



SONOMA COUNTY OPEN SPACE FISCAL OVERSIGHT COMMISSION
COMMISSIONERS

Mike Sangiacomo (Sonoma)
Todd Mendoza (Petaluma)
Regina De La Cruz (Rohnert Park)

Bob Anderson (Healdsburg)
Eric Koenigshofer (Occidental)
Jeff Owen (Alternate)

REGULAR MEETING AGENDA

747 Mendocino Avenue—Suite 100, Santa Rosa, CA 95401

October 3, 2019 | 5:00pm

-
1. **Call to Order**
 2. **Agenda Items to be Held or Taken Out of Order; Off- Agenda Items**
 3. **General Announcements Not Requiring Deliberation or Decision**
 4. **Public Comment**
The Brown Act requires that time be set aside for public comment on items not agendized.
 5. **Correspondence/ Communications**
 6. **Approval of Commission Minutes Attachment 1**
 7. **Financial Report Attachment 2**
Financial Statements – August 31, 2019
 8. **Matching Grant Program Updates Attachment 3**
Jennifer Kuszmar | Matching Grant Program Coordinator
 9. **Macias, Gini, & O’Connell Stewardship Reserve Presentation Attachment 4**
Authorize Ag + Open Space staff to pursue potential legislation for stewardship reserve planning efforts.
 10. **Suggested Next Meeting**
November 7, 2019
 11. **Adjournment**

AGENDAS AND MATERIALS: Agendas and most supporting materials are available on the District’s website at sonomaopenspace.org. Due to legal, copyright, privacy or policy considerations, not all materials are posted online. Materials that are not posted are available for public inspection between 8:00 a.m. and 5:00 p.m., Monday through Friday, at 747 Mendocino Avenue, Santa Rosa, CA.

SUPPLEMENTAL MATERIALS: Materials related to an item on this agenda submitted to the

Commission/Committee after distribution of the agenda packet are available for public inspection at the District office at 747 Mendocino Avenue, Santa Rosa, CA during normal business hours.

DISABLED ACCOMMODATION: If you have a disability which requires an accommodation, an alternative format, or requires another person to assist you while attending this meeting, please contact Julie Mefferd at 707-565-7368, as soon as possible to ensure arrangements for accommodation.



Attachment 1



SONOMA COUNTY OPEN SPACE FISCAL OVERSIGHT COMMISSION
COMMISSIONERS

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UNAPPROVED MINUTES

747 Mendocino Avenue–Suite 100, Santa Rosa, CA 95401

August 8, 2019 | 5:00 pm

COMMISSIONERS PRESENT: Regina De La Cruz (Chair), Bob Anderson (Vice Chair), Eric Koenigshofer (Chair Pro Tem), Mike Sangiacomo

STAFF PRESENT: Bill Keene, General Manager; Aldo Mercado, Counsel; Julie Mefferd, Administrative and Fiscal Services Manager; Sara Ortiz, Administrative Aide; Misti Arias, Acquisition Program Manager; Steph Tavares-Buhler, Senior Acquisition Specialist; Lauren Alpert, Community Relations Assistant.

PUBLIC PRESENT: Duane De Witt; Roseland Action.

1. Call to Order

Chair De La Cruz called the meeting to order at 5:00 p.m.

2. Agenda Items to be Held or Taken Out of Order; Off- Agenda Items

There was none.

3. General Announcements Not Requiring Deliberation or Decision

Bill Keene made the following announcements:

- 8/20 Acceptance of CALFIRE Grant Administered by Sonoma Land Trust going to Board of Directors
- 8/20 Addition of One Full Time Planner (Agricultural Specialist) going to the Board of Directors
- 9/10 Adoption of the Saddle Mountain Management Plan going to the Board of Directors
- 9/10 Oken Fencing Design Approval and Permission to Solicit Bids for Construction going to the Board of Directors
- 10/22 Taylor Mountain Regional Park and Open Space Preserve-Cooper Creek Addition going to the Board of Directors
- 11/5 Matching Grant Program updates going to the Board of Directors
- 12/10 Stewardship Workshop going to the Board of Directors
- Introduced Lauren Alpert, new Community Relations Assistant
- Vital Lands Update

4. Public Comment

Duane De Witt spoke on behalf of keeping open spaces unpaved.

5. Correspondence/ Communications

Julie Mefferd handed out correspondence regarding HdL's Q4 report and Sonoma County's

Pooled Investment Program.

6. Approval of Commission Minutes

On a motion by Commissioner Anderson and a second by Commissioner Sangiacomo, the June 6, 2019 minutes were approved.

7. Financial Report

Julie Mefferd reviewed the monthly financial statements for July 2019.

8. Creation of Subcommittee and Assignment of Commissioners

A Subcommittee for the purpose of reviewing the plan to create a Stewardship Reserve was created. Chair De La Cruz appointed Commissioners Sangiacomo and Owen to the subcommittee.

9. Closed Session

The Commission adjourned to Closed Session at 5:38 p.m.

10. Report on Closed Session

The Commission reconvened to Open Session at 7:11 p.m. and reported the following:

Conference with Real Property Negotiator

Property Address: 747 Mendocino Avenue, Santa Rosa

Staff given direction

Conference with Real Property Negotiator

Resolution 2019-004

Jacobsen Ranches

Property Address: 1211 Chapman Lane, Petaluma CA 94952

On a motion by Commissioner Koenigshofer and second by Commissioner Sangiacomo, the Commission determined that the cumulative value of the encumbrances at least equals the fair market value of the Jacobsen Ranches.

11. Suggested Next Meeting

September 5, 2019

12. Adjournment

The meeting was adjourned at 7:15 p.m.

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Attachment 2

Sonoma County Agricultural Preservation and Open Space District
Consolidated Balance Sheet - District and OSSTA Funds
August 31, 2019

Assets

Cash and Investments	\$62,317,912
Accounts Receivable	53,271
Other Current Assets	1,254
Intergovernmental Receivables	98,760

Total Assets	<u>\$62,471,198</u>
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Liabilities and Fund Balance

Current Payables	\$4,919
Other Current Liabilities	21,694
Due to Other Governments	13,476
Deferred Revenue	0
Long-Term Liabilities	0

Total Liabilities	<u>40,089</u>
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Fund Balance

Nonspendable - Prepaid Expenditures	1,254
Restricted - District Activities	62,429,855
Total Fund Balance	62,431,109

Total Liabilities and Fund Balance	<u>\$62,471,198</u>
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Cash by Fund

OSSTA - Measure F	\$52,041,837
Open Space District	1,691,665
Fiscal Oversight Commission	6,515
Stewardship Reserve*	0
Cooley Reserve	152,153
Operations and Maintenance	8,425,742

Total Cash by Fund	<u>\$62,317,912</u>
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*On July 1, 2015 the County of Sonoma Measure F Sales Tax Refunding Bonds, Series 2015 were issued. The transaction provided a savings of \$13.6 million, in part by following the Commission's recommendation of paying down \$30 million in principal, as well as obtaining a lower interest rate. The Commission recommended using the \$10 million in the Stewardship Reserve Fund as part of the \$30 million paydown. Additionally, the Commission directed use of the \$7.5 million annual savings resulting from the shortened term to fund the Stewardship Reserve beginning in the fiscal year 2024-2025. FOC Minute Order #13 dated May 14, 2015 reflects this direction.

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Sonoma County Agricultural Preservation and Open Space District
Consolidated District and OSSTA Budget to Actual
For the two months ended August 31, 2019
16.6% of Year Complete

	Budget Final	Actual Year to Date	Encumbrances Year to Date	Remaining Balance	% of Remaining
Revenues					
Tax Revenue *	\$25,254,000	\$146,229		\$25,107,771	99.42%
Intergovernmental	7,750,000	0		7,750,000	100.00%
Use of Money & Prop	590,000	(506,615)		1,096,615	185.87%
Miscellaneous Revenues	5,340,500	23,510		5,316,990	
Other Financing Sources	1,021,444	692,743		328,701	32.18%
Total Revenues	39,955,944	355,866		39,600,078	99.11%
Expenditures					
Salaries and Benefits	5,005,078	537,952		4,467,126	89.25%
Services and Supplies	11,778,805	174,055	\$4,111,084	7,493,666	63.62%
Other Charges	7,707,333	-	1,346,063	6,361,270	82.54%
Capital Expenditures	35,074,928	35,817	263,362	34,775,750	99.15%
Other Financing Uses	8,539,312	1,968,909		6,570,403	76.94%
Total Expenditures	68,105,456	2,716,733	5,720,509	59,668,214	87.61%
Net Earnings (Cost)	(\$28,149,512)	(2,360,867)	(\$5,720,509)	(\$20,068,136)	
Beginning fund balance		64,791,976			
Ending Fund Balance		62,431,109			

Note: Due to the slowness of payment by the CDTFA no sales tax was recorded for July in FY18-19

(California Department of Tax and Fee Administration)

Note: Negative Use of Money and Property relates to the amortization of gains and losses of investments, not the rate of return.

** Capital expenditure breakdown

Capital Expenditure - Tacoma 4x4 35,817

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AG + OPEN SPACE
SONOMA COUNTY

DATE: September 27, 2019 (for October 3, 2019 meeting)

TO: Fiscal Oversight Commission

FROM: Jennifer Kuszmar, Matching Grant Coordinator

SUBJECT: Summary of DRAFT Updates to the Matching Grant Program Guidelines

Background

The Sonoma County Agricultural Preservation and Open Space District (Ag + Open Space) offers a competitive Matching Grant Program (Program) for projects within or near the County's urban areas. The Program is borne out of the enabling legislation, Measures C and F and the accompanying Expenditure Plan. The Program is described in paragraph 5 of the Expenditure Plan as follows:

"5. Other open space projects include but are not limited to, urban open space and recreation projects within and near incorporated cities and other urbanized areas of Sonoma County. Funds for these projects shall be available to cities, the County and other entities through a matching grant program, with preference given to acquisition and development of projects that link communities. Examples of these projects include creek restoration and enhancement, such as along the Petaluma River, Santa Rosa Creek and Laguna de Santa Rosa, trails, athletic fields, and urban greenspace."

Since 1990, the Program has provided nearly \$27 million in funding toward projects in all of the County's nine incorporated cities and multiple unincorporated areas, allowing our partners to leverage funding to develop diverse and innovative projects throughout Sonoma County's communities. To date, the Program has accepted 52 projects and has protected nearly 500 acres of urban open space. With funding from the Matching Grant Program, our partners have opened 27 new parks to the public and have restored or enhanced over 300 acres of natural habitats including urban creeks, marshes and wetlands, and riparian habitats. All projects funded through the Program are protected forever through a conservation easement.

Ag + Open Space staff coordinates the Program with support from a Matching Grant Subcommittee (Subcommittee) comprised of representatives from the Advisory Committee and Fiscal Oversight Commission. The Subcommittee assists staff in evaluating applications and recommending projects

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for funding and also participates in the development and revision of the Program Guidelines for eventual consideration and adoption by the Ag + Open Space's Board of Directors (Board).

Program Activity 2009 - present

Over the last several years, the Program has become more formalized. Following each funding cycle Ag + Open Space seeks input to identify ways to enhance and improve the Program. All improvements to date have resulted directly from input from our Board, Advisory Committee, Fiscal Oversight Commission, applicants, staff, as well as feedback we have heard from our partners. Over the last several years, there have been a number of updates and refinements to the Program to create a more formal, transparent, and efficient process.

In 2009, the Board adopted a number of revisions to the Program including requiring a 1:1 match, imposing limits to the amount of match allowable for costs associated with operations and maintenance to no more than 50 percent, and placing limitations on impervious surfaces on Program-funded projects.

In 2011, the Board approved a significant update of the Program. This update reflected a number of improvements to the Guidelines including administrative requirements such as demonstration of the applicant's governing body's approval to submit the funding application, time limits for implementation of projects, and revised and expanded criteria for evaluating projects. These programmatic updates affected all new and active projects at the time of Board approval.

In both the 2009 and 2011 Program updates, staff worked with the Subcommittee and solicited feedback from applicants, partners, members of the public, as well as the Advisory Committee, Fiscal Oversight Commission and Board of Directors to inform these revisions. Following the 2016 and 2018 Program cycle, staff and the Subcommittee found that additional refinements to the Program were necessary to provide additional clarity to applicants and improved transparency in the evaluation process.

Following feedback from our Board, Advisory Committee, Fiscal Oversight Commission, applicants, staff, and other stakeholders, Ag + Open Space is preparing recommendations to our Matching Grant Program Guidelines for consideration by our Board of Directors on November 12, 2019.

2020 Program Revisions

The following is a summary of the main topics we intend to update in the 2020 MGP Guidelines and our recommended responses based on input from the MGP Subcommittee, Advisory Committee, Fiscal Oversight Commission, and staff. We want to present these

Attachment 3

recommendations to the Fiscal Oversight Commission to receive any additional comments on these recommendations.

1. Program Funding: We have received significant feedback that we should consider increasing the funding for the Matching Grant Program. Through the Vital Lands Initiative planning process, Ag + Open Space has reviewed our long-range cash flow and is recommending \$4 million every other year for the Matching Grant Program through at least 2030. This is a \$2 million increase from our previous projections for the MGP. This increased funding amount will enable the Matching Grant Program to provide critically needed funding for a greater number of community open space projects throughout Sonoma County.
2. Program Cycle: For the past several years, the Matching Grant Program has been offered on a biennial basis. We have received requests to consider offering the program every year or on a rolling basis. At this time, we are recommending to continue to offer the program every two years. The primary reason for this is due to the internal capacity at Ag + Open Space. In order to run the Program every year, we would need to hire at least one additional staff member that would take additional resources (estimated at approximately \$190,000 annually). Further, running the program every year would dictate either that each cycle would have a decreased funding amount (e.g. \$2 million per cycle) or if funded at the proposed \$4 million (double the resources committed to this program) would result in a reduction in other priority work as outlined in the Vital Lands Initiative. Additionally, since the Matching Grant Program protects several properties in every funding cycle, increasing the frequency of the program could result in increased Stewardship costs. Finally, it has not been our experience that there have been missed opportunities to fund projects because of running the program biennially. Should such a circumstance arise, it is within the Board's purview to direct staff to consider a project outside of the regular funding cycle.
3. Capital Improvement Funding ("Rehabilitation of Existing Facilities"): We have been asked to consider revising the Guidelines to allow MGP funding to be used toward capital improvement projects such as removing old or failing park infrastructure and replacing it with amenities that meet the same or similar purpose. When the Board of Directors adopted updated MGP Guidelines in 2012, projects that "solely rehabilitate existing facilities" were ineligible for funding. We are recommending that these types of costs that are typically considered operations and maintenance or rehabilitation of existing facilities are still ineligible for funding. The rationale behind this limitation is to provide funding for projects that best support the intention of the Matching Grant Program by offering creation of new open space areas within our communities.

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4. Match Requirements: since 2007, the Matching Grant Program has set the match requirement for all projects at 1:1. We have been asked to consider reducing match for non-profit partners and/or eliminating match for these applicants. Our recommendation is to keep the match requirement at 1:1 for all applicants to continue to maximize leverage of Ag + Open Space funding. In addition, a secure match is a strong indicator of an applicant's ability to implement a proposed project. Projects may be evaluated on the amount of match secured.
5. Program Intent: The proposed updates to the Guidelines and associated application and evaluation materials will focus on the intent of the Program to encourage applications from projects that create or expand new open space opportunities in our cities and communities.
6. Improved Transparency in Project Review, Evaluation, and Recommendation Process: We have received widespread input to provide improved transparency in our evaluation and selection process. Revised guidelines will provide clear and direct links between the MGP application and evaluation criteria. The evaluation criteria will aid in clear decision making to prioritize the most competitive projects that meet the intent of the Matching Grant Program.
7. Project Performance: We have been asked to consider how to address previous project performance in the MGP application process. In some cases, an MGP applicant who has previously received MGP funding may apply for funding for additional phases of a project or a new project. In cases where an applicant has failed to perform on an active project (e.g. has not met work plan requirements), staff will notify the organization of their status. While these applicants may still be eligible for funding, Ag + Open Space may condition any future funding on the successful completion of current projects or other remedies. The evaluation criteria may include a question about performance on previously funded MGP projects.
8. Prioritizing Projects in Fire and Flood Affected Areas: As proposed in the 2018 MGP funding cycle, the 2020 MGP funding cycle will prioritize eligible and competitive projects that occur in communities that were impacted by recent wildfires and flood events. These projects must still meet the intent of the program and otherwise be competitive, but will be given additional consideration.

Sonoma County Agricultural Preservation & Open Space District Investment Policy Study



CPAs &
Advisors

Presentation to the Fiscal Oversight Commission

October 3, 2019



Objectives

The District contracted with MGO to assist the District in developing:

- (1) a revised investment policy to achieve an investment strategy with longer term goals and objectives that result in potential greater returns, adequate controls, and within appropriate risk thresholds, and
- (2) assist in communications with stakeholders and developing a framework for gaining legislative approval.

Background

The District is funded by the Measure F ¼ cent County-wide sales tax that is due to sunset in 2031. The District anticipates a new Measure will be taken to the voters before then, and that it will be approved for another 20-year period, but plans need to be in place to fund ongoing operations in case the sales tax funding ceases. To prepare for that possibility, a Stewardship Reserve amount needs to be determined and a funding strategy developed.

As the District seeks to amend its investment policies to maximize interest on Measure F revenues, MGO was tasked with assessing how the District might depart from statutory investment requirements outlined in Government Code Section 53600-53610, including comparisons to pension and post-retirement benefit systems.

Work Performed

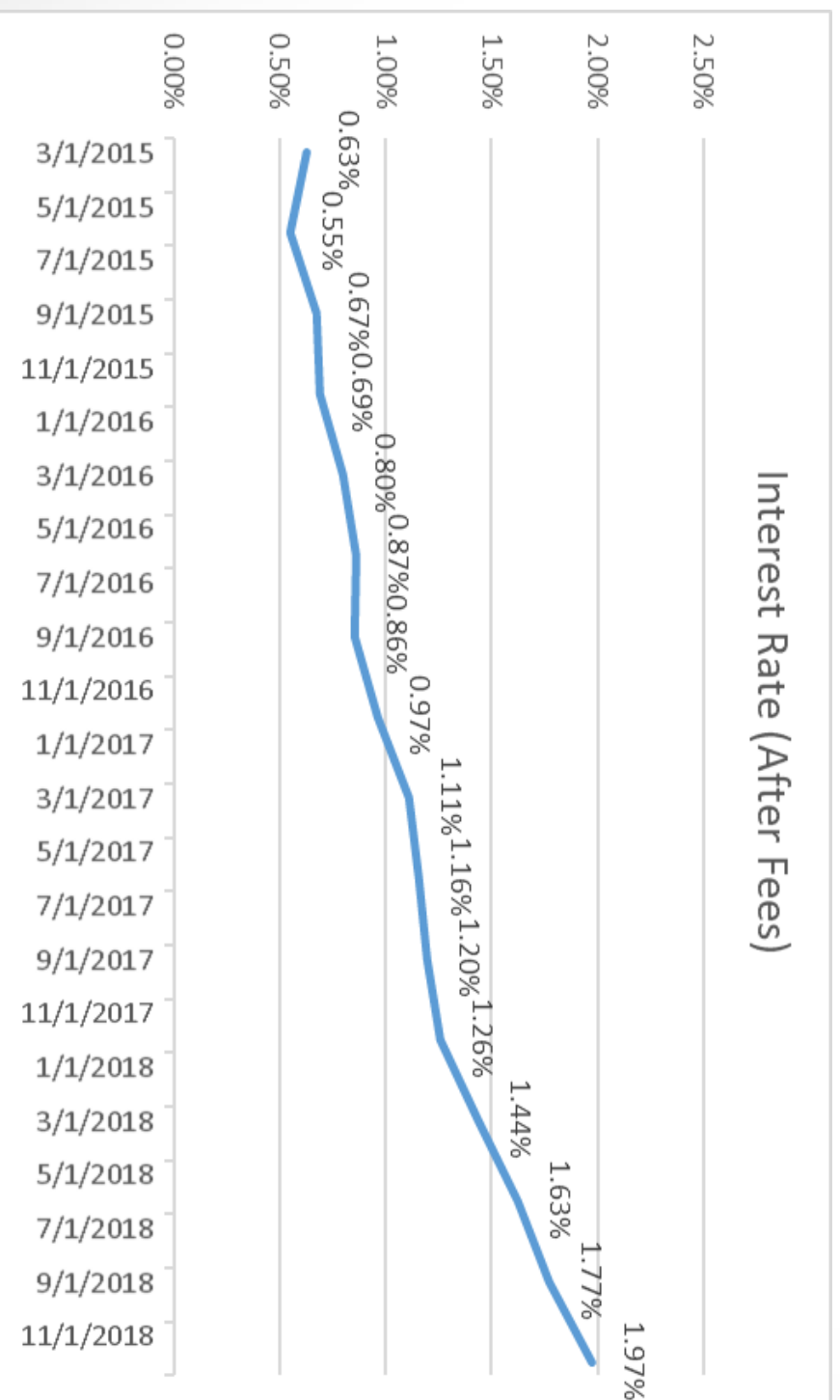
- MGO has performed the following work:
 - Studied the State’s statutory investment requirements;
 - Performed outreach to professional organizations, and representatives with the California Debt and Investment Advisory Commission (CDIAC);
 - Reviewed the District’s/County’s pooled investment program policy;
 - Studied the County’s OPEB investment policy; and
 - Compared the District’s/County’s current pooled investment program structure and yield performance to other investment programs such as the County’s OPEB trust, the CalPERS funds.

Summary of Observations and Recommendations

- In October 2017, the Stewardship Reserve Fund Calculation model was presented to the Fiscal Oversight Commission. The calculation showed that a 4.5% rate of return was necessary to cover costs for stewardship of District-held easements and other costs ahead of 2031 when Measure F sunsets.
- Based on a four-year evaluation, the County's pooled cash investment program generates yields below the District's 4.5% goal, the most recent quarter yielding 1.97% after fees.

County's Pooled Cash Yield

- From 2015 through 2018, the quarterly yield from the County's pooled cash investment program ranged from 0.63% to 1.97%.



Summary of Observations and Recommendations

- Investment programs operating outside of the District's/County's existing investment guidelines (GC 53600-53610), such as public pension and post-retirement benefit funds, have generally demonstrated annual yields exceeding the District's 4.5% goal for stewardship reserve funding, while still maintaining the safety of its funds.
 - County's OPEB Trust: 7.25% yield in FY 15-16, and 6.5% in FY 16-17
 - CalPERS State Pension: 7.2% average annual yield, FY 97-98 to 16-17
 - CalPERS CERBT: annual yields of 4.67% to 7.12% depending on program

County's OPEB Yield

- In 2008, the County adopted to administer its own Other Post-Employment Benefit (OPEB) trust to manage its retiree health benefits.
- The County created this OPEB trust through authority granted in GC 53620-53622.
 - The County complies with these statutes through an adopted “County of Sonoma Post Employment Health Care Plan Investment Policy Document,” last updated in June 2017.
- According to the County’s Comprehensive Annual Financial Report (CAFR), the OPEB trust achieved an annual rate of return of 7.25% in FY 2015-16 and 6.5% in FY 2016-17.
- According to the Auditor-Controller-Treasurer-Tax Collector’s Office, the 10-year annualized rate of return was 7.7%.

County's OPEB Yield

- According to the County's Other Post-Employment Health Care Plan Investment Guidelines, the County invests 60% of its assets into equities, 32% into fixed income, and 8% into alternative assets and can be flexible within ranges within the target mix* of investments.

Equities	50%-70%	Target Mix
Equity Style	Range	
Domest Large Cap	20%-45%	30%
Domestic Mid Cap	0%-12%	4%
Domestic Small Cap	3%-14%	8%
International Equity	4%-15%	8%
Global Equity	4%-12%	6%
Real Estate Investment Trust	2%-10%	4%

Fixed Income	25%-45%	Target Mix
Domestic Fixed	25%-45%	31%
High Yield	0%-8%	0%
Floating Rate Notes	0%-5%	0%
Cash	0%-5%	1%

Alternatives		Target Mix
Total Alternatives	0%-15%	8%
Market Neutral Funds	0%-3%	
Global Macro Funds	0%-5%	
Merger/Arbitrage Funds	0%-5%	
Managed Futures Funds	0%-5%	
Long-Short Funds	0%-3%	
Absolute Return Funds	0%-3%	
Commodity/Precious Metals Funds	0%-5%	

*Target mix is the percentage mix of stocks, bonds, and short-term reserves that an investor considers appropriate based on their financial objectives, time horizon, risk tolerance, and financial resources.

County's OPEB Yield

- Authority Granted Government Code 53620-53622:
§53620.

Notwithstanding Section 53601 or 53635, the governing body of a local agency may invest funds designated for the payment of employee retiree health benefits in any form or type of investment deemed prudent by the governing body pursuant to Section 53622

County's OPEB Yield

- Authority Granted Government Code 53620-53622:

§53621.

The authority of the governing body to invest or to reinvest funds intended for the payment of employee retiree health benefits, or to sell or exchange securities purchased for that purpose, may be delegated by the governing body to designated officers

County's OPEB Yield

- Authority Granted Government Code 53620-53622:

§53622.

(a) Funds intended for the payment of employee retiree health benefits shall only be held for the purpose of providing benefits to participants in the retiree health benefit plan and defraying reasonable expenses of administering that plan.

(b) The governing body or designated officer, when making investments of the funds, shall discharge its duties with respect to the investment of the funds.

County's OPEB Yield

- Authority Granted Government Code 53620-53622:

§53622 continued

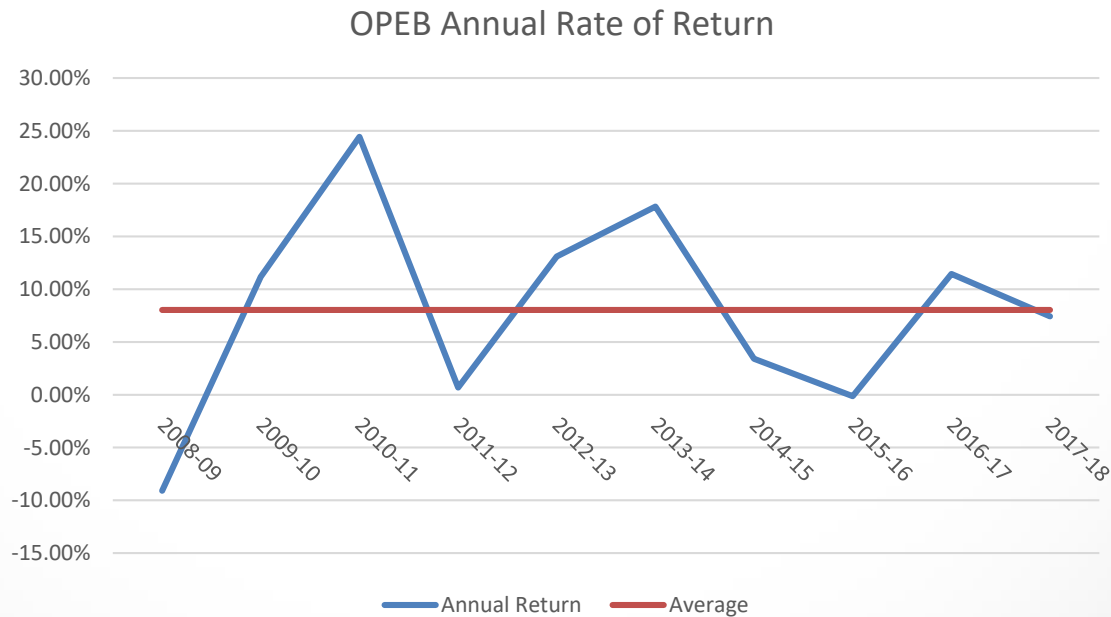
(1)Solely in the interest of, and for the exclusive purposes of providing benefits to, participants in the retiree health benefit plan, minimizing employer contributions thereto, and defraying reasonable expenses of administering the plan.

(2)With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(3)Shall diversify the investments of the funds so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

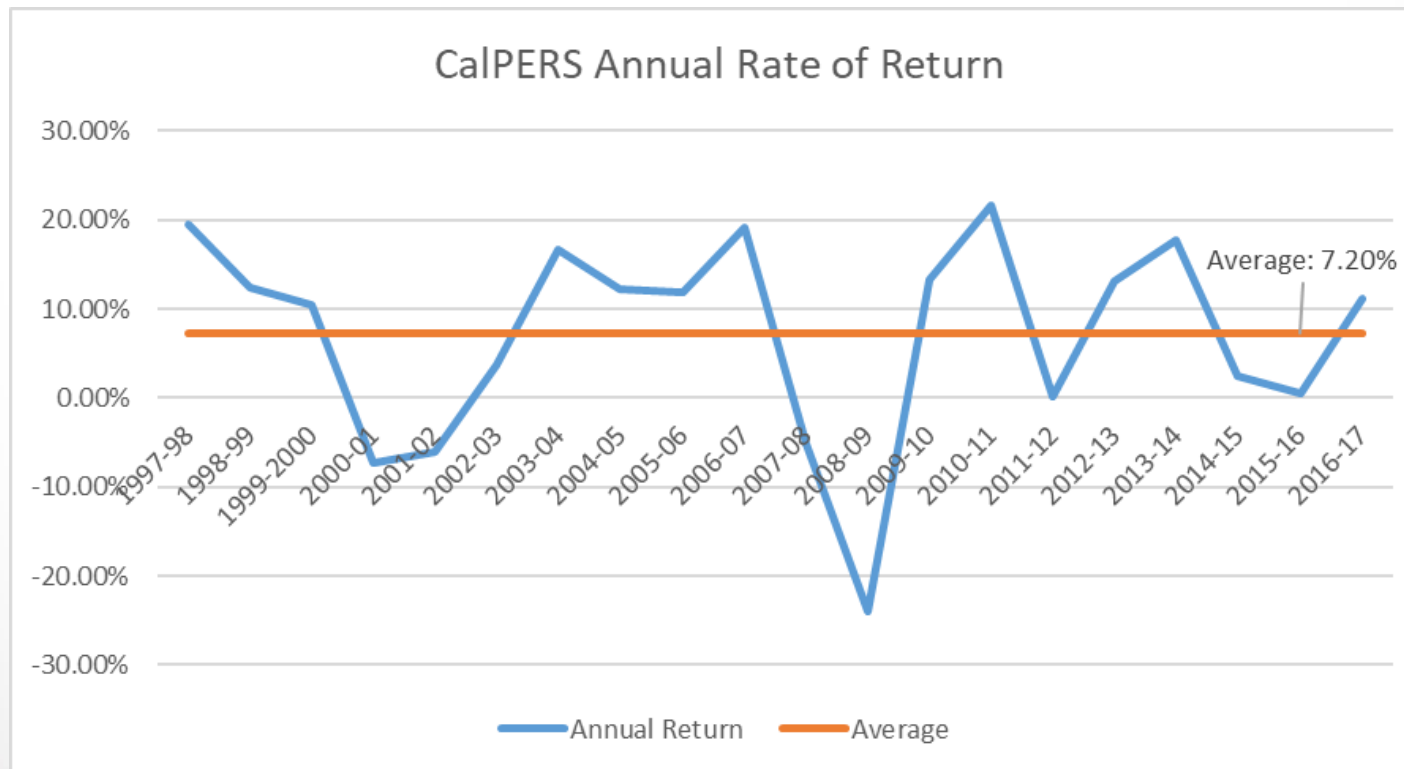
OPEB Rate of Return

- From FY 2008-09 through 2017-18, OPEB had an average rate of return of 8.03%. (10 year annualized return was 7.7%)
 - Annual yields ranged from -9.1% in FY 2008-09 to 24.43% in FY 2010-11.
 - Six out of the last 10 years achieved yields above 4.5%.



CalPERS State Pension

- From FY 1997-98 through 2016-17, CalPERS' State Pension fund had an average rate of return of 7.2%.
 - Annual yields ranged from -24% in FY 2008-09 to 21.7% in FY 2010-11.
 - Twelve out of the last 20 years achieved yields above 4.5%.



CalPERS State Pension

- Asset Allocation Plan
 - CalPERS Total Fund Investment Policy, 11/13/2018

Asset Class	Policy Target Weight	Policy Range Relative to Target
Growth - Public Equity	50%	+/- 7%
Growth - Private Equity	8%	+/- 4%
Income	28%	+/- 6%
Real Assets	13%	+/- 5%
Inflation Assets	0%	+/- 0%
Liquidity	1%	+/- 6%

CalPERS CERBT

- CalPERS administers OPEB program for public agencies across the state through the California Employers' Retiree Benefit Trust (CERBT).
- Agencies may participate in three investment strategies with net rates of return that range from 4.67 percent to 7.12 percent.

Rate of Return Since Inception	Strategy 1	Strategy 2	Strategy 3
Gross Return	4.74%	7.24%	5.45%
Net Return	4.67%	7.12%	5.34%

- CERBT invests its funds through a range of asset classes depending on the Strategy selected, Strategy 1 being the most aggressive, while Strategy 3 is the most conservative based on the percentage of funds invested in equities.

Asset Class Target Allocations	Strategy 1	Strategy 2	Strategy 3
Global Equity	59%	40%	22%
Fixed Income	25%	43%	49%
Treasury Inflation-Protected Securities	5%	5%	16%
Real Estate Investment Trusts	8%	8%	8%
Commodities	3%	4%	5%

Comparative Matrix of Asset Class Allocations

Asset allocation is an investment portfolio technique that aims to balance risk by dividing assets among major categories in the table below. Each asset class has different levels of return and risk, so each will behave differently over time.

The District's returns can be expected to be consistent with that of any other diversified investor, such as OPEB, with the same asset allocation, no matter which specific investments they choose.

Asset Class	Sonoma Pooled Cash	Sonoma OPEB	CalPERS State	CERBT
Equities	0	50-70%	48%-60%	22%-59%
Fixed Income	0	25-45%	25%-45%	25%-49%
Protected Securities	0	0%	(Fixed Income)	5%-16%
Real Estate Investment Trusts	0	0%	2%-10%	8%
Commodities	0	0-5%*	0%-5%*	3%-5%

Summary of Observations and Recommendations

- CA Government Code Sections 53620-53622 delegate significant discretion to local agencies to invest employee retiree health benefits “in any form or type of investment deemed prudent by the governing body.”
- MGO, working with District staff, are developing legislation for the District to consider modeling from the above Government Code for permitting the District to invest funds for open space preservation stewardship activities in a manner deemed prudent by the governing body.

Conclusions and Recommendations

- Investment models used for public pension and post-retirement benefit funds have demonstrated an ability to generate greater annual yields while still maintaining the care, skill, diligence and prudence to minimize risk and maximize the rate of return of its funds for the benefit of its beneficiaries; for example, the County's OPEB Trust: 7.25% yield in FY 15-16, and 6.5% in FY 16-17.
 - Government investment pools are limited due to GC and are restricted to invest with a five-year duration limitation, generally focused on liquidity; therefore, in addition to safety and conservative investment vehicles, the pool is highly liquid to accommodate the County's near term needs. This is in contrast to the investment objectives of pension plans and OPEB, much like endowment funds, which take a longer term investment approach to match long term needs with longer term investments. Along with higher risk, this approach also comes with expected higher yields.
- We recommend that legislation similar to GC 53620-53622 be used as a model for permitting local agencies to invest special revenues, but in this case, earmarked for open space preservation in a manner deemed prudent by the governing body.

Conclusions and Recommendations

- To balance safety with rate of return, we anticipate the investment guidelines will contain a list of prohibited investments that will be determined by the Treasurer.
- We are continuing to work with District Finance staff on proposed legislation.

Next Milestones

- Develop draft legislation
- Present draft legislation to Fiscal Oversight Commission
- Present to Board of Directors for recommendation
- Work with Treasurer on investment policy