



# Board of Directors Meeting

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

### 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**

## Agenda Item 3B

### Execute the First Amendment to the MOU for the Bay Area Flood Protection Agencies Association (BAFPAA)

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BAFPAA was established in 2007 to provide a 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 region. To enable this work, in 2011 BAFPAA members executed a Memorandum of Understanding (“MOU”) that defined roles and responsibilities, and established an expenditure account.

BAFPAA Member Agencies now wish to amend the original MOU to add new members, including OneShoreline.

At this time, the other 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

**RECOMMENDATION TO BOARD:** Authorize the CEO to execute the First Amendment to the BAFPAA MOU to allow District participation as a Member Agency and take advantage of BAFPAA services.

## Agenda item 4A

### Approve the 2023 Schedule of Regular meetings of the Board of Directors

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#### Proposed 2023 Board meeting schedule:

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.

While most meetings are proposed for the 4<sup>th</sup> Monday of the month, the meetings in January, September, November, and December are proposed for other Mondays.

All meetings are anticipated to be hybrid (in-person and remote by video/phone) and any updates to this approach or to the in-person location will be reflected in meeting agendas.

## Agenda Item 4B

### Appoint a new at-large member to the Colma Creek Citizens Advisory Committee

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- **The Colma Creek Citizens Advisory Committee provides input and recommendations regarding operations, maintenance, and capital improvements within the Colma Creek Flood Zone. The Committee has nine voting members: five appointed by the City Council and four “at-large” members appointed by the District Board.**
- **As mentioned at the last Board meeting, with the passing of Richard Irli, a long-time Committee member from SSF resident, Committee members and OneShoreline staff sought out a new at-large member to serve the remainder of Mr. Irli’s term, which expires March 31, 2025.**
- **OneShoreline staff interviewed three candidates and now recommends the appointment of Lissette Morales. Ms. Morales currently resides and owns property within the Colma Creek Flood Zone. She has lived in the South San Francisco community for over 18 years and is a civil engineering and project manager on water resource issues. She is very active in youth, parenting and foster parenting programs in San Mateo County.**

## Agenda item 4C

Accept the FY 2021-22 Audit and authorize the CEO to transmit it to governmental agencies

FY 2021/22 AUDIT RESULTS

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

PRESENTED BY:

Macias Gini & O'Connell LLP

December 12, 2022

FY 2021/22 AUDIT RESULTS

## Scope of Audits

1. Basic Financial Statements
2. Single Audit
  - Not applicable in FY 2021/22

# Responsibilities

## Management Responsibilities

- Prepare and fairly present financial statements in accordance with U.S. general accepted accounting principles (U.S. GAAP)
- Design, implement, and maintain effective internal controls over financial reporting
- Communicate matters of governance interest to those charged with governance

## Auditor Responsibilities

- Communicate with those charged with governance and management the responsibilities of the auditor regarding the scope and timing of the audit
- Obtain from those charged with governance information relevant to the audit
- Establish overall audit strategy and the audit plan
- Form and express an opinion about whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework

# Audit Results, Required Communications, and Other Matters

Auditor's report	Unmodified opinion
Material weaknesses and significant deficiencies in internal controls	No matters to report
Corrected and uncorrected audit misstatements	No matters to report
Financial presentation and disclosure omissions	No matters to report
Significant unusual transactions	No matters to report
Significant financial statement disclosures	Note 3 – Fair value of investments
Difficulties encountered in performing the audit	No matters to report
Disagreements with management	No matters to report
Management consultations with other independent accountants	No matters to report

# Condensed Government-wide Financial Statements

As of and for the year ended June 30, 2022

Assets:		Program expenses:	
Current and other assets	\$ 40,230,389	Public protection	\$ 3,646,184
Capital assets	35,250,810	Depreciation expense	785,142
Total assets	<u>75,481,199</u>	Interest on long-term liabilities	593,630
		Total program expenses	<u>5,024,956</u>
Liabilities:		Program revenues:	
Long-term liabilities	16,560,237	Operating grants and contributions	2,242,915
Other liabilities	1,791,947	Capital grants and contributions	7,278,352
Total liabilities	<u>18,352,184</u>	Total program revenues	<u>9,521,267</u>
Deferred inflows of resources	<u>34,201</u>	General revenues:	
Net position:		Property tax	6,370,033
Net investment in capital assets	18,061,076	Interest and investment income (loss)	(1,294,776)
Restricted	73	Other	10,720
Unrestricted	39,033,665	Total general revenues	<u>5,085,977</u>
Total net position	<u>\$ 57,094,814</u>	Changes in net position	9,582,288
		Net position - beginning:	<u>47,512,526</u>
		Net position - ending	<u>\$ 57,094,814</u>

## Agenda Item 4D: Investment performance and policy review

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**Investment Objectives: safety, liquidity, return, and environmental/social/governance**

**Elements of OneShoreline's current Investment Policy:**

- **Authority and guidelines regulating transactions**
- **Covered OneShoreline funds: General Fund, and Capital Projects, Debt Service, Trust and Agency funds**
- **Internal controls, performance reporting requirements, required reviews**
- **Authorized investments: Local Agency Investment Fund, SMC Investment Pool, U.S. Treasury & Gov't, CA obligations and Asset Management Program, highly-rated Commercial Paper and CDs.**
  - **PROPOSED new authorized investments: Supranationals & Asset Backed Securities**

# OneShoreline

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

December 12, 2022

415.393.7259

**pfmam.com**

*PFM Asset Management LLC*

*NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE*

**Monique Spyke, Managing Director**

*PFM Asset Management LLC*

## Current Market Themes



- The U.S. economy is characterized by:
  - High inflation
  - A deteriorating housing market
  - Worsening economic outlook that is propped up by a strong labor market



- The Federal Reserve faces significant challenges
  - Uncertainty around the level of interest rates
  - Potential for slower pace of rate hikes, but with a higher terminal rate
  - Increased pace of quantitative tightening



- Rapidly rising rates negatively impacting valuations and inducing market volatility
  - Yields across curve reached their highest levels in 14 years
  - Treasury yield curve remains inverted
  - Elevated volatility across all major asset classes



# OneShoreline's Strategy at a Glance

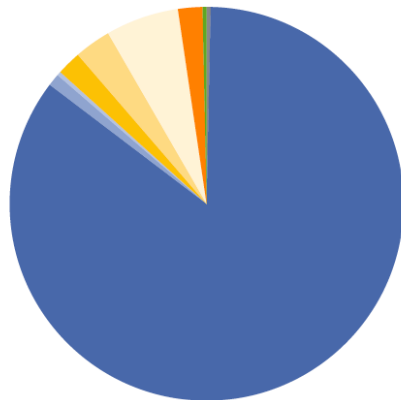
Optimized for Current Interest Rate Environment – Ready to Adapt to Changing Conditions

## Portfolio Characteristics

- High quality
- Well diversified
- Designed to maximize income
- Low volatility for earnings

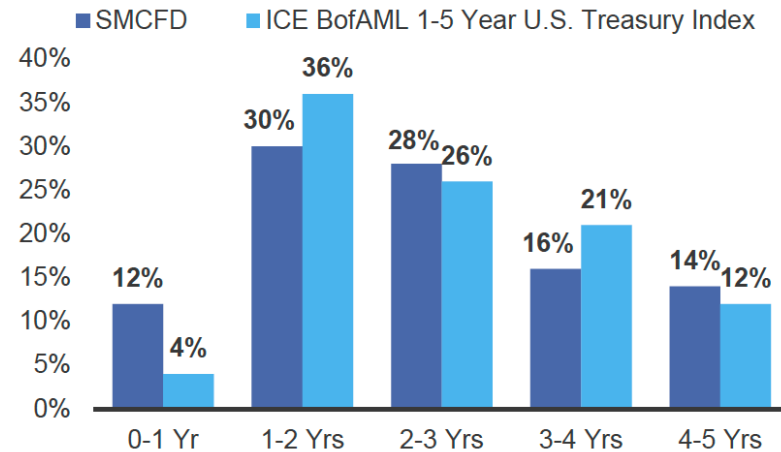
PFMAM-Managed Portfolio Statistics	
Total Market Value	\$28 million
Duration	2.41 years
YTM at Cost	1.02%
YTM at Market	4.30%
Avg Credit Quality*	AA

## Credit Quality - S&P



- AAA | <1%
- AA+ | 85%
- AA | 1%
- AA- | <1%
- A+ | 2%
- A | 3%
- A- | 6%
- BBB+ | 2%
- Not Rated | <1%

## Duration Distribution



As of September 30, 2022. Market values including accrued interest and cash.

\*An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

# OneShoreline's Results

Our Active Management, Dynamic Sector Rotation, and Focus on Relative Value Has Delivered Strong Returns

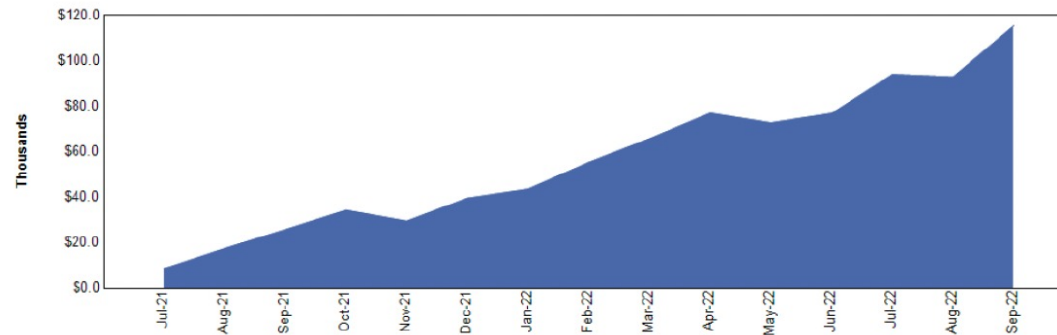
The portfolio has generated **\$115,310** in earnings since the start of the PFMAM relationship.\*

Outperformed the benchmark since inception by **+33 basis points**.

Portfolio assets **remained safe amidst** the current market turmoil.

**Reduced ESG Risk.**

## Accrual Basis Earnings



## Total Return Performance

Total Return	3Q 2022	YTD	Since Inception
Portfolio	-2.05%	-5.77%	-5.12%
Benchmark	-2.28%	-6.13%	-5.45%
<b>Outperformance</b>	<b>+0.22%</b>	<b>+0.37%</b>	<b>+0.33%</b>

1. Earnings and performance data as of September 30, 2022.
2. Performance inception date is June 30, 2021.
3. Returns for periods greater than one year are presented on an annualized basis.
4. The portfolio's benchmark is the ICE BofAML 1-5 Year U.S. Treasury Index. Source: Bloomberg.

\*Represents Accrual Basis Earnings.

### Expanding Investment Opportunities

- ▶ Incorporated a broader range of Code-permitted investment options
- ▶ Expanded use of credit sectors (Supranationals and ABS) supported by PFMAM's extensive credit resources
- ▶ Transitioned away from out-of-Code investment industries

Sector	Government Code Maximum	OneShoreline's Current Policy	OneShoreline's Proposed Policy
U.S. Treasuries	100%	100%	100%
Federal Agencies	100%	100%	100%
Supranationals	30%	Not permitted	30%
Municipals: <ul style="list-style-type: none"> <li>• California</li> <li>• Other 49 States</li> </ul>	100%	20%	20%
Commercial Paper	25%	20%	20%
Negotiable CDs	30%	30%	30%
Corporate Notes	30%	30%	30%
Asset-Backed (ABS)	20%	Not permitted	20%
LAIF	\$75 million	\$75 million	\$75 million
LGIPs	100%	100%	100%
Money Market Funds	20%	20%	20%

## Agenda Item 6: CEO's Report

### Update on OneShoreline guidance policy for planning & development along the Bay shoreline

- OneShoreline interviewed two firms with strong proposals and relevant experience
- Executed contract with Good City based on the team's experience working directly with many of the cities that would implement the Planning Guidance
- Good City has reviewed and summarized existing SLR and flooding policies in long-range planning documents in San Mateo County and nationwide
- OneShoreline and Good City are currently drafting the Planning Guidance document, and will get input from staff from the County, several Bayside cities, and BCDC
- A draft Planning Guidance Policy will be out for public comment in the first quarter of 2023.

# CEO's Report: Grant application to protect portions of San Bruno and South San Francisco

Based on a Notice of Interest submitted by OneShoreline in September, CalOES invited us to apply for a FEMA-funded Flood Mitigation Assistance grant.

The proposed project seeks to reduce existing flooding in San Bruno and South San Francisco - hazards that will only increase with more extreme storms and sea level rise. It would extend along the shoreline from the water treatment plant at the mouth of Colma Creek to the mouth of San Bruno Creek, and along San Bruno Creek to the Caltrain tracks.

In early December, OneShoreline requested \$900,000 to be matched by \$300,000 from the San Bruno Creek and Colma Creek Flood Zones.

Proposed tasks include:

- close key data gaps
- engage stakeholders and the public
- develop project alternatives, cost estimates, and the conceptual design of a preferred alternative
- develop a project description for a CEQA document
- develop an application for further FEMA funding



# CEO's Report: Bayfront Canal & Atherton Channel Flood Protection and Ecosystem Restoration Project

Since our last Board meeting:

- The commissioning of the electrical equipment (dewatering pump - Nov 15, trash racks - Dec 6) has been completed in coordination with the technical working group, equipment manufacturers, Contractor, Construction Manager, and Engineer of Record.
- A video recording inside the underground culverts was performed on November 30 to understand the locations and rate of groundwater infiltration and to evaluate potential mitigation measures. With this information, we will coordinate with the Contractor to reduce the observed groundwater infiltration.
- OneShoreline and Redwood City staff continue to discuss operations and maintenance going forward.





**Next Scheduled Board meeting**

**January 30, 2023**

**4:00 p.m.**