer Agency shall have the power to incur debt or enter into contracts on behalf of the Association, any Member Agency, or any subgroup of Member Agencies.

7. Exercise of Power

The powers to be exercised under this MOU shall be subject to those restrictions upon the manner of exercising powers that pertain to the Member Agency then serving as Treasurer Agency in accordance with Section 2.

8. Term

This MOU becomes effective as of the Effective Date following the full execution by all parties and, and it expires 25 years after the Effective Date.

9. Withdrawal

Any Member Agency may withdraw from this MOU upon 90 days' written notice to all other Member Agencies then party to this MOU. Said 90-day period shall commence on the date of mailing. Withdrawal of a Member Agency shall comply with Section 8 of the Association's Rules of Governance. A withdrawing Member Agency shall remain responsible for funding its pro rata share of any contracts, expenditures, or activities previously approved by the withdrawing Member Agency, except to the extent such previously-approved contracts, expenditures, or activities can be legally terminated or amended without adversely affecting the remaining Member Agencies.

10. Termination

Termination of this MOU shall require written approval of all Member Agencies then party to this MOU. Upon termination of this MOU, any surplus money on hand or property acquired with collected funds shall be divided and distributed to the Member Agencies in accordance with the formula for collection of funds that is in place at the time of termination of this MOU.

11. Miscellaneous Provisions

a. Compliance: All Member Agencies will comply with all applicable laws, ordinances, codes and regulations of the federal, state and local governments.

b. Waiver: The waiver by any Member Agency of a breach of any provision of this Agreement shall not be deemed a continuing waiver of any subsequent breach of that or any other provision of this Agreement. The Member Agencies' waiver of any term, condition or covenant, or breach of any term, condition or covenant shall not be construed as a waiver of any other term, condition of covenant or breach of any other term, condition or covenant.

c. Integration: This MOU, including all exhibits attached hereto, represents the entire understanding of the Member Agencies as to those matters contained herein. No prior oral or written understanding, promises, negotiations or representations shall be of any force or *effect* with respect to those matters covered hereunder. This MOU may only be amended by written unanimous agreement by all Member Agencies.

d. Severability: If any term, condition, covenant or provision of this MOU, or the application thereof, to any person or circumstance, is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions of this MOU shall remain in full force and effect and shall be valid and binding on the Member Agencies.

e. Third Parties: This MOU is entered into only for the benefit of the Member Agencies executing this MOU and not for the benefit of any other individual, entity, or person.

APPROVED AS TO FORM: County Counsel By: _____ Name: Title:	ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a California special district By: _____ Name: Title: ATTEST: Clerk of the Board of Supervisors By: _____
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APPROVED AS TO FORM: By: _____ Name: Title:	ZONE 7 OF ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a zone formed by a California special district (Zone 7) By: _____ Valerie Pryor, General Manager ATTEST: By: _____
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APPROVED AS TO FORM: Mary Ann McNett Mason County Counsel By: _____ Name: Stephen M. Siptroth Title: Deputy County Counsel	CONTRA COSTA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a California special district, (CCCFCWCD) By: _____ Brian M. Balbas Chief Engineer ATTEST: Clerk of the Board of Supervisors By: _____
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<p>APPROVED AS TO FORM: County Counsel</p> <p>By: _____ Name: Title:</p>	<p>MARIN COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a California special district, (MCFCWCD)</p> <p>By: _____ Name: Title:</p> <p>ATTEST: Clerk of the Board of Supervisors By: _____</p>
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<p>APPROVED AS TO FORM: District Counsel</p> <p>By: _____ Shana A. Bagley</p>	<p>NAPA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a California special district, (NCFCWCD)</p> <p>By: _____ Name: Title:</p> <p>ATTEST: District Secretary By: _____</p>
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<p>APPROVED AS TO FORM: District Counsel</p> <p>By: _____ Name: Title:</p>	<p>SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT, a California special district, (OneShoreline)</p> <p>By: _____ Name: Title:</p> <p>ATTEST: By: _____ Name: Title:</p>
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First Amendment to and Restated MOU for the Bay Area Flood Protection Agencies Association
October 2022

<p>APPROVED AS TO FORM: County Counsel</p> <p>By: _____ Name Title:</p>	<p>SANTA CLARA VALLEY WATER DISTRICT, a California special district, (Valley Water)</p> <p>By: _____ Name: Title:</p> <p>ATTEST: Clerk of the Board of Supervisors By: _____</p>
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<p>APPROVED AS TO FORM: District Counsel</p> <p>By: _____ Name: Justin Graham Title:</p>	<p>SANTA CRUZ COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7, a zone formed by a California special district, (SCCFCWCD Zone 7)</p> <p>By: _____ Name: Zach Friend Title: Chairperson</p> <p>ATTEST: Clerk of the Board of Directors By: _____</p>
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<p>APPROVED AS TO FORM: County Counsel</p> <p>By: _____ Name Title:</p>	<p>SONOMA COUNTY WATER AGENCY, a California special district, (Sonoma Water or SW)</p> <p>By: _____ Name: Title:</p> <p>Authorized per Sonoma County Water Agency's Board of Directors Action on July 12, 2022</p>
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First Amendment to and Restated MOU for the Bay Area Flood Protection Agencies Association
October 2022

<p>APPROVED AS TO FORM: County Counsel</p> <p>By: _____ Name: Title:</p>	<p>VALLEJO FLOOD AND WASTEWATER DISTRICT, a California special district, (VFWD)</p> <p>By: _____ Name: Title:</p> <p>ATTEST: Clerk of the Board of Supervisors By: _____</p>
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Exhibit A: Member Agencies
Last Updated: September 2022

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a California special district (ACFCWCD)

ZONE 7 OF ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a zone formed by a California special district (Zone 7)

CONTRA COSTA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a California special district, (CCCFCWCD)

MARIN COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a California special district, (MCFCWCD)

NAPA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, a California special district, (NCFCWCD)

SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT, a California special district, (OneShoreline)

SANTA CLARA VALLEY WATER AGENCY, a California special district, (Valley Water)

SANTA CRUZ COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7, a zone formed by a California special district (SCCFCWCD Zone 7)

SONOMA COUNTY WATER AGENCY, a California special district, (Sonoma Water or SW)

VALLEJO FLOOD AND WASTEWATER DISTRICT, a California special district, (VFWD)

Exhibit B: New Member Signature Block

By Members signing Exhibit B of this MOU, New Members agree to the terms of this MOU and to the principles contained in the 2007 Charter Article and to the current edition of the Rules of Governance.

APPROVED AS TO FORM:	
By: _____ Name: Title:	By: _____ Name Title ATTEST: By: _____

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

Date: December 12, 2022
To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors
From: Len Materman, CEO
Subject: Approve the 2023 schedule of Regular meetings of the Board of Directors

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 2023:

January 30	February 27	March 27
April 24	May 22	June 26
July 24	August 28	September 18
October 23	November 20	December 18

All meetings are on Monday and scheduled to begin at 4:00 p.m. Please note that while most meetings are proposed for the 4th Monday of the month, the meetings in January, September, November, and December are proposed for other Mondays of those months.

At this time, it is anticipated that all meetings will be hybrid – held in-person and remotely by video/phone due to the COVID-19 pandemic – and updates to this approach will be reflected in meeting agendas. Also at this time and until updated in the meeting agenda, the in-person meeting location will 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

The proposed calendar of Regular Board meetings for 2023 proposes to keep the same day of the week (Monday) and start time (4:00 PM) as Board meetings for the past three years. One Regular meeting is proposed per month; however, 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 2023 Regular meeting schedule.

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

Date: December 12, 2022
To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors
From: Len Materman, CEO
Subject: Approve the appointment of a new at-large member to the Colma Creek Citizens Advisory Committee

Recommendation

That the San Mateo County Flood and Sea Level Rise Resiliency District (“District”) Board of Directors (“Board”) appoint to the Colma Creek Citizens Advisory Committee (“Committee”) a new “at large” member, Lissette Morales from the City of South San Francisco for the term expiring on March 31, 2025.

Background and Discussion

Formalized by the San Mateo County Board of Supervisors in 2002, the Committee provides input and recommendations regarding the operations, maintenance, and capital improvements within the Colma Creek Flood Zone, which comprises that creek’s watershed and includes portions of the cities of Daly City, Pacifica, San Bruno, and South San Francisco and all of the Town of Colma (collectively, the “Cities”).

The Committee meets quarterly and is staffed by OneShoreline, with support from staff of the County’s Department of Public Works and of the Cities. The Committee has nine voting members, including:

- one member appointed by the city council of each of the five Cities, and
- four “at large” members appointed by the Board.

Following OneShoreline’s formation on January 1, 2020, the Board assumed the role of governing body of the Committee and responsibility for appointing its “at large” members. “At large” members serve terms of four years and must be property owners residing within the Colma Creek Flood Zone.

As was mentioned at the last Board meeting, sadly one of the long-time Committee members, Richard Irli, passed away in August of this year. Mr. Irli lived his entire life in the City of South San Francisco and dedicated 36 years of his career as an employee of that City, retiring as its Public Works Director. He leaves a legacy of exceptional local public service, including eight years on the Committee.

As a result of Mr. Richard Irli’s passing, Committee members and OneShoreline staff sought out a new “at large” member to serve-out the remainder of Mr. Richard Irli’s term, which expires March 31, 2025. OneShoreline staff gathered candidate nominations from Committee members and interviewed three candidates, and at this time recommends Ms. Lissette Morales, who currently resides and owns property within the Colma Creek Flood Zone in the City of South San Francisco. Ms. Morales brings her experiences both as a South San Francisco resident living near Colma Creek and Orange Memorial Park, as well as an engineer and project manager working on water resource issues. OneShoreline staff believe she would bring valuable perspectives to the Committee.

A list of the current Committee Members, including the proposed appointment of Ms. Lissette Morales, is included on the following page.

Impact on District Resources

There is no direct impact on District resources; Committee members are not compensated for their service.

Attachment

Table of members of the Colma Creek Citizens Advisory Committee

Members of the Colma Creek Advisory Committee

Member Name/Designation	Appointed By	Member Since	Term Expiration
<i>City/Town Appointed Representatives (Members)</i>			
Helen Fisicaro, Town of Colma Representative	Colma Town Council	April 1, 2002	March 31, 2026
Sue Vaterlaus, City of Pacifica Representative	Pacifica City Council	April 1, 2018	March 31, 2024
Mike Futrell, City of South San Francisco Representative	South San Francisco City Council	July 23, 2014	March 31, 2026
Jovan Grogan, City of San Bruno Representative	San Bruno City Council	April 1, 2020	March 31, 2026
Raymond Buenaventura, City of Daly City Representative	Daly City Council	April 1, 2019	March 31, 2026
<i>Board Appointed Representatives (Members "At Large")</i>			
Gail DeFries, City of Daly City Member At Large	OneShoreline Board of Directors	April 1, 2002	March 31, 2026
Edward Bortoli, City of South San Francisco Member At Large	OneShoreline Board of Directors	December 31, 2014	March 31, 2026
Ryan Mayfield, City of South San Francisco Member At Large	OneShoreline Board of Directors	April 1, 2020	March 31, 2024
Lissette Morales, City of South San Francisco Member At Large	OneShoreline Board of Directors <i>(Proposed)</i>	December 13, 2022 <i>(Proposed)</i>	March 31, 2025 <i>(Proposed)</i>

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

Date: December 12, 2022

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 July 1, 2021 – June 30, 2022 and authorize the Chief Executive Officer, or Designee, to transmit the Audit to appropriate governmental agencies

Recommendation

That the Board of Directors (Board) accept the San Mateo County Flood and Sea Level Rise Resiliency District ("District") Audited Financial Statements for the Fiscal Year between July 1, 2021–June 30, 2022 and authorize the CEO, or designee, to transmit the Audit to appropriate governmental agencies and make it publicly available.

Background and Discussion

The California Government Code requires the 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.

Between July and November of this year, District Finance Manager Lucy Dong and MGO staff worked closely to complete the FY 2021-22 Audited Financial Statements, which are based on the financial data from the District's independent fund accounting system created in the summer of 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 17, 2022. At that meeting, the Finance Committee voted to recommend acceptance of the audit by the full Board of Directors.

Some of the highlights of the audit include:

- A clean and unmodified opinion; 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 \$75.5 million, while District liabilities totaled \$18.4 million, resulting in a Net Position on June 30, 2022 of approximately \$57.1 million, an increase of \$9.6 million from the prior fiscal year (largely due to the Bayfront Canal and Atherton Channel capital project); and
- District revenues between July 1, 2021 and June 30, 2022 totaled almost \$14.6 million, including almost \$9.5 million from local agency contributions and grants, \$6.4 million from property taxes, and an unrealized loss of \$1.3 million in investment. District expenses during this period totaled \$5.0 million, including \$3.6 million for public protection activities as a result of capital projects, \$0.8 million of depreciation and \$0.6 million in interest on long-term liabilities. There is a general increase in both revenues and expenses for the year ended June 30, 2022, due to the District receiving capital grants and contributions, and spending more on public protection activities.

Attached are the Audited Financial Statements, which includes a summary of the District's major accomplishments during this fiscal year on pages 15-17. As an independent special district within California, the District is required to transmit these documents to the State and San Mateo County and make them publicly available, and thus staff recommends that the Board authorize staff to take these actions.

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 year ended June 30, 2022

San Mateo County Flood and Sea Level Rise Resiliency District

DRAFT

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

For the Year Ended June 30, 2022

San Mateo, California

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
For the Year Ended June 30, 2022**

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SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Awards and Achievements

Commendation
THE BOARD OF SUPERVISORS OF SAN MATEO COUNTY, STATE OF CALIFORNIA
COMMENTS AND HONORS

SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
2020 MAYOR'S AWARD

UPON BEING RECOGNIZED BY THE SAN MATEO AREA CHAMBER OF COMMERCE AND THE CITY OF SAN MATEO AS AN EMERGING LOCAL BUSINESS THAT DEMONSTRATES CIVIC LEADERSHIP AND FOR INVALUABLE CONTRIBUTIONS AND COMMITMENT TO THE CHAMBER'S MISSION AND GOALS. THE BOARD HEREBY EXTENDS ITS SINCERE WISHES FOR CONTINUED SUCCESS AND SERVICE TO THE COMMUNITY.

DATED: February 13, 2020




MARK LOCUM, PRESIDENT

DAVE PINE 
DON HORSLEY

CAROLE GROOM 
DAVID J. CANEPA



In Recognition of

San Mateo County Flood and Sea Level Rise Resiliency District

Congratulations on your receipt of the Mayor's Award. The creation of this district will allow residents of San Mateo County to partner with federal and state agencies over the coming decades to meet the challenge of sea level rise and related flooding. San Mateo County is leading the way in forming new tools for our most significant challenges. The district, coupled with community engagement, will be the sharpest tool in the toolbox. Good luck in the years ahead.


Congresswoman Jackie Speier
U.S. House of Representatives

February 13, 2020
Date

S T A T E O F C A L I F O R N I A

Senate

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
Senator, 13th District

C A L I F O R N I A L E G I S L A T U R E


Assembly


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, 22nd District
Speaker pro Tempore

SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

FY2021-2022

Board of Directors



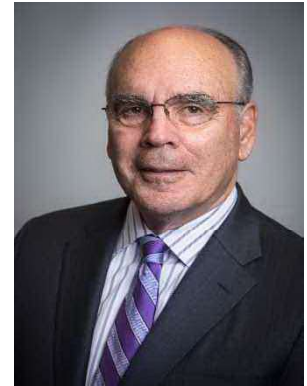
Dave Pine
Chair
District 1



Debbie Ruddock
Vice Chair
Coastside



Diane Papan
Central San Mateo
County Cities



Don Horsley
District 3



Donna Colson
Northern San Mateo County
Cities



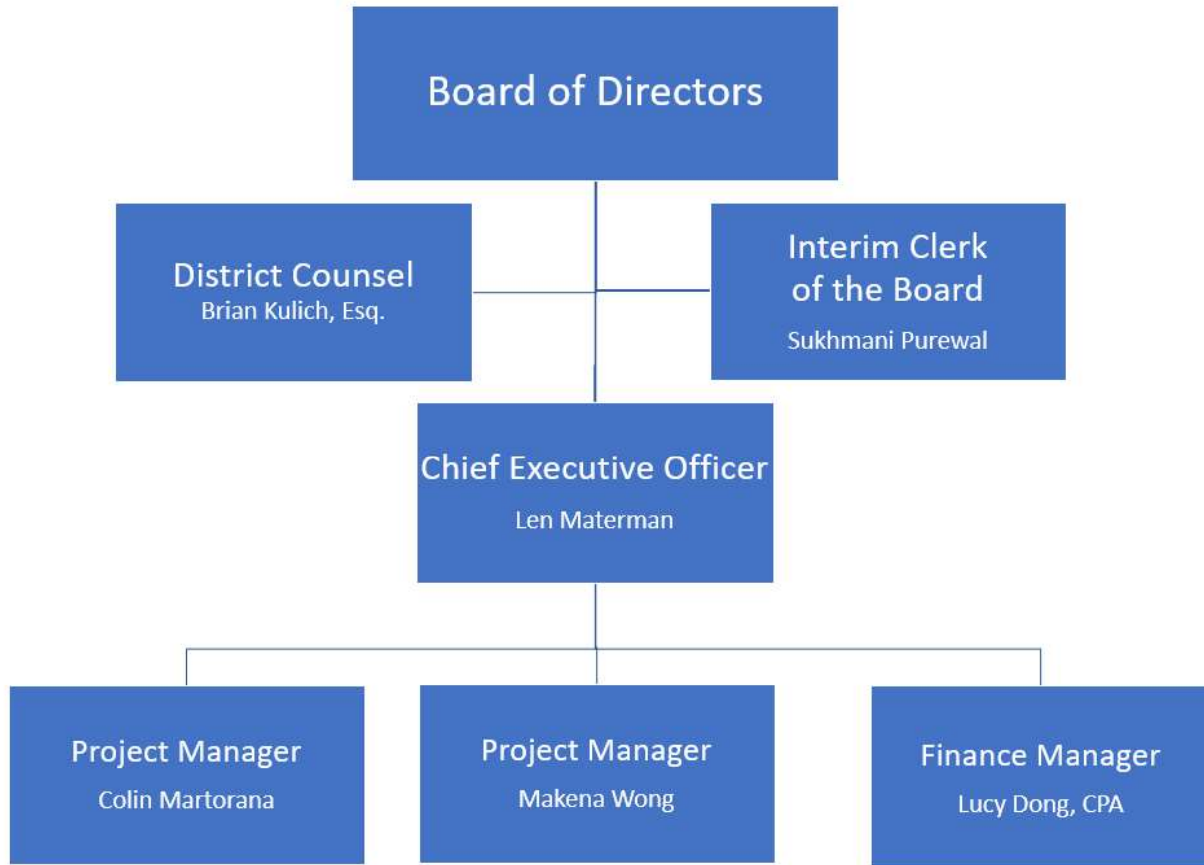
Lisa Gauthier
Southern San Mateo County
Cities



Marie Chuang
San Mateo County Cities
At-Large

SAN MATEO COUNTY FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Organization Chart



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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 year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 is the responsibility of management and, 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.

Supplementary 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 November 18, 2022 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 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
November 18, 2022

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San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2022

This Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the San Mateo County Flood and Sea Level Rise Resiliency District (also known as OneShoreline) for the fiscal year ended June 30, 2022. 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 fiscal year ended June 30, 2022 by \$57.1 million (net position):

District's Net Position
June 30, 2022

Assets:	
Current and other assets	\$ 40,230,389
Capital assets	35,250,810
Total assets	75,481,199
Liabilities:	
Long-term liabilities	16,560,237
Other liabilities	1,791,947
Total liabilities	18,352,184
Deferred inflows of resources	34,201
Net position:	
Net investment in capital assets	18,061,076
Restricted	73
Unrestricted	39,033,665
Total net position	\$ 57,094,814

The District's net position at June 30, 2022 is subdivided into the following components:

- \$18.1 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, 2022 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.
- \$73 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*).
- \$39.0 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 Fiscal Year Ended June 30, 2022

The District held \$75.5 million in total assets at June 30, 2022 which were subdivided into the following components:

- \$40.2 million in current and other assets, which are comprised of \$39.4 million in cash and cash equivalents, \$786 thousand in receivables and \$17 thousand in prepaid expenses.
- \$35.3 million in capital assets, net of accumulated depreciation.

The District held \$18.4 million in total liabilities at June 30, 2022 which were subdivided into the following components:

- \$16.6 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 and leave for the District's employees at June 30, 2022.
- \$855 thousand in accounts payable.
- \$631 thousand in unearned revenue.
- \$306 thousand in accrued interest payable.

Fund Financial Position

The District's governmental funds reported combined fund balances of \$38.1 million at June 30, 2022. \$38.2 million (assigned fund balance), is available for spending at the District's discretion. The components of fund balance are outlined as follows at June 30, 2022:

District's Fund Balance
June 30, 2022

Nonspendable	\$	16,691
Restricted		73
Assigned		38,234,313
Unassigned		(154,821)
Total fund balance	\$	38,096,256

Capital Assets and Debt Administration

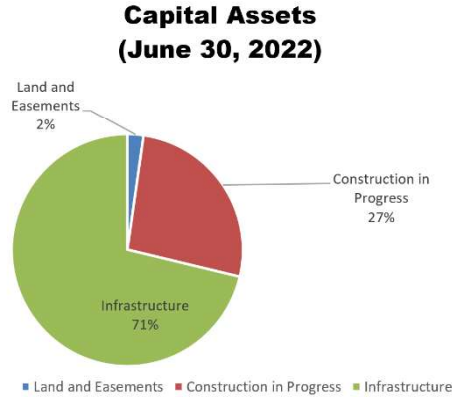
The District's capital assets balance was reported at \$35.3 million (net of accumulated depreciation). This includes land, easements, construction in progress and infrastructure. The District's capital assets as of June 30, 2022 is comprised of the followings:

Capital Assets
Net of Accumulated Depreciation

Land	\$	702,962
Easements		92,419
Construction in progress		9,334,385
Infrastructure, net		25,121,044
Total capital assets, net	\$	35,250,810

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2022**

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 of this report.

The District’s total long-term obligations were reported at \$16.6 million as of June 30, 2022, 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	\$ 14,675,000
2015 Revenue refunding bonds - premium	1,839,904
Accrued vacation leave	45,333
Total long term obligations	\$ 16,560,237

Additional information on the District’s long-term obligations can be found in Note 5 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 government-wide financial statements are prepared using the accrual basis of accounting. The governmental fund financial statements are prepared using the modified accrual basis of accounting. Further information on the basis of accounting is discussed in Notes 2(b).

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 Fiscal Year Ended June 30, 2022

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.

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 19-20 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, capital projects, 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 nine 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 21 - 24 of this report.

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2022

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 starting on page 25 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, 2022	June 30, 2021	Difference (\$)	Difference (%)
Assets:				
Current and other assets	\$ 40,230,389	\$ 37,990,220	\$ 2,240,169	5.90%
Capital assets, net	35,250,810	28,218,730	7,032,080	24.92%
Total assets	75,481,199	66,208,950	9,272,249	
Liabilities:				
Long-term liabilities	16,560,237	17,440,087	(879,850)	-5.04%
Other liabilities	1,791,947	1,219,522	572,425	46.94%
Total liabilities	18,352,184	18,659,609	(307,425)	
Deferred inflows of resources	34,201	36,815	(2,614)	-7.10%
Net position:				
Net investment in capital assets	18,061,076	10,333,658	7,727,418	74.78%
Restricted	73	69	4	5.80%
Unrestricted	39,033,665	37,178,799	1,854,866	4.99%
Total net position	\$ 57,094,814	\$ 47,512,526	\$ 9,582,288	

The District's current assets increased by \$2.2 million. This was primarily a result of increasing property tax apportionments from the County of San Mateo for the year ended June 30, 2022 in comparison with the year ended June 30, 2021. The District's other liabilities increased by \$0.6 million primarily as a result of advance receipt of project funding for capital project activities.

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2022

Assets

- *Cash and cash equivalents* were reported at \$39.4 million as of June 30, 2022. \$28.6 million was deposited in the District's US Bank Custodial Account, \$2.4 million was deposited in District's Wells Fargo Bank Account, \$8.4 million was deposited in the District's Local Agency Investment Fund Account.
- *Interest receivable* was reported at \$13 thousand at June 30, 2022 and represents proportionate interest earned at the end of June 30, 2022 that are expected to be collected within 15 days after the fiscal year end.
- *Taxes receivable* was reported at \$126 thousand as of June 30, 2022 and represents the property tax that was earned at the end of June 30, 2022 and will be distributed within 60 days after fiscal year end.
- *Intergovernment receivable* was reported at \$648 thousand at June 30, 2022, and represents the District's grant awards earned but not yet paid by the granting agencies as of June 30, 2022.
- *Prepaid expenses* were reported at \$17 thousand at June 30, 2022 and represents the District's prepaid insurance premium.
- *Capital assets* amounted to \$35.3 million, net of accumulated depreciation, and are broken down further in the tables under note 4.

Liabilities

- *Accounts Payable* was reported at \$855 thousand as of June 30, 2022 and represents the sum of all outstanding amounts the District owed to vendors for goods or services received that have not yet been paid for at the end of the fiscal year.
- *Unearned Revenue* was reported at \$631 thousand as of June 30, 2022 and represents transactions where the District has received cash but has not yet performed the associated services at the end of the fiscal year.
- *Accrued Interest* was reported at \$306 thousand as of June 30, 2022 and represents the amount of interest that the District has incurred as of June 30, 2022, on the 2015 Colma Creek revenue refunding bonds but which has not yet been paid out.
- *Long-term obligations* were reported to \$16.6 million as of June 30, 2022 and are further broken down in the table under note 5. The District has \$785 thousand in debt service principal payments due within one year on the 2015 Colma Creek revenue refunding bonds, and \$15.7 million in debt service principal payments due beyond one year on the same bonds. \$45 thousand is reported for the District's accrued vacation and leave which is due within one year.

Deferred inflows of resources were reported at \$34 thousand at June 30, 2022 and represents deferred gains on refunding pertaining to the 2015 Colma Creek revenue refunding bonds.

San Mateo County Flood and Sea Level Rise Resiliency District
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2022

The District's activities and changes in net position for the year ended June 30, 2022 are summarized as follows:

District's Changes in Net Position				
	FY 2022	FY 2021	Difference (\$)	Difference (%)
Program expenses:				
Public protection	\$ 3,646,184	\$ 2,309,629	\$ 1,336,555	57.87%
Depreciation expense	785,142	785,142	-	0.00%
Interest on long-term liabilities	593,630	630,965	(37,335)	-5.92%
Total program expenses	5,024,956	3,725,736	1,299,220	
Program revenues:				
Operating grants and contributions	2,242,915	1,611,698	631,217	39.16%
Capital grants and contributions	7,278,352	648,071	6,630,281	100.00%
Total program revenues	9,521,267	2,259,769	7,261,498	
General revenues:				
Property tax	6,370,033	5,820,523	549,510	9.44%
Interest and investment income	(1,294,776)	(32,992)	(1,261,784)	3824.52%
Other	10,720	10,443	277	2.65%
Total general revenues	5,085,977	5,797,974	(711,997)	
Changes in net position	9,582,288	4,332,007	5,250,281	121.20%
Net position - beginning:	47,512,526	43,180,519	4,332,007	
Net position - ending	\$ 57,094,814	\$ 47,512,526	\$ 9,582,288	

Analysis of Governmental Activities - Revenues and Expenses

The District's net position increased by \$9.6 million for the year ended June 30, 2022. The District's project costs are expected to gradually decrease in future years as projects will move to operation and maintenance. For the year ended June 30, 2022, the District's costs are still outweighed by its annual revenues for property tax and contributions by \$9.6 million. In particular, the District's property tax revenues from the County increased by \$0.5 million and the District's operating and capital grants increased by \$7.3 million, and the District is incurred \$1.3 million more in costs for public protection activities as a result of more capital projects getting underway.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

The following is a summary of significant changes in activities under the District's major governmental funds between the year ended June 30, 2021 and the year ended June 30, 2022:

- The District had a significant increase in the activities for the Bayfront Canal Atherton Capital Project fund for the financial reporting period ended June 30, 2022, to report increasing capital project activities. The fund reported total revenues and expenditures of \$7.2 million for project costs incurred through the balance sheet date.
- The District created the Burlingame-Millbrae SFO Shoreline Capital Project fund for the financial reporting period ended June 30, 2022, to report capital project activities. The fund has started incurring capital outlay in the amount of \$0.2 million for the year ended June 30, 2022. Future years are expected to reflect increased activities for this fund.

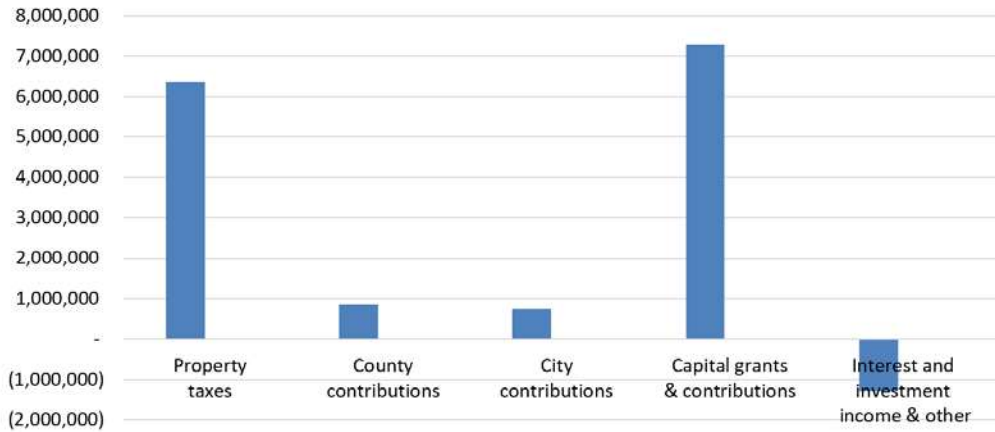
**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2022**

BUDGETARY ANALYSIS

The General Fund, Colma Creek Flood Control Fund, and San Bruno Creek Flood Control Fund each incurred expenditures that were lower than budgeted estimates in the amounts of \$0.5 million, \$0.7 million and \$0.5 million respectively. This was mainly due to an anticipated higher volume of expenditures for services and supplies connected to project activities for the year ended June 30, 2022. The District is steadily expanding its operations and anticipates annual increases in expenditures, but costs for the year ended June 30, 2022 did not rise to the level expected when preparing budgeted forecasts.

Governmental Activities - Revenues

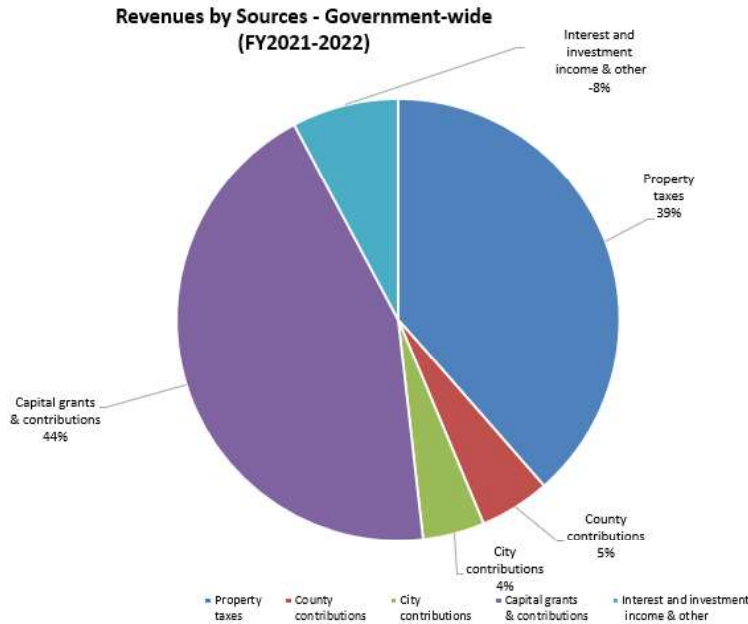
**Revenues by Sources - Government-wide
(FY2021-2022)**



Program Revenues accounted for 65.2% of the District’s overall governmental activities revenues. Program revenues amounted to \$9.5 million for the year ended June 30, 2022. This included \$7.9 million in capital and operating grants supporting the District’s projects and \$1.6 million in contributions, of which \$0.7 million were contributed by 20 local cities and \$0.9 million were contributed by San Mateo County as third-year start-up funding support and Measure K Grant Initial Payment to the District.

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2022**

The District’s revenues for the fiscal year ended June 30, 2022 are comprised of and distributed as follows:



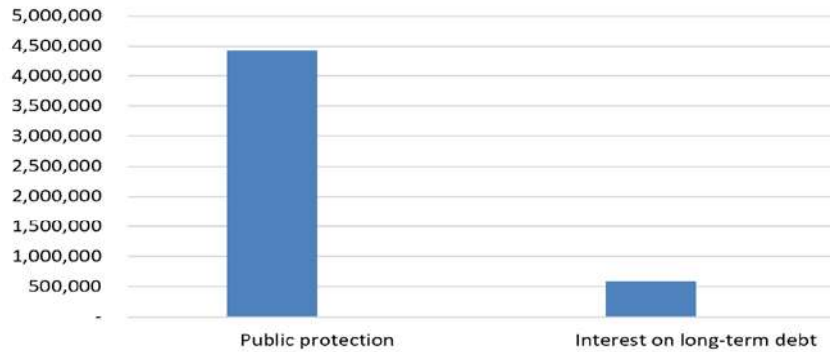
General Revenues were reported at \$5.1 million and accounted for 36.4% of the District’s overall governmental activities revenues. General Revenues primarily consisted of the following:

- *Property Tax Revenues* reported \$6.4million 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 and other revenue* was reported at a negative \$1.3 million, which was primarily due to downturns in the fair market value adjustments of the District’s investment portfolio.

**San Mateo County Flood and Sea Level Rise Resiliency District
 Management’s Discussion and Analysis
 Required Supplementary Information (Unaudited)
 For the Fiscal Year Ended June 30, 2022**

Governmental Activities - Expenses

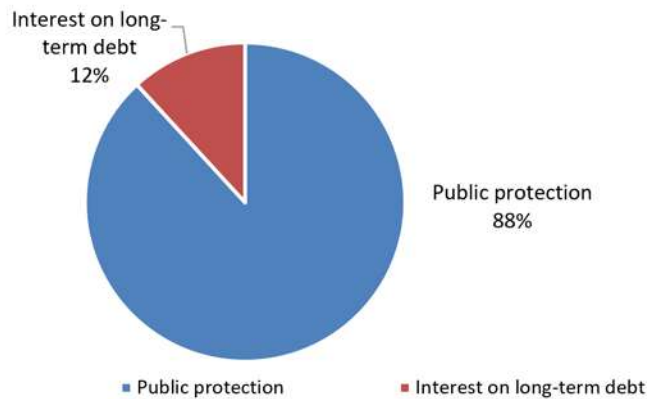
**Governmental Activities
 Expense by Function/Program
 (FY2021-2022)**



- **Expenses for *Public Protection*** accounted for 88% of the District’s overall governmental activities expenses. Public protection reported \$4,431,326 at June 30, 2022, \$2,989,690 was the costs of Services and Supplies, \$639,251 was the costs of Salaries and Benefits, \$6,463 was capital project fund soft costs reflected as capital outlay, \$10,780 was changes in accrued compensation liability, and \$785,142 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 \$593,630 and accounted for 12% of the District’s overall governmental activities expenses.

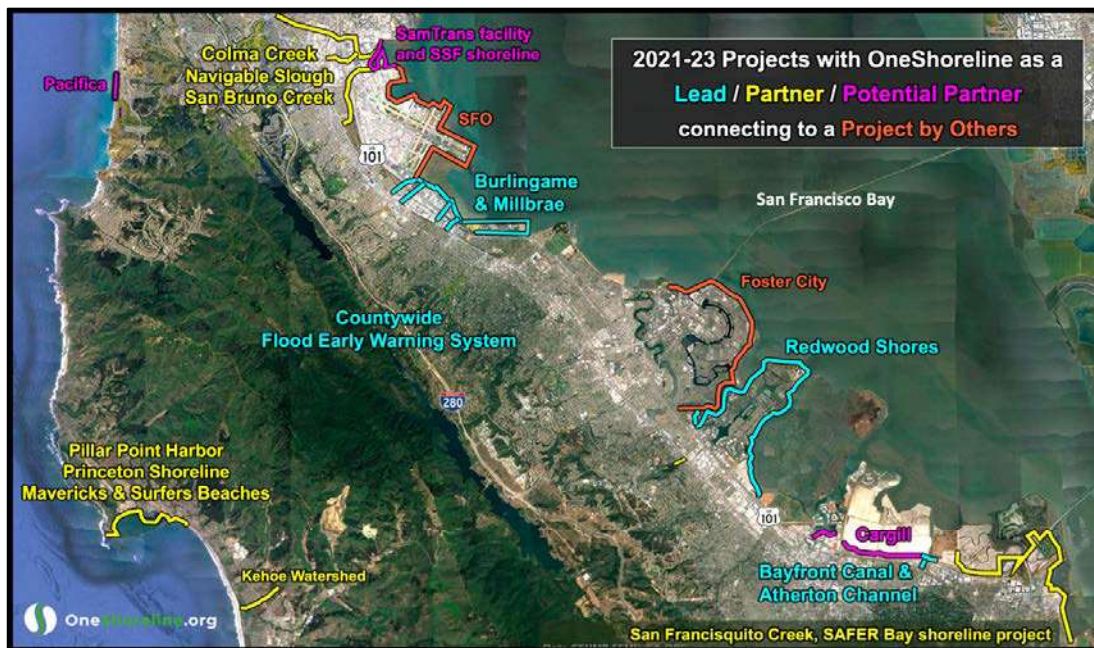
The District’s expenses for the fiscal year ended June 30, 2022 are comprised of and distributed as follows:

**Governmental Activities
 Expense by Function/Program
 (FY2021-2022)**



**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2022**

The map below highlights the locations of projects around San Mateo County where the District (also known as OneShoreline) is either the lead agency, a partner agency or a potential partner. The following two pages describe three of these projects in greater detail – more information may be found at <https://OneShoreline.org/Projects>.



Accomplishments in FY 2021-22

Complete construction of the Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project

Just east of Highway 101 and north of Marsh Road, the Atherton Channel converges with the Bayfront Canal near the border between Redwood City and Menlo Park, and empties into San Francisco Bay. For the past several decades, high tides have kept flows in the Canal and Channel from draining to the Bay, and minor rainfall events have resulted in the flooding of nearby mobile home parks and businesses.



Shortly after it was established in January 2020, OneShoreline assumed the role of lead agency on the Bayfront Canal and Atherton Channel Flood Protection and Ecosystem Restoration Project to install concrete box culverts under Marsh Road in order to divert stormwater during high tide conditions from the Bayfront Canal into ponds managed by the U.S. Fish & Wildlife Service. By connecting the Bayfront Canal and Atherton Channel to these ponds, the Canal’s capacity is essentially increased and the flood threat to the community is decreased.



Between early 2020 and June of 2021, OneShoreline certified the project’s CEQA document, secured land rights and federal and state environmental permits, developed an agreement to fund construction and maintenance with San Mateo County, cities of Redwood City and Menlo Park, and the Town of Atherton, and awarded the construction contract.

**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2022**

Within the FY 2021-22 fiscal year, OneShoreline met its major construction schedule milestones, including completing work within regulated waters in October 2021, and establishing the hydraulic connection between the Canal and ponds in December 2021. In January 2022, the Project area was backfilled and improved (as compared to its pre-project condition) and in February, March, and April 2022, pond berms providing the Project’s environmental mitigation were regraded and seeded, the trash racks were installed, and the Marsh Road entrance to Bedwell Bayfront Parks was repaved.



The approximately \$10 million project was completed with change orders totaling a mere 2% of the construction contract. This winter, the new facility is positioned to perform its first stormwater diversion from Bayfront Canal.

Countywide Flood Early Warning System

The District is managing a Flood Emergency Response project funded by the State’s Department of Water Resources to create a coordinated county-wide flood emergency preparedness and response program, upgrade and expand the region’s flood early warning system to inform for emergency personnel, public works staff, and the general public reference during an event, and creation of three site-specific Flood Emergency Action Plans (EAPs) to better define and coordinate activities and emergency-related responsibilities before, during, and after flood events, and lead a public outreach regarding these.



Between mid-2020 and mid-2021, the District upgraded and expanded the flood early warning system. A key component of this effort was the continued development of the monitoring system’s threshold warning levels, and messaging program.

Within the 2021-22 fiscal year, OneShoreline installed temporary gauges to refine the threshold warning levels at each station and enhance our understanding of downstream in-channel conditions and warning lead times. During the atmospheric river of October 24, 2021, early notice of flooding was delivered to emergency response and public works personnel. Also, during this fiscal year, OneShoreline focused its attention on developing a partnership with the County and Resource Conservation District to expand its early warning system to the community of Pescadero near the Pacific coast. OneShoreline developed the first iteration of a Countywide Flood Early Warning System website that includes dashboards for a quick overview of each station’s key data. Although this website is still in development, features of it may be previewed on our website, at <https://OneShoreline.org/FloodWarning>.



**San Mateo County Flood and Sea Level Rise Resiliency District
Management’s Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2022**

Millbrae and Burlingame Shoreline Area Protection & Enhancement Project

Within the cities of Millbrae and Burlingame along San Francisco Bay, regionally significant electrical distribution and water treatment facilities and transportation and rail corridors, major corporate sites, and many local businesses and homes are vulnerable to flooding and sea level rise. In late 2019 and early 2020, these cities completed separate efforts to evaluate their vulnerabilities and potential adaptation strategies to reduce those vulnerabilities. Meanwhile, immediately to the north, SFO is planning and designing a project to protect the entire perimeter of the airport from sea level rise.

Consistent with its core purpose, in 2020 OneShoreline brought together these entities to advance their independent efforts in a coordinated and connected way. The objectives of this project are to not only remove hundreds of properties and critical infrastructure from the FEMA floodplain, but advance long-term resilience to sea level rise and extreme storms, as well as provide environmental and recreational enhancements.

During 2021-22 fiscal year, OneShoreline secured \$8 million from the State of California. Half of that amount is dedicated to engaging a consultant team on this project to complete data gathering, 30% design, and a Draft Environmental Impact Report of a project to keep the shoreline and creek banks indicated by the red lines on the image right from overtopping when the Bay water level is substantially higher than it is today.



Work with cities and developers so that private property and public infrastructure are planned in the context of future climate conditions and regional protection efforts

Because San Mateo County has more people and property at risk from the first few feet of sea level rise than any other county in California, its residents and their elected leaders understand that climate change poses a transformative challenge to our communities. An enduring aspect of the District’s work to build long-term resilience countywide rests on identifying opportunities for new development and infrastructure projects to be resilient and be part of the regional solution to this transformative challenge. These projects are intended to function for decades, during which time the impacts of climate change will grow, and thus these projects should be designed to function under foreseeable future conditions, including higher sea levels and more intense storms, wildfires, drought, and heat. Incorporating climate resilience into the siting and building of these assets now will avoid the much more difficult and costly effort to retrofit these assets later.

With a portion of the \$8 million in State funding mentioned above, OneShoreline is also working with several cities to update their General Plans, Specific Plans, and zoning ordinances so that these critical documents can today help guide our region’s resilience to the future conditions brought on by climate change. The work to update these key planning documents began with the City of Burlingame, which in December 2021 became the first city in the Bay Area to incorporate requirements related to sea level rise protection into its citywide zoning ordinance. In parallel, OneShoreline has also reviewed and provided verbal and written comments on design concepts or submittals from private developers with water-fronting projects. At the suggestion of planning staff from several cities, these OneShoreline comments are being templated into a draft Planning Guidance Policy, which can be used as a standardized and evolving resource for cities and the County to account for climate-driven flooding, stormwater capture, groundwater rise, and sea level rise in planning documents, processes, and approvals.

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BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and investments	\$ 39,427,453
Interest receivable	12,687
Taxes receivable	125,643
Intergovernmental receivable	647,915
Prepaid expenses	16,691
Capital assets, net of accumulated depreciation	
Nondepreciable	10,129,766
Depreciable	25,121,044
Total Assets	75,481,199
 Liabilities	
Accounts payable	855,309
Accrued interest	305,729
Unearned revenue	630,909
Long-term liabilities	
Revenue refunding bonds - due within one year	925,630
Revenue refunding bonds - due beyond one year	15,589,274
Accrued vacation and leave - due within one year	45,333
Total Liabilities	18,352,184
Deferred Inflows of Resources	34,201
 Net Position	
Net investment in capital assets	18,061,076
Restricted for debt service	73
Unrestricted	39,033,665
Total net position	\$ 57,094,814

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 Year Ended June 30, 2022

	Governmental Activities
Program Expenses	
Public protection	\$ 3,646,184
Depreciation expense	785,142
Interest on long-term liabilities	593,630
Total Program Expenses	5,024,956
 Program Revenues	
Operating grants and contributions	2,242,915
Capital grants and contributions	7,278,352
Total Program Revenues	9,521,267
Net Program Revenues	4,496,311
 General Revenues	
Property tax	6,370,033
Interest and investment income (loss)	(1,294,776)
Other	10,720
Total General Revenues	5,085,977
Change in Net Position	9,582,288
Net Position - Beginning	47,512,526
Net Position - Ending	\$ 57,094,814

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, 2022

	General Fund	Colma Creek Flood Control Fund	San Bruno Creek Flood Control Fund	Bayfront Canal Atherton Capital Project Fund	Burlingame-Millbrae SFO Shoreline Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and investments	\$ 2,675,928	\$ 30,557,646	\$ 3,818,052	\$ 694,264	\$ -	\$ 73	\$ 1,681,490	\$ 39,427,453
Receivables:								
Accounts receivable	-	-	-	-	-	-	-	-
Taxes receivable	-	114,470	5,586	-	-	-	5,587	125,643
Grants receivable	500,835	-	-	-	147,080	-	-	647,915
Interest receivable	847	10,012	1,252	46	-	-	530	12,687
Dues from other funds	7,649	-	-	-	-	-	-	7,649
Other assets	5,489	-	-	-	-	11,202	-	16,691
Total Assets	\$ 3,190,748	\$ 30,682,128	\$ 3,824,890	\$ 694,310	\$ 147,080	\$ 11,275	\$ 1,687,607	\$ 40,238,038
Liabilities								
Accounts payable	\$ 53,502	\$ 170,122	\$ 420,769	\$ 63,401	\$ 147,172	\$ -	\$ 343	\$ 855,309
Unearned revenues	-	-	-	630,909	-	-	-	630,909
Dues to other funds	-	-	-	-	7,649	-	-	7,649
Other liabilities	-	-	-	-	-	-	-	-
Total Liabilities	\$ 53,502	\$ 170,122	\$ 420,769	\$ 694,310	\$ 154,821	\$ -	\$ 343	\$ 1,493,867
Deferred Inflows of Resources	500,835	-	-	-	147,080	-	-	647,915
Fund Balances								
Nonspendable	5,489	-	-	-	-	11,202	-	16,691
Restricted	-	-	-	-	-	73	-	73
Assigned	2,630,922	30,512,006	3,404,121	-	-	-	1,687,264	38,234,313
Unassigned	-	-	-	-	(154,821)	-	-	(154,821)
Total Fund Balances	2,636,411	30,512,006	3,404,121	-	(154,821)	11,275	1,687,264	38,096,256
Total Liabilities and Fund Balances	\$ 3,190,748	\$ 30,682,128	\$ 3,824,890	\$ 694,310	\$ 147,080	\$ 11,275	\$ 1,687,607	\$ 40,238,038

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, 2022

Fund balances - total governmental funds	\$ 38,096,256
Amounts reported for governmental activities in the statement of net position are different because:	
Other long-term assets are not available to pay for current period expenditures and, therefore, are shown as deferred inflows of resources in the governmental funds.	647,915
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	35,250,810
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.	(305,729)
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.	(34,201)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Revenue refunding bonds	(14,675,000)
Premium on revenue refunding bonds	(1,839,904)
Accrued vacation and leave	<u>(45,333)</u>
Net position of governmental activities	<u><u>\$ 57,094,814</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 Year Ended June 30, 2022

	General Fund	Colma Creek Flood Control Fund	San Bruno Creek Flood Control Fund	Bayfront Canal Atherton Capital Project Fund	Burlingame-Millbrae SFO Shoreline Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Property tax	\$ -	\$ 5,420,183	\$ 438,553	\$ -	\$ -	\$ -	\$ 511,297	\$ 6,370,033
County contributions	850,000	-	-	-	-	-	-	850,000
City contributions	745,000	-	-	-	-	-	-	745,000
Capital grants and contributions	91,031	-	-	7,187,321	-	-	-	7,278,352
Interest and investment income (loss)	(57,155)	(1,043,930)	(132,969)	(9,445)	-	4	(51,281)	(1,294,776)
Other	200	10,520	-	-	-	-	-	10,720
Total Revenues	1,629,076	4,386,773	305,584	7,177,876	-	4	460,016	13,959,329
Expenditures								
Current:								
Salaries and benefits	639,251	-	-	-	-	-	-	639,251
Services and supplies	341,208	2,047,735	246,667	-	-	856	353,224	2,989,690
Capital outlay	41,414	20,713	428,861	7,177,876	154,821	-	-	7,823,685
Debt service - principal	-	-	-	-	-	750,000	-	750,000
Debt service - interest	-	-	-	-	-	752,500	-	752,500
Total Expenditures	1,021,873	2,068,448	675,528	7,177,876	154,821	1,503,356	353,224	12,955,126
Other Financing Sources (Uses):								
Transfers in	60,000	-	-	-	-	1,502,500	-	1,562,500
Transfers out	-	(1,552,500)	(4,500)	-	-	-	(5,500)	(1,562,500)
Total Other Financing Sources (Uses)	60,000	(1,552,500)	(4,500)	-	-	1,502,500	(5,500)	-
Net Change in Fund Balances	667,203	765,825	(374,444)	-	(154,821)	(852)	101,292	1,004,203
Fund Balances - Beginning, as previously reported	1,953,304	29,746,181	3,778,565	-	-	12,127	1,601,876	37,092,053
Cumulative effect of prior period adjustment	15,904	-	-	-	-	-	(15,904)	-
Fund Balances - Beginning, as restated	1,969,208	29,746,181	3,778,565	-	-	12,127	1,585,972	37,092,053
Fund Balances - Ending	\$ 2,636,411	\$ 30,512,006	\$ 3,404,121	\$ -	\$ (154,821)	\$ 11,275	\$ 1,687,264	\$ 38,096,256

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 Year Ended June 30, 2022

Net change in fund balances - total governmental funds \$ 1,004,203

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	\$ 7,823,685		
Less capital project fund soft costs reflected as capital outlay	(6,463)		
Less current year depreciation	<u>(785,142)</u>	<u>7,032,080</u>	
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues in the statement of activities.			647,915
Repayment and defeasance of long-term liabilities are expenditures and other financing uses in the governmental funds but reduce long-term liabilities in the statement of net position			750,000
Change in accrued interest			15,626
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	140,630		
Amortization of deferred gain on refunding	2,614		
Change in accrued vacation leave	<u>(10,780)</u>	<u>132,464</u>	
Change in net position of governmental activities			<u><u>\$ 9,582,288</u></u>

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 Year Ended June 30, 2022

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, the City/County Association of Governments of San Mateo County (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 stormwater 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 Year Ended June 30, 2022

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 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 *Bayfront Canal Atherton Capital Project Fund* accounts for funds that support significant capital project operations for the District. This fund is financed by grants and contributions.
- The *Burlingame-Millbrae SFO Shoreline Capital Project Fund* accounts for funds that support significant capital project operations for the District. This fund is financed by the State Coastal Conservancy grant.
- The *Debt Service Fund* accounts for the accumulation and resources for, and the payment of, long-term debt principal, interest, and related costs.

The District reports the following non-major governmental funds:

- *San Francisquito Creek Flood Control Fund* accounts for creek improvement activities in San Francisquito Creek. This fund is financed by property taxes.
- *Ravenswood Slough Flood Control Zone Fund* accounts for flood control projects in the Ravenswood Slough Flood Control Zone Fund. This fund is financed by property taxes.

(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. Property taxes and grant and contribution 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 has evaluated the requirements of GASB Statements No. 87, *Leases*, No. 92, *Omnibus*, No. 93, *Replacement of Interbank Offered Rates*, 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*, and determined they had no impact on the District’s financial statements for the year ended June 30, 2022.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements of GASB Statements No. 91, *Conduit Debt Obligations*, No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements*, No. 96, *Subscription-Based Information Technology*, No. 99, *Omnibus*, No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* and No. 101, *Compensated Absences*.

(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 government-wide financial statements. Estimated useful lives for depreciable capital assets currently held by the District range from 46 years to 50 years

(g) Leases

Under the provisions of GASB Statement No. 87, the District is required to recognize a lease liability and an intangible right-to-use lease asset as a lessee and a lease receivable and a deferred inflow of resources as a lessor. The District's policy is to record leases with an initial net present value of \$50,000.

(h) Accrued Vacation Leave

The District allows employees to accumulate earned but unused vacation and leave 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 is considered due and payable. The liability for accrued vacation and leave includes the District's share of social security and Medicare contributions payable on behalf of the employees.

(i) 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.

(j) 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.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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.

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

Interfund transactions are treated as transfers under the other financial sources and use a 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.

(m) Investment Earnings

The District earns interest quarterly from the Local Agency Investment Fund (LAIF) and monthly on its investments with U.S. Bank.

(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 INVESTMENTS

Cash and investments as of June 30, 2022 consist of the following:

Investments with financial institutions	\$ 36,884,718
Deposits with financial institutions	<u>2,542,735</u>
Total cash and investments	<u><u>\$ 39,427,453</u></u>

(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, 2022, cash balances in bank were insured up to \$250,000 per insured bank by the Federal Depository Insurance Corporation. At June 30, 2022, the bank balance of \$2,171,175 was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the name of the District.

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

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2022

3. CASH AND CASH EQUIVALENTS (Continued)

(b) Investments

Investment Policy

The District's investment policy addresses safekeeping and custody practices with financial institutions in which the District deposits funds, types of permitted investment instruments, and the percentage of the portfolio that may be invested in certain instruments. The objectives of the policy, in order of priority are safety, liquidity, and return on investments.

The table below identifies the investment types that are authorized by the investment policy. The table also identifies certain provisions of the investment policy that address interest rate risk and concentration of credit risk. The investment policy places maturity limits based on the type of security.

Authorized Investments	Maximum Percentage of District Portfolio	Maximum Percentage Acquired from Single Issuer	Maximum Maturity	Credit Rating Requirements ⁽¹⁾
U.S. Treasury Obligations	No limit	No limit	None	None
Federal Agency or United States Government-Sponsored Enterprise Obligations	No limit	No limit	None	None
Obligations of the State of California or Any Local Agency Within the State	20%	No limit	None	A
Registered Treasury Notes or Bonds of Any of the Other 49 States in Addition to California	20%	No limit	None	A
Commercial Paper (2)	20%	10%	270 days	None
Negotiable Certificates of Deposit	30%	No limit	None	A (long-term) A-1 (short-term)
Demand Deposits	No limit	No limit	None	None
Passbook Savings Accounts - Collateralized	No limit	No limit	None	None
Shares of Beneficial Interest Issued by Diversified Management Companies	20%	10%	None	None
Repurchase Agreements (3)	No limit	No limit	None	None
Local Agency Investment Fund (State Pool)	Maximum amount permitted by the State Treasurer	No limit	None	None
San Mateo County Pool	No limit	No limit	None	None
Local Government Investment Pools (LGIPs)	No limit	No limit	None	AAA
Bankers' Acceptances	40%	30%	180 days	None
Medium-Term Notes	30%	No limit	5 years	A

⁽¹⁾ Ratings listed are the required minimum investment security ratings assessed by a nationally recognized statistical-rating organization (NRSRO).

⁽²⁾ No more than 5% of outstanding commercial paper investments can be invested in the Energy industry/sector.

⁽³⁾ Overnight Repurchase Agreement shall be used solely as a short-term investment not to exceed 3 days.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2022

3. CASH AND CASH EQUIVALENTS (Continued)

District Investments

As of June 30, 2022, the District's investments consisted of the following:

Investment Type	Credit Rating S&P's/Moody's	Investment Maturities (in Years)		
		Less than 1	1 to 5	Fair Value
U.S. Treasury Notes	AA+ / Aaa	\$ 3,363,409	\$ 21,467,034	\$ 24,830,443
Local Agency Investment Funds	Not Rated	8,392,536	-	8,392,536
Medium Term Notes	BBB+ to AAA / A3 to AAA	-	3,544,270	3,544,270
Municipal Notes	Not Rated to A+ / AA3	-	117,469	117,469
Total Investments		\$ 11,755,945	\$ 25,128,773	\$ 36,884,718

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the fair value of an investment. In accordance with the investment policy, the Treasurer manages the risk exposure by limiting the weighted average maturity of its investment portfolio to not more than two years at any time. The weighted average maturity of the District's investment portfolio at June 30, 2022 was 724 days.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The investment policy sets limits to certain investment types specifying the amount the District may invest in any one issuer. As of June 30, 2022, there were no issuers which held more than 5% of the District's investment portfolio.

Local Agency Investment Fund

As of June 30, 2022, the District's investment in the Local Agency Investment Fund (LAIF) was \$8.4 million, and the total amount invested by all participating agencies in LAIF is \$35.8 billion. The Local Investment Advisory Board (LIAB), which consists of five members as designated by State statute, provides oversight for LAIF. All securities are purchased under the authority of Government Code Sections 16430 and 16480.4. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. LAIF is part of the Pooled Money Investment Account (PMIA), which is not SEC-registered. As of June 30, 2022, the PMIA balance was \$234.5 billion, of which 1.88% in structured notes and asset backed securities.

Fair Value Measurement

The District prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Investments in an external investment pool are not subject to reporting within the level hierarchy. The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2022

3. CASH AND CASH EQUIVALENTS (Continued)

- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Authorized investments in which the District can invest are outlined in the County’s current effective investment policy, which are summarized in the “Investment Policy” section above.

The District’s investments by fair value as of June 30, 2022 included the following:

Investments	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments subject to fair value hierarchy:			
U.S. Treasury notes	\$ 24,830,443	\$ 24,830,443	\$ -
Medium term notes	3,544,270	-	3,544,270
Municipal notes	117,469	-	117,469
Total investments subject to fair value hierarchy	<u>28,492,182</u>	<u>24,830,443</u>	<u>3,661,739</u>
Investments not subject to fair value hierarchy:			
Local agency investment funds held by State Treasury	<u>\$ 8,392,536</u>		

4. CAPITAL ASSETS

Capital assets activity for the District for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Transfers	Deletions	Balance June 30, 2022
Non-Depreciable Capital Assets:					
Land	\$ 702,962	\$ -	\$ -	\$ -	\$ 702,962
Easements	92,419	-	-	-	92,419
Construction in Progress	1,517,163	7,817,222	-	-	9,334,385
Total non-depreciable capital assets	<u>2,312,544</u>	<u>7,817,222</u>	<u>-</u>	<u>-</u>	<u>10,129,766</u>
Depreciable capital assets:					
Infrastructure	39,253,006	-	-	-	39,253,006
Less accumulated depreciation for:					
Infrastructure	(13,346,820)	(785,142)	-	-	(14,131,962)
Depreciable capital assets, net	<u>25,906,186</u>	<u>(785,142)</u>	<u>-</u>	<u>-</u>	<u>25,121,044</u>
Total Capital Assets, net	<u>\$ 28,218,730</u>	<u>\$ 7,032,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,250,810</u>

Construction in process additions for the year ended June 30, 2022 primarily represents work performed on the Bayfront canal and Atherton Channel Flood Protection and Ecosystems Restoration Project, and the San Bruno Creek Emergency Tide Gate Repair Project.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2022

5. LONG TERM LIABILITIES

The District's long-term liabilities as of June 30, 2022 are as follows:

	Balance 7/1/2021	Additions	Retirements	Balance 6/30/2022	Amounts Due Within 1 Year
Revenue refunding bonds	\$ 15,425,000	\$ -	\$ (750,000)	\$ 14,675,000	\$ 785,000
Add: unamortized premium	1,980,534	-	(140,630)	1,839,904	140,630
Revenue refunding bonds, net	17,405,534	-	(890,630)	16,514,904	925,630
Accrued vacation leave	34,553	34,345	(23,565)	45,333	45,333
Total Governmental Activities	<u>\$ 17,440,087</u>	<u>\$ 34,345</u>	<u>\$ (914,195)</u>	<u>\$ 16,560,237</u>	<u>\$ 970,963</u>

(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.

The District's long-term debt as of June 30, 2022 are as follows:

Type of Indebtedness	Maturities	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2022
2015 Revenue Refunding Bonds:					
Serial current interest bonds	8/1/22 - 8/1/35	5.00%	\$775,000 - \$1,410,000	\$18,725,000	\$14,675,000

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

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2022

6. LONG TERM LIABILITIES (Continued)

Annual debt service requirements for the governmental activities of the District as of June 30, 2022 are summarized as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 785,000	\$ 714,125
2024	825,000	673,875
2025	865,000	631,625
2026	910,000	587,250
2027	950,000	540,750
2028-2032	5,535,000	1,919,875
2033-2036	4,805,000	444,625
Total	<u>\$ 14,675,000</u>	<u>\$ 5,512,125</u>

(b) Accrued Vacation and 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 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. 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.

7. LEASE

The District occupies an office building to conduct its business under a noncancelable operating lease. Total rental paid for this lease was \$101,843 for the year ended June 30, 2022. Future minimum lease payments total \$69,472 for the year ending June 30, 2023.

8. 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 year ended June 30, 2022, the County made contributions of \$850,000 and the city agencies contributed a combined amount of \$745,000 as prescribed by Board resolution.

(b) Property Tax

The District receives monthly property tax payments from the County of San Mateo based on the County’s apportionment factor calculations. The District’s revenue for property tax appropriations amounted to \$6,370,033 for the year ended June 30, 2022.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2022

8. REVENUES (Continued)

(c) Capital Grant Contributions

The District also receives one-time capital grant contributions for specific projects. For the year ended June 30, 2022, the District incurred capital project costs on the Burlingame-Millbrae SFO Shoreline Capital Project, for which it received a capital grant reimbursement after the balance sheet date.

9. 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 require 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 external sources or enabling legislation.

(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.

(d) Unassigned Fund Balance – includes the residual classification that includes all amounts not contained in other classifications. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

10. INTERFUND BALANCES AND TRANSFERS

The District's Burlingame-Millbrae SFO Shoreline Capital Project Fund expended more funds than its available cash as of June 30, 2022, which resulted in a negative cash balance and required short-term borrowing from the District's general fund in the amount of \$7,649. The District's Burlingame-Millbrae SFO Shoreline Capital Project Fund expects to repay the amount due to the general fund upon collection of its grants receivable.

For the year ended June 30, 2022, the Colma Creek Flood Control fund made a transfer of \$1,502,500 to the Debt Service fund for the purpose of financing debt service obligations.

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2022

11. 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.

12. 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 was an additional insured on the County of San Mateo's excess liability insurance coverage for the year ended June 30, 2022. Effective July 1, 2022, the District was covered under AWCA JPIA Liability and Property Program. County Counsel provides legal representation for any claims or litigation of the District. 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, 2023. Claims have not exceeded coverage for the District since its inception on January 1, 2020.

13. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2022, the District consolidated the San Mateo County Flood Control Zone Special Revenue Fund into the General Fund and restated General Fund fund balance by \$15,904. A special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. The San Mateo County Flood Control Zone Special Revenue Fund did not have a specific restricted or committed revenue source. Its activities were thus incorporated into the General Fund as of July 1, 2021.

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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 Year Ended June 30, 2022

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final	Budgetary Basis	
Revenues				
County contributions	\$ 1,250,000	\$ 1,250,000	\$ 850,000	\$ (400,000)
City contributions	745,000	745,000	745,000	-
Capital grants and contributions	291,000	291,000	91,031	(199,969)
Interest and investment income (loss)	6,780	6,780	(57,155)	(63,935)
Other	-	-	200	200
Total Revenues	<u>2,292,780</u>	<u>2,292,780</u>	<u>1,629,076</u>	<u>(663,704)</u>
Expenditures				
Current:				
Salaries and benefits	\$ 891,264	\$ 891,264	\$ 639,251	\$ 252,013
Services and supplies	400,754	400,754	341,208	59,546
Capital outlay	230,000	230,000	41,414	188,586
Total Expenditures	<u>1,522,018</u>	<u>1,522,018</u>	<u>1,021,873</u>	<u>500,145</u>
Net Change in Fund Balance	<u>\$ 770,762</u>	<u>\$ 770,762</u>	607,203	<u>\$ (163,559)</u>
Budgetary Fund Balance - Beginning, as restated			<u>1,969,208</u>	
Budgetary Fund Balance - Ending			<u><u>\$ 2,576,411</u></u>	
Other financing sources				
Operating transfers in			<u>60,000</u>	
GAAP Fund Balance			<u><u>\$ 2,636,411</u></u>	

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 Year Ended June 30, 2022

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final	Budgetary Basis	
Revenues				
Property taxes	\$ 3,431,959	\$ 3,431,959	\$ 5,420,183	\$ 1,988,224
Interest and investment income (loss)	97,293	97,293	(1,043,930)	(1,141,223)
Other	10,512	10,512	10,520	8
Total Revenues	<u>3,539,764</u>	<u>3,539,764</u>	<u>4,386,773</u>	<u>847,009</u>
Expenditures				
Current:				
Services and supplies	\$ 2,428,473	\$ 2,428,473	\$ 2,047,735	\$ 380,738
Capital outlay	350,000	350,000	20,713	329,287
Total Expenditures	<u>2,778,473</u>	<u>2,778,473</u>	<u>2,068,448</u>	<u>710,025</u>
Net Change in Fund Balance	<u>\$ 761,291</u>	<u>\$ 761,291</u>	2,318,325	<u>\$ 1,557,034</u>
Budgetary Fund Balance - Beginning			29,746,181	
Budgetary Fund Balance - Ending			<u>32,064,506</u>	
Other financing uses				
Operating transfers out			<u>(1,552,500)</u>	
GAAP Fund Balance			<u>\$ 30,512,006</u>	

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 Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u> <u>Basis</u>	
Revenues				
Property taxes	\$ 286,839	\$ 286,839	\$ 438,553	\$ 151,714
Interest and investment income (loss)	12,543	12,543	(132,969)	(145,512)
Total Revenues	<u>299,382</u>	<u>299,382</u>	<u>305,584</u>	<u>6,202</u>
Expenditures				
Current:				
Services and supplies	\$ 376,800	\$ 376,800	\$ 246,667	\$ 130,133
Capital outlay	-	825,000	428,861	396,139
Total Expenditures	<u>376,800</u>	<u>1,201,800</u>	<u>675,528</u>	<u>526,272</u>
Net Change in Fund Balance	<u>\$ (77,418)</u>	<u>\$ (902,418)</u>	(369,944)	<u>\$ 532,474</u>
Budgetary Fund Balance - Beginning			<u>3,778,565</u>	
Budgetary Fund Balance - Ending			<u>\$ 3,408,621</u>	
Other financing uses				
Operating transfers out			<u>(4,500)</u>	
Excess (deficiency) of revenues and other source over expenditures			<u>\$ 3,404,121</u>	

SAN MATEO
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Notes to Required Supplementary Information
For the Year Ended June 30, 2022

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 as of June 30, 2022.

2. EXPENDITURES LESS THAN BUDGET

The District had many areas of operations for the year ended June 30, 2022 where actual expenditures fell short of budgeted amounts. This is due primarily to the fact that the District was 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. The District has initiated a number of capital projects which are expected to increase in activity in the coming years.

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	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 investments	\$ 1,222,326	\$ 459,164	\$ -	\$ 1,681,490
Receivables				
Taxes receivable	5,332	255	-	5,587
Interest receivable	386	144	-	530
Total Assets	<u>\$ 1,228,044</u>	<u>\$ 459,563</u>	<u>\$ -</u>	<u>\$ 1,687,607</u>
Liabilities				
Accounts payable	<u>\$ 343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343</u>
Fund Balances				
Assigned	<u>1,227,701</u>	<u>459,563</u>	<u>-</u>	<u>1,687,264</u>
Total Liabilities and Fund Balances	<u>\$ 1,228,044</u>	<u>\$ 459,563</u>	<u>\$ -</u>	<u>\$ 1,687,607</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 Year Ended June 30, 2022

	San Francisquito Creek Flood Control Fund	Ravenswood Slough Flood Control Zone Fund	San Mateo County Flood Control Zone Fund	Total Nonmajor Governmental Funds
Revenues				
Property tax	\$ 489,767	\$ 21,530	\$ -	\$ 511,297
Interest and investment loss	(35,577)	(15,704)	-	(51,281)
Total Revenues	<u>454,190</u>	<u>5,826</u>	<u>-</u>	<u>460,016</u>
Expenditures				
Current:				
Services and supplies	<u>352,544</u>	<u>680</u>	<u>-</u>	<u>353,224</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(5,300)	(200)	-	(5,500)
Total Expenditures	<u>(5,300)</u>	<u>(200)</u>	<u>-</u>	<u>(5,500)</u>
Net Change in Fund Balances	96,346	4,946	-	101,292
Fund Balances - Beginning, as originally reported	1,131,355	454,617	15,904	1,601,876
Cumulative effect of prior period adjustment	-	-	(15,904)	(15,904)
Fund Balances - Beginning, as restated	<u>1,131,355</u>	<u>454,617</u>	<u>-</u>	<u>1,585,972</u>
Fund Balances - Ending	<u>\$ 1,227,701</u>	<u>\$ 459,563</u>	<u>\$ -</u>	<u>\$ 1,687,264</u>

**SAN MATEO COUNTY
FLOOD AND SEA LEVEL RISE RESILIENCY DISTRICT
Schedule of Cities Support
For the Year Ended June 30, 2022**

City/ Agency	Year Ended June 30, 2022 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 year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 18, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 18, 2022

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

Date: December 12, 2022
To: San Mateo County Flood and Sea Level Rise Resiliency District Board of Directors
From: Len Materman, CEO
Subject: Consider amendments to the District’s Investment Policy recommended by the Board Finance Committee

Recommendation

That the San Mateo County Flood and Sea Level Rise Resiliency District (“District”) Board of Directors (“Board”) consider amendments to the District’s Investment Policy and direct the CEO or designee to execute the Investment Policy, including any amendments.

Background and Discussion

At its December 14, 2020 meeting, the Board approved an Investment Policy for District funds that outlines the authorities, standard of care, objectives (including those related to environmental, social, and governance (ESG) criteria), procedures, authorized vehicles, internal controls, and other issues related to the investment of District funds. 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.

At its meeting on January 25, 2021, the Board appointed PFM Asset Management LLC (“PFMAM”) as an Investment Advisor, and since May 2021, PFMAM has been providing portfolio management services. Earlier this fall, District Finance Manager Lucy Dong worked with PFMAM to review the District’s Investment Policy, which led to PFMAM proposing amendments to align the Policy with government code changes and new investment opportunities.

At its November 17, 2022 meeting, the Board Finance Committee discussed the current state of, and outlook for, financial markets, the performance of District investments, and PFMAM’s suggested amendments to the District’s Investment Policy to conform to recently updated State requirements of government agencies. Attached are: 1) a memo from PFMAM describing these amendments, and 2) the District’s Investment Policy including amendments proposed by PFMAM and endorsed by the Finance Committee.

Impact on District Resources

Approving the amended 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.

Attachments

1. Memorandum from PFMAM
2. Draft amended District Investment Policy



November 8, 2022

Memorandum

To: Lucy Dong, Finance Manager
San Mateo County, Flood and Sea Level Rise Resiliency District

From: Monique Spyke, Managing Director
PFM Asset Management LLC

Re: 2022 Investment Policy Review

PFM Asset Management LLC has completed its review of the San Mateo County, Flood and Sea Level Rise Resiliency District (the "District") Investment Policy (the "Policy"). This year, we are recommending changes to the Policy that will: address recent and upcoming California Government Code (the "Code") changes; increase the District's investment opportunities; create consistent language regarding the District's Environmental, Social and Governance ("ESG") criteria. Below we have summarized our material recommendations, and all of our suggested edits can be seen in the attached redlined version of the Policy.

Code Changes

Senate Bill 998 ("SB 998"), which took effect on January 1, 2021, and shall be in effect until January 1, 2026, made a number of amendments to certain sections of the Code which govern the investment of public funds. The bill was written in response to the potential impact COVID-19 may have on the California economy and the investment opportunities of California local agencies. Of the Code changes resulting from SB 998, only one impacts the District's Investment Policy and that is the deletion of commercial paper language regarding the issuing corporation's outstanding paper. We recommended the District delete the language that was removed from Code, as shown in Policy *Section XI. Authorized Investments, paragraph 5 Commercial Paper*.

Senate Bill 1489, also known as the Local Government Omnibus Act of 2022, was approved by Governor Newsom on September 18, 2022, and will go into effect on January 1, 2023. The bill made a number of changes to Code, two of which were in Code section 53601, the section of Code that governs the investments of public funds. Changes made to section 53601 include language stating an investment's term or remaining maturity shall be measured from the settlement date to final maturity and, that a security purchased in accordance with section 53601 shall not have a forward settlement date exceeding 45 days from the time of investment. Previously, Code was silent on both of these items. In the opening paragraph of *Section XI Authorized Investments*, in the attached relined version of the Policy, we suggest the District add the new Code language regarding forward settlement. In Policy *Section XIII Maturity Limit*, we suggest adding the new Code language regarding calculating a security's term to maturity.

SB 1489 also modified Code section 53646 and its quarterly reporting requirements. Per Code, producing a quarterly report is optional for public agencies. However, should an agency choose to produce a quarterly report, certain requirements must be met. One of those requirements was to

produce the quarterly report within thirty (30) days following the end of the quarter. With SB 1489 that time has been extended to forty-five (45) days. We recommend the District update its policy in accordance with the Code change, as shown in Policy *Section XVI Performance Standards*.

Investment opportunities

We recommend the District add supranationals and asset-backed securities as authorized investment types, as permitted by Code. In accordance with Code, we propose that the investment limit for supranational and asset-backed securities be 30 percent and 20 percent, respectively.

Investing in the supranationals allowed by Code will not expose the District to any additional exchange rate risk. Many local agencies participate in supranational investments, including both San Mateo County and the California Pooled Money Investment Account. Supranationals are currently excluded from the ESG criteria laid out in the Policy. However, we do include the Supranational Bonds in our ESG reports because these investment types are rated. Should the District opt to incorporate supranationals, financial statements and reports may refer to them as Significant Other Observable Inputs Level 2.

ESG criteria consistency

The District's ESG investment criteria, as described in Policy *Section VII ESG Investment Criteria*, prohibits the District from investing in companies of the following industries: energy services, oil and gas producers, and refiners and pipelines. As such, we recommend the District delete language from Policy *Section XI Authorized Investments, paragraph 5 Commercial Paper*, regarding limiting investment in the Energy industry/sector to 5%, as this contradicts the Policy's ESG criteria.

All of the changes described above are shown in the attached redlined version of the Policy. Please let us know if you have any questions on our review and recommendations.



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

INVESTMENT POLICY

Effective Date

Deleted: January 1, 2021

Approved by the
San Mateo County Flood and Sea Level Rise Resiliency Board of Directors
on December 14, 2020

Amended on Date

Deleted: Resolution No. 2020-12-14

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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 (<=) 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. [A security purchased in accordance with this section shall not have a forward settlement date exceeding 45 days from the time of 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. 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.

Deleted: The District may purchase
Deleted: 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. Mortgage and Asset Backed Securities A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision shall not exceed 20% of the District's portfolio.

8. Demand Deposits - Collateralized

9. Passbook Savings Accounts - Collateralized

10. 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.

11. Repurchase Agreements. Overnight Repurchase Agreement shall be used solely as a short-term investment not to exceed 3 days.

12. 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.

13. 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).

14. 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).

15. 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.

16. 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.

17. Supranational Entities United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the District's portfolio.

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. [For purposes of compliance with this section, an investment's term or remaining maturity shall be measured from the settlement date to final maturity](#)

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 Securities

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 45 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.

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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.