



AG + OPEN SPACE
SONOMA COUNTY

JOINT MEETING OF THE AG + OPEN SPACE ENDOWMENT SUBCOMMITTEES
OF THE FISCAL OVERSIGHT COMMISSION AND ADVISORY COMMITTEE

SPECIAL MEETING AGENDA

May 24, 2023 | 8:00 am

COMMITTEE MEMBERS PLEASE CALL IF UNABLE TO ATTEND

MEMBERS OF THE PUBLIC MAY PARTICIPATE VIA ZOOM OR IN PERSON

The May 24, 2023 Joint Meeting of the Sonoma County Ag + Open Space Endowment Subcommittees of the Fiscal Oversight Commission and Advisory Committee meeting will be held in person at Ag + Open Space's office located at 747 Mendocino Avenue, Santa Rosa, CA. The public may also participate virtually through Zoom.

Members of the public can watch or listen to the meeting using one of the two following methods:

1. **Zoom:** Join the Zoom meeting on your computer, tablet or smartphone by clicking:
<https://sonomacounty.zoom.us/j/98316944769?pwd=MURud1o3TDVRWStOSEF5Z25MdElzd09>

If you have the Zoom app or web client, join the meeting using the Password: 778144

Call in to meeting: Dial 1 669 900 9128. Enter meeting ID: 983 1694 4769

2. **In Person:** Members of the public may attend in person at Ag + Open Space's office at 747 Mendocino Avenue, Santa Rosa, CA in the large conference room.

PUBLIC COMMENT DURING THE MEETING: You may email public comment to Mariah.Robson@sonoma-county.org. All emailed public comments will be forwarded to all Committee Members and read aloud for the benefit of the public. Please include your name and the relevant agenda item number to which your comment refers. In addition, if you have joined as a member of the public through the Zoom link or by calling in, there will be specific points throughout the meeting during which live public comment may be made via Zoom and phone.

DISABLED ACCOMMODATION: If you have a disability which requires an accommodation or an alternative format to assist you in observing and commenting on this meeting, please contact Mariah Robson by email to Mariah.Robson@sonoma-county.org by 5:00pm Tuesday, May 23, 2023 to ensure arrangements for accommodation.

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. Ag + Open Space Endowment Planning Attachment A

Julie Mefferd, Administrative and Fiscal Services Manager

6. Adjournment





**AG +
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Attachment 'A'

LAND FOR LIFE

A wide-angle photograph of a coastal wetland. In the foreground, a person wearing a blue shirt and jeans stands in a field of tall, dry grass and low-lying green shrubs. Beyond them is a large, calm body of water, likely a bay or estuary. The far shore is visible with some buildings and utility poles. In the distance, a range of mountains is visible under a blue sky with scattered white clouds.

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Endowment Subcommittees of the
Fiscal Oversight Commission and Advisory Committee

May 24, 2023

SUBCOMMITTEE WORKPLAN

Meeting 1 – April 5

- Background information, Subcommittee Workplan
- Introduction to Calculation
- Meeting 2 – April 27
- Review details of Calculation
- Introduction to Funding and Investment Strategy

Meeting 3 – May 24

- Discussion of Funding and Investment Strategy
- Recommendations



- 2013 AOS investigated ability to garner returns greater than county treasury.
- 2017 AOS conducted an informal request for investment policy services. Four respondents. MGO selected.
- 2017-2019 AOS/MGO worked on draft policy and legislative action.



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

- 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 and liquidity of its funds.
 - County's Investment Pool returns over the past 5 years ranged between .57% (Dec 2021) to 2.31% (Jun 2019)
 - County's OPEB Trust: 5 Year returns ranged between 3.69% (FY2020) and 26.86% (FY2021)
 - CalPERS State Pension: 6.9% average annual yield over past 20 years
 - CalPERS CERBT: 10 Year returns ranged from 3.67% to 5.78%, depending on program

County's OPEB Investment Allocations

According to the County's Post-Employment Health Care Plan Investment Policy as of June 2017, the County invests 60% of its assets into equities, 32% into fixed income, and 8% into alternative assets.

| 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% | |
| Meger/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% | |

Summary of Observations and Recommendations

- CA Government Code Sections 53620-53622 delegates significant discretion to local agencies to invest employee retiree health benefits...
 - 1) “in any form or type of investment deemed prudent by the governing body.”
 - 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.”

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.
- We recommend that legislation similar to GC 53620-53622 be used as a model for permitting local agencies to invest special revenues earmarked for open space preservation activities in a manner deemed prudent by the governing body.

ENDOWMENT FUND TARGET BASED ON VARIOUS RATES

- Current portfolio
(mix of 330 easement-ownerships and 12 fee properties):
 - \$143 million if earning 2%
 - \$71 million if earning 4%
 - \$47 million if earning 6%
- 2031 portfolio
(no fee land properties, estimating 450 easement-ownerships):
 - \$124 million if earning 2%
 - \$62 million if earning 4%
 - \$41 million if earning 6%

- General verbal consensus by the Board of Directors.
- Develop Draft Legislation and coordinate with County Counsel in order to utilize an investment policy other than the traditional provisions in Government Code 53601.
 - A general conceptual verbal consensus has been received by County Counsel and the Treasurer's Office as well as the State Controller's office.
- An opinion letter and approved legislative language from County Counsel would be taken to the Treasurer's Office for consensus, with a formal contract negotiated after final Board approval.

Next Steps - Continued

- Development of an investment policy would be required that met the elements of the program parameters and the investment objectives of the Endowment Fund.
- The Fiscal Oversight Committee would receive a presentation prior to presenting to the Board of Directors.
- Following formal Board approval, steps would be developed on Legislative Sponsorship and timing of State Committee presentations, with ultimate goal of legislation approval by State Representatives.

Questions and Discussion

