

**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED UPON PROCEDURES FOR  
CITY OF FOSTER CITY  
INVESTMENT COMPARISONS  
FOR THE QUARTER ENDED DECEMBER 31, 2020**

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 CITY OF FOSTER CITY  
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 FOR THE QUARTER ENDED DECEMBER 31, 2020**

City Manager and Finance Director  
 of the City of Foster City  
 Foster City, California

We have performed the procedures described below, which were agreed to by the City of Foster City (City), to assist you in reviewing investment return comparisons with the five bay area cities, for the quarter ended December 31, 2020. The City’s management is solely responsible for its investment. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

All Cities’ investments are required to comply with the California state law, Government Codes and all applicable local ordinances or policies. Each City may place further restrictions on its investments, adopted annually by the City’s Council. Each City’s situation and financial condition is unique to itself, therefore, its investment strategy and portfolio vary, depending on its emphasis on safety, liquidity, and yield.

Foster City’s Investment Policy identifies three primary investment objectives. In the order of priorities, they are a) Safety, b) Liquidity, and c) Yield. A table summarizing these investment objectives on December 31, 2020 is as follows:

Foster City, Investment Portfolio as of 12/31/2020									
Investment Type	Credit Quality <sup>(1)</sup>	Maturities / Liquidity <sup>(3)</sup>					Total Portfolio (Market Value)	% of Portfolio <sup>(1)</sup>	Yield <sup>(3)</sup>
		up to 1 year	1-2 years	2 to 3 years	3-4 years	4-5 years			
Federal Agencies	Aaa/AA+	10,568,715	-	-	1,001,700	4,005,280	15,575,695	4.9%	1.57%
Certificates of Deposits	FDIC Insured	1,242,586	1,245,653	-	-	-	2,488,239	0.8%	2.29%
LAIF (Liquid account)	n/a	298,347,560	-	-	-	-	298,347,560	94.3%	0.54%
<b>Total Investments</b>		<b>310,158,861</b>	<b>1,245,653</b>	<b>-</b>	<b>1,001,700</b>	<b>4,005,280</b>	<b>316,411,494</b>	<b>100.0%</b>	<b>0.60%</b>
<b>Portfolio Liquidity<sup>(2)</sup></b>		<b>98.0%</b>	<b>0.4%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>1.3%</b>	<b>100.0%</b>		
Investment Objectives, in the Order of Priorities:									
<sup>(1)</sup> Safety									
<sup>(2)</sup> Liquidity									
<sup>(3)</sup> Yield									

The procedures are listed as follows:

### 1. Investment Portfolio and Yield to Maturity (YTM)

We have obtained the investments compositions as of December 31, 2020 for five bay area cities. The cities' yield to maturity (YTM) for each investment type, as well as the weighted average YTM, are presented in both Table and Graph format for comparison purpose, however, we do not express any opinion for the comparison. All data presented are either obtain from publicly available information downloaded from the cities' websites, or through audited financial data.

The cities are listed below:

- A. Foster City
- B. Belmont
- C. Burlingame
- D. Redwood City
- E. Mountain View
- F. Palo Alto

Please note that the portfolios of two Cities, Burlingame and Redwood City were managed by an independent investment manager: PFM Asset Management LLC.

- **Comparisons in Table Format**

Investment Type	1-Foster City			2-Belmont		
	Fair Value	% of Portfolio	Yield to Maturity	Fair Value	% of Portfolio	Yield to Maturity
Federal Agencies notes/bonds:	\$ 15,575,695	4.92%	1.57%	\$ -	0.00%	0.00%
Negotiable Certificates of Deposit	2,488,239	0.79%	2.29%	-	0.00%	0.00%
Local Agency Investment Funds (LAIF) *	298,347,560	94.29%	0.54%	91,003,700	100.00%	0.54%
<b>Total</b>	<b>\$ 316,411,494</b>	<b>100.00%</b>	<b>0.60%</b>	<b>\$ 91,003,700</b>	<b>100.00%</b>	<b>0.54%</b>

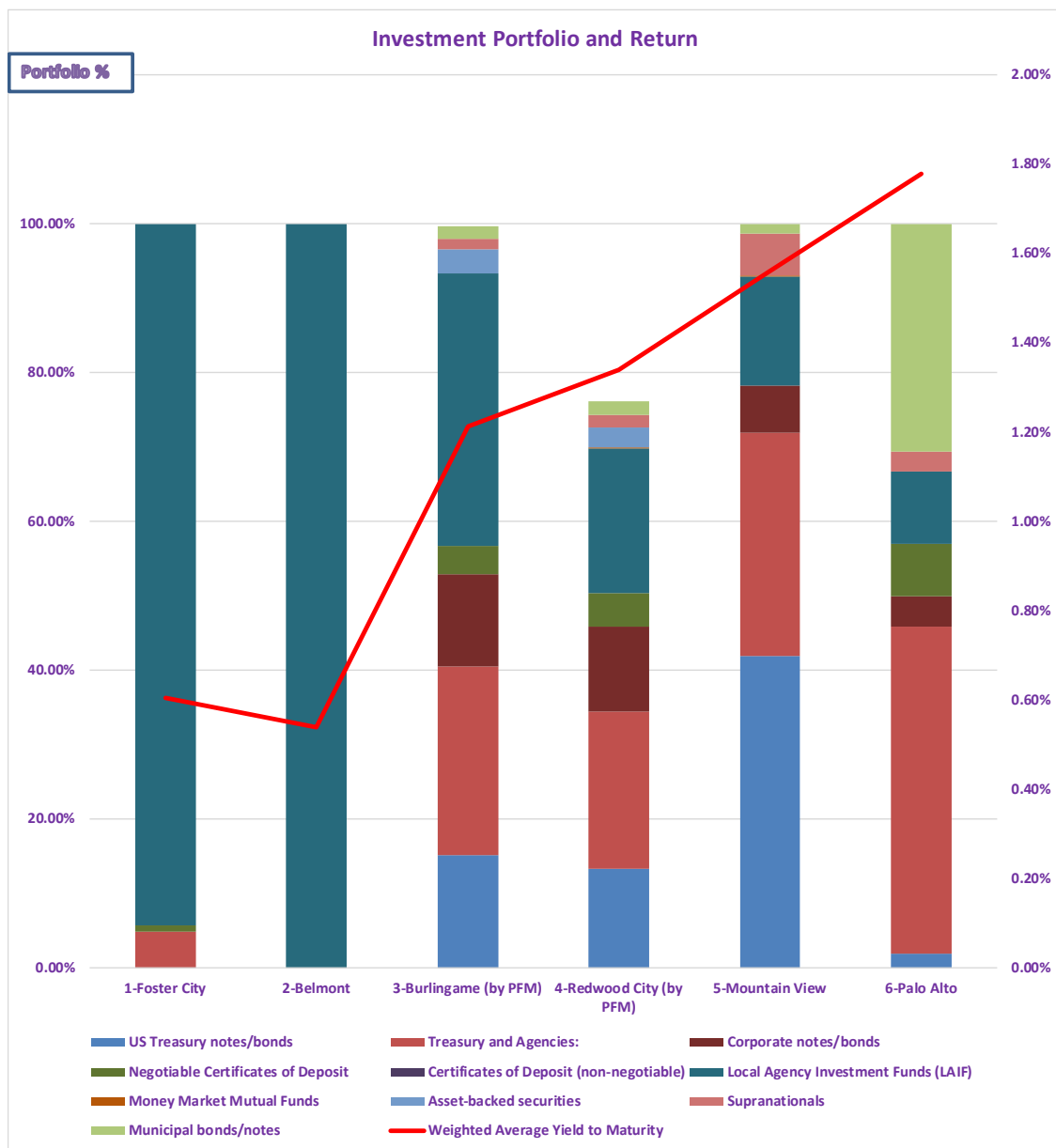
\*Includes \$81,821,766 of Levee G.O. Bond Proceeds

Investment Type	3-Burlingame (by PFM)			4-Redwood City (by PFM)		
	Fair Value	% of Portfolio	Yield to Maturity	Fair Value	% of Portfolio	Yield to Maturity
Securities of U.S. Government						
US Treasury notes/bonds	\$ 29,937,979	15.10%	1.90%	\$ 37,952,891	13.37%	2.16%
Treasury and Agencies:	50,263,239	25.35%	1.03%	59,791,529	21.07%	1.07%
Corporate notes/bonds	24,744,152	12.48%	2.17%	32,353,336	11.40%	2.26%
Negotiable Certificates of Deposit	7,380,764	3.72%	1.80%	12,918,929	4.55%	1.88%
Local Agency Investment Funds (LAIF)	72,825,705	36.73%	0.54%	55,120,911	19.42%	0.54%
County Investment Pool	-	0.00%	0.00%	67,536,412	23.79%	1.00%
California Asset Management Program (CAMP)	589,202	0.30%	0.03%	-	0.00%	0.00%
Money Market Mutual Funds	-	0.00%	0.00%	612,465	0.22%	0.00%
Asset-backed securities	6,196,653	3.13%	2.41%	7,419,248	2.61%	2.53%
Supranationals	2,999,166	1.51%	2.06%	4,674,790	1.65%	2.75%
Municipal bonds/notes	3,309,359	1.67%	1.33%	5,461,626	1.92%	1.47%
<b>Total</b>	<b>\$ 198,246,219</b>	<b>100.00%</b>	<b>1.21% (A)</b>	<b>\$ 283,842,137</b>	<b>100.00%</b>	<b>1.34% (A)</b>

\*Burlingame and Redwood City uses an independent investment manager to manage its investment portfolio, excluding LAIF, County Investment Pool, and CAMP. As a result, the investment manager only provides each City the YTM on its managed holdings. In order to provide applicable comparability, we have manually calculated the overall investment YTM, inclusive of LAIF, County Investment Pool, and CAMP holdings for Burlingame and Redwood City.

Investment Type	5-Mountain View			6-Palo Alto		
	Fair Value	% of Portfolio	Yield to Maturity	Fair Value	% of Portfolio	Yield to Maturity
Securities of U.S. Government						
US Treasury notes/bonds	\$ 329,796,839	41.89%	1.73%	\$ 10,824,020	1.95%	2.36%
Treasury and Agencies:	236,471,342	30.04%	1.41%	242,849,253	43.85%	1.61%
Corporate notes/bonds	49,764,809	6.32%	2.43%	22,920,804	4.14%	1.37%
Negotiable Certificates of Deposit	-	0.00%	0.00%	39,396,148	7.11%	1.82%
Local Agency Investment Funds (LAIF)	115,884,902	14.72%	0.52%	53,332,419	9.63%	0.54%
Money Market Mutual Funds	165,685	0.02%	0.01%	-	0.00%	0.00%
Supranationals	44,867,303	5.70%	2.13%	14,635,600	2.64%	2.45%
Municipal bonds/notes	10,350,804	1.31%	4.83%	169,832,319	30.67%	2.41%
<b>Total</b>	<b>\$ 787,301,684</b>	<b>100.00%</b>	<b>1.56%</b>	<b>\$ 553,790,563</b>	<b>100.00%</b>	<b>1.78%</b>

- **Comparisons in Graph Format**



## 2. Investments authorized by Cities' Investment Policy

We have also obtained the types of investments authorized by each City's investment policy.

### A. Foster City

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	5%	5%
U.S. Treasury Obligations	5 years	100%	100%
U.S. Agency Securities	5 years	100%	50%
Bankers Acceptances	180 days	25%	5%
Commercial Paper	90 days	20%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	50%	50%
Medium-Term Notes	5 years	5%	5%
Shares of Beneficial Interest (Mutual Funds)	N/A	10%	10%
Certificates of Deposit (non-negotiable)	1 year	10%	Max with FDIC
San Mateo County Pooled Investment Program	N/A	10%	10%
State Local Agency Investment Fund (LAIF)	N/A	100%	\$75,000,000
State Bonds	5 years	5%	5%

**B. Belmont**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum % of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Municipal Bonds	5 years	None	None	None
U.S. Treasury Obligations	5 years	None	None	None
State of California and Other State Obligations	5 years	None	None	None
CA Local Agency Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	None	None	None
Bankers Acceptances	180 days	None	40%	30%
Commercial Paper (pooled)	270 days	A1 / P1	40%	10%
Commercial Paper (non-pooled)	270 days	A1 / P1	25%	10%
Negotiable Certificates of Deposit	5 years	None	30%	None
Non-Negotiable Certificates of Deposit	5 years	None	None	None
Placement Service Deposits	5 years	None	30% (A)	None
Placement Service Certificates of Deposit	5 years	None	30% (A)	None
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	None	20% of base value of portfolio	None
Medium Term Corporate Notes	5 years	A	30%	None
Mutual Funds	N/A	Top rating category	20%	10%
Money Market Mutual Funds	N/A	Top rating category	20%	10%
Collateralized Bank Deposits	5 years	None	None	None
Mortgage Pass-Through Securities	5 years	AA	20%	None
County Pooled Investment Funds	N/A	None	None	None
Joint Powers Authority Pool	N/A	Multiple	None	None
California Local Agency Investment Fund	N/A	None	None	\$75M
Voluntary Investment Program Fund	N/A	None	None	None
Supranational Obligations (B)	5 years	AA	30%	None

(A) 30% maximum % of portfolio is for deposits and certificates of deposit combined.

(B) Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB)

**C. Burlingame**

Acceptable investments authorized for purchase by the Finance Director/Treasurer are:

- US treasury obligations
- Federal agency or US
- Obligation of State of California or local agency within CA
- Treasury notes or bonds
- Bankers’ Acceptances
- Commercial Paper
- Negotiable Certificates of Deposits (CD)
- Non-negotiable CD
- Medium-term notes

**Burlingame (continued)**

- Demand deposits
- Passbook savings accounts
- Share of beneficial interest issued by diversified management company
- Mortgage back securities
- Repurchase Agreements
- Local Agency Investment Fund (LAIF)
- San Mateo County Pool
- Shares issued by a Joint Powers Authority
- Guaranteed investment contracts
- Supranationals

**D. Redwood City**

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	No limit	No limit
Federal Agency or Government Sponsored Enterprises (GSEs)	N/A	No limit	No limit
Local Agency Investment Fund	N/A	No limit	\$75 Million
San Mateo County Pool	N/A	No limit	\$75 Million
State and Local Agency Bonds	N/A	20%	5%
Money Market and Mutual Funds	N/A	20%	5%
Local Government Investment Pools	N/A	20%	No limit
U.S. Medium-Term Notes	5 years	30%	5%
Non-negotiable Certificates of Deposit	3 years	10%	2%
Negotiable Certificates of Deposit	N/A	30%	5%
Prime Commercial Paper	270 days	25%	5%
Bankers' Acceptances	180 days	10%	2%
Repurchase Agreements	90 days	10%	2%
Asset-backed Securities	5 years	20%	5%
Supranational Securities	5 years	30%	5%



## E. Mountain View

The City Council is responsible for the regulatory oversight of the City's cash and investments pool. The City's Investment Policy and the California Government Code permit investments in the following: Securities issued by the U.S. Government or an agency of the U.S. Government, mortgage-backed securities, commercial paper, banker's acceptances, medium term notes issued by U.S. corporations, mutual funds invested in U.S. Government securities, certificates of deposit, municipal bonds issued by the City or any of its component units, the Local Agency Investment Fund (LAIF), and Supranational securities.

## F. Palo Alto

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Government Securities	10 years (*)	N/A	No Limit	No Limit
U.S. Federal Agency Securities (C)	10 years (*)	N/A	No Limit (A)	No Limit
Certificates of Deposit	10 years (*)	N/A	20%	10% of the par value of portfolio
Bankers Acceptances	180 days (D)	N/A (D)	30%	\$5 million
Commercial Paper	270 days	A-1	15%	\$3 million (B)
Local Agency Investment Fund	N/A	N/A	No Limit	\$50 million per account
Short-Term Repurchase Agreements	1 year	N/A	No Limit	No Limit
City of Palo Alto Bonds	N/A	N/A	No Limit	No Limit
Money Market Mutual Funds	N/A	N/A (E)	No Limit	No Limit
Mutual Funds (F)	N/A	N/A	20%	10%
Negotiable Certificates of Deposit	10 years (*)	N/A	10%	\$5 million
Medium-Term Corporate Notes	5 years	AA	10%	\$5 million
Bonds of State of California Municipal Agencies & Other U.S. States	10 years (*)	AA/AA2	30%	No Limit
Supranational	5 years	AA/AA2	20%	10% of the par value of portfolio

(A) Callable and multi-step securities are limited to no more than 25% of the par value of the portfolio, provided that: 1) the potential call dates are known at the time of purchase, 2) the interest rates at which they "step-up" are known at the time of purchase, and 3) the entire face value of the security is redeemable at the call date.

(B) The lesser of \$3 million or 10% of outstanding commercial paper of any one institution.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the City's investment. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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This report is intended solely for the information and use of management and the City Council, and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Maze & Associates*

Pleasant Hill, California  
August 23, 2021