OneShoreline
Building Solutions for a Changing Climate

Board of Directors Finance Committee Meeting

This meeting will be held remotely, with no physical meeting location, pursuant to Government Code Section 54953(e). Members of the public may join the meeting by clicking on the following link:

To join the meeting by video, click on: https://oneshoreline-org.zoom.us/j/85304840773

To join the meeting by phone, call: 669-444-9171, Meeting ID: 85304840773

AGENDA May 7, 2025 9:00 AM

1. **Roll Call**

2. **Public Comment** Persons wishing to address the Committee on OneShoreline-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 ***

4. **Regular Business**

   A. With OneShoreline's bond advisor, discuss the options available regarding an early payoff of the 2015 Colma Creek Revenue Refunding Bond

   B. With the District's investment advisor, discuss the recent performance of OneShoreline investments and potential amendments to OneShoreline's Investment Policy

   C. Briefly discuss the Fiscal Year 2024-25 and Fiscal Year 2025-26 Operating Budget, Flood Zones Budget, and Capital Projects Budget *

5. **Adjournment**

* There is no written document in the Agenda packet for this item

Meeting information, public access and communications

- During the meeting, public comment can be submitted at the appropriate time via Zoom Chat or by raising your hand, speaking if joining by phone, or email to board@OneShoreline.org prior to 8:00 a.m. on the meeting day; please indicate the agenda item to which your comment applies and it will be read or summarized at the meeting by the Board Clerk.
- If you require assistance to participate in the meeting or wish to submit a written communication to all Board Members regarding the meeting, please contact the Clerk of the Board by 8:00 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.

AGENDA ITEM 4A

San Mateo County Flood and Sea Level Rise Resiliency District

2015 Revenue Refunding Bonds
Colma Creek Flood Control Zone

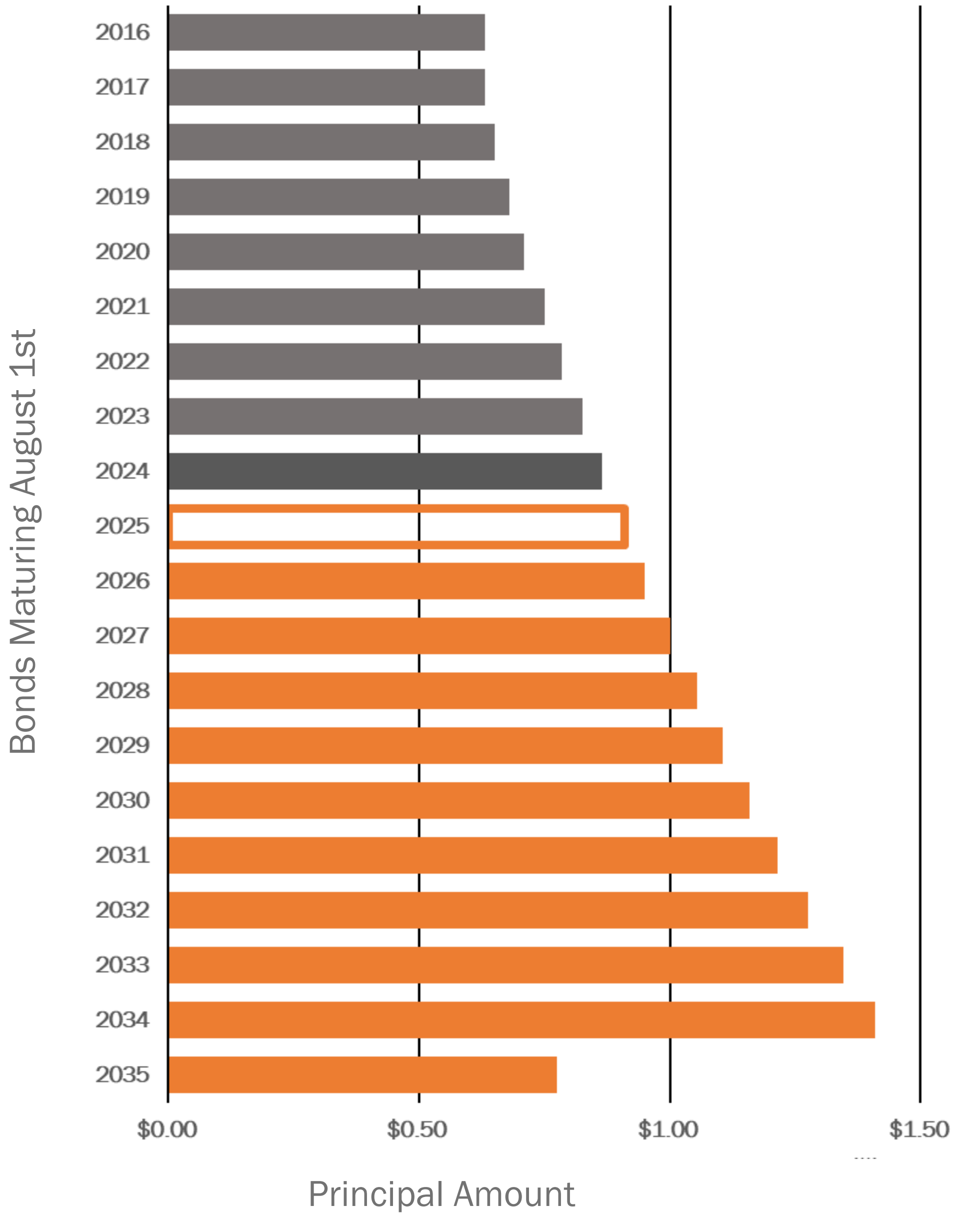
May 7, 2025

2015 Revenue Refunding Bonds Colma Creek Flood Control Zone

The 2015 Revenue Refunding Bonds were issued in July of 2015 in the amount of $18.725 million to refund debt issued in 1997 and 2004 to construct improvements owned/operated by the flood district.

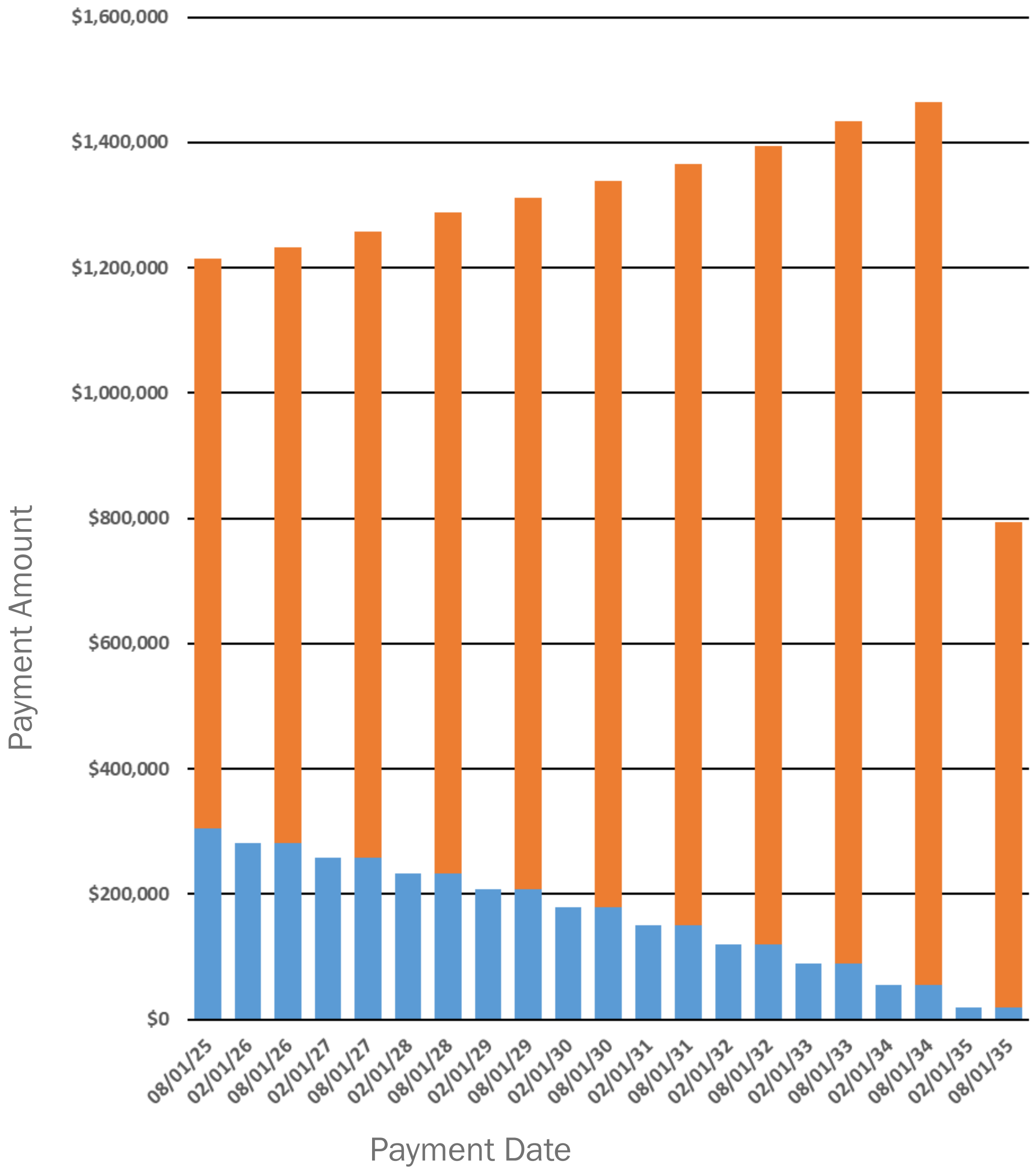
Remaining Principal Amount

- Since the issuance, $6,525,000 in bonds have been repaid and an additional $910,000 is schedule to be repaid on August 1, 2025, leaving a total of $11,290,000 in bonds outstanding.
- The outstanding bonds can be prepaid on any date at the issuers option on or after August 1, 2025.
- Prepayment can be made from any source including funds on hand and/or proceeds of refunding bonds (as was done in 2015).
- Working with staff, California Financial Services has developed a few illustrative scenarios for the district to consider. These scenario have not been prepared as recommendations. Each scenario relies on interest rate assumption that cannot be guaranteed.



Baseline Scenario: Scheduled Repayment

- The baseline scenario assumes that the district will continue to utilize revenues collected on an annual basis to pay the scheduled debt service payments.
- The payments are due semi-annually (February/August).
- The annual debt service obligation is approximately $1,519,000.
- The last payment is due August 1, 2035.



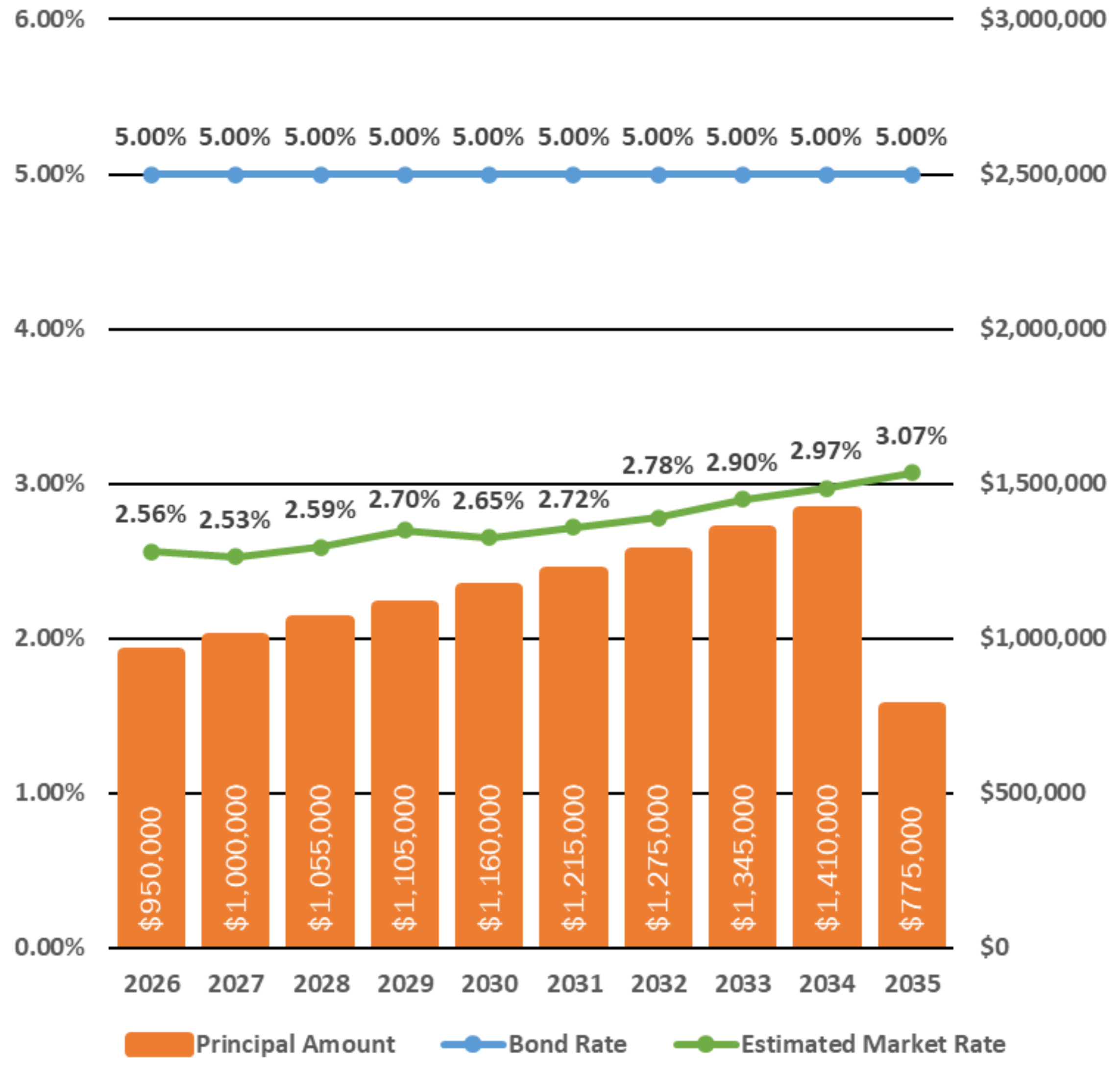
Scenarios 1 & 2:
Prepayment from Cash on Hand

- The district has the option of using a portion of the funds on hand to prepay all the outstanding bonds on August 1, 2025.
- Alternatively, the district can make partial prepayments to lower the annual obligation.
- There are no material additional administrative costs associated with prepayments of this kind.
- Once utilized to make the prepayment, the funds will not be available for other projects.

Payment Due
August 1, 2025
<u>to Prepay in Full</u>
$12,505,000

Issuance of Refunding Bonds

- Separate or in concert with other strategies the district could refund the outstanding bonds.
- Assuming interest rate estimates derived from a recent issuance by the Public Utilities Commission of the City and County of San Francisco [1] (April 2, 2025) the district can achieve annual saving through a refunding issuance:
  - Average Annual Savings: $120.806 [2]
  - Total Savings: $1,208,060 [2]
  - NPV Savings @ 2.75%: $1,048,799 [2]
- Due to the short duration, the refunding bonds will likely not have a prepayment option.



[1] Interest rates are estimates and provided only for illustrative purposes only. Rates are not guaranteed.

[2] Preliminary, subject to change

Estimated Amounts for Two Scenarios of Bond Prepayment

Items	Baseline	Scenario 1 - 100% Prepayment on 8/1/2025	Scenario 2 - 50% Prepayment on 8/1/2025
Termination of Obligation [1]	8/1/35	8/1/25	8/1/35
August 1, 2025 Payment	$1,215,000	$12,505,000	$6,845,000
Future Payments	$14,477,500	$0	$7,258,500
Total Cost	$15,692,500	$12,505,000	$14,103,500
Reduction in Bond Payments [2]	NA	$3,187,500	$1,589,000

[1] First date on which the bonds can be redeemed early is 8/1/2025.

[2] Reduction in Bond Payments amounts will slightly exceed OneShoreline income from invested funds that are not allocated for prepayments.

Questions & Possible Next Steps

AGENDA ITEM 4B

OneShoreline

San Mateo County Flood and Sea Level Rise Resiliency District

May 7, 2025

Justin Resuello, Institutional Sales and Relationship Manager

Current Market Themes

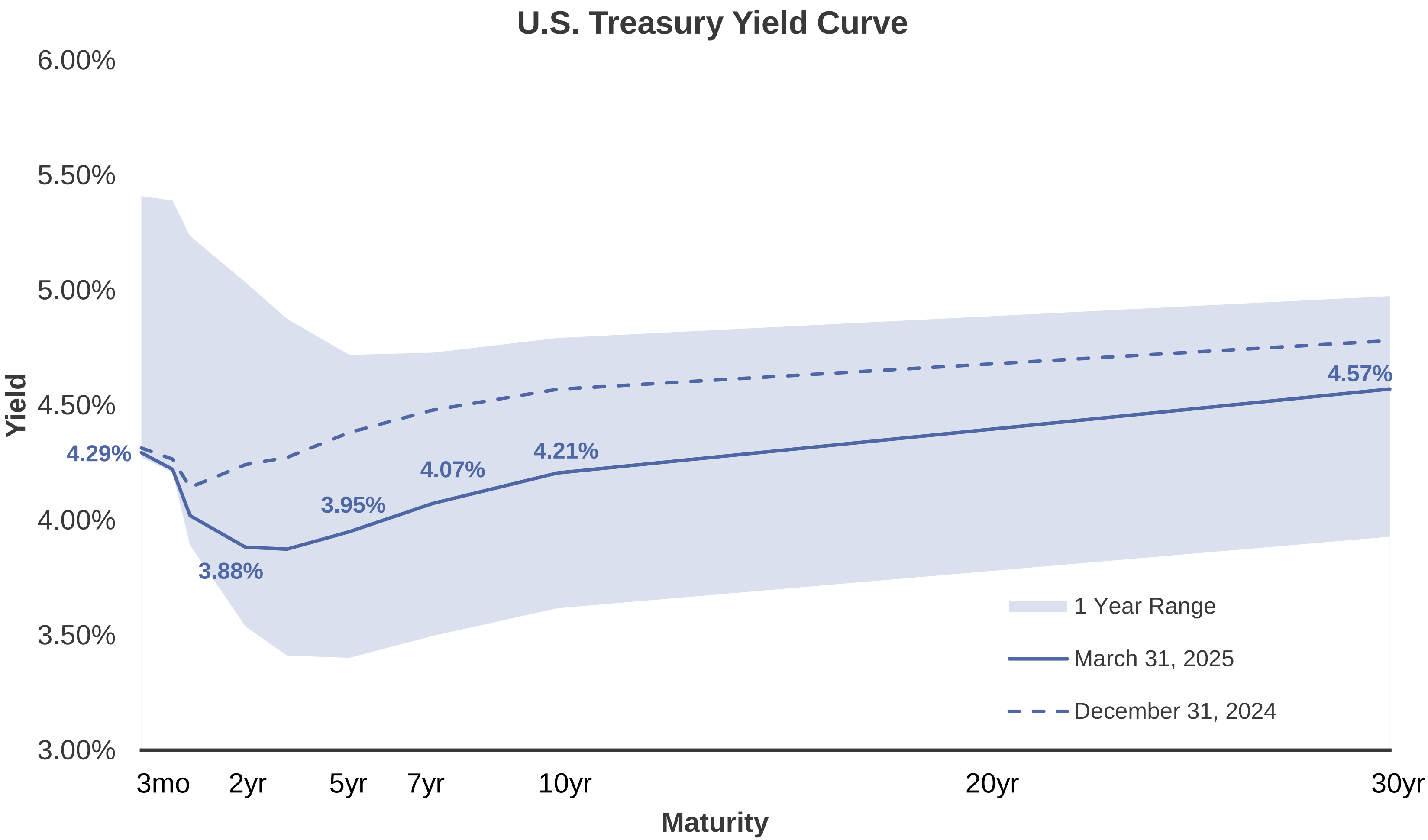
- U.S. economy is clouded by tariff and policy uncertainty
  - Labor market continues to serve as backbone
  - Goods inflation weighs on progress towards Fed's 2% inflation target
  - Fiscal policy uncertainty and volatile tariff rollouts weigh on consumer sentiment

- Fed takes a pause from easing but looks to continue cutting later this year
  - The Fed kept the federal funds target rate unchanged at 4.25% - 4.50%
  - The Fed's March "dot plot" implies another 50 bps of cuts in 2025
  - Fed Chair Powell stated the administration's "significant policy changes" relating to trade, immigration, fiscal policy, and regulation is creating "considerable uncertainty"

- Treasury yields fall on growing uncertainty
  - Yields on maturities between 2 years and 10 years fell 35-43 bps during the 1st quarter
  - The yield curve reinverted on the front end while the steepness of the curve between 2 years and 10 years was unchanged
  - Yield spreads widened off their historically low levels given growing economic concerns but still remain tight

Source: Details on market themes and economic indicators provided throughout the body of the presentation. Bloomberg Finance L.P., as of March 31, 2025.

U.S. Treasury Yields Lower Across the Curve



Source: Bloomberg Finance L.P., as of March 31, 2025.

District's Investment Objectives

Safety	Liquidity	Return on Investment
➢ High quality investments ➢ Diversification by sector, issuer and maturity ➢ Management of credit and market risk	➢ Cash flow coordination with the staff ➢ Allocation to overnight funds	➢ Duration management ➢ Active trading and continual evaluation of relative value among allowable sectors

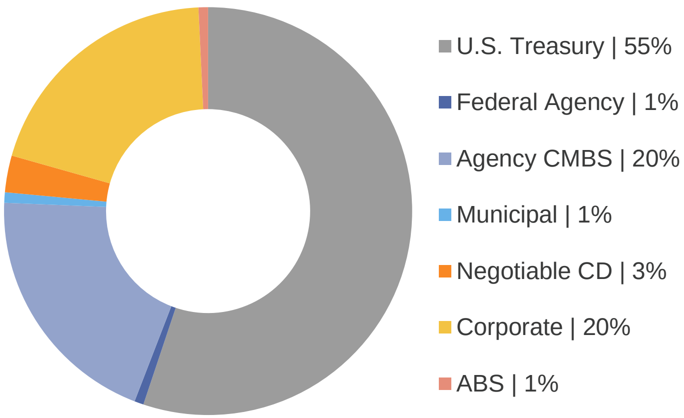
District's investment policy.

Portfolio Snapshot

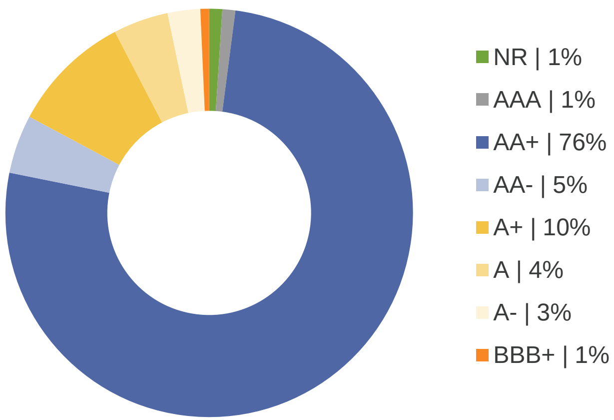
As of March 31, 2025

Portfolio Statistics	
Market Value	$31,185,514
Yield at Cost	4.01%
Yield at Market	4.13%
Effective Duration	2.51
Benchmark Duration	2.48

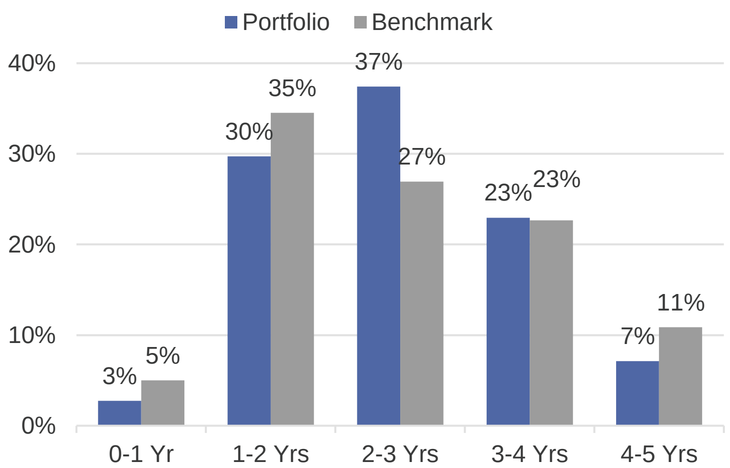
Sector Allocation



Credit Rating – S&P Global



Duration Distribution



Market value including accrued interest. Ratings by Standard & Poor's as of March 31, 2025. 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. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg Finance L.P.

ESG Risk Composition Overview

Interpreting the ESG Risk Rating

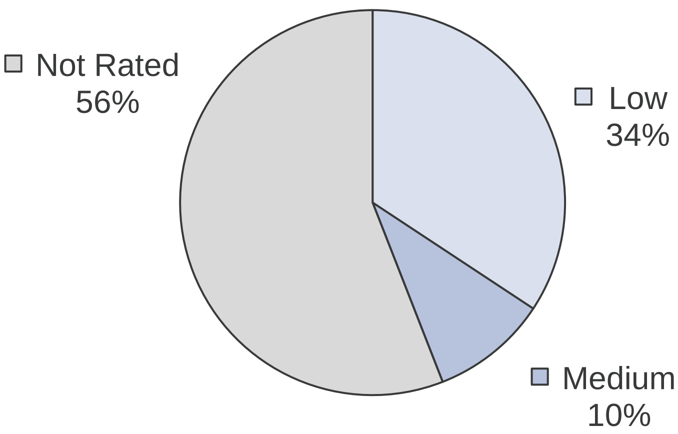
The **ESG Risk Rating** measures **economic value at risk based on ESG factors**.

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.

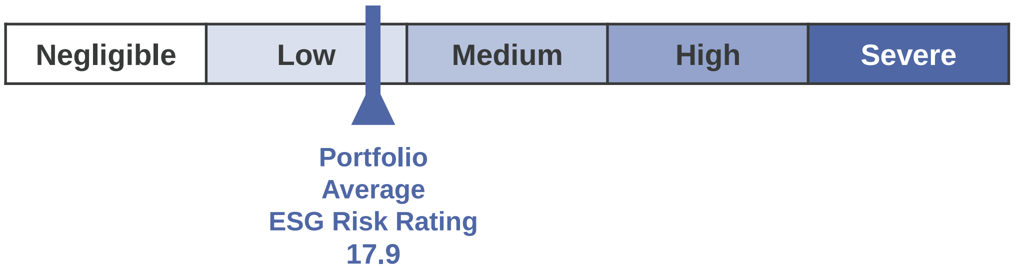
Lower scores represent less unmanaged risk. Ratings are scored on a scale of 1-100 and are assigned to one of the following ESG risk categories:

- 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 $13.8 million (44%)



Market Value includes accrued interest as of March 31, 2025. Average ESG Risk Rating is weighted by market value. Please see important disclosures at the end of this presentation.

** U.S. Treasury and Municipal obligations are not included in the analysis*

OneShoreline's Results

The portfolio has generated **$1,548,138** in earnings since the start of the PFMAM relationship.*

Portfolio yield at cost has increased by **over 350 basis points** since start of relationship.

Outperformed the benchmark since inception by **+42 basis points.**

Portfolio assets **remained safe** and diversified.

Total Return Performance

Total Return	1Q 2025	Past 1 Year	Since Inception
Portfolio	1.97%	5.89%	1.35%
Benchmark	2.00%	5.50%	0.93%
Outperformance	**-0.03%**	**0.39%**	**0.42%**

**Earnings and performance data as of March 31, 2025. 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 BofA 1-5 Year U.S. Treasury Index. Source: Bloomberg Finance L.P.

Annual Investment Policy Review

- We have completed our annual review of OneShoreline’s Investment Policy. The Policy is well written and in compliance with California Government Code.
- At the direction of OneShoreline staff, we recommend the Board amend the Investment Policy to require notification to OneShoreline when certain securities are downgraded by a nationally recognized statistical rating organization (NRSRO) after purchase.

Outlook

OUTLOOK

- Fed takes a pause from easing but looks to continue cutting later this year
- Treasury yields fall on growing uncertainty

RISKS TO OUTLOOK

- Fiscal policy uncertainty and volatile tariff rollouts weigh on consumer sentiment
- Fed Chair Powell stated the administration's "significant policy changes" relating to trade, immigration, fiscal policy, and regulation is creating "considerable uncertainty"
- Yield spreads widened off their historically low levels given growing economic concerns but still remain tight

PORTFOLIO STRATEGY

- Continue to maintain disciplined investing approach with focus on safety and liquidity
- Maintain the portfolio's broad diversification by sector, industry, and issuer to support portfolio performance
- Evaluate all opportunities as we seek to safely add value to the district's portfolio

Disclaimer

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AGENDA ITEM 4B

OneShoreline
Building Solutions for a Changing Climate

San Mateo County

Flood and Sea Level Rise Resiliency District

AMENDED INVESTMENT POLICY

Effective May 19, 2025

Deleted: January 1, 2023

Approved by the
San Mateo County Flood and Sea Level Rise Resiliency Board of Directors
on December 12, 2022

Amended on May 19, 2025

Table of Contents

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 Director of Finance or Treasurer to invest and reinvest the funds of the District and other depositors as specified in California Government Code Sections §53607. The Director of Finance 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.

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III. Policy Statement

This Investment Policy establishes cash management and investment guidelines for the Director of Finance 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.

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The Director of Finance 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.

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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 Director of Finance 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.

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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 Director of Finance 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.

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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 Director of Finance or Treasurer.

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ESG Investment Criteria	
Criteria #1: Industry Exclusions *Based on Sustainalytics industry definitions*	(1) Energy Services (2) Oil & Gas Producers (3) Refiners & Pipelines
Criteria #2: ESG Environment Risk Limit *Based on Sustainalytics ESG risk ratings*	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 *Based on Sustainalytics ESG risk ratings*	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 25th 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 Director of Finance or Treasurer will establish investment procedures for the operation of the District's investment program for approval by the Board Finance Committee.

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

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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 Director of Finance 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:

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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. All securities purchased shall be regularly monitored and re-evaluated should their ratings be downgraded below the minimum investment grade level required by the District. Director of Finance or Treasurer or his/her designee will be notified, within 10 days of any security downgrades that fall below the District's investment standards and the recommended course of action to be taken if any. Decisions regarding the holding of, or the potential sale of, securities are based on factors including, but not limited to, remaining time to maturity and the need for liquidity in the District.

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 Director of Finance 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

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Deleted: 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.

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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.

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 that are not issued or guaranteed by federal agencies and GSEs, 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 Director of Finance 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

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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 Director of Finance 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 Director of Finance 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.

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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 Director of Finance 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.

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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. XXXX-XX-XX (attached) of the Board on May 19, 2025. 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.