



Board of Directors Finance Committee Meeting

San Mateo County
Flood and Sea Level Rise
Resiliency District

AGENDA

November 18, 2025

3:00 PM

1. **Roll Call**
2. **Public Comment** Persons wishing to address the Committee 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**
4. **Regular Business**
 - A. With the District's auditor, discuss the draft Audited Financial Statements for July 1, 2024 – June 30, 2025 Fiscal Year (attached)
 - B. With the District's investment advisor, discuss the recent performance of District *
5. **Adjournment**

Agenda item 4A

FY 2024/25 AUDIT RESULTS



San Mateo County Flood and Sea Level Rise Resiliency District

Presented by Macias Gini & O'Connell LLP

November 18, 2025

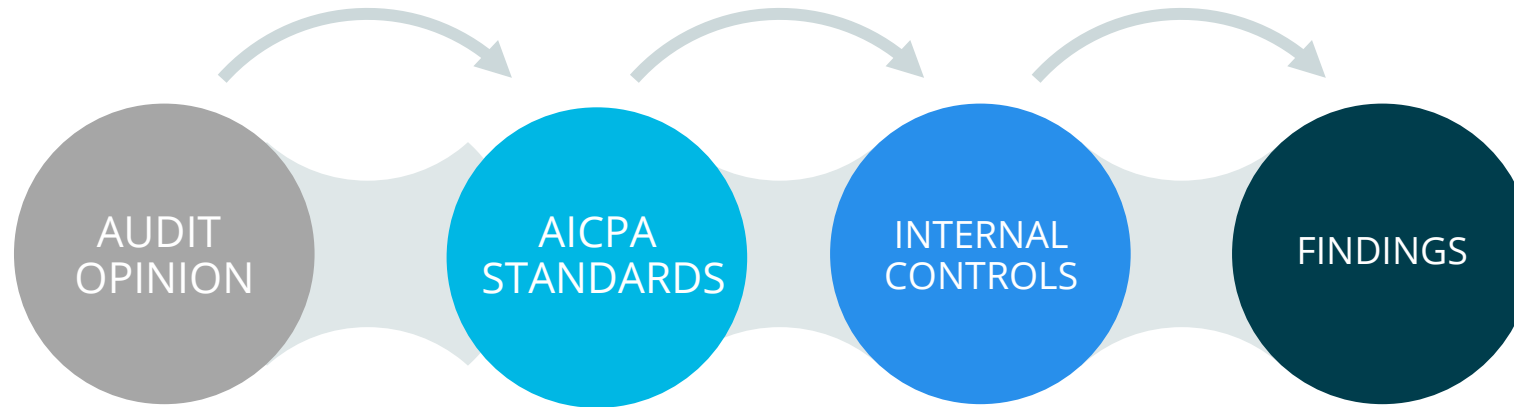


Scope of Audits

1. Basic Financial Statements
2. Single Audit
 - Not applicable in FY 2024/25

Auditor Responsibility

Our responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*.



To express our opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. This does not relieve you or management of your responsibilities.

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and *Government Auditing Standards*, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

To obtain an understanding of the District and its environment, including internal controls over financial reporting and compliance, as a basis for designing our audit procedures, but not for the purpose of expressing an opinion on its effectiveness.

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Management Responsibilities

Management responsibilities – Financial statements	<ul style="list-style-type: none">• Fairly presenting the financial statements, including disclosures in conformity with U.S. GAAP• Adjusting the financial statements to correct material misstatements and affirming in the representation letter that the effects of any uncorrected misstatements aggregated by the auditor are immaterial, both individually and in the aggregate, to the financial statements taken as a whole
Management responsibilities – ICFR	<ul style="list-style-type: none">• 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
Management responsibilities – Other	<ul style="list-style-type: none">• To provide the auditor with:<ol style="list-style-type: none">1. access to all information of which management is aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;2. additional information that the auditor may request from management for the purpose of the audit; and3. unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence• Identifying and ensuring that the entity complies with laws and regulations applicable to its activities, and for informing the auditor of any known material violations of such laws and regulations• Providing the auditor with a letter confirming certain representations made during the audit, that includes but is not limited to management's:<ol style="list-style-type: none">1. disclosure of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's financial reporting2. acknowledgement of their responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud
Audit Committee responsibilities	<ul style="list-style-type: none">• Oversight of the financial reporting process and internal control over financial reporting (ICFR)• Oversight of the establishment and maintenance by management of programs and controls designed to prevent, deter, and detect fraud
Management and the Audit Committee responsibilities	<ul style="list-style-type: none">• Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards• Ensuring that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the entity's financial statements.

Audit Results and Required Communications

Auditor's Report	Unmodified opinion
Deficiencies in internal controls	No matters to report
Significant accounting policies and practices	Discussed in note 2 to the basic financial statements. No new accounting standards for this year with significant impacts on financial reporting.
Significant accounting estimates	Fair value of investments, depreciation for capital assets No exceptions noted
Financial presentation and disclosure omissions	No matters to report
Corrected and uncorrected audit misstatements	No matters to report
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, 2025			
Assets:			Program expenses:
Current and other assets	\$ 60,612,057		Public protection
Capital assets	36,461,593		Depreciation expense
Total assets	<u>97,073,650</u>		Interest on long-term liabilities
			Total program expenses
Liabilities:			
Long-term liabilities	13,668,898		Program revenues:
Other liabilities	2,016,809		Operating grants and contributions
Total liabilities	<u>15,685,707</u>		Capital grants and contributions
			Total program revenues
Deferred inflows of resources	<u>26,359</u>		
Net position:			General revenues:
Net investment in capital assets	22,518,430		Property tax
Restricted	84		Interest and investment income
Unrestricted	58,843,070		Other
Total net position	<u>\$ 81,361,584</u>		Total general revenues
			Changes in net position
			Net position - beginning:
			Net position - ending:

Accounting Updates

Effective for fiscal year 2024

Statement No. 101, *Compensated Absences*

Statement No. 102, *Certain Risk Disclosures*

Effective for fiscal year 2025

Statement No. 103, *Financial Reporting Model Improvements*

Statement No. 104, *Disclosure of Certain Capital Assets*

Questions?

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Agenda item 4A District's Net Position Comparison: FY2024-25 vs. FY2023-24

	June 30, 2025	June 30, 2024	Difference (\$)	Difference (%)
Assets:				
Current and other assets	\$ 60,612,057	\$ 52,274,475	\$ 8,337,582	15.95%
Capital assets, net	36,461,593	35,747,788	713,805	2.00%
Total assets	<u>97,073,650</u>	<u>88,022,264</u>	<u>9,051,386</u> ←	10.28%
Liabilities:				
Long-term liabilities	13,668,898	13,635,607	33,291	0.24%
Other liabilities	2,016,809	2,975,372	(958,563)	-32.22%
Total liabilities	<u>15,685,707</u>	<u>16,610,979</u>	<u>(925,272)</u> ←	-5.57%
Deferred inflows of resources	<u>26,359</u>	<u>28,973</u>	<u>(2,614)</u>	-9.02%
Net position:				
Net investment in capital assets	22,518,430	20,961,452	1,556,978	7.43%
Restricted	84	80	4	5.00%
Unrestricted	<u>58,843,070</u>	<u>50,420,780</u>	<u>8,422,290</u>	16.70%
Total net position	<u>\$ 81,361,584</u>	<u>\$ 71,382,312</u>	<u>\$ 9,979,272</u> ↔	13.98%

Agenda item 4A District's Net Position Comparison: FY2024-25 vs. FY2019-20

	<u>June 30, 2025</u>	<u>June 30, 2020</u>	<u>Difference (\$)</u>	<u>Difference (%)</u>
Assets:				
Current and other assets	\$ 60,612,057	\$ 33,801,526	\$ 26,810,531	79.32%
Capital assets, net	36,461,593	28,310,114	8,151,479	28.79%
Total assets	<u>97,073,650</u>	<u>62,111,640</u>	<u>34,962,010</u> ←	56.29%
Liabilities:				
Long-term liabilities	13,668,898	18,262,942	(4,594,044)	-25.16%
Other liabilities	2,016,809	628,750	1,388,059	220.76%
Total liabilities	<u>15,685,707</u>	<u>18,891,692</u>	<u>(3,205,985)</u> ←	-16.97%
Deferred inflows of resources	<u>26,359</u>	<u>39,429</u>	<u>(13,070)</u>	-33.15%
Net position:				
Net investment in capital assets	22,518,430	9,887,211	12,631,219	127.75%
Restricted	84	1,126,103	(1,126,019)	-99.99%
Unrestricted	58,843,070	32,167,205	26,675,865	82.93%
Total net position	<u>\$ 81,361,584</u>	<u>\$ 43,180,519</u>	<u>\$ 38,181,065</u> ↔	88.42%

Agenda item 4B

OneShoreline

San Mateo County Flood and Sea Level Rise Resiliency District

November 18, 2025

Michael Kronbetter, Institutional Sales and
Relationship Manager

Justin Resuello, Institutional Sales and
Relationship Manager

Current Market Themes



- U.S. economy has been resilient but a cooling labor market presents risk
 - Net new job creation neared zero as employers follow a “no hire, no fire” approach
 - Inflation accelerated but Fed expects further price pressures to be short-lived
 - Uncertainty eased as tariff and fiscal announcements were digested

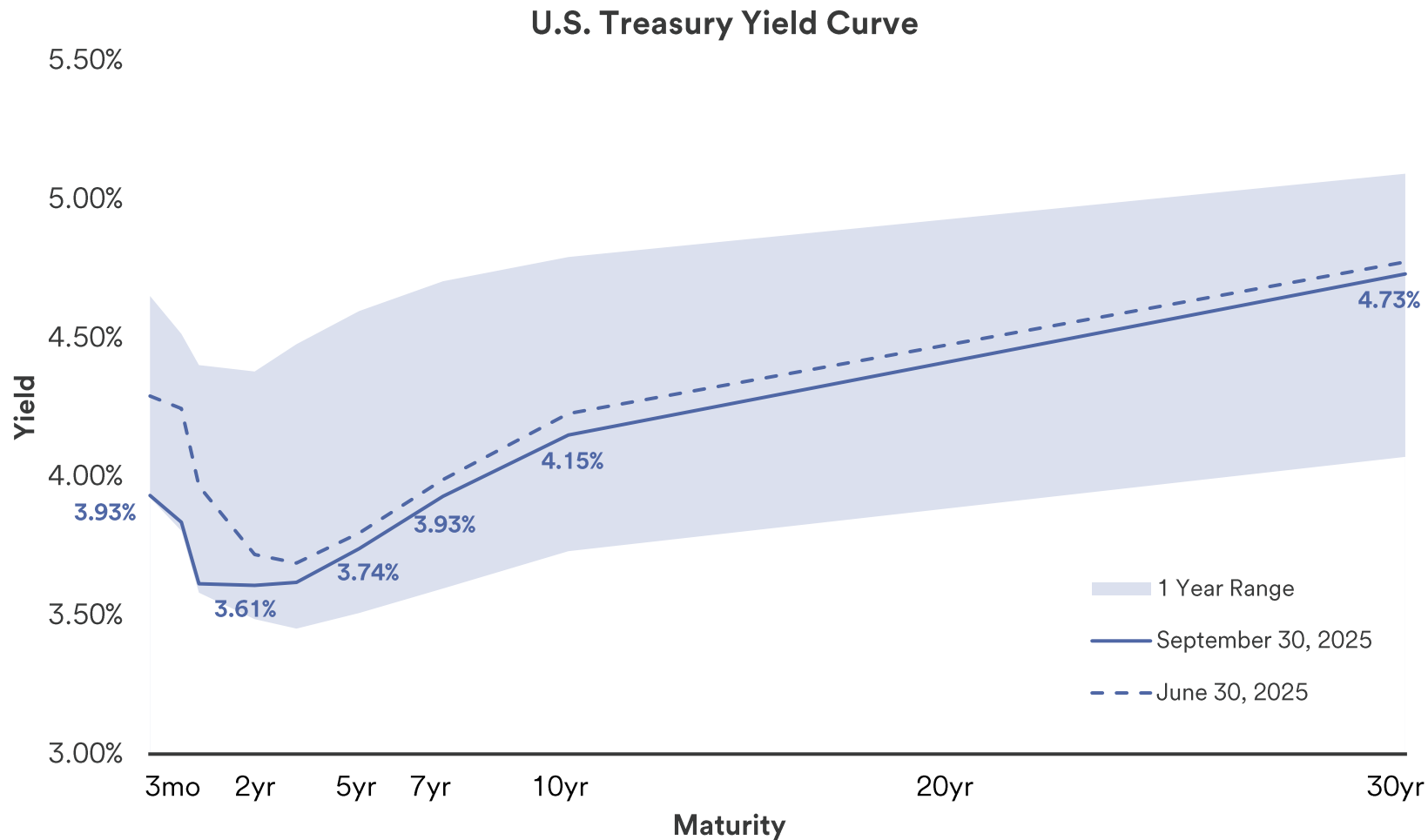


- Fed cut rates for the first time in 2025
 - Fed Chair Powell acknowledged the difficulty in balancing the risks affecting labor markets and inflation, but noted risks to the labor market were the Fed's focus
 - The Fed’s September “dot plot” signals 50 bps in additional cuts for 2025, though views remain split, with 7 members favoring no additional cuts in 2025



- Treasury yields moved lower across the curve in Q3
 - Front end Treasury yields moved lower on Fed rate cut expectations
 - Yields settled into a narrow trading range as market volatility eased
 - Credit spreads continued to tighten and neared historically narrow levels

Front End Treasury Yields Move Lower



Source: Bloomberg Finance L.P., as of September 30, 2025.

District's Investment Objectives

Safety

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

Liquidity

- Cash flow coordination with the staff
- Allocation to overnight funds

Return on Investment

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

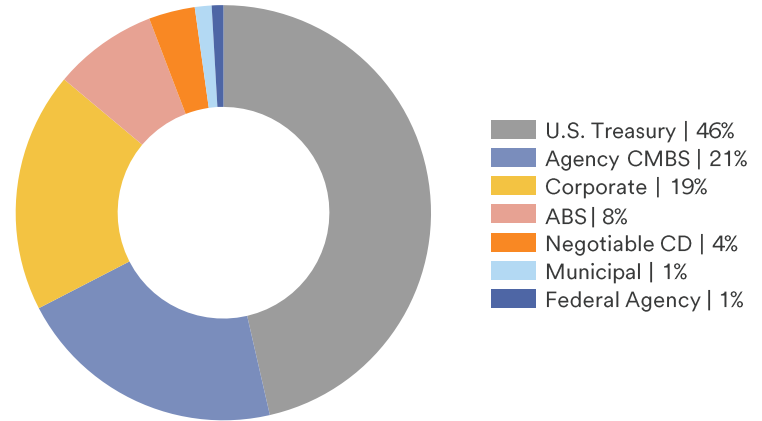
Portfolio Snapshot

As of September 30, 2025

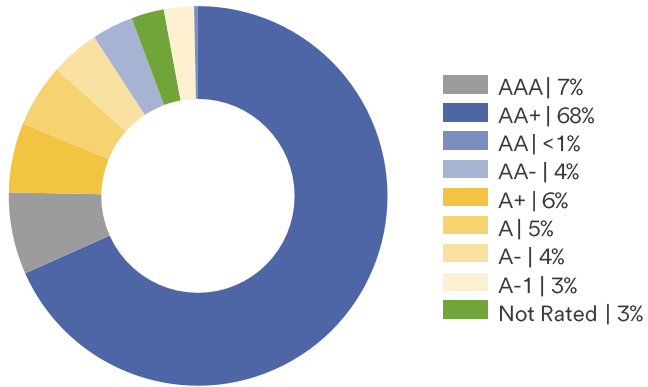
Portfolio Statistics

Market Value	\$25,503,730
Yield at Cost	4.24%
Yield at Market	3.87%
Effective Duration	2.49
Benchmark Duration	2.48

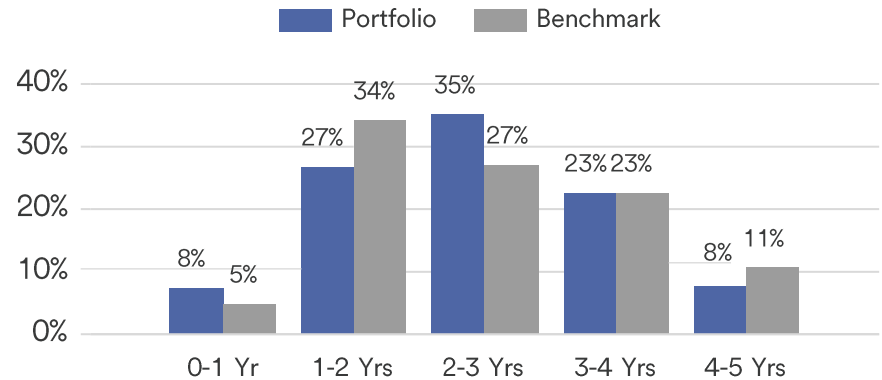
Sector Allocation



Credit Quality - S&P



Duration Distribution



Market value including accrued interest. Ratings by Standard & Poor's as of September 30, 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

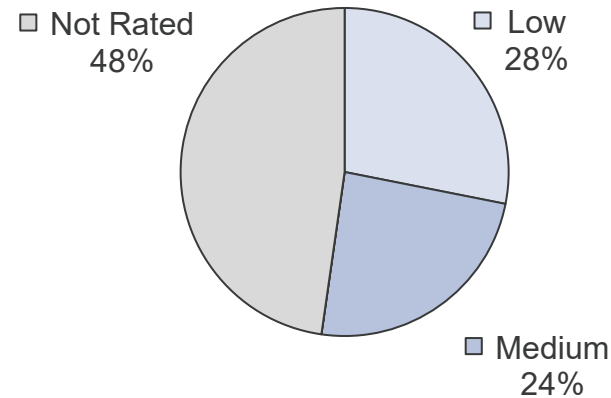
The **ESG Risk Rating** measures **economic value at risk based on ESG factors**.

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



33/37 of portfolio issuers are rated with a total rated market value of \$13.4 million (52%)



Market Value includes accrued interest as of September 30, 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

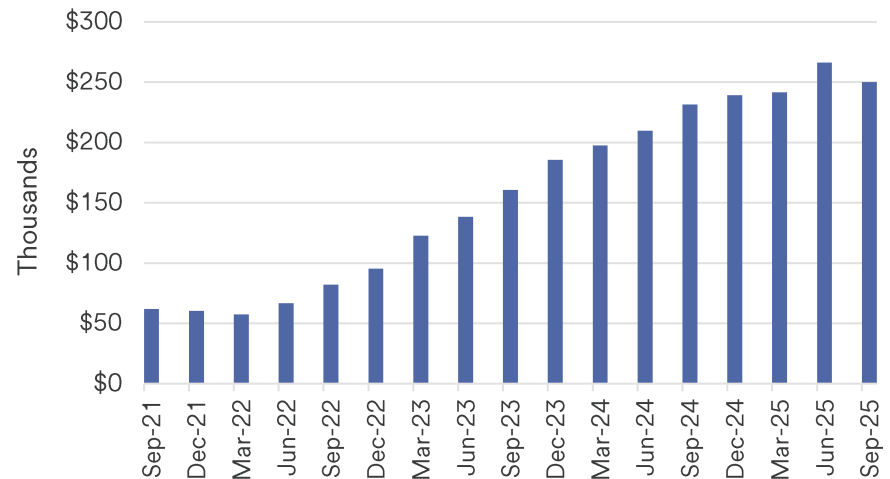
The portfolio has generated **\$2,667,495** in earnings since the start of the PFMAM relationship.*

Portfolio yield at cost has increased by **over 390 basis points** since start of relationship.

Outperformed the benchmark since inception by **+46 basis points**.

Portfolio assets **remained safe** and diversified.

Interest Earnings



Total Return Performance

Total Return	3Q 2025	Past 1 Year	Since Inception
Portfolio	1.30%	4.33%	1.87%
Benchmark	1.14%	3.77%	1.41%
Outperformance	0.16%	0.56%	0.46%

*Earnings and performance data as of September 30, 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 staff, we have made changes to the policy that require notification to the District when certain securities are downgraded.



OUTLOOK

- ▶ The potential collective impact of further policy changes on economic growth, inflation, and labor markets are unknown. We expect to see an ongoing steepening of the yield curve given the expectation for future Fed rate cuts.
- ▶ Treasury yield volatility is expected to increase from multi-year lows given both fiscal and monetary policy.

RISKS TO OUTLOOK

- ▶ Fed Chair Powell noted tariffs have begun to push up goods prices in some categories, but the base case is for these effects to be short-lived.
- ▶ The “dot plot” signals 50 bps in additional cuts for 2025, though views remain split, with 7 members favoring no additional cuts in 2025.

- ▶ Fiscal uncertainty and geopolitical risks could reintroduce tighter financial conditions over the next 6-12 months.

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

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