

Board of Directors Meeting

San Mateo County Flood and Sea Level Rise Resiliency District

AGENDA

January 29, 2024

4:00 PM

1. **Swear In Returning Board Members *** Directors Donna Colson and Lisa Gauthier
2. **Roll Call**
3. **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.
4. **Action to Set the Agenda**
5. **Regular Business**
 - A. Discuss and take action to elect Board officers; confirm, establish, and appoint members to Board committees; and appoint Board members to external agencies
 - B. Receive an update on the performance of District investments from our Investment Advisor *
 - C. Discuss District collaboration with the community coalition Flood Free San Mateo
 - D. Discuss the District's upcoming development of *Planning Policy Guidance for Resilient Public Infrastructure in San Mateo County*
6. **Chair's Report ***
7. **CEO's Report *** Bayfront Canal/Ravenswood Ponds Joint Operations, Federal Water Resources Development Act
8. **Board Member Reports and Items for a Future Agenda ***
9. **Adjournment**

Agenda Item 5A

**Elect Board officers; confirm, establish, and appoint members to Board committees;
and appoint a Board member and alternate to external agencies**

Current Board positions

Chair: Dave Pine Vice Chair: Debbie Ruddock

Committees (three members expected):

Finance (standing): Donna Colson, Lisa Gauthier, Marie Chuang

Personnel (*ad hoc*): Donna Colson, Marie Chuang, Dave Pine

Strategic Planning (*ad hoc*): Dave Pine, Debbie Ruddock, Adam Rak

Government Affairs (*ad hoc*): Debbie Ruddock, Lisa Gauthier, Adam Rak

Representative to the SFCJPA: Dave Pine; alternate needed

Representative to the ACWA JPIA: Lisa Gauthier; alternate is Finance Manager Lucy Dong

Agenda Item 5B

Update on the performance of District investments

OneShoreline

San Mateo County Flood and Sea Level Rise Resiliency District

January 29, 2024

415-265-3760

pfmam.com

Monique Spyke, Managing Director

PFM Asset Management LLC

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Current Market Themes



- ▶ The U.S. economy is characterized by:
 - ▶ Economic resilience but expectations for a slowdown
 - ▶ Cooling inflation that still remains above the Federal Reserve's ("Fed") target
 - ▶ The labor market coming into better balance
 - ▶ Consumers that continue to support growth through spending



- ▶ Federal Reserve signals end to rate hiking cycle
 - ▶ Fed projected to cut the short-term Fed funds rate by 75 basis points by December 2024, with the overnight rate falling to 4.50% to 4.75%
 - ▶ Markets are pricing a more aggressive 6 rate cuts by year end
 - ▶ Fed officials reaffirm that restoring price stability is the priority

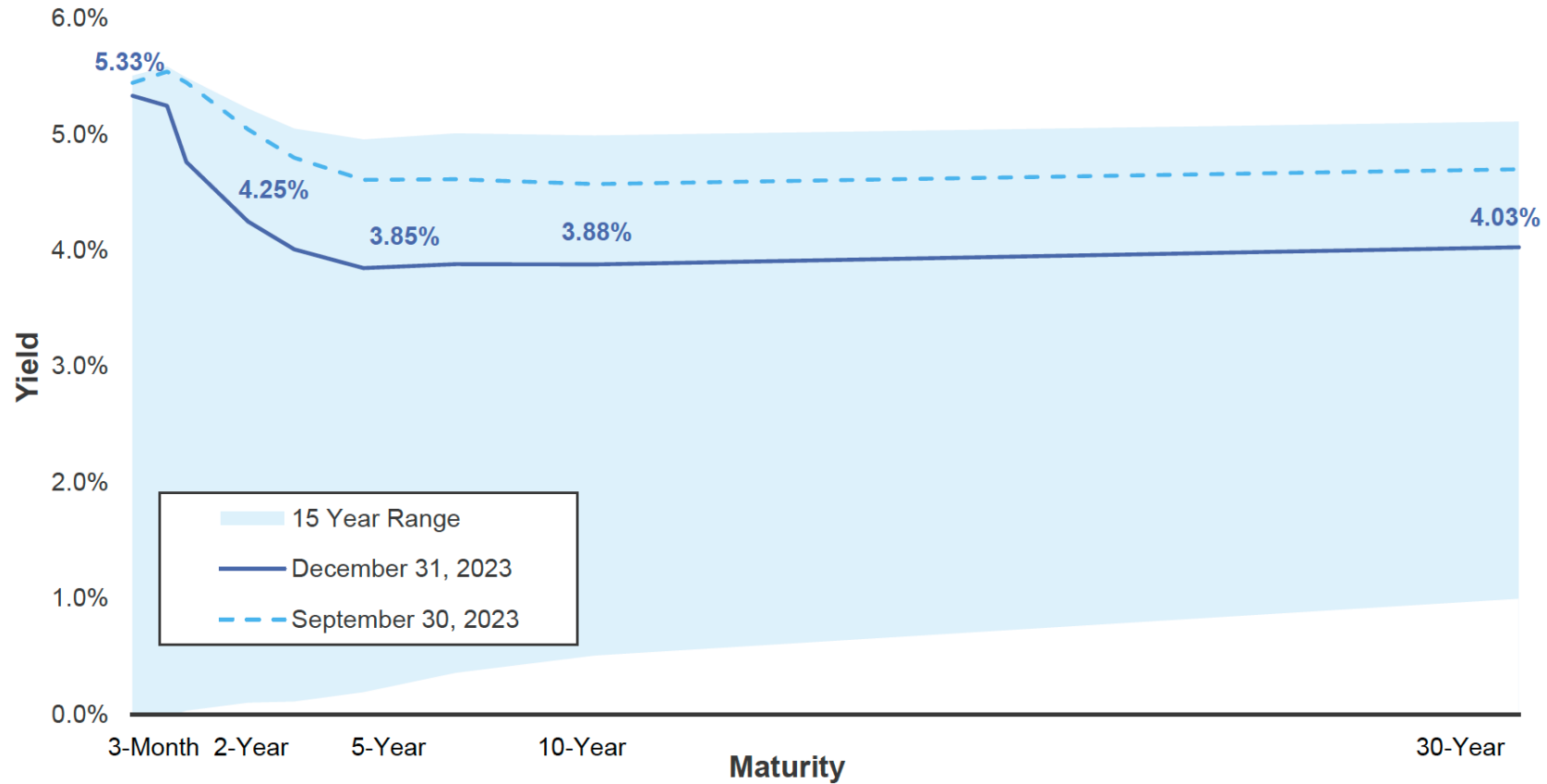


- ▶ Treasury yields ended the quarter materially lower
 - ▶ After peaking in October, yields reversed course on dovish Fed pivot
 - ▶ Yield curve inversion persisted throughout the rally
 - ▶ Credit spreads narrowed sharply on increased expectations for a soft landing



Interest Rates Moderate but Remain High

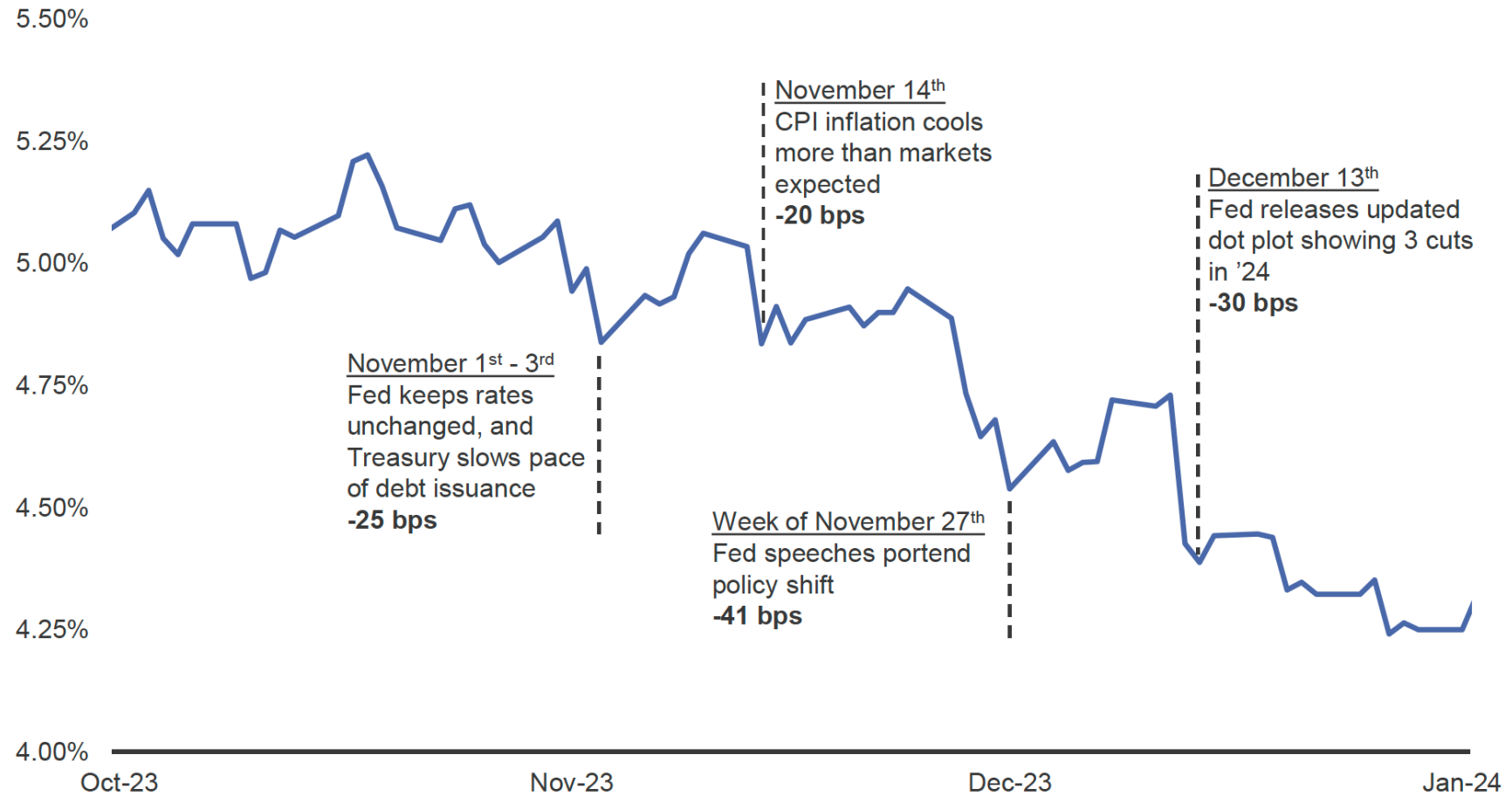
U.S. Treasury Yield Curve



Source: Bloomberg, as of December 31, 2023.

Rates Fall on Softer Inflation and Fed Pivot

2-Year US Treasury Yield



Source: Bloomberg; as of 12/31/2023.

District's Investment Objectives

Safety

- High quality investments
- Diversification by sector, issuer, and maturity
- Management of credit and market risk

Liquidity

- Cash flow coordination
- Allocation to overnight funds

Return on Investment

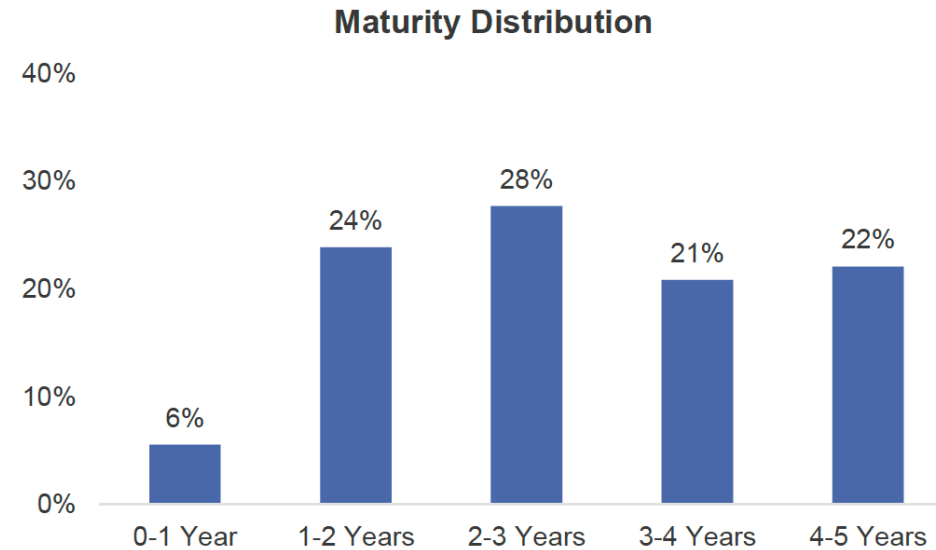
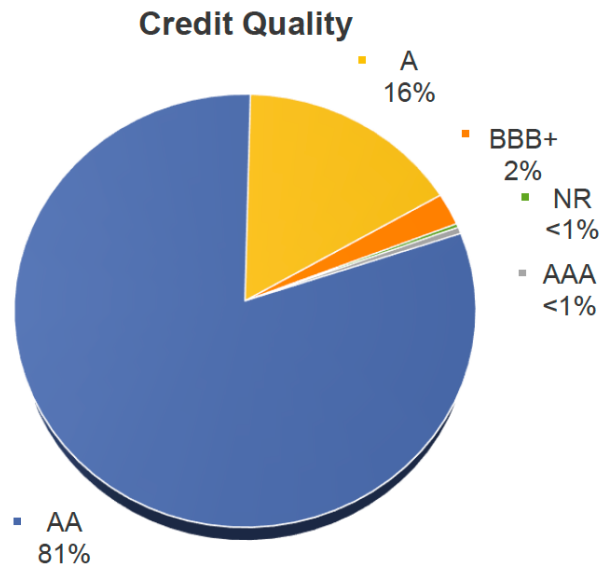
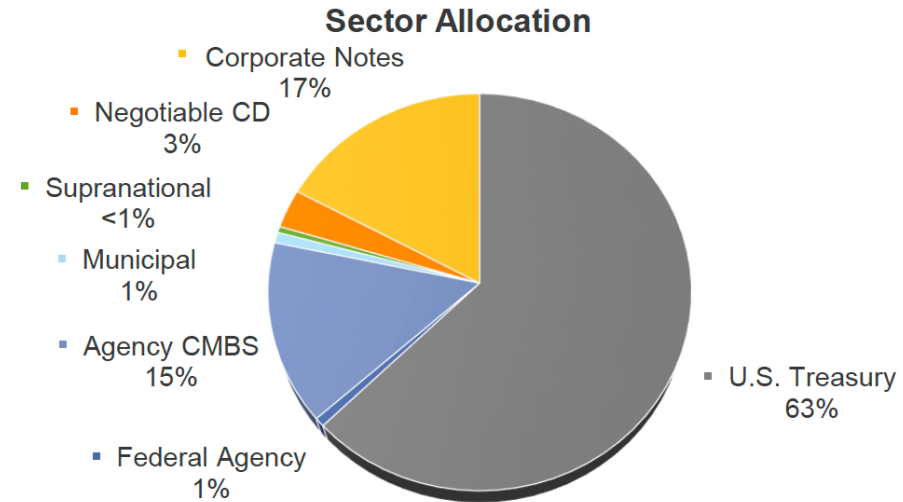
- Duration management
- Active trading and continual evaluation of relative value among allowable sectors



Portfolio Snapshot

As of December 31, 2023

Portfolio Statistics	
Market Value	\$29,445,442
Yield at Cost	2.84%
Yield at Market	4.30%
Effective Duration	2.54
Benchmark Duration	2.53



Market value including accrued interest. Ratings by Standard & Poor's as of December 31, 2023. Securities in the District's portfolio are in compliance with California Government Code and the District's investment policy. Portfolio information excludes overnight funds and funds outside of PFMAM's management. 5
 The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg.

ESG Risk Composition Overview

Interpreting the ESG Risk Rating

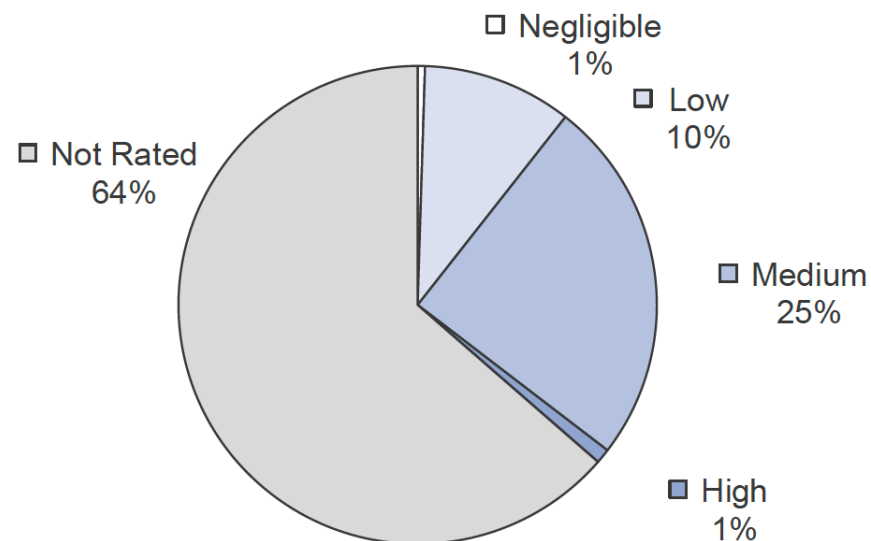
The **ESG Risk Rating** measures **economic value at risk based on ESG factors**.

A company's ESG Risk Rating is comprised of a quantitative score and a risk category. The score indicates unmanaged ESG risk. **Risk categories are absolute** and comparable across industries.

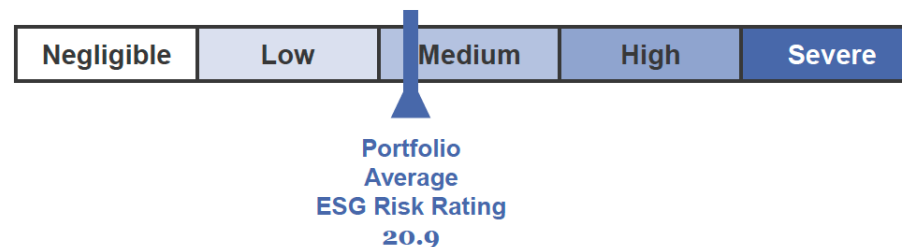
Lower scores represent less unmanaged risk. Ratings are scored on a scale of 1-100 and are assigned to one of the following ESG risk categories:

- Negligible Risk (overall score of 0-9.99 points)
- Low Risk (10-19.99 points)
- Medium Risk (20-29.99 points)
- High Risk (30-39.99 points)
- Severe Risk (40 and higher points)

Allocation by ESG Risk Rating



34/38 of portfolio issuers are rated with a total rated market value of \$10.8 million (36%)



OneShoreline's Results

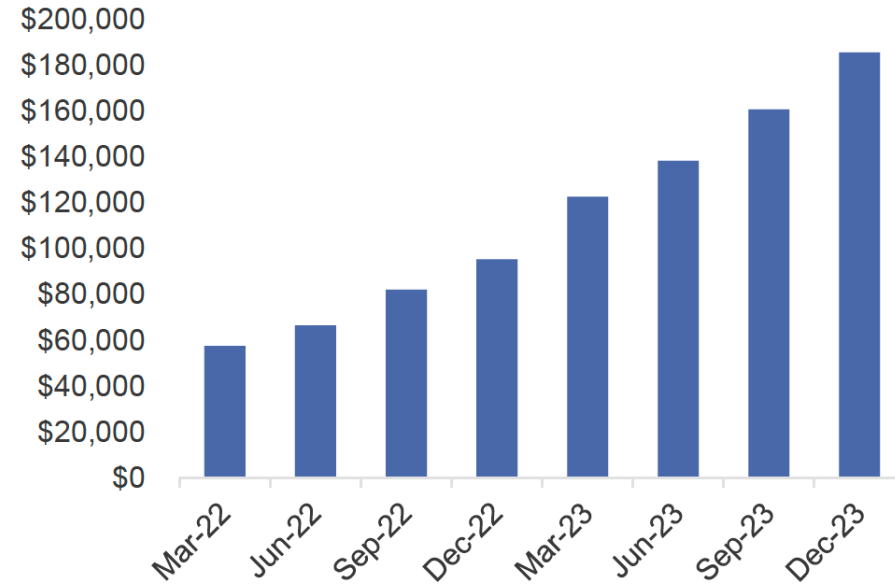
The portfolio has generated **\$393,840** in earnings since the start of the PFMAM relationship.*

Portfolio yield at cost has increased by **over 200 basis points** since start of relationship.

Outperformed the benchmark since inception by **+39 basis points**.

Portfolio assets **remained safe** and diversified.

Quarterly Interest Earnings



Total Return Performance

Total Return	4Q 2023	Past 1 Year	Since Inception
Portfolio	3.27%	4.89%	-0.35%
Benchmark	3.10%	4.30%	-0.74%
Outperformance	+0.17%	+0.59%	+0.39%

*Earnings and performance data as of December 31, 2023. Performance inception date is June 30, 2021.

Returns for periods greater than one year are presented on an annualized basis.

The portfolio's benchmark is the ICE BofAML 1-5 Year U.S. Treasury Index. Source: Bloomberg.

Outlook

Economy and Interest Rates

- ▶ Strong labor market and wage growth
- ▶ Inflation still at 3% to 3.5% -- over the Fed's 2% target
- ▶ U.S. consumer showing continued strength into new year
- ▶ Federal Reserve commentary moderating; speakers have recalled some overly dovish commentary
- ▶ Risk of rates moving lower as outweighing significant moves higher

Portfolio Strategy

- ▶ Continued focus on safety and liquidity
- ▶ Maintain broad diversification by sector, industry, and issuer
- ▶ Evaluate all opportunities to safely add value to the portfolio

Agenda item 5C

OneShoreline collaboration with Flood Free San Mateo

The City's stormwater infrastructure, including pump stations and Lagoon, were constructed decades ago and designed to handle storms smaller in size than today's events fueled by climate change.

Following last winter's floods, the coalition Flood Free San Mateo (FloodFreeSanMateo.com) was formed to raise awareness of the flood risk and work to avert future flooding.

Earlier this month, property owners approved a Community Flood and Storm Protection Fee championed by Flood Free San Mateo and City Council members. The fee will raise \$4 million/year to improve the City's stormwater system.

The coalition's leader, Danielle Cwirko-Godycki, joins us to discuss their support for OneShoreline's work to remove debris from, and expand our flood early warning system to, San Mateo Creek. This is in addition to our work to align the City's shoreline resilience with its neighbors and promote land-use policies and practices focused on resilience.

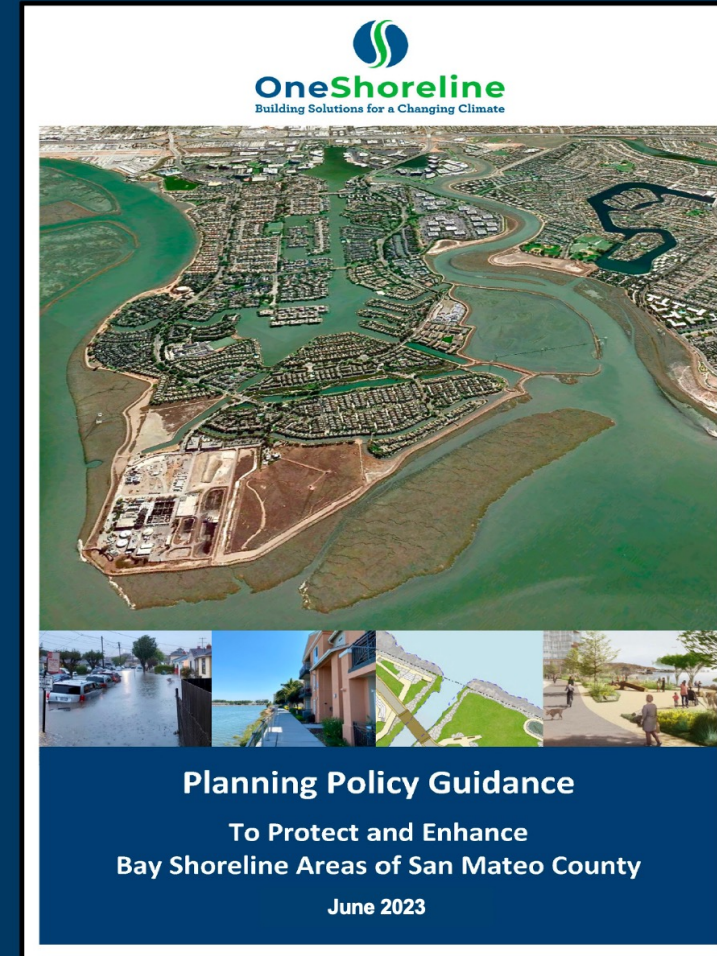


Agenda Item 5D

Discuss OneShoreline's emerging *Planning Policy Guidance for Resilient Public Infrastructure*

At its June 26, 2023 meeting, the Board adopted OneShoreline's Planning Policy Guidance to incorporate long-term climate resilience into general plans, specific plans, zoning ordinances, and reviews of private development proposals so that development along the Bay shoreline can function during their intended lifespan and contribute to regional resilience.

Now, OneShoreline plans to build on that effort with a new document – *Planning Policy Guidance for Resilient Public Infrastructure in San Mateo County* – to integrate climate risks into processes and documents used to plan and design public infrastructure, the backbone of our communities.



[OneShoreline.org/Planning-Guidance](https://www.oneshoreline.org/Planning-Guidance)

How the Public Infrastructure Guidance will be developed

Step 1: Finalize types of infrastructure to be included in the document

Potential infrastructure types:

- buildings and facilities
- stormwater
- sewer
- water supply
- roads
- communications & electric/natural gas
- parks

Step 2: Review existing documents & processes



Step 3: Tailor to documents & processes used to design public infrastructure in San Mateo County

Status of the *Planning Policy Guidance for Resilient Public Infrastructure*

- **In November 2023, the District convened a Technical Advisory Group of staff and leadership from several City public works departments, County planning and sustainability departments, and asset managers to provide expert input into, and champion local implementation of, the Public Infrastructure Guidance.**
- **On January 24, we released a Request for Proposals for consultant support to develop the document. Responses to this RFP are due February 29, and we anticipate bringing a consultant contract to the District Board for approval at either the March or April Board meeting.**
- **Approximately one year from now, we anticipate a public comment period on the draft document. Our objective is to bring the final draft Public Infrastructure Guidance to the Board for approval in Spring 2025.**

Agenda Item 7 CEO's Report

Bayfront Canal/Ravenswood Ponds Joint Operations

- The Ravenswood Pond Complex Joint Operations Plan establishes the needs, roles, and responsibilities of the concurrent operations of OneShoreline's Bayfront Canal Diversion Structure and the Ravenswood Pond Complex, managed by the Don Edwards San Francisco Bay National Wildlife Refuge.
- The Refuge enhances the habitat in former salt ponds by hydraulically connecting them to the San Francisco Bay through a series of water control structures.
- OneShoreline's Bayfront Canal Diversion Structure sends excess Canal stormwater to the Ponds, leveraging the Ponds' detention capacity to reduce the threat of flooding people and property and provide the Ponds a source of fresh water.



Ravenswood Pond Complex Joint Operations Plan



OneShoreline
Building Solutions for a Changing Climate

between the
City of Redwood City,
U.S. Fish & Wildlife Service,
and
San Mateo County
Flood and Sea Level Rise
Resiliency District

Last revised:
November 6, 2023

Throughout winter, OneShoreline monitors weather forecasts and tides. When a major storm is approaching and we expect to divert stormwater from Bayfront Canal into the Ponds and need additional Pond capacity, we have the authority to drain the Ponds closest to our new diversion structure and access a larger Pond area to the east by managing water control structures (WCS).



CEO's Report: Federal Water Resources Development Act

In January 2020, the OneShoreline Board passed a resolution instructing the CEO to pursue a Comprehensive Study by the Army Corps of Engineers of the Bay and Pacific shorelines of San Mateo County (and potentially San Francisco and Marin counties) under the 1975 Water Resources Development Act (WRDA).

For the three counties' Bay and Pacific shorelines (and streams to these shorelines), WRDA 2020 included language that authorized the Corps to investigate:

- measures to provide flood protection against tidal and fluvial flooding;**
- measures to adapt to rising sea levels; and**
- the effects of these measures on the local economy, habitat, stormwater systems and other public infrastructure, and erosion.**

CEO's Report: Federal Water Resources Development Act

Over the past two months, OneShoreline worked with the Corps, Rep. Kevin Mullin's office, a few cities, and SamTrans on potential WRDA amendments to more specifically authorize a study along the Pacific and/or Bay shorelines of our county. The result of this is that two weeks ago, Rep. Mullin asked the House Transportation & Infrastructure Committee to include the following text in WRDA 2024. The outcome of this request will be announced this spring.

The study for flood risk reduction authorized by section 142 of the Water Resources Development Act of 1976 (90 Stat. 2930) and modified by section 203 of the Water Resources Development Act of 2020 (134 Stat. 2615), is further modified to authorize the Secretary to investigate measures to provide flood protection and ecosystem restoration along the bay shoreline, particularly between Colma Creek and San Bruno Creek, and where those creek drain into the bay, and inland along Colma Creek, South San Francisco, California.

