REGULAR MEETING of the Audit and Finance Committee of the Peninsula Clean Energy Authority (PCEA)
Monday, May 11, 2020
10:00 a.m.

PLEASE NOTE: for Video conference: https://meetings.ringcentral.com/j/1485573194
for Audio conference: dial +1(623) 404-9000,
then enter the Meeting ID: 148 557 3194 followed by #
You will be instructed to enter your participant ID followed by #.
NOTE: Please see attached document for additional detailed teleconference instructions.

PCEA shall make every effort to ensure that its video conferenced meetings are accessible to people with disabilities as required by Governor Newsom's March 17, 2020 Executive Order N-29-20. Individuals who need special assistance or a disability-related modification or accommodation (including auxiliary aids or services) to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact Anne Bartoletti, Board Clerk, at least 2 working days before the meeting at abartoletti@peninsulacleanenergy.com. Notification in advance of the meeting will enable PCEA to make best efforts to reasonably accommodate accessibility to this meeting and the materials related to it.

If you wish to speak to the Audit and Finance Committee, please use the "Raise Your Hand" function on the Ring Central platform. If you have anything that you wish to be distributed to the Audit and Finance Committee and included in the official record, please send to abartoletti@peninsulacleanenergy.com.

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT
This item is reserved for persons wishing to address the Committee on any PCEA-related matters that are as follows: 1) Not otherwise on this meeting agenda; 2) Listed on the Consent Agenda; 3) Chief Executive Officer's or Staff Report on the Regular Agenda; or 4) Committee Members' Reports on the Regular Agenda. Public comments on matters not listed above shall be heard at the time the matter is called.

As with all public comment, members of the public who wish to address the Committee are requested to complete a speaker's slip and provide it to PCEA staff. Speakers are customarily limited to two minutes, but an extension can be provided to you at the discretion of the Committee Chair.

ACTION TO SET AGENDA AND TO APPROVE CONSENT AGENDA ITEMS
This item is to set the final consent and regular agenda, and for approval of the items listed on the consent agenda. All items on the consent agenda are approved by one action.

REGULAR AGENDA

1. Chair Report (Discussion)
2. Staff Report (Discussion)
3. Review Financial Reports and Investment Summary for Third Quarter FY2019-2020 (Discussion)
4. Recommend Approval of Updated PCE Policy 19 (Investment Policy) (Action)
5. Review Draft Fiscal Year 2020-2021 Budget (Discussion)
6. Committee Members' Reports (Discussion)

CONSENT AGENDA

7. Approval of the Minutes for the March 9, 2020 Meeting (Action)

Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. The Board has designated the Peninsula Clean Energy office, located at 2075 Woodside Road, Redwood City, CA 94061, for the purpose of making those public records available for inspection. The documents are also available on the PCEA's Internet Web site. The website is located at: http://www.peninsulacleanenergy.com.

Instructions for Joining a RingCentral Meeting via Computer or Phone

Best Practices:

- Please mute your microphone when you are not speaking to minimize audio feedback
- If possible, utilize headphones or ear buds to minimize audio feedback
- If participating via videoconference, audio quality is often better if you use the dial-in option (Option 1 below) rather than your computer audio

Options for Joining

A. **Videoconference with Phone Call Audio (*Recommended*) – see Option 1 below**
B. **Videoconference with Computer Audio – see Option 2 below**
C. **Calling in from iPhone using one-tap – see Option 3 below**
D. **Calling in via Telephone/Landline – see Option 4 below**

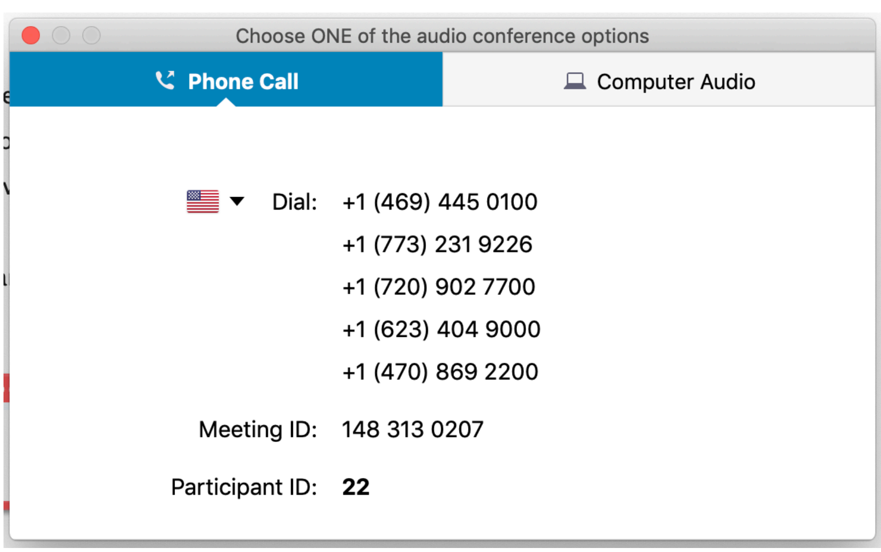
Videoconference Options:

Prior to the meeting, we recommend that you install the RingCentral Meetings application on your computer by clicking here: https://www.ringcentral.com/apps/rc-meetings

If you want full capabilities for videoconferencing (audio, video, screensharing) you must download the RingCentral application.

Option 1 Videoconference with Phone Call Audio (Recommended):

1. From your computer, click on the following link: https://meetings.ringcentral.com/j/1485573194
2. The RingCentral Application will open on its own or you will be instructed to Open RingCentral Meetings.
3. After the application opens, the pop-up screen below will appear asking you to choose ONE of the audio conference options. Click on the Phone Call option at the top of the pop-up screen.

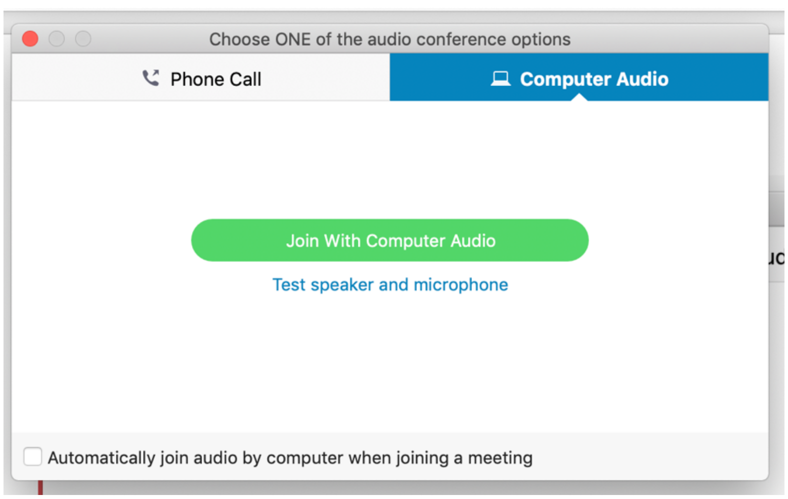


IMPORTANT: Please do not use the Participant ID that is in the picture to the left. Enter the Participant ID that appears on your own personal pop-up.

4. Please dial one of the phone numbers for the meeting (it does not matter which one):
    +1 (623) 404 9000
    +1 (469) 445 0100
    +1 (773) 231 9226
    +1 (720) 902 7700
    +1 (470) 869 2200
5. You will be instructed to enter the meeting ID: **148 557 3194 followed by #**
6. You will be instructed to enter in your **Participant ID followed by #.** Your Participant ID is unique to you and is what connects your phone number to your RingCentral account.
7. After a few seconds, your phone audio should be connected to the RingCentral application on your computer.
8. In order to enable video, click on "Start Video" in the bottom left hand corner of the screen. This menu bar is also where you can mute/unmute your audio.

Option 2 Videoconference with Computer Audio:

1. From your computer, click on the following link: https://meetings.ringcentral.com/j/1485573194
2. The RingCentral Application will open on its own or you will be instructed to Open RingCentral Meetings.
3. After the application opens, the pop-up screen below will appear asking you to choose ONE of the audio conference options. Click on the Computer Audio option at the top of the pop-up screen.



4. Click the green **Join With Computer** Audio button
5. In order to enable video, click on "Start Video" in the bottom left hand corner of the screen. This menu bar is also where you can mute/unmute your audio.

Audio Only Options:

Please note that if you call in/use the audio only option, you will not be able to see the speakers or any presentation materials in real time.

Option 3: Calling in from iPhone using one-tap

Click on one of the following "one-tap" numbers from your iPhone. Any number will work, but dial by your location for better audio quality:

+1(623)4049000,,1485573194# (US West)

+1(720)9027700,,1485573194# (US Central)
+1(773)2319226,,1485573194# (US North)
+1(469)4450100,,1485573194# (US South)
+1(470)8692200,,1485573194# (US East)

This is the call-in number followed by the meeting ID. Your iPhone will dial both numbers for you.

You will be instructed to **enter your participant ID followed by #**

If you do not have a participant ID or do not know it, you can stay on the line and you will automatically join the meeting

Option 4: Calling in via Telephone/Landline:

Dial a following number based off of your location:

+1(623)4049000 (US West)

+1(720)9027700 (US Central)
+1(773)2319226 (US North)
+1(469)4450100 (US South)
+1(470)8692200 (US East)

You will be instructed to enter the **meeting ID: 148 557 3194 followed by #**

You will be instructed to enter your **participant ID followed by #**.

If you do not have a participant ID or do not know it, you can stay on the line and you will automatically join the meeting.

Peninsula Clean Energy

Performance at a Glance

Results for the Fiscal Quarter Ended

March 31, 2020

Peninsula Clean Energy
Performance at a Glance
Results for the Fiscal Quarter Ended
March 31, 2020
($000s)

Net Position Balance

Fiscal Year	Actual/Budget	Amount
June 30, 2016	Audited	($1,044)
June 30, 2017	Audited	$21,711
June 30, 2018	Audited	$85,365
June 30, 2019	Audited	$140,139
March 31, 2020	Unaudited Actual	$186,772
June 30, 2020	Budget	$167,992

Unrestricted Cash/Investments Balance

Fiscal Year	Actual/Budget	Amount
June 30, 2016	Audited	$2,333
June 30, 2017	Audited	$17,382
June 30, 2018	Audited	$64,889
June 30, 2019	Audited	$114,069
March 31, 2020	Unaudited Actual	$182,613
June 30, 2020	Budget	$145,937

Change in Net Position

Fiscal Year	Actual/Budget	Amount
FY2015-2016	Audited	($1,044)
FY2016-2017	Audited	$22,755
FY2017-2018	Audited	$63,655
FY2018-2019	Audited	$54,774
March 31, 2020	Unaudited YTD Actual	$47,930
FY2019-2020	Budget	$33,205

Cost of Electricty

Fiscal Year	Actual/Budget	Amount
June 30, 2016	Audited	$0
June 30, 2017	Audited	$64,501
June 30, 2018	Audited	$170,135
June 30, 2019	Audited	$194,035
March 31, 2020	Unaudited Actual	$159,836
June 30, 2020	Budget	$216,549

Revenues

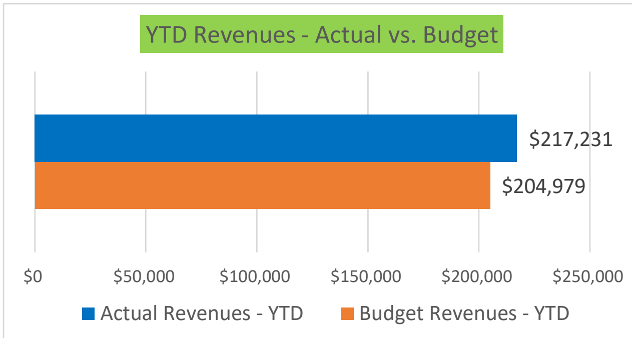
Fiscal Year	Actual/Budget	Amount
FY2015-2016	Audited	$0
FY2016-2017	Audited	$93,129
FY2017-2018	Audited	$244,738
FY2018-2019	Audited	$259,782
March 31, 2020	Unaudited YTD Actual	$217,231
FY2019-2020	Budget	$267,782

Total Operating Expenses

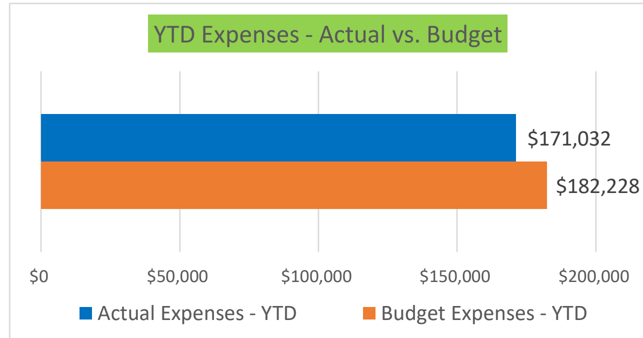
Fiscal Year	Actual/Budget	Amount
FY2015-2016	Audited	$1,041
FY2016-2017	Audited	$70,104
FY2017-2018	Audited	$180,970
FY2018-2019	Audited	$206,912
March 31, 2020	Unaudited YTD Actual	$171,032
FY2019-2020	Budget	$236,809

Peninsula Clean Energy
Performance at a Glance
Results for the Fiscal Quarter Ended
March 31, 2020
($000s)

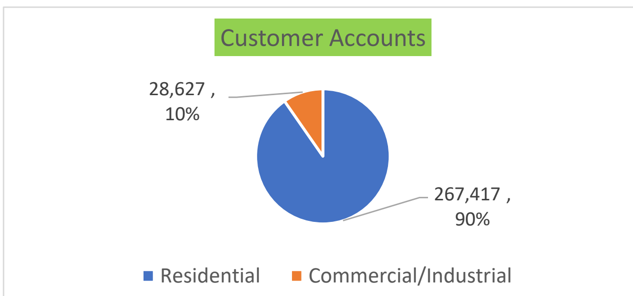
YTD Revenues



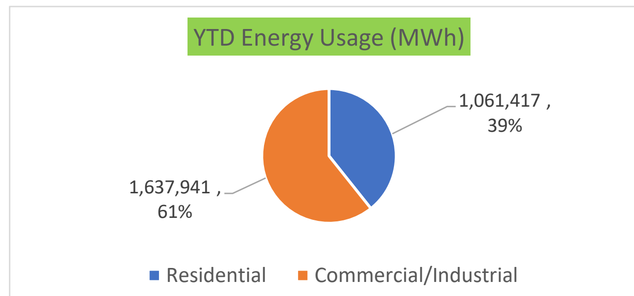
YTD Expenses



Customer Accounts



Energy Used



- **Revenues** were $4.1MM above budget in Q2 (and $12.3 million above budget for YTD) continuing prior trend as a result of rates that were higher than budgeted. PG&E's final rates, effective on July 1, 2019, were not available at the time that the Board approved the FY2019-2020 budget. Revenues are expected to drop starting in May 2020 when a higher PCIA is adopted. Originally targeted to be adopted as of January 1, 2020, the implementation date was effective as of May 1, 2020. PCE expects that its customer rates will be substantially lower effective as of May 15, 2020. Reevneus in the upcoming quarter are expected to be lower when combining the effects of lower usage (related to COVID-19) and lower net customer rates although offset by Commercial Demand charges that start again in May through the Summer months.
- **Total Expenses** were $1.6MM below budget in Q2 (and $11.2 million below budget for YTD). For the ful year, expense savings are largely due to energy costs remaining relatively low and stable compared to the prior year and to current year budget while customer energy use is very close to the budgeted level on a YTD basis. Hedging strategies implemented on a quarterly basis have helped to maintain predictable costs.

Peninsula Clean Energy
Performance at a Glance
Results for the Fiscal Quarter Ended
March 31, 2020
($000s)

	Year-to-date				Full Year (FY 2019-2020)		Year-to-date
	Actual	Budget	Variance: Favorable / (Unfavorable)	YTD Actual as % of YTD Budget	Budget	YTD Actual as % of Full Year Budget	Prior Year Actual
OPERATING REVENUES							
Electricity Sales, net	$ 215,253	$ 203,049	$ 12,205	106.0%	$ 265,222	81.2%	$ 188,668
Green electricity premium	1,978	1,931	47	102.5%	2,560	77.3%	1,828
Total Operating Revenues	**$217,231**	**$204,979**	**$12,252**	**106.0%**	**$267,782**	**81.1%**	**$190,496**
OPERATING EXPENSES							
Cost of energy	159,836	167,548	7,713	95.4%	216,549	73.8%	144,423
Staff compensation	3,191	3,328	137	95.9%	4,589	69.5%	2,238
Data Manager	2,739	2,867	127	95.6%	3,822	71.7%	2,824
Service Fees - PG&E	939	942	3	99.7%	1,256	74.8%	928
Consultants/Professional Svcs	483	720	236	67.2%	896	53.9%	446
Legal	888	1,104	216	80.4%	1,472	60.3%	1,023
Communications/Noticing	849	1,316	467	64.5%	1,755	48.4%	601
General and Administrative	1,000	956	(44)	104.6%	1,277	78.3%	767
Community Energy Programs	1,037	3,373	2,336	30.7%	5,094	20.4%	398
Depreciation	69	74	5	93.8%	98	70.4%	54
Total Operating Expenses	**171,032**	**182,228**	**11,196**	**93.9%**	**236,809**	**72.2%**	**153,703**
Operating Income (Loss)	**$46,200**	**$22,752**	**$23,448**	**203.1%**	**$30,973**	**149.2%**	**$36,793**
Total Nonoperating Inc/(Exp)	1,730	1,674	56	103.3%	2,232	77.5%	1,330
CHANGE IN NET POSITION	**$47,930**	**$24,426**	**$23,504**		**$33,205**	**144.3%**	**$38,123**

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF NET POSITION
As of March 31, 2020

ASSETS	
Cash and cash equivalents	$ 145,954,121
Accounts receivable, net of allowance	20,303,542
Investments	63,427,155
Other receivables	525,127
Accrued revenue	11,353,089
Prepaid expenses	1,651,866
Restricted cash	6,118,194
Total current assets	249,333,094
Noncurrent assets	
Capital assets, net of depreciation	398,647
Deposits	134,840
Total noncurrent assets	533,487
Total assets	249,866,581
LIABILITIES	
Current liabilities	
Accounts payable	1,018,940
Accrued cost of electricity	28,891,050
Accrued payroll	322,738
Other accrued liabilities	81,637
Supplier deposits - energy suppliers	28,946,513
User taxes and energy surcharges due to other governments	868,467
Total current liabilities	60,129,345
Noncurrent liabilities	
Supplier deposits - energy suppliers	1,668,433
Total liabilities	61,797,778
NET POSITION	
Investment in capital assets	398,647
Restricted for security collateral	6,118,194
Unrestricted	181,551,962
Total net position	$ 188,068,803

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2019 through March 31, 2020

OPERATING REVENUES		
Electricity sales, net	$	215,253,308
Green electricity premium		1,978,137
Total operating revenues		217,231,445
OPERATING EXPENSES		
Cost of electricity		159,835,617
Contract services		6,471,439
Staff compensation and benefits		3,190,774
General and administration		1,464,746
Depreciation		69,232
Total operating expenses		171,031,808
Operating income (loss)		46,199,637
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous income		2,511
Interest and investment income		1,796,277
Finance costs		(68,750)
Total nonoperating revenues (expenses)		1,730,038
CHANGE IN NET POSITION		47,929,675
Net position at beginning of period		140,139,128
Net position at end of period	$	188,068,803

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF CASH FLOWS
July 1, 2019 through March 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	229,411,955
Receipts from supplier security deposits		26,880,331
Payments to suppliers for electricity		(155,022,512)
Payments to suppliers for other goods and services		(8,130,631)
Payments for staff compensation and benefits		(3,082,897)
Payments of taxes and surcharges to other governments		(3,605,111)
Net cash provided (used) by operating activities		86,451,135
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Deposits and collateral received		276,085
Finance costs payments		(68,750)
Net cash provided (used) by non-capital financing activities		207,335
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets		(125,316)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment sales		144,505,908
Investment income received		2,203,626
Purchase of investments		(143,209,816)
Net cash provided (used) by investing activities		3,499,718
Net change in cash and cash equivalents		90,032,872
Cash and cash equivalents at beginning of period		62,039,443
Cash and cash equivalents at end of period	$	152,072,315
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	$	145,954,121
Restricted cash		6,118,194
Cash and cash equivalents	$	152,072,315

See accountants' compilation report.

PENINSULA CLEAN ENERGY AUTHORITY

STATEMENT OF CASH FLOWS (continued)
July 1, 2019 through March 31, 2020

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	$	46,199,637
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense		69,232
Revenue adjusted for uncollectible accounts		588,113
Nonoperating miscellaneous income		2,511
(Increase) decrease in:		
Accounts receivable		3,170,218
Other receivables		(229,863)
Accrued revenue		4,808,332
Prepaid expenses		2,657,752
Increase (decrease) in:		
Accounts payable		(36,586)
Accrued payroll and related		104,312
Accrued cost of electricity		4,462,093
Accrued liabilities		(88,701)
User taxes and energy surcharges due to other governments		6,594
Supplier security deposits		24,737,491
Net cash provided (used) by operating activities	$	86,451,135

First Republic Securities Company, LLC
It's a privilege to serve you®
111 Pine Street, San Francisco, CA 94111, Tel 1-877-348-5576, Fax 1-888-258-6188
E-Mail: investments@firstrepublic.com

Brokerage
Account Statement

March 1, 2020 - March 31, 2020
[redacted]

PENINSULA CLEAN ENERGY AUTHORITY
2075 WOODSIDE RD
REDWOOD CITY CA 94061-3338

Your Investment Specialist:
KEVIN DOUGLAS

Portfolio at a Glance

	This Period
BEGINNING ACCOUNT VALUE	**$164,149,447.15**
Deposits (Cash & Securities)	1,789,774.39
Withdrawals (Cash & Securities)	-1,789,774.39
Dividends, Interest and Other Income	168,259.99
Net Change in Portfolio[1]	-108,734.93
ENDING ACCOUNT VALUE	**$164,208,972.21**
Accrued Interest	$163,962.27
Account Value with Accrued Interest	$164,372,934.48
Estimated Annual Income	$894,665.51

[1] *Net Change in Portfolio is the difference between the ending account value and beginning account value after activity.*

Asset Summary

Percent	Asset Type	Last Period	This Period
1%	Cash, Money Funds, and Bank Deposits	32,943.95	36,247.36
99%	Fixed Income	164,116,503.20	164,172,724.85
100%	**Account Total**	**$164,149,447.15**	**$164,208,972.21**

Please review your allocation periodically with your Investment Specialist.

Client Service Information

Your Investment Specialist: KD3
KEVIN DOUGLAS
FIRST REPUBLIC INVESTMENT MGMT
SAN FRANCISCO CA 94111

Contact Information
E-Mail Address: kdouglas@firstrepublic.com

Client Service Information
Service Hours: Weekdays 06:30 a.m. - 04:00 p.m. (PST)
Client Service Telephone Number: (415) 296-5961
Web Site: WWW.FIRSTREPUBLIC.COM

Portfolio Manager(s):
FIRST REPUBLIC INVESTMENT MGMT MIKE HICKEY

Your Account Information

INVESTMENT OBJECTIVE
Investment Objective: CAPITAL PRESERVATION
Risk Exposure: LOW RISK
Please review your investment objective. If you wish to make a change or have any questions please contact your Investment Specialist.

TAX LOT DEFAULT DISPOSITION METHOD

Default Method for Mutual Funds:	First In First Out
Default Method for Stocks in a Dividend Reinvestment Plan:	First In First Out
Default Method for all Other Securities:	First In First Out

BOND AMORTIZATION ELECTIONS

Amortize premium on taxable bonds based on Constant Yield Method:	Yes
Accrual market discount method for all other bond types:	Constant Yield Method
Include market discount in income annually:	No

ELECTRONIC DELIVERY
Your electronic delivery selections for account communications are listed below:

Electronic Delivery

Enrollment	Communication
✓	Statements and Reports
✓	Trade Confirmations
X	Tax Documents
✓	Notifications
✓	Prospectus*
X	Proxy/Shareholder Communications

Please log in to your account or contact your Investment Specialist to make any changes to your electronic delivery preferences.

E-mail notifications are delivered to the following e-mail address(es):
a#####@peninsulacleanenergy.com
j####@peninsulacleanenergy.com
j######@peninsulacleanenergy.com
m#####@mahercpa.com
**j######@peninsulacleanenergy.com is on file for these documents*
The above e-mail address is partially masked for your security.
Please log in to your account to review the full e-mail address.

FIRST REPUBLIC SECURITIES COMPANY, LLC
It's a privilege to serve you®
111 PINE STREET, SAN FRANCISCO, CA 94111, TEL 1-877-348-5576, FAX 1-888-258-6188
E-MAIL: investments@firstrepublic.com

March 1, 2020 - March 31, 2020
PENINSULA CLEAN ENERGY AUTHORITY

Portfolio Holdings

Opening Date	Quantity	Account Number	Activity Ending	Opening Balance	Closing Balance	Accrued Income	Income This Year	30-Day Yield	Current Yield
CASH, MONEY FUNDS AND BANK DEPOSITS 1.00% of Portfolio									
Money Market									
DREYFUS GOVT SEC CASH MGT PART									
02/29/20	36,247.360	N/A	03/31/20	32,943.95	36,247.36	0.00	18,758.41	0.52%	0.13%
Total Money Market				$32,943.95	$36,247.36	$0.00	$18,758.41		
TOTAL CASH, MONEY FUNDS AND BANK DEPOSITS				**$32,943.95**	**$36,247.36**	**$0.00**	**$18,758.41**		

Date Acquired	Quantity	Unit Cost	Current Cost Basis	Market Price	Market Value	Unrealized Gain/Loss	Accrued Interest	Estimated Annual Income	Estimated Yield
FIXED INCOME 99.00% of Portfolio *(In Maturity Date Sequence)*									
U.S. Treasury Securities									
[1]UNITED STATES TREAS BILLS 0.000% 04/09/20 B/E DTD 10/10/19			Security Identifier: 912796TQ2						
03/13/20*	32,750,000.000	99.9860	32,745,305.91	99.9980	32,749,345.00	4,039.09	0.00		
			Original Cost Basis: $32,745,305.94						
[1]UNITED STATES TREAS BILLS 0.000% 04/23/20 B/E DTD 04/25/19			Security Identifier: 912796SM2						
02/07/20*	31,500,000.000	99.6910	31,402,571.41	99.9980	31,499,370.08	96,798.67	0.00		
			Original Cost Basis: $31,402,571.44						
02/26/20*	2,000,000.000	99.7630	1,995,260.22	99.9980	1,999,959.92	4,699.70	0.00		
			Original Cost Basis: $1,995,260.22						
Total Noncovered	33,500,000.000		33,397,831.63		33,499,330.00	101,498.37	0.00		
Total	33,500,000.000		$33,397,831.63		$33,499,330.00	$101,498.37	$0.00		
UNITED STATES TREAS BILLS 0.000% 05/14/20 B/E DTD 11/14/19			Security Identifier: 912796TV1						
02/14/20*	32,500,000.000	99.6320	32,380,436.04	99.9910	32,497,075.15	116,639.11	0.00		
			Original Cost Basis: $32,380,436.07						
02/26/20*	2,000,000.000	99.6800	1,993,600.44	99.9910	1,999,819.85	6,219.41	0.00		
			Original Cost Basis: $1,993,600.44						
Total Noncovered	34,500,000.000		34,374,036.48		34,496,895.00	122,858.52	0.00		
Total	34,500,000.000		$34,374,036.48		$34,496,895.00	$122,858.52	$0.00		
UNITED STATES TREAS BILLS 0.000% 01/28/21 B/E DTD 01/30/20			Security Identifier: 912796UC1						
03/19/20*	31,175,000.000	99.9020	31,144,545.42	99.9120	31,147,566.00	3,020.58	0.00		
			Original Cost Basis: $31,144,545.45						
Total U.S. Treasury Securities	131,925,000.000		$131,661,719.44		$131,893,136.00	$231,416.56	$0.00		

[redacted]
B0061066CSF30008

Date Acquired	Quantity	Unit Cost	Current Cost Basis	Market Price	Market Value	Unrealized Gain/Loss	Accrued Interest	Estimated Annual Income	Estimated Yield
FIXED INCOME *(continued)*									
Corporate Bonds									
QUALCOMM INC FXD RT NT 2.250% 05/20/20 B/E DTD 05/20/15 30/360 1ST CPN DTE 11/20/15 CPN PMT SEMI ANNUAL ON MAY 20 AND NOV 20 Moody Rating A2 S & P Rating A-				Security Identifier: 747525AD5					
09/06/19	2,115,000.000	100.0370	2,115,783.10	99.9870	2,114,725.05	-1,058.05	17,316.56	47,587.50	2.25%
			Original Cost Basis: $2,118,891.60						
WALMART INC FXD RT SR NT 2.850% 06/23/20 B/E DTD 06/27/18 30/360 1ST CPN DTE 12/23/18 CPN PMT SEMI ANNUAL ON JUN 23 AND DEC 23 Moody Rating Aa2 S & P Rating AA				Security Identifier: 931142EG4					
10/21/19	3,100,000.000	100.2570	3,107,969.46	100.0980	3,103,038.00	-4,931.46	24,050.83	88,350.00	2.84%
			Original Cost Basis: $3,122,958.60						
DEERE JOHN CAP CORP MEDIUM TERM FLTNG RT SR NTS SER G 2.254% 07/10/20 B/E DTD 01/10/19 1ST CPN DTE 04/10/19 CPN PMT QRTLY JAN,APR,JUL,OCT 10 Moody Rating A2 S & P Rating A				Security Identifier: 24422EUN7					
01/14/20	2,750,000.000	100.1230	2,753,396.22	99.8500	2,745,875.00	-7,521.22	13,946.63	61,985.00	2.25%
			Original Cost Basis: $2,755,967.50						
BANK OF MONTREAL ISIN#US06367T7H77 3.100% 07/13/20 B/E DTD 07/13/18 30/360 FOREIGN SECURITY 1ST CPN DTE 01/13/19 CPN PMT SEMI ANNUAL ON JAN 13 AND JUL 13 Moody Rating Aa2 S & P Rating A+				Security Identifier: 06367T7H7					
10/11/19	3,000,000.000	100.3560	3,010,691.78	100.2560	3,007,680.00	-3,011.78	20,150.00	93,000.00	3.09%
			Original Cost Basis: $3,027,600.00						
AMERICAN HONDA FIN CORP MED TERM NTS FLTG RATE NOTE SER A 2.089% 07/20/20 B/E DTD 07/20/17 1ST CPN DTE 10/20/17 CPN PMT QRTLY JAN,APR,JUL,OCT 20 Moody Rating A3 S & P Rating A				Security Identifier: 02665WBS9					
11/26/19	2,425,000.000	100.0810	2,426,959.28	99.5100	2,413,117.50	-13,841.78	9,990.93	50,658.25	2.09%
			Original Cost Basis: $2,429,146.75						
UBS AG STAMFORD BRH MEDIUM TERM SR DEP NTS FXD RT NOTE SER 2010-08 4.875% 08/04/20 B/E DTD 08/04/10 1ST CPN DTE 02/04/11 CPN PMT SEMI ANNUAL ON FEB 04 AND AUG 04 Moody Rating Aa3 S & P Rating A+				Security Identifier: 90261XGD8					
10/24/19	2,000,000.000	101.0190	2,020,380.16	100.7640	2,015,280.00	-5,100.16	15,437.50	97,500.00	4.83%
			Original Cost Basis: $2,045,180.00						
HSBC USA INC NEW FXD RT SR NT 2.750% 08/07/20 B/E DTD 08/07/15 30/360 FOREIGN SECURITY 1ST CPN DTE 02/07/16 CPN PMT SEMI ANNUAL ON FEB 07 AND AUG 07 Moody Rating A2 S & P Rating A				Security Identifier: 40428HPV8					
12/02/19	3,000,000.000	100.2900	3,008,713.11	99.5270	2,985,810.00	-22,903.11	12,375.00	82,500.00	2.76%
			Original Cost Basis: $3,016,620.00						

Portfolio Holdings *(continued)*

Date Acquired	Quantity	Unit Cost	Current Cost Basis	Market Price	Market Value	Unrealized Gain/Loss	Accrued Interest	Estimated Annual Income	Estimated Yield
FIXED INCOME *(continued)*									
Corporate Bonds *(continued)*									
LLOYDS BANK PLC GTD SR NT ISIN#US53944VAK52 2.700% 08/17/20 B/E DTD 08/17/15 30/360 FOREIGN SECURITY 1ST CPN DTE 02/17/16 CPN PMT SEMI ANNUAL ON FEB 17 AND AUG 17 Moody Rating Aa3 S & P Rating A+			Security Identifier: 53944VAK5						
12/17/19	2,000,000.000	100.2930	2,005,864.04	98.7800	1,975,600.00	-30,264.04	6,600.00	54,000.00	2.73%
			Original Cost Basis: $2,010,160.00						
STATE STR CORP FXD RT SR NT 2.550% 08/18/20 B/E DTD 08/18/15 30/360 1ST CPN DTE 02/18/16 CPN PMT SEMI ANNUAL ON FEB 18 AND AUG 18 Moody Rating A1 S & P Rating A			Security Identifier: 857477AS2						
03/26/20	3,000,000.000	100.2070	3,006,224.71	100.1620	3,004,860.00	-1,364.71	9,137.50	76,500.00	2.54%
			Original Cost Basis: $3,006,270.00						
AUSTRALIA & NEW ZEALAND BKG GROUP ISIN#US05253JAR23 2.125% 08/19/20 B/E DTD 05/19/17 FOREIGN SECURITY 1ST CPN DTE 08/19/17 CPN PMT SEMI ANNUAL ON FEB 19 AND AUG 19 Moody Rating Aa3 S & P Rating AA-			Security Identifier: 05253JAR2						
03/06/20	2,695,000.000	100.4150	2,706,194.10	99.7440	2,688,100.80	-18,093.30	6,522.27	57,268.75	2.13%
			Original Cost Basis: $2,707,801.25						
TORONTO DOMINION BK SR MEDIUM TERM NT ISIN#US89114QC716 3.150% 09/17/20 B/E DTD 09/17/18 30/360 FOREIGN SECURITY 1ST CPN DTE 03/17/19 CPN PMT SEMI ANNUAL ON MAR 17 AND SEP 17 Moody Rating Aa1 S & P Rating AA-			Security Identifier: 89114QC71						
12/13/19	2,250,000.000	100.5870	2,263,213.98	100.4650	2,260,462.50	-2,751.48	2,756.25	70,875.00	3.13%
			Original Cost Basis: $2,271,307.50						
ROYAL BANK OF CANADA ISIN#US78013GKP99 2.034% 10/26/20 B/E DTD 10/26/17 FOREIGN SECURITY 1ST CPN DTE 01/26/18 CPN PMT QRTLY JAN,APR,JUL,OCT 26 Moody Rating Aa2 S & P Rating AA-			Security Identifier: 78013GKP9						
01/27/20	2,000,000.000	100.1580	2,003,161.22	98.1680	1,963,360.00	-39,801.22	7,345.47	40,682.60	2.07%
			Original Cost Basis: $2,004,120.00						

Portfolio Holdings *(continued)*

Date Acquired	Quantity	Unit Cost	Current Cost Basis	Market Price	Market Value	Unrealized Gain/Loss	Accrued Interest	Estimated Annual Income	Estimated Yield
FIXED INCOME *(continued)*									
Corporate Bonds *(continued)*									
INTERCONTINENTAL EXCHANGE INC GTD FXD RT SR NT 2.750% 12/01/20 B/E DTD 11/24/15 30/360 CALLABLE 11/01/20 @ 100.000 GTD NYSE HOLDINGS LLC 1ST CPN DTE 06/01/16 CPN PMT SEMI ANNUAL ON JUN 01 AND DEC 01 Moody Rating A2 S & P Rating A			Security Identifier: 45866FAC8						
02/26/20	2,000,000.000	100.6540	2,013,075.40	100.0840	2,001,680.00	-11,395.40	18,333.33	55,000.00	2.74%
			Original Cost Basis: $2,014,800.00						
Total Corporate Bonds	32,335,000.000		$32,441,626.56		$32,279,588.85	-$162,037.71	$163,962.27	$875,907.10	
TOTAL FIXED INCOME	**164,260,000.000**		**$164,103,346.00**		**$164,172,724.85**	**$69,378.85**	**$163,962.27**	**$875,907.10**	

	Current Cost Basis	Market Value	Unrealized Gain/Loss	Accrued Interest	Estimated Annual Income
Total Portfolio Holdings	**$164,139,593.36**	**$164,208,972.21**	**$69,378.85**	**$163,962.27**	**$894,665.51**

* *Noncovered under the cost basis rules as defined below.*

Generally, securities acquired before 2011, in retirement accounts or held by Non-U.S. entities are not subject to the cost basis reporting rules set forth in the Internal Revenue Code of 1986, as amended by the Emergency Economic Stabilization Act of 2008, and are marked as "noncovered". Securities marked as "covered", were identified as securities potentially subject to the cost basis reporting rules and may be reported to the IRS on form 1099-B for the applicable tax year in which the securities are disposed.

Note: In the event where we cannot easily determine the taxability of an account, we may mark the account as noncovered. However, if the account does not receive a 1099B, the cost basis will not be reported to the IRS.

Cost Basis on fixed income securities may be adjusted for amortization, accretion, original issue discount adjustments, or principal paydowns. The calculation is based upon the taxpayer election, type of fixed income security, and certain attributes, obtained from sources believed to be reliable. In the event, one or more of these attributes is changed, there may be a temporary incorrect adjusted cost basis reflected until the cost basis system is amended to reflect this change. These calculations will not be performed under certain circumstances, including those involving foreign bonds, bonds sold short or bonds issued with less than one year to maturity. This information is meant as a general guide and you should consult your tax advisor in the preparation of your tax returns.

[1] *This bond is maturing.*

Portfolio Holdings Disclosures

Pricing

This section includes the net market value of the securities in your account on a settlement date basis, including short positions, at the close of the statement period. The market prices, unless otherwise noted, have been obtained from independent vendor services, which we believe to be reliable. Market prices do not constitute a bid or an offer, and may differ from the actual sale price. Securities for which a price is not available are marked "N/A" and are omitted from the Total.
THE AS OF PRICE DATE ONLY APPEARS WHEN THE PRICE DATE DOES NOT EQUAL THE STATEMENT DATE.

Estimated Annual Figures

The estimated annual income (EAI) and estimated annual yield (EAY) figures are estimates and for informational purposes only. These figures are not considered to be a forecast or

PENINSULA CLEAN ENERGY
JPA Board Correspondence

DATE:	May 4, 2020
BOARD MEETING DATE:	May 11, 2020
SPECIAL NOTICE/HEARING:	None
VOTE REQUIRED:	Majority Vote

TO: Honorable Peninsula Clean Energy Authority Audit & Finance Committee

FROM: Andy Stern, Chief Financial Officer

SUBJECT: Recommend that the Board of Directors approve and adopt the revised investment policy

RECOMMENDATION:
Recommend that the Board of Directors approve and adopt the revised Investment Policy (Policy #19).

BACKGROUND:
PCE's Board adopted its initial investment policy (Policy #19) at its meeting on October 25, 2018. A revised policy was adopted on December 20, 2018. Since that time, PCE's investment portfolio has grown substantially and exceeded $164 million as of March 31, 2020.

On April 23, 2020, the Board adopted a resolution that directed staff to retain a second investment manager and to split the investment management between its two investment managers – First Republic Bank and PFM Asset Management. Staff is currently in the process of effectuating that split and engaging a new custodian (US Bank) to hold cash and investments that will be managed by the two investment managers.

As a part of the overall transition, Staff solicited input from its two investment managers for recommendations to enhance its investment policies in order to enhance returns and diversify investments while maintaining the overall and primary objectives of safety and security of assets.

Specifically, PCE solicited recommendations for improvements/changes to the exiting policy in order to:

- Allow for broader access to high-quality fixed income investment options
- Further diversify the portfolio's holdings
- Enhance investment returns with safety as overarching principle

Most of those recommendations are incorporated into the proposed policy. In summary, the proposed changes:

- Expand investment options as permitted by California Government Code to allow:
  - Banker's Acceptances – short-term debt issued by a commercial bank
  - Medium-term Corporate Notes

- Extend the maturity of allowable investments as permitted by California Government Code to:
  - Increase 2-year maximum to 5-year maximum
  - Eliminate 1-year maximum on portfolio's weighted average maturity (Code has no limit)

DISCUSSION:

Today's low rates (which are expected to persist) and the declining supply of traditional government securities makes widening the range of opportunities and extending maturities an important consideration. Extension of maturities seems reasonable given that interest rates are expected to remain low for the foreseeable future and PCE does not expect to require access to its investment portfolio for any ongoing cash flow needs.

Recommendation

PCE staff recommends adoption of the revised investment policy attached as Attachment 4.3.

Attachments

1. Investment Policy (Policy #19) - PFM Memo Explaining Proposed Changes April 2020
2. Investment Policy (Policy #19) - Proposed Changes Effective 05.11.20 (Clean)
3. Investment Policy (Policy #19) - Proposed Changes Effective 05.11.20 (Redline)
4. Investment Policy (Policy #19) - Adopted by Board December 20, 2018

RESOLUTION NO. ____________

PENINSULA CLEAN ENERGY AUTHORITY, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

* * * * * *

RESOLUTION RECOMMENDING THAT THE BOARD OF DIRECTORS APPROVE AND ADOPT THE REVISED INVESTMENT POLICY (POLICY #19)

RESOLVED, by the Audit and Finance Committee of Peninsula Clean Energy Authority of the County of San Mateo, State of California, that

WHEREAS, the Board of the Peninsula Clean Energy Authority initially approved the Investment Policy (Policy #19) on October 25, 2018, and

WHEREAS, the Board of the Peninsula Clean Energy Authority approved a revised version of the Investment Policy (Policy #19) on December 20, 2018, and

WHEREAS, Policy #19 requires that the policy be reviewed at least annually to ensure its consistency with California Government Code and to confirm that it meets the overall objectives of preservation of principal, sufficient liquidity, and a market return, and

WHEREAS, PCEA Staff has recommended changes to the Investment Policy (Policy #19) as amended on December 20, 2018, and

WHEREAS, the Audit and Finance Committee desires to adopt Staff's recommended changes to update the Investment Policy by adding investment options and lengthening the allowable maturity of some investment options in conformance with the California Government Code.

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the Audit and Finance Committee recommends that the Board of PCEA approve and adopt the revised Investment Policy.

* * * * * *

April 23, 2020

Memorandum

To: Andy Stern, Chief Financial Officer
Peninsula Clean Energy

From: Monique Spyke, Managing Director
PFM Asset Management LLC

Re: Investment Policy Review

We have reviewed Peninsula Clean Energy's ("PCE") Investment Policy dated December 2018 (the "Policy"). The Policy is comprehensive and well written, and is in compliance with all applicable California Government Code (the "Code") statutes regulating the investment of public funds.

Although the Policy is in compliance with applicable Code statutes, we are suggesting some changes that we believe will (i) allow for greater access to the high-quality fixed-income universe of investments; (ii) further diversify the portfolio's holdings; and (iii) safely enhance investment returns.

To help achieve these objectives, we recommend editing or adding language to the Policy to allow all investment types permitted by Code and to remove specific limitations to the portfolio's average maturity.

- In the Policy's **Acceptable Investment Instruments** section, we recommend PCE consider allowing all investment types permitted by Code, and specifically: bankers' acceptances (allowed by Code §53601(g)), medium-term corporate notes (Code §53601(k)), supranationals (Code §53601(q)), and asset-backed securities (Code §53601(o)).
- In the Policy's **Maturity Limit** section, PCE places a 2 year maximum maturity for PCE's investments and states a 1 year maximum on the portfolio's weighted average maturity. We recommend PCE delete this language. As noted elsewhere in the Policy, Code places a 5-year maximum on most security types. In addition, Code does not limit a portfolio's weighted average maturity.

Allowing the investments and flexibility described above to a high-quality portfolio can improve diversification and offer various benefits to the portfolio including return enhancement and diversification. We believe that making these edits is an appropriate action in the process of safely and effectively managing PCE's portfolio

PFM's Credit Review Process. Credit instruments, including medium-term corporate notes and asset-backed securities (ABS) (as well as commercial paper and negotiable CDs which are currently allowed by PCE's Policy), come with inherent risks, including credit risk, spread risk, and default risk. These risks can be mitigated by putting certain restrictions in place, such as sector and issuer limitations, as is recommended, and by instituting a thorough credit review and monitoring process.

PFM employs an extensive credit review process built upon our own independent, in-depth analysis of issuers — a process that helped to keep our clients out of the headlines during the 2007-2008 credit crisis by avoiding financially unstable issuers. We do not rely solely on rating agencies; rather, we employ a market-driven approach that evaluates both the quantitative and qualitative aspects of credit issuers. We base our analysis primarily on both issuer-specific and macro trends, which we believe provides a thorough understanding of the issuer.

The credit specialists on our Fixed Income Credit Committee ("Credit Committee"), managed by our Chief Credit and comprised of our CIO, six portfolio managers, two portfolio strategists and a representative from our Compliance Group, are the cornerstone of our credit review process. While the Credit Committee as a decision-making body is responsible for defining our credit research process and standards, approving new issuers, monitoring credit sectors and overseeing our Approved Issuer universe, our credit specialists provide the credit reviews. All portfolio managers and traders are restricted to purchasing only those issuers on our Approved Issuer universe.

Formal credit reviews are conducted at least annually for each issuer. This is supplemented by quarterly reviews of financial reports, as well as daily monitoring of market developments. A thorough interim review may be triggered by changes in markets (indicated by changes in equity prices, interest rate spreads, etc.), releases of issuer-specific news (e.g., earnings or credit ratings), or macro events (e.g., new regulations). Issuers are monitored on an ongoing basis and are proactively removed from the approved universe if conditions warrant.

Utilizing credit obligations, including corporate notes and ABS, in a high-quality portfolio can improve diversification and offer potential return enhancement. While adding credit obligations to the portfolio will add credit risk, that risk can be managed through a diligent credit review process.

Additional Policy Recommendations

Throughout the policy we recommend additional edits to better align the Policy with CMTA recommendations and best practices. These include edits to the description of authorized investments, performance standards, investment pool review, collateralization requirements, and the glossary.

Changes to the Code

Finally, we would like to make you aware of two changes made to the Code in 2019 concerning the investment of public funds, both of which went into effect on January 1, 2020. We are not recommending PCE edit its Policy in response to these Code changes, but we wanted to bring them to your attention.

Assembly Bill 857. Assembly Bill No. 857, which took effect on January 1, 2020, provides for the establishment of public banks by local agencies, subject to approval by the Department of Business Oversight (DBO) and Federal Deposit Insurance Corporation (FDIC). As a part of this bill, subsection (r) was added to Code section 53601 and subsection (c) was added to Code section 53635, which permits local agencies to invest in the commercial paper, debt securities, or other obligations of such public banks.

We do not recommend that PCE add the debt of these public banks as an authorized investment in light of the legislation at this time. We will continue to monitor any ongoing developments in this area and if, at a later date, we feel it would be prudent for PCE to add obligations of these public banks to its listing of acceptable investment instruments, we will make a formal recommendation at that time.

Assembly Bill 945. Assembly Bill No. 945, which also took effect on January 1, 2020, relates to Code Section 53601.8, which allows public agencies to invest in deposits at certain types of financial institutions that use a private sector entity to assist in the placement of deposits (CDARS is an example). Assembly Bill No. 945 increases the maximum percentage of funds that a public agency may invest in these instruments from 30% to 50% from January 1, 2020, until January 1, 2026. On January 1, 2026, the maximum percentage of funds that a public agency may invest in these instruments reverts back to 30%. PCE’s policy does not reference investment in this type of security

Please let us know if you have any questions on the recommendations or would like to discuss the changes in more detail. Thank you.

Peninsula Clean Energy
Investment Policy (Policy #19)
Proposed Changes Effective 05.28.20 (Clean)

PURPOSE

This statement contains guidelines for the prudent investment of cash balances held by Peninsula Clean Energy (PCE) in accordance with Government Code sections 53600, et. seq. The overarching goal of PCE's Investment Policy is to protect PCE's pooled cash while producing a reasonable rate of return on investments.

SCOPE

The Investment Policy applies to all funds and investment activities of PCE. This 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 PCE does not have any such funds at this time and has no plans to have such funds.

PRUDENCE

The standard of prudence to be used by investment officials will be 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."

OBJECTIVES

The primary objectives, in priority order, of the investment activities of PCE are

1. SAFETY – Preservation of principal is the foremost objective of Peninsula Clean Energy.

2. LIQUIDITY – PCE's portfolio will remain sufficiently liquid to enable PCE 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 – PCE's portfolio will be designed to attain a market rate of return through economic cycles consistent with the constraints imposed by its safety and liquidity objectives.

DELEGATION OF INVESTMENT AUTHORITY

Pursuant to Government Code Section 53607, the Treasurer (and his/her designee, if necessary) is authorized to invest and reinvest money of PCE, to sell or exchange securities so purchased, and to deposit such securities for safekeeping in accordance with and subject to this investment policy.

PCE may engage the support services of outside investment advisors in regard to its investment program, so long as these services are likely to produce a net financial advantage or necessary financial protection of PCE's financial resources. Outside investment advisors must be approved by the Chief Executive Officer, the Treasurer and the Board of Directors. It is PCE's intention to use the services of outside investment advisors to manage PCE's investment program. PCE will be responsible for managing the investment advisors.

INVESTMENT PROCEDURES

The Chief Financial Officer and Chief Executive Officer will recommend investment procedures for the operation of PCE's investment program for approval by PCE's Board of Directors.

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.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The purchase by PCE 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 Chief Financial Officer is responsible for the evaluation of all institutions that wish to do business with PCE, to determine if they are adequately capitalized, staffed by qualified investment professionals, and agree to abide by the conditions set forth in PCE's Investment Policy and any other guidelines that may be provided. This will be done annually by having the financial institutions:

1. Provide written notification that they have read, and will abide by, PCE's Investment Policy.

2. Submit their most recent audited Financial Statements within 120 days of the institution's fiscal year end.

If PCE has an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of PCE.

Purchase and sale of securities will be made on the basis of best execution.

ACCEPTABLE INVESTMENT INSTRUMENTS

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 on the basis of market value. Credit criteria listed in this section refers to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the Treasurer or his/her designee will perform a timely review and decide whether to sell or hold the investment.

PCE will diversify its investments by security type and institution. With the exception of U.S. Treasury and federal agency securities, investment pools and money market funds, no more than 5% of market value of PCE's portfolio will be invested in a single issuer regardless of sector type.

Acceptable investments authorized for purchase on behalf of PCE 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 PCE'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 is 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 PCE's portfolio.

5. **<u>Commercial Paper</u>** 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 rating category of "A" or its equivalent or higher by an NRSRO.

    b. 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 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 fewer. No more than 20% of PCE's portfolio may be invested in commercial paper. PCE may purchase no more than 10% of the outstanding commercial paper of any single issuer. No more than 5% of the outstanding commercial paper investments can be invested in the Energy industry/sector.

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 20% of PCE's portfolio may be invested in negotiable CDs.

7. **Demand Deposits - Collateralized**

8. **Passbook Savings Accounts - Collateralized**

9. **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 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 PCE's investment portfolio may be invested in money market funds or mutual funds combined. Further, no more than 10% of PCE's investment portfolio may be invested in any one money market fund. A money market fund's holding may not include auction rate securities or other securities that are not allowed under PCE's investment policy.

10. **Repurchase Agreements.** Overnight Repurchase Agreements shall be used solely as short-term investments not to exceed 3 days.

11. **Local Agency Investment Fund (State Pool) -** An investment pool managed by the State Treasurer. PCE can invest up to the maximum amount permitted by the State Treasurer.

12. **San Mateo County Pool** – As authorized by Government Code Section 53684.

13. **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).

14. **Bankers' acceptances** otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40% of PCE's portfolio that may be invested pursuant to this section. However, no more than 30% of PCE's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.

15. **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 PCE's portfolio that may be invested pursuant to this section.

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).

INVESTMENT POOLS

The State Pool, San Mateo County Pool, and LGIPs that PCE is authorized to invest in, may invest in Government Code authorized investments that are not approved for *direct* purchase by the PCE's Board of Directors. These pools shall be reviewed and considered by PCE's Treasurer on a regular basis and prior to PCE's investment in them. The pools provide a current investment policy and monthly reports for review by the Chief Financial Officer and Treasurer. PCE is authorized to invest in these pools provided that they are in conformance with their investment policies.

MATURITY LIMIT

To the extent possible, PCE will attempt to match its investments with anticipated 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 PCE Board of Directors at least three months before the investment is made.

INTERNAL CONTROL

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that the assets of PCE are protected from loss, theft or misuse. The PCE Chief Financial Officer and Treasurer or his/her 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.

CUSTODY OF SECURITIES

All securities owned by PCE 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 PCE under the terms of a custody agreement executed by the bank and PCE. All securities shall be held in PCE's name.

All securities will be received and delivered using standard delivery versus payment

procedures.

PERFORMANCE STANDARDS

PCE's portfolio shall be structured to achieve a market-average rate of return through various economic cycles, commensurate with the investment risk constraints and the cash flow needs. Investment performance will be calculated on a gross basis before fees and expenses and tracked monthly for internal use and monitoring. The benchmark for "market-average rate" shall be the rate of return of an appropriate market-based index which has a duration or weighted average maturity similar to that of the PCE's portfolio, against which portfolio performance shall be compared on a regular basis.
Performance will be benchmarked to an appropriate performance index.

REPORTING

The Chief Financial Officer will provide a quarterly investment report to the PCE Audit & Finance Committee showing all transactions, type of investment, issuer, purchase date, maturity date, purchase price, yield to maturity, total return, performance benchmark, and current market value for all securities. An annual investment report shall be provided to the PCE Board of Directors in the month following the end of PCE's fiscal year. The Treasurer will provide monthly reports to the Board as required by Government Code 53607.

POLICY REVIEW

This Investment Policy will be reviewed at least annually to ensure its consistency with:

1. The California Government Code sections that regulate the investment and reporting of public funds.

2. The overall objectives of preservation of principal, sufficient liquidity, and a market return.

3. Performance of investment advisor(s) against the appropriate benchmark.

Approved by Board of Directors on ______________________

____

Janis Pepper, Chief Executive Officer

____

Andrew Stern, Treasurer & Chief Financial Officer

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.

Benchmark is a comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

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.

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.

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, unsecured, promissory note issued by a corporation to raise working capital.

Delivery Versus Payment is a method of delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

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.

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, a 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, with a maximum of $75 million for any California public agency. 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 on 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 per cent of the earnings.

Local Government Investment Pools (LGIPs) 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.

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.

Net Asset Value (NAV) is the value of an entity's assets minus the value of its liabilities, often in relation to open-end or mutual funds, since shares of such funds registered with the U.S. Securities and Exchange Commission are redeemed at their net asset value. Money Market funds that PCE is authorized to invest in are required to maintain an NAV of $1.00 at all times.

Par Value is the face value of the bill, note, or bond.

Principal describes the original cost of a 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.

Total Return is the time-weighted 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 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** which 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.

Adopted May 28, 2020

Deleted: December 20, 2018

Peninsula Clean Energy

Investment Policy (Policy #19)

Proposed Changes Effective 05.28.20 (Redline)

Deleted: ¶

PURPOSE

This statement contains guidelines for the prudent investment of cash balances held by Peninsula Clean Energy (PCE) in accordance with Government Code sections 53600, et. seq. The overarching goal of PCE's Investment Policy is to protect PCE's pooled cash while producing a reasonable rate of return on investments.

Deleted: PCE's

Deleted:

Deleted:

SCOPE

The Investment Policy applies to all funds and investment activities of PCE. This 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 PCE does not have any such funds at this time and has no plans to have such funds.

PRUDENCE

The standard of prudence to be used by investment officials will be 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."

OBJECTIVES

The primary objectives, in priority order, of the investment activities of PCE are

1. SAFETY – Preservation of principal is the foremost objective of Peninsula Clean Energy.

2. LIQUIDITY – PCE's portfolio will remain sufficiently liquid to enable PCE 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 – PCE's portfolio will be designed to attain a market rate of return through economic cycles consistent with the constraints imposed by its safety and liquidity objectives.

DELEGATION OF INVESTMENT AUTHORITY

Pursuant to Government Code Section 53607, the Treasurer (and his/her designee, if necessary) is authorized to invest and reinvest money of PCE, to sell or exchange securities so purchased, and to deposit such securities for safekeeping in accordance with and subject to this investment policy.

PCE may engage the support services of outside investment advisors in regard to its investment program, so long as these services are likely to produce a net financial advantage or necessary financial protection of PCE's financial resources. Outside investment advisors must be approved by the Chief Executive Officer, the Treasurer and the Board of Directors. It is PCE's intention to use the services of outside investment advisors to manage PCE's investment program. PCE will be responsible for managing the investment advisors.

INVESTMENT PROCEDURES

The Chief Financial Officer and Chief Executive Officer will recommend investment procedures for the operation of PCE's investment program for approval by PCE's Board of Directors.

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.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The purchase by PCE 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 Chief Financial Officer is responsible for the evaluation of all institutions that wish to do business with PCE, to determine if they are adequately capitalized, staffed by qualified investment professionals, and agree to abide by the conditions set forth in PCE's Investment Policy and any other guidelines that may be provided. This will be done annually by having the financial institutions:

1. Provide written notification that they have read, and will abide by, PCE's Investment Policy.

2. Submit their most recent audited Financial Statements within 120 days of the institution's fiscal year end.

If PCE has an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of PCE.

Purchase and sale of securities will be made on the basis of best execution.

ACCEPTABLE INVESTMENT INSTRUMENTS

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 on the basis of market value. Credit criteria listed in this section refers to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the Treasurer or his/her designee will perform a timely review and decide whether to sell or hold the investment.

PCE will diversify its investments by security type and institution. With the exception of U.S. Treasury and federal agency securities, investment pools and money market funds, no more than 5% of market value of PCE's portfolio will be invested in a single issuer regardless of sector type.

Deleted:

Deleted:

Deleted:

Deleted: limit investments in any one non-government issuer, except

Deleted: to

Deleted: security

Acceptable investments authorized for purchase on behalf of PCE 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 PCE'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 is 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 PCE'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 rating category of "A" or its equivalent or higher by an NRSRO.

   b. 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 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 fewer. No more than 20% of PCE's portfolio may be invested in commercial paper. PCE may purchase no more than 10% of the outstanding commercial paper of any single issuer. No more than 5% of the outstanding commercial paper investments can be invested in the Energy industry/sector.

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 20% of PCE's portfolio may be invested in negotiable CDs.

7. **Demand Deposits - Collateralized**

8. **Passbook Savings Accounts - Collateralized**

9. **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 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 PCE's investment portfolio may be invested in money market funds or mutual funds combined. Further, no more than 10% of PCE's investment portfolio may be invested in any one money market fund. A money market fund's holding may not include auction rate securities or other securities that are not allowed under PCE's investment policy.

10. **Repurchase Agreements.** Overnight Repurchase Agreements shall be used solely as short-term investments not to exceed 3 days.

11. **Local Agency Investment Fund (State Pool) -** An investment pool managed by the State Treasurer. PCE can invest up to the maximum amount permitted by the State Treasurer.

12. **San Mateo County Pool** – As authorized by Government Code Section 53684.

13. **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).

Deleted: **County Investment Fund (San Mateo County Pool)**

Deleted:

Deleted:

Deleted:

Deleted:

Deleted:

Deleted: q

14. **Bankers' acceptances** otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40% of PCE's portfolio that may be invested pursuant to this section. However, no more than 30% of PCE's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.

15. **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 PCE's portfolio that may be invested pursuant to this section.

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).

INVESTMENT POOLS

The State Pool, San Mateo County Pool, and LGIPs that PCE is authorized to invest in, may invest in Government Code authorized investments that are not approved for *direct* purchase by the PCE's Board of Directors. These pools shall be reviewed and considered by PCE's Treasurer on a regular basis and prior to PCE's investment in them. The pools provide a current investment policy and monthly reports for review by the Chief Financial Officer and Treasurer. PCE is authorized to invest in these pools provided that they are in conformance with their investment policies.

MATURITY LIMIT

To the extent possible, PCE will attempt to match its investments with anticipated 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 PCE Board of Directors at least three months before the investment is made.

INTERNAL CONTROL

The Chief Financial Officer is responsible for establishing and maintaining an internal control

Deleted: RESTRICTION ON INVESTMENT POLICIES AND PCE CONSTRAINTS

Deleted: certain types of investments

Deleted:

Moved down [1]: 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, or enhance the rate of return.

Deleted: and also limits the percentage of total investments which can be placed in certain classifications. Investments must meet the time schedules as indicated by the cash flow projections of PCE.

Deleted: p

Deleted: and

Deleted: additional

Deleted:

Deleted: investing and on a regular basis

Deleted:

Moved (insertion) [1]

Deleted: Maximum Maturity for PCE's investments shall be limited to 2 years. Maximum Weighted Average Maturity is limited to 1 year.

structure designed to provide reasonable assurance that the assets of PCE are protected from loss, theft or misuse. The PCE Chief Financial Officer and Treasurer or his/her 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.

CUSTODY OF SECURITIES

All securities owned by PCE 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 PCE under the terms of a custody agreement executed by the bank and PCE. All securities shall be held in PCE's name.

All securities will be received and delivered using standard delivery versus payment

Deleted:

Deleted:

Deleted:

Deleted:

procedures.

PERFORMANCE STANDARDS

PCE's portfolio shall be structured to achieve a market-average rate of return through various economic cycles, commensurate with the investment risk constraints and the cash flow needs. Investment performance will be calculated on a gross basis before fees and expenses and tracked monthly for internal use and monitoring. The benchmark for "market-average rate" shall be the rate of return of an appropriate market-based index which has a duration or weighted average maturity similar to that of the PCE's portfolio, against which portfolio performance shall be compared on a regular basis.
Performance will be benchmarked to an appropriate performance index.

Deleted: the

Deleted: It is PCE's goal to meet or succeed the performance benchmark on a quarterly and annual basis. Currently, the benchmark used for comparison purposes is the Lipper 30-Day Money Market Index.

REPORTING

The Chief Financial Officer will provide a quarterly investment report to the PCE Audit & Finance Committee showing all transactions, type of investment, issuer, purchase date, maturity date, purchase price, yield to maturity, total return, performance benchmark, and current market value for all securities. An annual investment report shall be provided to the PCE Board of Directors in the month following the end of PCE's fiscal year. The Treasurer will provide monthly reports to the Board as required by Government Code 53607.

POLICY REVIEW

This Investment Policy will be reviewed at least annually to ensure its consistency with:

1. The California Government Code sections that regulate the investment and reporting of public funds.

2. The overall objectives of preservation of principal, sufficient liquidity, and a market return.

3. Performance of investment advisor(s) against the appropriate benchmark.

Approved by Board of Directors on ______________________

____

Janis Pepper, Chief Executive Officer

____

Andrew Stern, Treasurer & Chief Financial Officer

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.

Benchmark is a comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

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.

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.

Deleted: O

Deleted: ¶
¶
1. Negotiable Certificates of Deposit

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, unsecured, promissory note issued by a corporation to raise working capital.

Delivery Versus Payment is a method of delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

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.

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, a 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, with a maximum of $75 million for any California public agency. 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 on 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 per cent of the earnings.

Deleted: 6

Local Government Investment Pools (LGIPs) 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.

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.

Net Asset Value (NAV) is the value of an entity's assets minus the value of its liabilities, often in relation to open-end or mutual funds, since shares of such funds registered with the U.S. Securities and Exchange Commission are redeemed at their net asset value. Money Market funds that PCE is authorized to invest in are required to maintain an NAV of $1.00 at all times.

Par Value is the face value of the bill, note, or bond.

Principal describes the original cost of a 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.

Total Return is the time-weighted 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 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** which 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.

Deleted:

Peninsula Clean Energy
Investment Policy

PURPOSE

This statement contains guidelines for the prudent investment of PCE's cash balances in accordance with Government Code sections 53600, et. seq. The overarching goal of PCE's Investment Policy is to protect PCE's pooled cash while producing a reasonable rate of return on investments.

SCOPE

The Investment Policy applies to all funds and investment activities of PCE. This 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 PCE does not have any such funds at this time and has no plans to have such funds.

PRUDENCE

The standard of prudence to be used by investment officials will be 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."

OBJECTIVES

The primary objectives, in priority order, of the investment activities of PCE are

1. SAFETY – Preservation of principal is the foremost objective of Peninsula Clean Energy.

2. LIQUIDITY – PCE's portfolio will remain sufficiently liquid to enable PCE 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 – PCE's portfolio will be designed to attain a market rate of return through economic cycles consistent with the constraints imposed by its safety and liquidity objectives.

DELEGATION OF INVESTMENT AUTHORITY

Pursuant to Government Code Section 53607, the Treasurer (and his/her designee, if necessary) is authorized to invest and reinvest money of PCE, to sell or exchange securities so purchased, and to deposit such securities for safekeeping in accordance with and subject to this investment policy.

PCE may engage the support services of outside investment advisors in regard to its investment program, so long as these services are likely to produce a net financial advantage or necessary financial protection of PCE's financial resources. Outside investment advisors must be approved by the Chief Executive Officer, the Treasurer and the Board of Directors. It is PCE's intention to use the services of outside investment advisors to manage PCE's investment program. PCE will be responsible for managing the investment advisors.

INVESTMENT PROCEDURES

The Chief Financial Officer and Chief Executive Officer will recommend investment procedures for the operation of PCE's investment program for approval by PCE's Board of Directors.

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.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The purchase by PCE 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 Chief Financial Officer is responsible for the evaluation of all institutions that wish to do business with PCE, to determine if they are adequately capitalized, staffed by qualified investment professionals, and agree to abide by the conditions set forth in PCE's Investment Policy and any other guidelines that may be provided. This will be done annually by having the financial institutions:

1. Provide written notification that they have read, and will abide by, PCE's Investment Policy.

2. Submit their most recent audited Financial Statements within 120 days of the institution's fiscal year end.

If PCE has an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of PCE.

Purchase and sale of securities will be made on the basis of best execution.

ACCEPTABLE INVESTMENT INSTRUMENTS

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 on the basis of market value. Credit criteria listed in this section refers to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the Treasurer or his/her designee will perform a timely review and decide whether to sell or hold the investment.

PCE will limit investments in any one non-government issuer, except investment pools and money market funds, to no more than 5% of market value regardless of security type.

Acceptable investments authorized for purchase on behalf of PCE 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 PCE'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 is 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 PCE'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 rating category of "A" or its equivalent or higher by an NRSRO.
   b. 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 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 fewer. No more than 20% of PCE's portfolio may be invested in commercial paper. PCE may purchase no more than 10% of the outstanding commercial paper of any single issuer. No more than 5% of the outstanding commercial paper investments can be invested in the Energy industry/sector.

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 20% of PCE's portfolio may be invested in negotiable CDs.

7. **Demand Deposits - Collateralized**

8. **Passbook Savings Accounts - Collateralized**

9. **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 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 PCE's investment portfolio may be invested in money market funds or mutual funds combined. Further, no more than 10% of PCE's investment portfolio may be invested in any one money market fund. A money market fund's holding may not include auction rate securities or other securities that are not allowed under PCE's investment policy.

10. **Repurchase Agreements.** Overnight Repurchase Agreements shall be used solely as short-term investments not to exceed 3 days.

11. **Local Agency Investment Fund (State Pool) -** An investment pool managed by the State Treasurer. PCE can invest up to the maximum amount permitted by the State Treasurer.

12. **County Investment Fund (San Mateo County Pool) -** <u>Shares of beneficial interest issued by a joint powers authority</u> <u>**(Local Government Investment Pools or "Pool") organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions to (q) 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:**</u>

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).

RESTRICTION ON INVESTMENT POLICIES AND PCE CONSTRAINTS

Section 53600 et. seq. of the State of California Government Code outlines the collateral requirements for certain types of investments and also limits the percentage of total investments which can be placed in certain classifications. Investments must meet the time schedules as indicated by the cash flow projections of PCE. 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, or enhance the rate of return.

INVESTMENT POOLS

The State pool and San Mateo County Pool invest in additional Government Code authorized investments that are not approved for *direct* purchase by the PCE's Board of Directors. These pools shall provide a current investment policy and monthly reports for review by the Chief Financial Officer and Treasurer. PCE is authorized to invest in these pools provided they are in conformance with their investment policies.

MATURITY LIMIT

State law requires that the maturity of any given instrument should not exceed five years unless specifically approved by PCE Board of Directors at least three months before the investment is made. Maximum Maturity for PCE's investments shall be limited to 2 years. Maximum Weighted Average Maturity is limited to 1 year.

INTERNAL CONTROL

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that the assets of PCE are protected from loss, theft or misuse. The PCE Chief Financial Officer and Treasurer or his/her 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.

CUSTODY OF SECURITIES

All securities owned by PCE 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 PCE under the terms of a custody agreement executed by the bank and PCE. All securities shall be held in PCE's name.

All securities will be received and delivered using standard delivery versus payment

procedures.

PERFORMANCE STANDARDS

PCE’s portfolio shall be structured to achieve a market-average rate of return through various economic cycles, commensurate with the investment risk constraints and the cash flow needs. Investment performance will be calculated on a gross basis before fees and expenses and tracked monthly for internal use and monitoring. The benchmark for “market-average rate” shall be the rate of return of an appropriate market-based index which has a duration or weighted average maturity similar to that of the PCE’s portfolio, against which portfolio performance shall be compared on a regular basis. Performance will be benchmarked to the appropriate performance index. It is PCE’s goal to meet or succeed the performance benchmark on a quarterly and annual basis. Currently, the benchmark used for comparison purposes is the Lipper 30-Day Money Market Index.

REPORTING

The Chief Financial Officer will provide a quarterly investment report to the PCE Audit & Finance Committee showing all transactions, type of investment, issuer, purchase date, maturity date, purchase price, yield to maturity, total return, performance benchmark, and current market value for all securities. An annual investment report shall be provided to the PCE Board of Directors in the month following the end of PCE’s fiscal year. The Treasurer will provide monthly reports to the Board as required by Government Code 53607.

POLICY REVIEW

This Investment Policy will be reviewed at least annually to ensure its consistency with:

1. The California Government Code sections that regulate the investment and reporting of public funds.
2. The overall objectives of preservation of principal, sufficient liquidity, and a market return.
3. Performance of investment advisor(s) against the appropriate benchmark.

Approved by Board of Directors on ______________________

____

Janis Pepper, Chief Executive Officer

____

Andrew Stern, Chief Financial Officer

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.

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.

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, 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.

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, a 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, with a maximum of $65 million for any California public agency. 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 on 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 per cent 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.

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.

Net Asset Value (NAV) is the value of an entity's assets minus the value of its liabilities, often in relation to open-end or mutual funds, since shares of such funds registered with the U.S. Securities and Exchange Commission are redeemed at their net asset value. Money Market funds that PCE is authorized to invest in are required to maintain an NAV of $1.00 at all times.

Par Value is the face value of the bill, note, or bond.

Principal describes the original cost of a 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.

Total Return is the time-weighted 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 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** which 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.

PENINSULA CLEAN ENERGY
JPA Board Correspondence

DATE:	May 6, 2020
BOARD MEETING DATE:	May 11, 2020
SPECIAL NOTICE/HEARING:	None
VOTE REQUIRED:	None

TO:	Honorable Peninsula Clean Energy Authority Audit & Finance Committee
FROM:	Andy Stern, Chief Financial Officer
SUBJECT:	Draft FY2020-2021 Budget (Discussion)

Summary:
A presentation covering a draft Budget for the Fiscal Year FY2020-2021 will be presented at the meeting.

SPECIAL MEETING of the Audit and Finance Committee
of the Peninsula Clean Energy Authority (PCEA)
Monday, March 9, 2020
MINUTES

2075 Woodside Road, Redwood City, CA
10:00 a.m.

CALL TO ORDER

Meeting was called to order at 10:06 a.m.

ROLL CALL

Present: Donna Colson, City of Burlingame, *Chair*
Carlos Romero, City of East Palo Alto
Laurence May, Town of Hillsborough
Jeff Aalfs, Town of Portola Valley
Pradeep Gupta, Director Emeritus

Absent: Carole Groom, County of San Mateo

Staff: Jan Pepper, Chief Executive Officer
Andy Stern, Chief Financial Officer
Jennifer Stalzer Kraske, Deputy County Counsel
Anne Bartoletti, Board Clerk

A quorum was established.

PUBLIC COMMENT

No public comment.

ACTION TO SET THE AGENDA AND APPROVE CONSENT AGENDA ITEMS

<u>Motion Made / Seconded:</u> May / Romero

Motion passed unanimously 3-0 (Absent: Groom, Aalfs)

REGULAR AGENDA

1. CHAIR REPORT

No report.

2. STAFF REPORT

Chief Financial Officer Andy Stern reported that Peninsula Clean Energy received seven responses to the RFP (request for proposal) for an Investment Manager. He reported that all proposals were reviewed and ranked, and that one proposal came out on top. Those reviewing the proposals had the option to interview any of the companies that submitted proposals, but a consensus was reached to invite only the top-ranked firm, PFM.

3. INTERVIEW OF INVESTMENT MANAGER CANDIDATE(S)

PFM representatives Monique Spyke—Managing Director, and Gray Lepley—Senior Managing Consultant, introduced themselves and reviewed a presentation package on PFM and their investment management services. Monique and Gray reviewed Peninsula Clean Energy's current portfolio, and outlined challenges, risks, goals, and investment objectives. They also presented an overview of PFM as a company, their background and philosophy, the management team, and ESG (Environmental, Social, and Governance) investing options.

4. RECOMMENDATION TO BOARD REGARDING SELECTION OF SECOND INVESTMENT MANAGER

Committee members discussed the presentation by PFM, and they discussed reviewing Peninsula Clean Energy's investment policy (Policy 19). The Committee reached a consensus to recommend PFM as Investment Manager.

<u>Motion Made / Seconded:</u> May / Romero

Motion passed unanimously 4-0 (Absent: Groom)

5. COMMITTEE MEMBERS' REPORTS

None.

ADJOURNMENT

Meeting was adjourned at 12:13 p.m.