



Midpeninsula Regional  
Open Space District

R-23-74  
Meeting 23-17  
June 28, 2023

## AGENDA ITEM 6

### AGENDA ITEM

Annual Review of and Proposed Updates to the Fiscal Management Policies

#### GENERAL MANAGER'S AND CONTROLLER'S RECOMMENDATIONS

1. Adopt the proposed amendments to Board Policy 3.07 – *Fund Balance Policy*.
2. Adopt the proposed amendments to Board Policy 3.08 – *Investment Policy*.
3. Affirm Board Policy 3.09 - *Debt Management Policy*.

#### SUMMARY

Midpeninsula Regional Open Space District (District) staff completed the annual review of the following existing fiscal management policies: *Banking Relationship Management* (3.01), *Capital Expenditure and Depreciable Fixed Assets* (3.05), *Initial and Continuing Disclosures Relating to Bond Issuances* (3.06), *Fund Balance Policy* (3.07), *Investment Policy* (formerly known as *Statement of Investment*) (3.08), and *Debt Management* (3.09). Based on this review, the General Manager and Controller recommend: (1) amendments to Board Policy 3.07 pertaining to the Unassigned Fund Balance, 2) amendments to Board Policy 3.08 pertaining to the investment Goals, Guidelines, and Reporting/Benchmarks, and 3) affirmation that Board Policy 3.09 remains current.

#### DISCUSSION

Each year, the General Manager and Chief Financial Officer together with the Controller review the District's fiscal management policies in preparation for an annual review and affirmation by Board of Directors

At this time, the General Manager and Controller recommend changes to two policies. All other policies are deemed current, with no changes proposed. See details below, as well as tracked changes in Attachments 1 and 2, which show the proposed text deletions in ~~strike-through~~ and additions in underline.

##### 3.01 Banking Relationship Policy

No changes proposed.

##### 3.02 General Accounting, Internal Control and Capital Assets Policy

No changes proposed.

### 3.03 Public Contract Bidding

No changes proposed.

### 3.04 Budget and Expenditure Authority Policy

No changes proposed.

### 3.06 Initial and Continuing Disclosures Relating to Bond Issuances

No changes proposed. Staff consulted with the District's Disclosure Counsel.

### 3.07 Fund Balance Policy

Amendments are recommended to update the minimum Unassigned Fund Balance from "30% of the Budgeted General Fund Tax Revenue" to "30% of the Budgeted General Fund Total Revenue". This proposed change incorporates all revenue sources, including grants, rental income, interest income, and other miscellaneous income. Accounting for all types of revenues will best position the District in responding to unforeseen expenditures or changes in revenues.

### 3.08 Investment Policy (formerly known as Statement of Investment)

The proposed amendments to the Investment Policy, as edited by the Controller, clarifies the three *Goals* of investment: Capital Preservation, Liquidity, and Income and updates the investment *Guidelines* by incorporating parameters for Authorized Financial Institutions and Dealers, Risk Mitigation, and Authorized Investments. Additionally, under Reporting and Benchmarks, the policy is updated to reflect the Controller's preparation of the Monthly Investment and Security Transaction Report that is provided to the Board. Other minor changes reflect current practice.

### 3.09 Debt Management Policy

No changes proposed. The Board is requested to affirm the current policy.

## **PRIOR BOARD AND COMMITTEE REVIEW**

May 16, 2023: ABC reviewed the proposed change to Board Policy 3.07 and 3.08 recommended forwarding to the full Board for consideration. The last annual review of the Fiscal Management Policies by the Board occurred on [June 8, 2022](#).

## **FISCAL IMPACT**

None

## **PUBLIC NOTICE**

Public notice was provided as required by the Brown Act.

## **CEQA COMPLIANCE**

This proposed action is not a project under the California Environmental Quality Act and no environmental review is required.

## **NEXT STEPS**

Once approved by the Board, the revisions would enter into force. Staff will perform the next annual review during Fiscal Year 2023-24.

Attachment:

1. Fund Balance Policy 3.07
2. Investment Policy 3.08
3. Debt Management Policy 3.09
4. Draft Budget and Action Plan meeting minutes for May 16, 2023

Responsible Staff:

Ana Ruiz, General Manager  
Mike Foster, Controller  
Stefan Jaskulak, Chief Financial Officer

Prepared by:

Rafaela Ocegüera, Budget & Finance Manager

## Midpeninsula Regional Open Space District

### Board Policy Manual

<b>Fund Balance Policy in Accordance with GASB Statement No. 54</b>	<b>Policy 3.07 Chapter 3 – Fiscal Management</b>
Effective Date: 11/25/14	Revised Date: 06/08/2022
Prior Versions: 11/25/14, 10/26/16, 6/27/2018, 06/26/2019	

#### Purpose

The following policy is created and approved by the Board of Directors in order to [1] provide adequate funding to meet the District's short-term and long-term plans, [2] provide funds for unforeseen expenditures related to emergencies such as natural disasters, [3] strengthen the financial stability of the District against present and future uncertainties such as economic downturns and revenue shortfalls, and [4] maintain an investment-grade bond rating. This policy has been developed, with the counsel of the District auditors, to meet the requirements of GASB 54.

This policy identifies the required components of fund balance, the level of management authorized to approve or change target balances in each fund, the amounts that the District will strive to maintain in each fund, and the conditions under which fund balances may be spent, reimbursed and reviewed.

#### Policy

The components of District fund balance are as follows:

**Non-Spendable** fund balance includes amounts that cannot be spent either because they are not in spendable form, e.g. prepaid insurance, or because of legal or contractual constraints. At all times, the District shall hold fund balance equal to the sum of its non-spendable assets.

**Restricted** fund balance includes amounts that are constrained for specific purposes which are externally imposed by constitutional provisions, enabling legislation, creditors, or contracts. Individual funds will be identified by the General Manager and Controller and the amounts set based on legal or contractual requirements. Funds may only be spent as specified by contract or as externally directed. The continuing need for each fund and the amount reserved will be reviewed annually.

**Committed** fund balance includes amounts that are constrained for specific purposes that are internally imposed by the District Board of Directors. Individual funds and target amounts will be established by the Board. Committed funds may include but are not limited to: Capital Maintenance, Equipment Replacement, Infrastructure, Natural Disasters, and Promissory Note. Projects to be funded by committed funds require the approval of the Board. The continuing need

for each fund and the amount reserved will be reviewed annually. Any changes require the approval of two-thirds of the Board.

**Assigned** fund balance includes amounts that are intended to be used for specific purposes that are neither restricted nor committed. Such amounts may be assigned by the General Manager if authorized by the Board of Directors to make such designations. Projects to be funded by assigned funds require the approval of the General Manager. The continuing need for each fund and the amount reserved will be reviewed annually.

**Unassigned** fund balance includes amounts within the general fund, which have not been classified within the above categories. The minimum amount of unassigned fund balance is calculated as 30% of the Budgeted General Fund ~~Tax~~ Total Revenue. This minimum unassigned fund balance is to be held in reserve in consideration of unanticipated events that could adversely affect the financial condition of the District and jeopardize the continuation of necessary public services. Any spending from this minimum general fund reserve requires the approval of the Board. Any such spending will be reimbursed within two years. If such reimbursement exceeds 5% of the Budgeted General Fund Tax Revenue, the Board may decide to limit the reimbursement at 5% and extend the reimbursement period beyond two years, as needed. The minimum reserve amount calculation will be reviewed annually as part of the annual budget process.

The specific reserve funds are as follows:

### **Restricted Funds**

[1] **Retiree Healthcare Plan Fund:** established in 2008 with a \$1.9 million contribution to the California Employers' Retiree Benefit Trust; all withdrawals per Board-approved plan; amount of annual contribution authorized by the Board as part of the annual budget.

[2] **Hawthorns Fund:** established in 2011 with a \$2.0 million endowment from the Woods Family Trust, to provide stewardship funding for the Hawthorns property in Portola Valley; amount to be withdrawn each year authorized by the Board as part of the annual budget.

### **Committed Funds**

[1] **Capital Maintenance Fund:** Implementation of the 2011 Strategic Plan, 2014 Vision Plan, and Measure AA projects will require District assets to be in good working order; annual maintenance costs for existing District assets are anticipated. Funding for such capital maintenance expenditures is not available from general obligation bonds under Measure AA. The General Manager will recommend, and the Board may authorize, an initial reserve amount associated with maintenance of a particular improvement. The amount to be withdrawn each year for the Capital Maintenance Fund will be authorized by the Board as part of the annual budget.

[2] **Equipment Replacement Fund:** Implementation of District projects requires corresponding purchase and replacement of field and office equipment and vehicles. The General Manager will recommend, and the Board may authorize, an initial reserve amount associated with equipment

replacement needs. The amount to be withdrawn each year for the Equipment Replacement Fund will be authorized by the Board as part of the annual budget.

[3] **Infrastructure Fund:** Implementation of the 2011 Strategic Plan, 2014 Vision Plan, and Measure AA projects will require expansion of field and office facilities beginning in fiscal 2016. The amount to be withdrawn each year for the Infrastructure Fund will be authorized by the Board as part of the annual budget.

[4] **Natural Disaster Fund:** The District must be prepared to undertake emergency expenditures required to respond quickly to a major fire, earthquake or flood. The General Manager will recommend, and the Board may authorize an initial reserve amount to prepare for natural disasters. All withdrawals from the Natural Disaster Fund require the approval of the General Manager.

[5] **Debt Sinking Fund:** The General Manager may recommend, and the Board may authorize annual contributions to fund the repayment of principal for promissory notes, bonds, or any other form of debt incurred by the District. The amount to be withdrawn from the Debt Sinking Fund will be authorized by the Board as part of the annual budget.

[6] **Future Acquisitions and Capital Projects Fund:** With the passage of Measure AA, the District has a greater focus on capital projects, as well as its ongoing land acquisition program. This fund will provide the District with sufficient reserves to quickly react to opportunistic land acquisitions and to future capital projects that may arise during the course of a given fiscal year. Withdrawals from this fund require approval of the Board.

### **Assigned Funds**

[1] **Capital Construction in Progress (CCIP) Fund:** Under the direction and authority of the General Manager, staff will review encumbered funds for ongoing capital projects at the end of the fiscal year. These balances may be assigned to CCIP fund as a closing entry to the fiscal year for use as a funding source for the overall project cost in the following fiscal year. Unless otherwise authorized by the Board, the balances available under this fund will not increase the overall project budget.

## Midpeninsula Regional Open Space District

## Board Policy Manual

<b><u>Statement of Investment Policy</u></b>	<b>Policy 3.08 Chapter 3 – Fiscal Management</b>
<b>Effective Date:</b> 1/8/97	<b>Revised Date:</b> <del>12/9/2016</del> /14/2023
<b>Prior Versions:</b> 1/8/97; 1/10/01; 1/16/02; 1/8/03; 1/14/04; 1/12/05; 1/11/06; 1/10/07; 1/16/08; 1/13/10; 1/12/11; 1/11/12; 1/24/13; 1/22/14; 1/28/15; 8/12/15; 8/10/16; 5/10/17; 6/27/18; 6/26/2019; <u>12/9/20</u>	

**Goals****Goal 1. Capital Preservation**

The primary goal shall be to safeguard the principal of invested funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. ~~The secondary objective shall be to meet the liquidity needs of the District. The third objective shall be to achieve a return on funds consistent with this Policy. Temporarily idle funds shall be invested in a conservative manner, such that funds can always be withdrawn at, or just above or below, full invested value. Investments that offer opportunities for significant capital gains and losses are excluded.~~

**Goal 2. Liquidity**

The secondary objective shall be to meet the liquidity needs of the District. Investable funds ~~Temporarily idle funds~~ shall be managed so that normal operating cash needs and scheduled extraordinary cash needs can be met on a same day basis. ~~Investments shall be sufficiently liquid to provide a steady and reliable flow of cash to the District to insure that all land purchases can be made promptly (within two weeks).~~

**Goal 3. Income**

The third objective shall be to attain a market rate of return (yield). Investable funds ~~Temporarily idle funds~~ shall earn the highest rate of return that is consistent with capital preservation and liquidity goals and the California Government Code.

**Guidelines****1. Determination of Idle Funds**

~~The Controller shall prepare a cash flow projection prior to all investment decisions involving securities with a term to maturity exceeding one year. This cash flow projection shall be reviewed and evaluated by the General Manager or Chief Financial Officer (CFO). The General Manager or CFO is responsible for approving the Controller's designation of the amount of funds available for investment for longer than one year.~~

**2.1. Authorized Financial Institutions and Dealers ~~Restricted Monies~~**

- a) District Retiree Healthcare Plan: All funds are to be held and managed by either the Section 115 Trust California Employers' Retiree Benefit Trust (CERBT) administered by CalPERS (California Public Employees' Retirement System), or the Section 115 Trust offered through Public Agency Retirement Services (PARS).
- b) District Retirement Plans: All funds are to be held and managed by either CalPERS or PARS.
- c) Hawthorns Endowment Fund: All investable funds are to be held in the Cal Trust Medium Term Fund.
- d) Public Bond Reserve Funds: All investable funds are to be held at and invested through the trust departments of the Bond Trustees specified in the documents issuing the bonds.
- e) General Funds: All investable funds are to be invested either in the Santa Clara County Pooled Investment Fund (SCPIF), State of California's Local Agency Investment Fund (LAIF), or through the District's investment advisor and brokerage firm, Stifel Financial. The District requires that all securities it owns be held in highly reputable third-party depositories. Any additions or changes to the list of acceptable investment advisors and brokers will be approved by the Board of Directors.

~~[a] — MROSD Retiree Healthcare Plan: All funds are to be held by either: the Section 115 Trust California Employers' Retiree Benefit Trust (CERBT) administered by CalPERS, or 2) the Section 115 Trust offered through PARS as approved by Board Resolution 18-07.~~

~~[b] — Hawthorn Endowment Fund: All funds will be held in a separate account and invested in accordance with this policy.~~

~~[c] — Debt Service Reserve Funds Held by Bond Trustees: Funds held by such trustees shall be invested in accordance with the bond indenture or other agreement providing for the issuance and management of such debt.~~

### 3.2. Risk Mitigation ~~General Fund Committed Reserves~~

Those factors that can lead to an unexpected financial loss can be broadly grouped into the following categories:

- a) Credit risk, which is the possibility that an issuer will default.
- b) Liquidity risk, which occurs when investments must be sold at a loss, prior to maturity, in order to meet unexpected cash requirements.
- c) Interest Rate Risk, which is strongly associated with liquidity risk and is the risk that the value of a fixed income security will fall as a result of an increase in interest rates.
- d) Operational risk, which refers to potential losses resulting from inadequate systems and oversight, fraud and human error.

The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The District will minimize the risk categories as follows:

#### 1. Credit Risk mitigation by:



- 1.1. Diversifying the investment portfolio so that potential losses on individual securities are minimized (no single issuer, other than the U.S. government, shall represent more than 5% of the overall investment portfolio),
  - 1.2. Only purchasing securities which meet the rating standards specified in this policy and limitations set by Government Code,
  - 1.3. Requiring that investments not be leveraged, [4]forbidding the purchase of any investment which offers opportunities for significant capital gains or losses, and
  - 1.4. Reviewing the possible sale of any security which incurs a rating downgrade.
2. Liquidity Risk mitigation by:
- 2.1. Maintaining a reliable short and long-term cash flow projection and matching investment maturities with anticipated cash demands;
  - 2.2. Restricting investment purchases to those securities which have an active secondary, or resale, market; and
  - 2.3. Maintaining at least 15% of total investable general funds in either the SCCPIF or LAIF.
3. Interest Rate Risk mitigation by:
- 3.1. Restricting the maturities of all new investments to a maximum of three years from the settlement date;
  - 3.2. Limiting the weighted average maturity of the portfolio to 18 months or less; and
  - 3.3. Forbidding the purchase of any financial futures, option contracts or any other type of derivative investment.
4. Operational Risk mitigation by:
- 4.1. Delegating internal investment authority only to the Controller, Chief Financial Officer and employees with extensive experience in financial investing;
  - 4.2. Investing through highly reputable and specified brokerage and trust departments;
  - 4.3. Requiring that all investment securities be owned in the name of the District and held at reputable depository organizations;
  - 4.4. Ensuring that all investment accounts, other than bond trustee accounts, be fully covered by insurance;
  - 4.5. Specifying that District employees involved in the investment process shall refrain from any personal business activity that could conflict with the proper execution and management of the investment program;
  - 4.6. Maintaining employee fraud insurance in the amount of at least \$1 million; and
  - 4.7. Directing the Controller to provide the Board of Directors with a monthly report listing the current investment portfolio and the new investment purchases that month.
- ~~At least 20% of the total general fund committed reserve requirement shall be maintained, at all times, with the Santa Clara County Pooled Investment Fund (SCCPIF) and/or the State of California's Local Agency Investment Fund (LAIF).~~
- ~~4.3. Authorized Investments General Fund Unassigned Reserves~~

Investments shall be limited to those allowed by and subject to the procedures of Government Code Section 53600 *et seq.* and 53635 *et seq.* In the event of any conflict between any term of this Policy and the Government Code, the provisions of the Government Code shall prevail.

1. U.S. Treasury and Government Agencies: There shall be no dollar limit in the amount that may be invested in debt obligations that are backed by the full faith and credit of the United States government, including federal agencies of the U.S. government.
2. SCCPIF and LAIF: No dollar limit.
3. Federally-Insured Bank Deposits: Limited to the FDIC insured limit of \$250,000 per bank.
4. Bank Non-Insured Certificates of Deposit: For maturities of one year or less: two current ratings of at least P1 by Moody's, A1 by S&P, or F1 by Fitch. For maturities over one year: two current ratings of at least Aa3 by Moody's, AA- by S&P, or AA- by Fitch.
5. Banker's Acceptances and Commercial Paper: Maturities cannot exceed one year and issuers must be U.S. corporations with assets exceeding \$500 million, and have two current ratings of at least P1 by Moody's, A1 by S&P, or F1 by Fitch.
6. Corporate Notes and Municipal Bonds: The purchase of corporate notes and municipal bonds, including taxable bonds, shall be limited to securities that hold at least two of the following ratings: A3 by Moody's, A- by S&P, and A- by Fitch. As stated above, maturities are limited to no more than three years and no issuer shall represent more than 5% of the overall portfolio.
7. Money Market Funds: Money market funds must hold at least two of the highest ratings from the following: Aaa by Moody's, AAA by S&P, and AAA by Fitch.
8. Asset-Backed Securities (ABS): Acceptable ABS must hold at least two of the following ratings: Aa3 by Moody's, AA- by S&P, and AA- by Fitch.

~~In addition to any committed fund reserve requirement, at least 20% of the general fund reserve per the Fund Balance Policy 3.07 shall be maintained, at all times, with the SCCPIF and/or LAIF.~~

#### 5.4. General Obligation Bond Proceeds Held by Fiscal Agent

Bond Proceeds held by the District's Fiscal Agent, either in the Debt Service Fund or Bond Proceeds Fund, shall be invested through the investment department of the Fiscal Agent and in accordance with the Fiscal Agent Agreement.

#### 6.5. Non-Invested Funds

Idle District funds not otherwise invested as permitted by this Policy shall be deposited with the Santa Clara County Pooled Investment Fund, ~~the San Mateo County Treasurer's Pooled Investment Fund~~, the State of California's Local Agency Investment Fund or CalTRUST.

#### 7.6. Selection of Investments

The Controller is responsible for selecting investments and directing such security transactions that fit within the amounts and maturities as recommended by the Controller. The Controller will communicate such actions to the General Manager and -CFO.

#### 8.7. Prohibited Investments

Investment in securities of companies in the non-renewable energy sector (e.g. coal, oil, natural gas, etc.) shall not be permitted.

9.8. Investments Instruments and Deposit of Funds

Investments and deposits of funds shall be limited to those allowed by and subject to the procedures of Government Code Section 53600 *et seq.* and 53635 *et seq.* In the event of any conflict between the terms of this Policy, and the Government Code, the provisions of the Government Code shall prevail. Investments shall not be leveraged. Investments, and “derivatives,” that offer opportunities for significant capital gains and losses are excluded. If after purchase, securities are downgraded below the minimum required rating level, the securities shall be reviewed for possible sale with a reasonable amount of time after downgrade. Significant downgrades and the action taken or to be taken will be disclosed in the next monthly report.

10.9. Maximum Maturity

The average maturity of the total District investment portfolio shall not exceed eighteen months and no investment, except for debt service reserve funds held by bond trustees, shall have a maturity of more than three years from the date of purchase. The maturity of investments in trustee-held debt service reserve funds shall not exceed the final debt service payment date of the bonds.

11. ~~Diversification~~

~~Investments shall meet the diversification test of Government Code Section 53601.7(c), stating that no more than 5% of the total investment portfolio may be invested in the securities of any one issuer, except for the obligations of the U.S. Treasury or U.S. Government Agencies.~~

12.10. Marketability

For investments other than bank certificates of deposits the breadth of ownership and number of securities outstanding shall be sufficient to establish a secondary market in which investments can be readily converted to cash without causing a material change in their market value.

13.11. Acceptable Banks

Bankers' Acceptances and Negotiable Certificates of Deposit may be purchased only from the District's commercial bank or banks and savings and loan associations with over \$1 billion of deposits and reporting profitable operations and which meet all applicable criteria of the Government Code. Certificates of Deposit may be purchased from other banks within Santa Clara and San Mateo Counties which meet all applicable criteria of the Government Code if the principal is fully insured by the Federal Deposit Insurance Corporation.

14.12. Acceptable Collateral

Securities collateralizing bank or savings and loan deposits must be rated “A” or higher.

15.13. Investments in Name of District

All investments purchased shall stand in the name of the District.

16.14. Reporting and Benchmarks

The Controller shall prepare and submit to the Board of Directors a monthly report (the Monthly Investment and Security Transaction Report) listing the entire discretionary investment portfolio including all investments and securities transactions (excluding retirement funds) in accordance with Government Code section 53607. For each investment, the report shall include the type of investment, purchase date, the issuer, date of maturity, par value, price paid, current market value, yield and broker. The report shall also list all new investments made that month.

On a quarterly basis, the monthly report shall include a summary of the portfolio's average maturity and yield, and a comparison of the current yield to three benchmarks—the SCCPIF, LAIF, and the Fidelity Short-Term Bond Fund and other contents required by Government Code section 53646.

~~The Controller shall submit a report of the District's investment portfolio and security transactions to the Board of Directors by the second Friday of each calendar month in accordance with Government Code Sections 53607 and 53646. Such~~These reports shall also be submitted to the General Manager, CFO, Budget & Finance Manager, and to the District's auditor.

17.15. Purchase of Securities

The Controller is authorized to purchase securities through the investment department of the District's bond trustees and fiscal agents and as otherwise permitted by the Government Code. Any account resolutions required by bank investment departments will be submitted to the Board of Directors for approval prior to any trading through that bank. The bank or other investment institution from which authorized securities are purchased shall be instructed in writing only to purchase securities in the name of the District and that all matured funds shall be returned to the District's commercial bank account. The bank shall also be instructed to send receipts for all transactions to the CFO and the District accounting department.

16. Policy Review and Approval

This policy shall be reviewed at least annually and be presented to the Board of Directors for approval of any recommended changes or re-approval.

Midpeninsula Regional Open Space District

Board Policy Manual

<b>Investment Policy</b>	<b>Policy 3.08</b> <b>Chapter 3 – Fiscal Management</b>
<b>Effective Date:</b> 1/8/97	<b>Revised Date:</b> 6/14/2023
<b>Prior Versions:</b> 1/8/97; 1/10/01; 1/16/02; 1/8/03; 1/14/04; 1/12/05; 1/11/06; 1/10/07; 1/16/08; 1/13/10; 1/12/11; 1/11/12; 1/24/13; 1/22/14; 1/28/15; 8/12/15; 8/10/16; 5/10/17; 6/27/18; 6/26/2019; 12/9/20	

**Goals**

Goal 1. Capital Preservation

The primary goal shall be to safeguard the principal of invested funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Goal 2. Liquidity

The secondary objective shall be to meet the liquidity needs of the District. Investable funds shall be managed so that normal operating cash needs and scheduled extraordinary cash needs can be met on a same day basis.

Goal 3. Income

The third objective shall be to attain a market rate of return (yield). Investable funds shall earn the highest rate of return that is consistent with capital preservation and liquidity goals and the California Government Code.

**Guidelines**

1. Authorized Financial Institutions and Dealers

- a) District Retiree Healthcare Plan: All funds are to be held and managed by either the Section 115 Trust California Employers’ Retiree Benefit Trust (CERBT) administered by CalPERS (California Public Employees’ Retirement System), or the Section 115 Trust offered through Public Agency Retirement Services (PARS).
- b) District Retirement Plans: All funds are to be held and managed by either CalPERS or PARS.
- c) Hawthorns Endowment Fund: All investable funds are to be held in the Cal Trust Medium Term Fund.
- d) Public Bond Reserve Funds: All investable funds are to be held at and invested through the trust departments of the Bond Trustees specified in the documents issuing the bonds.
- e) General Funds: All investable funds are to be invested either in the Santa Clara County Pooled Investment Fund (SCPIF), State of California’s Local Agency Investment Fund (LAIF), or through the District’s investment advisor and brokerage firm, Stifel Financial. The District requires that all securities it owns be held in highly reputable third-party

depositories. Any additions or changes to the list of acceptable investment advisors and brokers will be approved by the Board of Directors.

## 2. Risk Mitigation

Those factors that can lead to an unexpected financial loss can be broadly grouped into the following categories:

- a) Credit risk, which is the possibility that an issuer will default.
- b) Liquidity risk, which occurs when investments must be sold at a loss, prior to maturity, in order to meet unexpected cash requirements.
- c) Interest Rate Risk, which is strongly associated with liquidity risk and is the risk that the value of a fixed income security will fall as a result of an increase in interest rates.
- d) Operational risk, which refers to potential losses resulting from inadequate systems and oversight, fraud and human error.

The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The District will minimize the risk categories as follows:

1. Credit Risk mitigation by:
  - 1.1. Diversifying the investment portfolio so that potential losses on individual securities are minimized (no single issuer, other than the U.S. government, shall represent more than 5% of the overall investment portfolio),
  - 1.2. Only purchasing securities which meet the rating standards specified in this policy and limitations set by Government Code,
  - 1.3. Requiring that investments not be leveraged, forbidding the purchase of any investment which offers opportunities for significant capital gains or losses, and
  - 1.4. Reviewing the possible sale of any security which incurs a rating downgrade.
2. Liquidity Risk mitigation by:
  - 2.1. Maintaining a reliable short and long-term cash flow projection and matching investment maturities with anticipated cash demands;
  - 2.2. Restricting investment purchases to those securities which have an active secondary, or resale, market; and
  - 2.3. Maintaining at least 15% of total investable general funds in either the SCCPIF or LAIF.
3. Interest Rate Risk mitigation by:
  - 3.1. Restricting the maturities of all new investments to a maximum of three years from the settlement date;
  - 3.2. Limiting the weighted average maturity of the portfolio to 18 months or less; and
  - 3.3. Forbidding the purchase of any financial futures, option contracts or any other type of derivative investment.

4. Operational Risk mitigation by:
  - 4.1. Delegating internal investment authority only to the Controller, Chief Financial Officer and employees with extensive experience in financial investing;
  - 4.2. Investing through highly reputable and specified brokerage and trust departments;
  - 4.3. Requiring that all investment securities be owned in the name of the District and held at reputable depository organizations;
  - 4.4. Ensuring that all investment accounts, other than bond trustee accounts, be fully covered by insurance;
  - 4.5. Specifying that District employees involved in the investment process shall refrain from any personal business activity that could conflict with the proper execution and management of the investment program;
  - 4.6. Maintaining employee fraud insurance in the amount of at least \$1 million; and
  - 4.7. Directing the Controller to provide the Board of Directors with a monthly report listing the current investment portfolio and the new investment purchases that month.

### 3. Authorized Investments

Investments shall be limited to those allowed by and subject to the procedures of Government Code Section 53600 *et seq.* and 53635 *et seq.* In the event of any conflict between any term of this Policy and the Government Code, the provisions of the Government Code shall prevail.

1. U.S. Treasury and Government Agencies: There shall be no dollar limit in the amount that may be invested in debt obligations that are backed by the full faith and credit of the United States government, including federal agencies of the U.S. government.
2. SCCPIF and LAIF: No dollar limit.
3. Federally-Insured Bank Deposits: Limited to the FDIC insured limit of \$250,000 per bank.
4. Bank Non-Insured Certificates of Deposit: For maturities of one year or less: two current ratings of at least P1 by Moody's, A1 by S&P, or F1 by Fitch. For maturities over one year; two current ratings of at least Aa3 by Moody's, AA- by S&P, or AA- by Fitch.
5. Banker's Acceptances and Commercial Paper: Maturities cannot exceed one year and issuers must be U.S. corporations with assets exceeding \$500 million, and have two current ratings of at least P1 by Moody's, A1 by S&P, or F1 by Fitch.
6. Corporate Notes and Municipal Bonds: The purchase of corporate notes and municipal bonds, including taxable bonds, shall be limited to securities that hold at least two of the following ratings: A3 by Moody's, A- by S&P, and A- by Fitch. As stated above, maturities are limited to no more than three years and no issuer shall represent more than 5% of the overall portfolio.
7. Money Market Funds: Money market funds must hold at least two of the highest ratings from the following: Aaa by Moody's, AAA by S&P, and AAA by Fitch.
8. Asset-Backed Securities (ABS): Acceptable ABS must hold at least two of the following ratings: Aa3 by Moody's, AA- by S&P, and AA- by Fitch.

### 4. General Obligation Bond Proceeds Held by Fiscal Agent

Bond Proceeds held by the District's Fiscal Agent, either in the Debt Service Fund or Bond Proceeds Fund, shall be invested through the investment department of the Fiscal Agent and in accordance with the Fiscal Agent Agreement.

5. Non-Invested Funds

Idle District funds not otherwise invested as permitted by this Policy shall be deposited with the Santa Clara County Pooled Investment Fund,, the State of California’s Local Agency Investment Fund or CalTRUST.

6. Selection of Investments

The Controller is responsible for selecting investments and directing such security transactions that fit within the amounts and maturities as recommended by the Controller. The Controller will communicate such actions to the General Manager and CFO.

7. Prohibited Investments

Investment in securities of companies in the non-renewable energy sector (e.g. coal, oil,natural gas, etc.) shall not be permitted.

8. Investments Instruments and Deposit of Funds

Investments and deposits of funds shall be limited to those allowed by and subject to the procedures of Government Code Section 53600 *et seq.* and 53630 *et seq.* In the event of any conflict between the terms of this Policy, and the Government Code, the provisions of the Government Code shall prevail. Investments shall not be leveraged. Investments, and “derivatives,” that offer opportunities for significant capital gains and losses are excluded. If after purchase, securities are downgraded below the minimum required rating level, the securities shall be reviewed for possible sale with a reasonable amount of time after downgrade. Significant downgrades and the action taken or to be taken will be disclosed in the next monthly report.

9. Maximum Maturity

The average maturity of the total District investment portfolio shall not exceed eighteen months and no investment, except for debt service reserve funds held by bond trustees, shall have a maturity of more than three years from the date of purchase. The maturity of investments in trustee-held debt service reserve funds shall not exceed the final debt service payment date of the bonds.

10. Marketability

For investments other than bank certificates of deposits the breadth of ownership and number of securities outstanding shall be sufficient to establish a secondary market in which investments can be readily converted to cash without causing a material change in their market value.



11. Acceptable Banks

Bankers' Acceptances and Negotiable Certificates of Deposit may be purchased only from the District's commercial bank or banks and savings and loan associations with over \$1 billion of deposits and reporting profitable operations and which meet all applicable criteria of the Government Code. Certificates of Deposit may be purchased from other banks within Santa Clara and San Mateo Counties which meet all applicable criteria of the Government Code if the principal is fully insured by the Federal Deposit Insurance Corporation.

12. Acceptable Collateral

Securities collateralizing bank or savings and loan deposits must be rated "A" or higher.

13. Investments in Name of District

All investments purchased shall stand in the name of the District.

14. Reporting and Benchmarks

The Controller shall prepare and submit to the Board of Directors a monthly report (the Monthly Investment and Security Transaction Report) listing the entire discretionary investment portfolio including all investments and securities transactions (excluding retirement funds) in accordance with Government Code section 53607. For each investment, the report shall include the type of investment, purchase date, the issuer, date of maturity, par value, price paid, current market value, yield and broker. The report shall also list all new investments made that month.

On a quarterly basis, the monthly report shall include a summary of the portfolio's average maturity and yield, and a comparison of the current yield to three benchmarks—the SCCPIF, LAIF, and the Fidelity Short-Term Bond Fund and other contents required by Government Code section 53646.

These reports shall also be submitted to the General Manager, CFO, Budget & Finance Manager, and to the District's auditor.

15. Purchase of Securities

The Controller is authorized to purchase securities through the investment department of the District's bond trustees and fiscal agents and as otherwise permitted by the Government Code. Any account resolutions required by bank investment departments will be submitted to the Board of Directors for approval prior to any trading through that bank. The bank or other investment institution from which authorized securities are purchased shall be instructed in writing only to purchase securities in the name of the District and that all matured funds shall be returned to the District's commercial bank account. The bank shall also be instructed to send receipts for all transactions to the CFO and the District accounting department.

16. Policy Review and Approval

This policy shall be reviewed at least annually and be presented to the Board of Directors for approval of any recommended changes or re-approval.

Midpeninsula Regional Open Space District

Board Policy Manual

<b>Debt Management Policy</b>	<b>Policy 3.09</b> <b>Chapter 3 – Fiscal Management</b>
Effective Date: 7/12/2017	Revised Date: N/A
Prior Versions: N/A	

**Purpose**

The Debt Management Policy and procedures contained herein (the “**Debt Management Policy**”) sets forth certain debt management objectives for the Midpeninsula Regional Open Space District (the “**District**”) and establishes overall parameters for issuing and administering the District's debt in compliance with applicable federal and state securities laws. The Board may issue debt that does not comply with this policy should the Board determine that doing so is necessary or desirable, and the issuance of any such debt shall be conclusive evidence of such determination. This Debt Management Policy is closely related to the policy for Initial and Continuing Disclosures Relating to Bond Issuances – Policy 3.06 of Chapter 3 Fiscal Management (the “**Disclosure Policy**”).

**Policy**

*Article I: Key Participants and Responsibilities*

The Key Participants in the Debt Management process are the members of the Financing Group as identified and designated in the Disclosure Policy, Section 1.03. The Responsibilities of the various members of the Financing Group are detailed in Section II of the Disclosure Policy. [Disclosure Policy](#)

*Article II: Debt Limits*

Section 2.01. Purpose for Debt Issuance. The District may issue new debt to finance and refinance capital improvement projects or land acquisitions for either General Fund purposes or in support of Measure AA portfolios and projects. Any General Fund debt must be repaid via the General Fund tax revenue and budget, whereas any debt issued under Measure AA must be repaid via the special property tax levy as authorized under Measure AA. As part of the calculation to determine the need for new debt, the District will review the useful life of the proposed projects and ensure this useful life is not significantly shorter than the term of the debt, and in any case compliant with Federal tax law restrictions governing the weighted average maturity of a debt issue in relation to the financed projects’ useful life. The approach to determine the amount of new debt to be issued will include an assessment of any self-funded pay-go funding sources and will be integrated into the District’s multi-year capital plan.

Section 2.02. Legal Debt Limitations. The District is bound by, or utilizes, four different debt limitations: State, General Fund budget, bond Indenture covenants and Measure AA voter authorization.

- i. Under Public Resources Code Section 5568, the District’s legal authority to incur indebtedness is limited to five percent of the assessed valuation of the real and personal property situated in the District.

- ii. The General Fund debt limitation is constrained by the property tax received, less ongoing operating expenses. Each year, the annual budget is prepared and modeled into the Controller's thirty-year cash flow, which includes conservative inflation and projects the viability of any increases in operating, capital or debt service in the General Fund. Any proposed General Fund debt issuance, new or refunding, is modeled using the Controller's cash flow model.
- iii. General Fund debt is limited by covenants made by the District to bond holders in the bond indenture. The District covenants it will not issue debt that is senior in priority to the existing general fund revenue bonds. In addition, debt on parity with existing revenue bonds is limited by the District Act (Article 3 of Chapter 3 of Division 5 of the Public Resources Code), which requires that total debt outstanding does not exceed the amount of general fund property tax revenues anticipated by the District for the next five-year period, and that annual tax revenue in the most recent audited fiscal year exceeds maximum annual debt service of outstanding bonds by 125%.
- iv. The Measure AA debt limitation is constrained by the \$300 million voter authorization per the 2014 referendum as well as the limitation that Measure AA annual debt service must be payable with the Measure AA property tax collections not to exceed the self-imposed tax rate of \$3.18 per \$100,000 of Assessed Value. The calculation to ensure that the debt service does not exceed a tax rate in excess of \$3.18 per \$100,000 of Assessed Value shall be calculated at issuance of the debt with the information available at that time and exclude any one-time funds, such as bond premium. Should the tax rate exceed \$3.18 at any time after the debt has been issued, no new debt shall be issued until such time as the debt service payments can again be paid from tax collections not exceeding a \$3.18 tax rate.

Section 2.03. Types of Permitted Debt. The District may issue a variety of debt instruments and obligations.

- i. Long-term borrowing (maturity greater than 1 year) may be used to finance the acquisition or improvement of land, facilities, or equipment for which it is appropriate to spread these costs over more than one budget year. Long-term borrowing may also be used to fund capitalized interest, costs of issuance, required reserves, and any other financing related costs which may be legally capitalized. Long-term borrowing shall not be used to fund operating costs.
- ii. Short-term borrowing (maturity of one year or less), such as lines of credit or commercial paper, will be considered as an interim source of funding to be utilized when appropriate. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing related costs.
- iii. All long-term debt shall normally be issued as fixed rate debt. Variable rate debt may be issued if determined to be advantageous to the District.
- iv. Relationship of Debt to Capital Improvement Program: The District maintains a five-year Capital Improvement plan, which it expects to fund through a combination of Measure AA proceeds, General Fund Monies, and grants. While the District does not expect debt to be the sole source of funding for the CIP, the District may issue debt in addition to bonds approved under Measure AA (including those types of debt discussed herein) should doing so become necessary to meet the District's capital needs.

- v. Policy Goals Related to District Objectives: The District's objective is to meet its capital needs economically, and intends only to use debt as a funding source when the Board determines doing so would be both fiscally responsible and aligned with the District's policy objectives.

### *Article III: Debt Structuring*

Debt issued by the District, new or refunding, may have various features and structures.

- i. The debt shall be callable no later than eleven years from the date of issuance. If the final maturity is less than fifteen years, a call feature shorter than ten years shall be evaluated by the CFO and Controller together with the financial advisor and underwriter as deemed appropriate by the CFO and Controller. If advantageous to the District, the CFO and Controller may recommend the use of a shorter call feature for maturities fifteen years or longer as well.
- ii. The maturity for new debt issued is usually thirty years, unless the useful life of the projects is significantly shorter than thirty years, in which case the maturity shall be shortened to match the useful life, or, in the case of a large one-time capital expenditure, where the cash flow need may be much shorter than thirty years. The final maturity for refunding debt shall be no later than the final maturity of the refunded debt.
- iii. Given the District's historically very strong credit ratings, utilizing credit enhancement in connection with a debt issuance has not been financially advantageous to the District. However, should credit enhancement prove effective in lowering the District's all-in borrowing cost on a debt issuance in the future, the District retains the option to utilize such credit enhancement. Such evaluation will be made by the CFO and Controller together with the financial advisor and underwriter as deemed appropriate by the CFO and Controller.
- iv. The use of derivative products (a financial instrument which 'derives' its value from another instrument) is not permitted.

### *Article IV: Debt Issuance*

The District shall assess the impact of new debt issuance on the thirty-year long-term affordability model as developed by the Controller. This model includes future debt service, capital improvement projects and operational expenditures, adjusted for inflation and growth over thirty years. Any debt issued, and the associated debt repayment schedule, must be evaluated and affordable according to this thirty-year model.

Section 4.01. Credit Objectives. The District shall make every reasonable effort to maintain its high credit ratings. The District shall seek a credit rating on all new publicly placed bond issues from at least one nationally recognized credit rating agency. The District shall maintain a line of communications with the bond rating agencies reporting annual financial reports, budget and other major information as they occur.

Section 4.02. Method of Sale. The District may issue debt via negotiated sale, a competitive bid process or private placement. The CFO and Controller, together with the Financial Advisor, shall review and evaluate the best method of sale for each issuance.

Section 4.03. Selection of External Financial Professionals. The District shall utilize the services of various independent advisors, consultants and other financial institutions and professionals. Such services, depending on the type of financing, may include financial advisor, underwriter, bond counsel, disclosure counsel, trustee, verification agent, escrow agent, arbitrage consulting, and special tax consulting. The financial advisor, underwriter, bond counsel, and disclosure counsel shall be selected via a competitive Request for Proposal (RFP) process initiated and managed by the Chief Financial Officer and evaluated by the Disclosure Working Group. Other services may be contracted via sole source or directly authorized.

Section 4.04. Refunding of Debt. The District shall periodically review its outstanding debt to identify refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit from the refunding. In general, refundings which produce a net present value savings of at least three percent (3%) of the refunded debt will be considered economically beneficial. Refunding which produce a net present value savings of less than three percent (3%) will be considered on a case-by-case basis. In evaluating the economic benefit of refundings considered “advance refundings”, the District will also evaluate the escrow efficiency in consultation with the District’s financial advisor and underwriter.

#### *Article V: Debt Management*

Section 5.01. Disclosure. The District’s Board of Directors adopted a separate Disclosure Policy, which policy includes 15c2-12 requirements, initial and continuing disclosure requirements, and outlines the responsibilities of District staff, consultants and advisors. [Disclosure Policy](#)

Section 5.02. Investment of Bond Proceeds. The District shall invest bond proceeds consistent with applicable federal and state law and tax requirements, including any arbitrage calculations and reporting, as well as consistent with the District’s Board adopted Policy titled Statement of Investment 3.08. [Statement of Investment](#)

#### *Article VI: Controls, Reporting, and Miscellaneous*

Section 6.01. Internal Controls. To ensure the bond proceeds are managed and spent as intended, the District has the following processes in place:

- i. Reporting of bond funds generated by a financing secured by General Fund revenues shall be included in the Annual Financial Report.
- ii. Reporting and review of bond funds spent under Measure AA authorization is outlined in the Measure AA election documentation:

*An Independent Citizen Oversight Committee will be formed to verify expenditures of bond proceeds. The Independent Citizen Oversight Committee will consist of seven at-large members, all of whom shall be District residents. The Citizen Oversight Committee will be selected by the Board and interviewed and approved in open session, and will be subject to the conflict of interest constraints of the California Political Reform Act.*

*The responsibilities of the Committee include:*

- *Review Plan expenditures on an annual basis to verify conformity with the Expenditure Plan.*

- *Review District's Annual Audit and Annual Accountability report and present the Committee's findings to the Board at a public meeting.*
  - *Review any proposed amendments to the Expenditure Plan.*
- iii. Reporting of bond funds expended to refund existing bonds shall be included in the final refunding report to the Board of Directors.

Section 6.02. Documents to be Retained. Section 5.01 of the Disclosure Policy provides document retainage requirements applicable to debt issuances. [Disclosure Policy](#)

Section 6.03. Waivers. In addition to the General Manager's authority to adopt an Administrative Procedure to make this Board Policy more specific, any provision of this Board Policy or any related administrative procedure may be waived at any time by the General Manager, with the written confirmation to the members of the Disclosure Working Group. This authority to waive a provision of this policy is triggered only if such waiver is necessary for timely and effective issuance of debt in compliance with any applicable laws. Any waivers made under this provision shall be reported to the Board of Directors, with conforming revisions recommended for the Board's consideration at the next update of this Board Policy and no later than three months from the implementation of such waiver.

Section 6.04. Periodic Review. This policy shall be reviewed and affirmed annually by the Board of Directors.



Midpeninsula Regional  
Open Space District

## MIDPENINSULA REGIONAL OPEN SPACE DISTRICT

### ACTION PLAN AND BUDGET COMMITTEE

Administrative Office  
5050 El Camino Real  
Los Altos, CA 94022

**Tuesday, May 16, 2023**

### DRAFT MINUTES

#### **CALL TO ORDER**

Chair Riffle called the meeting of the Action Plan and Budget Committee to order at 1:02 p.m.

#### **ROLL CALL**

Members present: Craig Gleason, Karen Holman, Curt Riffle

Members absent: None

Staff present: General Manager Ana M. Ruiz, General Counsel Hilary Stevenson, Assistant General Manager Susanna Chan, Assistant General Manager Brian Malone, Chief Financial Officer/Director of Administrative Services Stefan Jaskulak, District Clerk Maria Soria, Acting Deputy District Clerk Loana Lumina-Hsu, Budget & Analysis Manager Rafaela Ocegüera, Visitor Services Manager Matt Anderson, Planning Manager Jane Mark, Engineering & Construction Manager Jay Lin, Information Systems & Technology Manager Casey Hiatt, Human Resources Manager Candice Basnight, Real Property Manager Mike Williams, Management Analyst II Lupe Hernandez, Management Analyst II Elissa Martinez, Management Analyst I Jordan McDaniel, Acting Natural Resource Manager/Senior Resource Management Specialist Coty Sifuentes-Winter, Information Technology Program Administrator Owen Sterzl, Senior Planner Gretchen Laustsen, Senior Planner Tina Hugg, Management Analyst II Marion Shaw, Ranger Ryan Augustine, Administrative Assistant Marie Lanka

#### **ADOPTION OF AGENDA**

**Motion:** Director Gleason moved, and Director Holman seconded the motion to adopt the agenda.

**ROLL CALL VOTE: 3-0-0**



## ORAL COMMUNICATIONS

District Clerk Maria Soria reported there were no public speakers for this item.

## COMMITTEE BUSINESS

### **1. Approve the May 3, 2023 Action Plan and Budget Committee Meeting Minutes**

Public comment opened at 1:04 p.m.

Ms. Soria reported there were no public speakers for this item.

Public comment closed at 1:04 p.m.

**Motion:** Director Gleason moved, and Director Holman seconded the motion to approve the May 3, 2023 Action Plan and Budget Committee meeting minutes.

**ROLL CALL VOTE: 3-0-0**

### **2. Continued Overview of the Proposed Fiscal Year 2023-24 Budget and Three-Year Capital Improvement and Action Plan (R-23-45)**

Assistant General Manager Susanna Chan continued the staff presentation with an overview of the projects within the Public Access, Education and Outreach program. Of the program's forty-one projects, thirty-four are ongoing initiatives and seven are new projects related to storm damage repairs. Ms. Chan stated staff has reorganized the presentation information such that the projects are listed alphabetically within each preserve and asked the Committee, at the end of the presentation, to comment on whether or not the new informational arrangement is beneficial. Ms. Chan continued to highlight the projects within the program.

Chair Riffle requested and received additional information on the Federal Emergency Management Agency (FEMA) funding process.

Chair Riffle suggested adding a PowerPoint slide to the presentation when it is presented to the full Board of Directors (Board) so the Board and public have the background information on the FEMA projects along with any implications.

Director Gleason requested and received additional information on the culvert repairs at Bear Creek Redwoods Open Space Preserve.

Director Holman inquired why some of the projects do not have a project number listed.

Ms. Chan explained the projects are new for the upcoming fiscal year and a project number is not yet assigned, but the project numbers will be added when the proposed FY23-24 Budget and Three-Year Capital Improvement and Action Plan (CIAP) is presented to the full Board.

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Director Holman commented that the White Barn Structural Rehabilitation project has been on the work plan for a couple of years and inquired about the timing of the project.

Engineering and Construction Manager Jay Lin stated the project has been delayed due to a staff vacancy. Mr. Lin reported that bids were just recently opened on May 16, 2023, with three bids were received under the engineers estimate, and the project is moving forward.

Director Holman requested and received additional information on how projects are prioritized and stated that she appreciated how the presentation was organized by preserves.

Chair Riffle expressed his concerns about delaying work on the Fremont Older Parking Area Improvement project as it is one of the top four most heavily visited preserves and inquired how long the work would be delayed.

Ms. Chan stated that the project was delayed in order to free up resources to address the storm damage projects and that the project will only be deferred for one year to FY25.

Director Holman expressed support of the Fremont Older Parking Area Improvement project and inquired if the project could be accelerated.

Mr. Malone clarified that the parking improvements to the Fremont Older Parking area are not intended to add parking capacity and will most likely result in less parking capacity. The project aims to manage the existing use, so that parking is orderly to improve flow.

Director Holman commented that the project will help reduce frustrations and result in an orderly utilization of the parking spaces.

Mr. Malone provided an overview of the projects within the Assets and Organizational Support program.

Director Holman inquired and received information on the potential partners for the Hawthorns Historic Complex Partnership project.

Director Riffle suggested only efficiency improvements should be made to the Preserve Use Permit System and that the new system continue to be easy and straight forward for the public to attain a permit.

Director Riffle stated that on page 138 for the Thornwood Residence Evaluation, the scope of work states that “the content will be populated by the Budget Department” and inquired about the details of the project.

Mr. Malone stated that the language is a placeholder and will be updated for the May 24 Board meeting, and that the purpose of the project is to make repairs to the residence, so it is habitable and ready for leasing.

Director Holman inquired about how the Board can track items such as trails completed, building maintenance, and parking improvements to better understand how the District is progressing in these particular areas.

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Mr. Malone stated that the Measure AA Annual Accountability report and the Annual Achievements report are both great resources to attain this type of information.

Public comment opened at 2:33 p.m.

Ms. Soria reported there were no public speakers for this item.

Public comment closed at 2:33p.m.

Director Gleason thanked staff for their work on the presentation and also acknowledged this winter was especially hard for staff and thanked staff for the remarkable job of pivoting and reprioritizing projects due to the storm damage.

Director Gleason commented on the Trails Memo that was presented to the Board at the May 10, 2023 meeting. He expressed his gratitude to staff for taking the time to compile the information and clarifying the 200 miles as a vision for the 25 Vision Plan projects. Director Gleason stated it provides a framework to discuss trail projects and a possibility to consider looking at the current trajectories with maybe 31 miles of trail in 9 years, and maybe 10 more coming over the next 3 years. Furthermore, he noted that there are numerous trail projects in the upcoming fiscal year and recognizes that staff is working very hard on these projects. Director Gleason stated that he was not looking to change any plans at this time but is interested in considering whether value could be added to existing trail projects by focusing more on purpose-built trails, and whether there are any locations where the District can creatively employ road retirements and road-to-trail conversions that may be better for the environment and for the public. He also suggested looking at the trajectory of purpose-built trails, which have the greatest public value. Lastly, Director Gleason made a distinction on how trail projects are discussed and provided an example from a recent Planning and Natural Resources Committee meeting where the item did not include a discussion on what more can/should be done to add value as part of the proposed new trails. He suggested that staff add more content to future trail discussions and provide additional options for the Board to consider as part of the decision-making process.

Director Gleason commented that organizing the presentation by preserve was very helpful.

Director Holman expressed her appreciation for Director Gleason's remarks on trails, noting that the quality of the trails, their contribution to the visitor experience, and their cost-effectiveness are just as important as the number of miles of trails that have been constructed.

Director Holman expressed her appreciation on how the presentation was organized by preserve and suggested including an explanation of how project priorities were set when the item is presented to the Board.

Director Holman voiced her appreciation for staff's ability to shift focus on addressing the storm damage. She then suggested that it may be beneficial to have the project numbers relate to the preserve for the next year's budget review.

Mr. Malone stated that it would be a major overhaul on how the information is organized and suggested that staff review the programs and organize the information by preserve in the presentation. It would take significant effort for staff to revamp the project numbering system.

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Director Holman stated that most of the projects do not have an icon associated with the project and inquired if those would be added before the budget book is presented to the Board of Directors.

Director Holman commented that two icons that could be considered in the future is the addition of a wildlife and habitat icon and a facilities and structures icon.

Mr. Malone stated that if the majority of the Board is interested in adding these icons, then staff would further look into these new icons.

Chair Riffle expressed appreciation for staff's organization, great overview, and level of details on the attachments. After 17 years reviewing the budget and providing feedback over the years, the current Budget book is exactly what he was looking for in a budget document.

Chair Riffle expressed his gratitude to staff and his amazement at how fast staff integrated the storm repair projects into the CIAP, filed for FEMA funding, and deferred some projects in order to add the additional projects.

Chair Riffle requested that a PowerPoint slide regarding the FEMA funding and project lists be added to the Board presentation.

Chair Riffle commented he was impressed with staff on how almost all the Measure AA projects have been worked on in some capacity, and staff's ability to develop such a comprehensive, inclusive, and thorough CIAP.

Director Gleason stated it would be ideal if projects were listed by preserve but would leave it at the discretion of staff to think of how best to provide the information for the next year's budget.

Director Holman supported the idea of having an index that shows all the projects by preserve for tracking ongoing work.

General Manager Ana Ruiz suggested allowing staff to consider a method that provides the desired by-preserve information using current systems to create a reference sheet for understanding what projects are occurring at each preserve. Using indexes, numbers, or a numbering system may be problematic with the District's ERP system.

Director Holman suggested presenting options on how to provide the desired information at the year-end Board Retreat so the full Board can have a discussion.

Chair Riffle clarified with the Committee if it was acceptable for staff to report back at the December Board Retreat. The Committee confirmed.

**Motion:** Director Gleason moved, and Director Holman seconded the motion that the Proposed Fiscal Year 2023-24 Budget and three-year (Fiscal Year 2023-24 to 2025-26) Capital Improvement and Action Plan be presented for consideration by the full Board of Directors.

**ROLL CALL VOTE: 3-0-0**

**3. Annual Review of Fiscal Management Policies for Fiscal Year 2023 (R-23-51)**

**Action Plan and Budget Committee  
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Chief Financial Officer/Director of Administrative Services Stefan Jaskulak provided the staff presentation and reviewed the two proposed amendments to Board Policy 3.07 – *Fund Balance Policy*, and Board Policy 3.08 – *Investment Policy*. Mr. Jaskulak stated there were no changes to Board Policy 3.09 – *Debt Management Policy*, which does need to be affirmed annually.

There were no questions from the Committee.

Public comment opened at 3:19 p.m.

Ms. Soria reported there were no public speakers for this item.

Public comment closed at 3:19 p.m.

**Motion:** Director Holman moved, and Director Gleason seconded the motion to forward the policies and the proposed amendments to the full Board of Directors for consideration of their approval and affirmation.

**ROLL CALL VOTE: 3-0-0**

**4. Closure of Completed Measure AA Portfolios #18 South Bay Foothills: Saratoga-to-the-Sea Trail and Wildlife Corridor and #23 Sierra Azul: Mt. Umunhum Public Access and Interpretation Projects and Reallocation of Remaining Portfolio Funds to Portfolio #03 Purisima Creek Redwoods: Purisima-to-Sea Trail, Watershed Protection and Conservation Grazing (R-23-52)**

Mr. Jaskulak provided the staff presentation on closing two Measure AA Portfolios: #18 *South Bay Foothills: Saratoga-to-the-Sea Trail and Wildlife Corridor* and #23 *Sierra Azul: Mt. Umunhum Public Access and Interpretation Projects* and shifting the funds to Portfolio #03 *Purisima Creek Redwoods: Purisima-to-Sea Trail, Watershed Protection and Conservation Grazing*. Mr. Jaskulak stated there are no outstanding or future planned actions or projects needed for MAA Portfolios #18 and #23. All priority actions for both portfolios are complete and a total of \$6,357,920 remains that can be reallocated to Portfolio #03. Portfolio #03 currently has about \$7.6M allocated for projects under the portfolio. The additional funding needs for Portfolio #03 became apparent with the recent purchase of the South Cowell property. The projects being proposed in the FY24 Budget and CIAP have an estimated remaining cost of \$7.7M. The proposed reallocation of \$6.4M would reduce the funding gap to about \$1.3M. Staff would continue to seek outside grant funds to fill the remaining funding gap.

Chair Riffle inquired about the timing for Board consideration of portfolios that may be overspent and whether to pursue additional funding to fill the gap or reconsider costs.

Mr. Jaskulak stated that the first priority is to achieve the goal set within each portfolio, which are tracked in the Measure AA Annual Accountability report. The Board also has an opportunity to provide input when the 5-year Measure AA list is established. In addition, a discussion can be included at the December Board Retreat to provide a portfolio update of what has been completed, what is upcoming, and if funding is needed.

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Chair Riffle suggested that he would like to have the visibility and weigh-in if funds need to be shifted at the annual December Retreat.

Public comment opened at 3:34 p.m.

Ms. Soria reported there were no public speakers for this item.

Public comment closed at 3:34 p.m.

**Motion:** Director Holman moved, and Director Gleason seconded the motion to confirm, with any changes requested by the Action Plan and Budget Committee, that Measure AA Portfolios #18 South Bay Foothills: Saratoga-to-the-Sea Trail and Wildlife Corridor and #23 Sierra Azul: Mt. Umunhum Public Access and Interpretation Projects are deemed complete and reallocate remaining funds of \$6,357,920 to Portfolio #03 Purisima Creek Redwoods: Purisima-to-Sea Trail, Watershed Protection and Conservation Grazing.

**ROLL CALL VOTE: 3-0-0**

**5. Amend the Midpeninsula Regional Open Space District's Classification and Compensation Plan for Compensation Study Adjustments for Unrepresented Office, Supervisor, and Management Employees (R-23-53)**

Mr. Jaskulak provided the staff presentation, explaining the recent classification study and findings with the recommendation to reassign the Human Resources Manager and Information Systems & Technology Manager from a current salary range of 48 to a new salary range of 51, bringing the salary range for the two department manager positions to be equivalent to that of other department manager positions. Findings also suggest reassigning the Information Technology Technician I from a current salary range of 22 to a new salary range of 24 and reassign the Information Technology Technician II from a current salary range of 27 to a new salary range of 29. Mr. Jaskulak went into detail on how the process was conducted.

Chair Riffle inquired and received information on how to ensure that the District staff is being paid adequately.

Chair Riffle expressed his concerns that when the classification and compensation study was last conducted ten-years ago, the Board expected that similar studies would be conducted periodically every two to three years.

Chair Riffle requested that the Board be updated on the progress of the study through an FYI or presentation.

General Manager Ruiz stated that there are a few more cycles to be done on the study and afterwards, staff may go to the Board with findings on whether the District needs to look at other considerations to remain competitive, and to retain and fill positions.

Director Gleason inquired and received information about the comparators being chosen in 2013 and if the comparators are up to date.

Public comment opened at 3:53 p.m.

**Action Plan and Budget Committee  
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Ms. Soria reported there were no public speakers for this item.

Public comment closed at 3:53 p.m.

**Motion:** Director Gleason moved, and Director Holman seconded the motion to forward a recommendation to the full Board of Directors to adopt a resolution amending the Classification and Compensation Plan based on the findings of a recent Compensation Study to:

1. Reassign the Human Resources Manager and Information Systems & Technology Manager from a current salary range of 48 to a new salary range of 51, which also results in bringing the salary range for the two department manager positions to be equivalent to that of other department manager positions.
2. Reassign the Information Technology Technician I from a current salary range of 22 to a new salary range of 24.
3. Reassign the Information Technology Technician II from a current salary range of 27 to a new salary range of 29.

**ROLL CALL VOTE: 3-0-0**

**ADJOURNMENT**

Chair Riffle adjourned the meeting of the Action Plan and Budget Committee of the Midpeninsula Regional Open Space District at 3:54 p.m.

Maria Soria, MMC  
District Clerk