**Mendocino County Library Advisory Board**

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Mendocino County Library Advisory Board ("LAB") will hold its regular Board Meeting at:

1:00 p.m. – Wednesday, January 8, 2025

MEETING LOCATIONS:
In-Person at: Willits Branch Library,390 E. Commercial Street, Willits, CA 95490

Online at:

Microsoft Teams meeting

Join on your computer, mobile app or room device

Join the meeting now

Meeting ID: 278 841 665 820

Passcode: GH3Cn9yi

Join a meeting in Microsoft Teams - Microsoft Support

Learn how to join a Microsoft Teams meeting by link, calendar, channel, chat, or by calling in.

Agendas and attachments available at https://www.mendolibrary.org/about/library-advisory-board/lab-agendas-and-minutes

AGENDA

1. Call to Order
2. Approval of the Agenda
3. Approval of the Minutes from the November 13, 2024, meeting
4. Public Expression

   Note: The Library Advisory Board welcomes public and government participation at its meeting. Items can be added to the official agenda up to 72 hours in advance of the meeting date and time. For items not on the agenda, comments within the jurisdiction of the Board shall be limited to three minutes per person so that everyone may be heard. No more than ten minutes will be devoted to any non-agenda subject. No official action on non-agenda items will be taken by the LAB at the meeting where presented. Individuals wishing to address the Board under Public Expression are welcome to do so throughout the meeting at the appropriate points on the approved Agenda.

5. County Librarian's report
6. Branch Librarian's report – Willits and Laytonville

7. Administrative Services Manager's updates
    a. YTD Report
    b. Capital improvement updates – Willits Project options
8. Meeting dates and Location for 2025 & January 2026
9. Elect Officers Discuss Roles and Responsibilities for LAB members for 2025
10. LAB Plan of action for processes for expired Memberships and outgoing (incoming) members (Michael, Rosie, Larry, Carole, Michele)
11. Unfinished Business:
    a. LAB member bios, optional photo, few lines about why on LAB
    b. Updates on Friends of the Libraries Outreach
    c. District Updates
    d. Fort Bragg Building Updates
    e. Library fund investments – County Policy
12. New Business
    a. Recommendation to BOS to approve purchase cost for replacement Bookmobile for fiscal year 2025-2026 of approximately $450,000.
13. Announcements and Comments, Adjournments

Attachments:

- Minutes November 13, 2024
- YTD Report
- County Investment Policy

Minute Meeting Notes
11-13-24

Mendocino County Library Advisory Board

Library Advisory Board Minutes from Ukiah Branch Library on 11-13-24

Members Present: Michele Savoy - Chair, Roseanne Wetzel – Recording Secretary, Linda Thornquist Stumpf, Carole Poma, Susan Sher, Lew Chichester, Mellisa Hannum – County Librarian
Absent Members: Michael, Larry

Guests Present: Barbra Chapman Administrative Services Manager, Nayo Sicard Outreach Librarian, Melissa Carr Ukiah Branch Librarian, Lily Rojo – Department Application Specialist, Barbie Blake President of the Ukiah Valley Friends of the Library, and other friends members: Victor Hoosac, Wayne Menger, Robin Mummert, Jody Nyburg, Meri Castillo

1. Call to Order 1:00 PM
2. Motion to change previous minutes with a spelling change: County Counsel not County Council – brought forth by Susan. 1st by Lew, 2nd by Carole. Approved.
3. Motion to approve previous minutes with amendment: 1st by Carole, 2nd by Lew. Approved
4. Public Comment: N/A
5. County Librarian/Director Report: Mellisa Hannum: working on 2 state mandates:
   A. Student Success Cards- by Year 2029—will be pre-k through high school and Fort Bragg and Coast Community are piloting this program and will start working through the issues that come up to have the county be in compliance of the mandate by 2029.
   B. CA Freedom to Read Act: working on an anti-discrimination policy- committee will have it ready by end of January 2025. Will use language from this policy to add into the collection development policy for Mendocino County Library. Per the state, the library will be using the language "statement of concern" instead of "request for consideration."
   c. Went to a CLA, California Association Conference and was able to meet over 100 fellow directors, as well as architects, etc. Attended workshops on privacy and the 1st amendment, lunch at the library.

6. Administrative Services Manager's updates- Barb Chapman:
   a. The annual report will be presented to the BOS on December 17th
   b. Year to Date Report
   c. A-87: Always reports 2 years in the past. Need a better system so not to underbudget going forward. Barb received a better estimate for this fiscal year, and we received over $700,000 above the budged property tax revenue last year: which increases our operating expenses.
   d. There are lots of projects on the horizon: putting out contractor RFP to companies who have worked with other library systems in the within the last 2 years.
   The Ukiah Feasibility Study—if we like the firm, we can use them for most projects.
   The Ukiah Front Doors - safety project in progress and is a very high priority and likely cost over $45 thousand dollars.
   The Elevator repair done to the Ukiah Branch Library.
   The Mural and Dedication at the Ukiah Branch Library which will take place December 6th.
   Michele asked about the Willits Roof: Company has been selected and supposed to be in the middle of working on it this winter. Administration met with the energy folks and library staff and did a walk through. This has already gone before the BOS (Board of Supervisors).
   e. Michele asked how much we have in capital investment funds: Almost 2 million dollars.
   f. Another big expense to consider is replacement for the Bookmobile. They usually last 10 years, and ours is currently 12 years old.
   7. Outreach and Bookmobile Librarian report – Nayo Sicard
   Outreach: had between 24-25 events that they attended. There were new initiatives that Outreach and the Bookmobile pushed including:
   Library by Mail Service- any homebound individual in Mendocino County can fill out an application, don't need to prove they are homebound by a doctor's note, and will receive a shipment of items- the county library pays for the postage there and back.
   Series of Tech Help: Once a month there is outreach tech help at the Grace Hudson

Senior Housing.
Was the first year participating in Mendo Pride, and build a collection to help foster continuing to participate.
Still making connections with all the local tribes and had a STEM Robot building session and plan to do more of those.
Collaborations have been occurring with the City of Ukiah and Adventist Health.
Lunch at the Library- participated in 9 pop-ups and partnered with Ukiah, Fort Bragg and Coast Community Library. Will be creating ads on the Radio and social media in Spanish for next year.
Attended the Association of Bookmobile and Outreach Services and discussed further details on the bookmobile needing to be replaced.
Bookmobile: in May, a new bookmobile driver was hired. They added new stops in the summertime to help bridge the gap of schools being closed. Visit Brookside in Ukiah, and have a Storytime in Anderson Valley once a month. New stop is the Forager school in Gualala.
Outreach- with the 24 outreach events attended this year, can estimate that there will be the same if not more outreach events to participate in 2025.
Rosie asked: Any plans to budget for more staff for outreach if it continues to become busier? No. Not at this time.
REQUEST: Michele asked Nayo to write up a brief update on the Bookmobile and Outreach with info on needing a new Bookmobile for the Library Advisory Board report by 11-14-24. Completed by Nayo on 11-14-24.
Lew asked where bookmobiles typically come from: all over- and can be varied styles. Our bookmobile is a diesel hybrid. Susan asked if EV would be possible. Full EV is not sustainable at this time due to the weight of the MBKM as well as the roads and length of routes. We can go partially green, though.
Over 50% of stops that the MBKM make provides Wi-Fi.
Susan asked if Outreach Van brings books: Yes. Practice collection development to reach the partnership programs that attend- both broad and specific demographic books per requests. Over 85% come back- as it's a lending library, and slightly different rules than the physical libraries and MBKM apply. Also provides games,

seeds, crafts, movies, music, audiobooks.

8. Unfinished Business
a. REQUEST: Michael bio needed
b. Nothing to report - keep on agenda: Updates on Friends of the Library Outreach
c. No updates- keep on agenda: District Updates
d. The Willits Roof Update was covered earlier
e. Going to the Fort Bragg Planning City Dept- rezoning for parking & use. Spring will be breaking of ground- shovels in the ground in 2025.
Lew Question: Where is the 2 million to pay for Fort Bragg's Friends' project coming from? Linda mentioned a donation of property had been left to the Fort Bragg Friends of the Library (FOL). Selling belongings at auction, and can sell the house and property. This will give the FOL $$ needed. Idea to possibly have a plaque or a room named after the individual who left their property.
9. New Business
a. Almost 90% LAB Annual Report done on 11/13/24
Will have requests to prioritize for the Board of Supervisors (BOS) on the last page: classification study for library positions.
Highlighting how my FOL groups do for their libraries—if county can't complete something, want the FOL to be considered to help support.
Focus on services and programs libraries are providing- collectively and individually.
Need a process for how capital improvement money will be spent by buildings being rented by the County. How money will be available. There is a memorandum of understanding, so perhaps write that into it?
Leases come from operating expenses at the moment, not capital improvements.
Barb and Mellisa are actively being given more ability to act as liaison with the county to help move requests along – would like to continue to work with Barb and Mellisa on this.
REQUEST: Barb will ask the auditor's office with the individual Barb works with re the question of capital improvements and funding.

b. Done

c. REQUEST: Michael's membership expired in 2023, and needs to be renewed. Carole will not be renewing for the 5th District, Rosie will not be renewing for the 1st Districts, Larry will net be renewing for the City of Point Arena. Michele could petition to move into the 1st District where she lives with Rosie's vacancy. There is someone from Point Arena who is interested in being on the board, but would like to attend a meeting: Mark Sanford-Gross. Will be at the January meeting.

d. Meetings are every other month on the 2nd Wednesdays. Consider and vote on 1 Saturday a year. Dates for 2025 to be voted on at the January meeting.
REQUEST: PUT ON AGENDA

e. REQUEST PUT ON AGENDA: Discuss Roles and Responsibilities for LAB members for 2025

10. Questions/Comments:
Victor liked the idea of a stronger partnership between county and FOL groups- asked if this could be discussed with a supervisor, possible John Haschak? Requested updates on the $300 thousand endowment from a patron to the library. FOL heard about it this last year- but the endowment was not specific which library it was going to. Would like to know where the money went and how it can be spent. Could it be used for the new MBKM?
Jody asked about the Measure O and the 2 years 8.4 million? The sales tax portion of Measure O was not as high as they had wanted it to be, ended up being $1.9 million (40%) from Measure O. There is info on this in the Annual Report indraft, currently, but it will be posted on the library's website once the draft is finalized.
Lew: people just want to know where the money is and have it be transparent.
Barb: It's not a lack of money; it's a lack of personnel. The process is getting better. Per donations to libraries- they are set aside per branch donated too.
11. Meeting Adjourned at 2:10 PM

Next Meeting: Next Year's Meetings - January 8, 2025, Laytonville branch (& Willits featured)

Agenda for Next Meeting:
1. LAB member bios, optional photo, few lines about why on LAB
2. Updates on Friends of the Libraries Outreach

Minute Meeting Notes
11-13-24

Mendocino County Library Advisory Board

3. District Updates
4. Discuss dates/times of meetings to have a Saturday option. Finalize 2025 dates for meetings.
5. Roles and Responsibilities of LAB members and vote.

LIBRARY OPERATING BUDGET FY 2024/2025							
OBJECT	ACCOUNT DESCRIPTION	REVISED BUDGET	YTD 1/2/2025	Encum-brance	Available Budget	YTD % used	Notes
821500	SALES & USE TAX	-2,980,024	-1,001,950	0	-1,978,074	33.6%	Measure O Tax
824100	INTEREST	-30,000	-8,137	0	-21,863	27.1%	
825496	STATE LIBRARY GRANT	-10,627	0		-10,627	0.0%	Zib Books grant
826370	LIBRARY SERVICES	-18,400	-5,304	0	-13,096	28.8%	Fees & services
827600	OTHER SALES	-6,720	-7,814	0	1,094	116.3%	Photocopy/earbud fees
827700	OTHER	0	-630	0	630	0.0%	Pacific Lib Partnership
827707	DONATION	-10,050	-9,157	0	-893	91.1%	$4,000 for LT books
827802	OPERATING TRANSFER IN	-2,009,647	-2,009,647	0	0	100.0%	Property tax
Total Revenue		-5,065,468	-3,042,640	0	-2,022,828	60.1%	
861011	REGULAR EMPLOYEES	2,205,774	914,331	0	1,291,443	41.5%	
861012	EXTRA HELP	40,000	48,225	0	-8,225	120.6%	
861013	OVERTIME REG EMP	10,000	13,936	0	-3,936	139.4%	
861021	CO CONT TO RETIREMENT	631,959	264,668	0	367,291	41.9%	
861022	CO CONT TO OASDI	136,755	47,496	0	89,259	34.7%	
861023	CO CONT TO OASDI-MEDIC	31,983	13,576	0	18,407	42.4%	
861024	CO CONT TO RET INCREME	152,711	62,404	0	90,307	40.9%	
861030	CO CONT TO EMPLOYEE IN	400,585	171,208	0	229,377	42.7%	
861035	CO CONT WORKERS COMP	30,024	30,024	0	0	100.0%	
Total Salaries & Benefits		3,639,791	1,565,868	0	2,073,923	43.0%	
862060	COMMUNICATIONS	41,902	19,535	0	22,367	46.6%	Phones, broadband, hotspot data
862090	HOUSEHOLD EXPENSE	123,985	35,612	0	88,373	28.7%	County custodial, sewer, waste mgmnt
862101	INSURANCE-GENERAL	51,410	51,410	0	0	100.0%	
862120	MAINTENANCE-EQUIPMEN	22,000	19,136	0	2,864	87.0%	Bookmobile & Outreach van maintenance
862130	MAINT-STRC IMPR & GRN	83,000	16,560	0	66,440	20.0%	Building & grounds maintenance
862150	MEMBERSHIPS	2,000	740	0	1,260	37.0%	CLA, ALA, ARSL
862170	OFFICE EXPENSE	12,900	5,181	0	7,719	40.2%	Office supplies-paper, toner, etc.
862185	MEDICAL & DENTAL SVCS	2,000	0	0	2,000	0.0%	Pre-employment screenings
862187	EDUCATION & TRAINING	2,950	483	0	2,467	16.4%	Staff education
862189	PROF & SPEC SVCS-OTHR	354,100	79,757	0	274,343	22.5%	Catalog, Delivery, IT staff,Uk guard, NeoGov, contracted custodians
862190	PUBL & LEGAL NOTICES	1,500	717	0	784	47.8%	Classified ads for job postings, outreach
862194	A-87 COSTS	367,432	0	0	367,432	0.0%	
862210	RNTS & LEASES BLD GRD	49,948	16,159	0	33,789	32.4%	Round Valley, Laytonville leases
862227	SOFTWARE LONG-TERM	5,500	0	0	5,500	0.0%	> than 1 year license
862228	SOFTWARE SHORT-TERM	102,181	42,656	0	59,525	41.7%	Databases & software

862229	**SOFTWARE MAINTENANCI**	17,148	13,148	11,172	-7,171	76.7%	**3 year firewall**
862230	**INFO TECH EQUIP**	96,276	4,336	0	91,940	4.5%	**Computer replacements (Enterprise) & software**
862239	**SPEC DEPT EXP**	214,627	73,487	5,585	135,555	34.2%	**Library collection materials, programs**
862250	**TRNSPRTATION & TRAVEL**	20,900	4,713	0	16,187	22.5%	**Bookmobile and staff mileage**
862253	**TRAVEL & TRSP OUT OF CC**	15,000	5,479	0	9,521	36.5%	**Hotel, airfare, per diem conferences/trainings**
862260	**UTILITIES**	119,025	37,238	0	81,787	31.3%	**Water, electricity, gas**
Total Services & Supplies		1,705,784	426,346	16,756	1,262,682	25.0%	
864370	**EQUIPMENT**	4,700	0	4,700	4,700	0.0%	**Willits Library bike**
	Revenue Total	-5,065,468	-3,042,640	0	-2,022,828	60.1%	
	Expense Total	5,350,275	1,992,214	21,456	3,341,305	37.2%	
	Balance	284,807	-1,050,426	21,456	1,318,476	-368.8%	

LIBRARY CAPITAL INVESTMENT BUDGET FY 2024/2025

OBJECT	ACCOUNT DESCRIPTION	REVISED BUDGET	YTD 1/2/2025	Encum-brance	Available Budget	YTD % used	Notes
821500	**SALES & USE TAX**	-1,986,682	-665,910	0	-1,320,772	33.5%	**Measure O Tax**
825496	**STATE LIBRARY GRANT**	-247,040	0	0	-247,040	0.0%	**Willits roof project**
862189	**PROF & SPEC SERVICES**	100,000	0	0	100,000	0.0%	**Ukiah feasibility study**
864355	**LEASEHOLD IMPVMT**	45,000	0	0	45,000	0.0%	**Ukiah storefront replacement**
864360	**STRUCTURES & IMPVMT**	624,080	0	0	624,080	0.0%	**Willits roof, remodel design, Uk roof design**
864370	**EQUIPMENT**	27,000	0	0	27,000	0.0%	**Color copiers-Round Valley, Coast, Willits**
	Revenue Total	-2,233,722	-665,910	0	-1,567,812	29.8%	
	Expense Total	796,080	0	0	796,080	0.0%	
	Grand Total	-1,437,642	-665,910	0	-771,732	46.3%	

Endowment Funds		Balance
2710-76	**Fort Bragg Principal**	12,875
2710-76	**Fort Bragg Interest**	23,505
2710-76	**Ukiah Principal**	114,513
2710-76	**Ukiah Interest**	80,762
2710-76	**Bookmobile Principal**	4,290
2710-76	**Bookmobile Interest**	4,115
2710-76	**Willits Principal**	6,234
2710-76	**Willits Interest**	3,130
2710-76	**Library/Hallam Principal**	20,382
2710-76	**Library/Hallam Interest**	2,419
	Total	272,226

Operating Fund	Capital Inv Fund
2,701,674	3,085,285

COUNTY
OF
MENDOCINO

STATEMENT OF INVESTMENT POLICY

OFFICE OF
SARA PIERCE
MENDOCINO COUNTY
ACTING AUDITOR CONTROLLER/TREASURER-TAX COLLECTOR
JANUARY 2025

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I. INTRODUCTION

As designated by the Board of Supervisors under the laws of the State of California, it is the responsibility of the County Treasurer to secure and protect the public funds of the County, as well as establish proper safeguards, controls, and procedures to maintain these funds in a lawful, rational, and auspicious manner. Said maintenance shall include the prudent and secure investment of those funds that are not immediately required for daily operations in a manner anticipated to provide additional benefits to the citizens of the County of Mendocino. In addition, the County Treasurer acts as the Treasurer, cash manager, and investor for a sizable number of public agencies within the County, rather than each entity having to locate and hire a knowledgeable person to handle the entity's banking, investments, and other financial duties separately. This pooling of public funds not only eliminates duplication of expenses, but also levels out cash flow differences, permits cost savings through higher volume, and attracts more professional service providers. This document contains the policies, procedures, and legalities guiding the County Treasurer when investing funds.

The Investment Policy and practices of the County Treasurer are based on prudent money management principles and California State Law, specifically Government Code Sections 27000.1 - 27000.5, 27136, and 53600 - 53686. The practices of this office will always comply with the legal authority and limitations placed on it by the governing legislative bodies. The implementation of these laws will be the focus of this policy statement. Where this Investment Policy specifies a percentage limitation, compliance will be measured as of the date of purchase. This document is reviewed no less than annually and may be adjusted as needed to reflect any changes in the Government Code or investment practices.

II. SCOPE

This Investment Policy applies to all the County's financial assets and investment activities with the following exceptions:

A. Proceeds of debt issuance shall be invested in accordance with the County's general investment philosophy as set forth in this policy; however, such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures.

Pooling of Funds: Except for cash in certain restricted and special funds, the County will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income shall be allocated quarterly, calculated using on the average daily balance for the calendar quarter and allocated quarterly using cash basis methodology, to the various funds based on their respective participation and in accordance with generally accepted accounting principles. As authorized by California Government Code Section 27013, all costs related to the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income shall be apportioned equally on the same basis.

III. General Objectives

The overriding objectives of the investment program are to preserve principal, provide sufficient liquidity, and manage investment risks. The specific objectives for the program are ranked in order of importance:

1. ***Safety***: Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

2. ***Liquidity***: The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

3. ***Return on Investments***: The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs. Yield is definitely considered to be of much less importance than safety and liquidity and shall not be a driving force in determining which investments are selected for purchase.

IV. Prudence, Indemnification, and Ethics

A. *Prudent Investor Standard*: Management of the County's investments is governed by the Prudent Investor Standard as set forth in California Government Code Section 53600.3:

> **"…**all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. 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 County, 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 County. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

B. *Indemnification*: The Treasurer and other authorized persons responsible for managing County funds, acting in accordance with the investment policy and exercising due diligence, will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.

C. *Ethics*: Officers and employees involved in the investment process will refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

V. DELEGATION OF AUTHORITY

A. Authority to manage the County's investment program is derived from California Government Code Sections 53600 *et seq.* The governing body is responsible for the County's cash management, including the administration of this Investment Policy. Management responsibility for the cash management of County funds is hereby delegated to the Treasurer.

The Treasurer will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate employees. Pertaining to the California Government Code Section 27000 this delegation is subject to review and renewal of authority by the Board of Supervisors each year.

B. The County may engage the services of one or more external investment managers to assist in the management of the County's investment portfolio in a manner consistent with the County's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

VI. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

A. The County Treasurer will determine which financial institutions are authorized to provide investment services to the County. Institutions eligible to transact investment business with the County include:

1. Institutions licensed by the state as a broker-dealer;
2. Institutions that are members of a federally regulated securities exchange;
3. Primary government dealers as designated by the Federal Reserve Bank;
4. Non-primary government dealers;
5. Nationally or state-chartered banks;
6. The Federal Reserve Bank; and,
7. Direct issuers of securities eligible for purchase.

B. Selection of financial institutions and broker/dealers authorized to engage in transactions with the County will be at the sole discretion of the County.

C. All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with a statement certifying that the institution has reviewed the California Government Code Section 53600 *et seq*. and the County's Investment Policy.

D. Selection of broker/dealers used by an external investment adviser retained by the County will be at the sole discretion of the investment adviser.

E. Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

VII. DELIVERY, SAFEKEEPING AND CUSTODY, AND COMPETITIVE TRANSACTIONS

A. *Delivery-versus-payment*: Settlement of all investment transactions will be completed using standard delivery-vs.-payment procedures.

B. *Third-party safekeeping*: To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the County will be held in safekeeping by a third-party bank custodian, acting as agent for the County under the terms of a custody agreement executed by the bank and the County.

C. *Competitive transactions*: All investment transactions will be conducted on a competitive basis which can be executed through a bidding process involving at least three separate brokers/financial institutions to the extent possible or through the use of a nationally recognized trading platform.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and (iii) mutual funds and money market mutual funds, since these securities are non-deliverable.

VIII. AUTHORIZED AND SUITABLE INVESTMENTS

All investments will be made in accordance with Sections 53600 *et seq.* of the Government Code of the State of California and as described within this Investment Policy. Percentage holding limits and credit rating minimums are applicable at the time the security is purchased. Permitted investments under this policy will include:

1. **Municipal Securities.** These include obligations of the County, the State of California, and any local Agency within the State of California. In addition, Municipal Securities include obligations of the treasuries 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 the other 49 states in addition to California. The bonds will be registered in the name of the County or held under a custodial agreement at a bank. The securities are rated in a rating category of "A" or its equivalent or higher by at least one nationally recognized statistical rating organization (NRSRO).

   a. The maximum maturity of an issue shall be no more than five years at time of purchase;
   b. No more than five percent per issuer; and,
   c. No more than 30% of the portfolio may be invested in Municipal Securities.

2. **U.S. Treasury** and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the County may invest in U.S. Treasuries.

   a. The maximum maturity of an issue shall be no more than five years at time of purchase.

3. **U.S. Agency Obligations** 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. There are no limits on the dollar amount or percentage that the County may invest in government-sponsored enterprises.

   a. The maximum maturity of an issue shall be no more than five years at time of purchase;
   b. No more than 30% of the pool value shall be invested in any single issuer; and,
   c. The maximum percentage of callable agency securities will be 20%.

4. **Banker's Acceptances** provided that:

    a. They are issued by institutions with short term debt obligations rated in the rating category of "A-1" or higher, or the equivalent, by at least two NRSROs; and have long-term debt obligations which are rated in the rating category of "A" or its equivalent or higher by at least two NRSROs;
    b. The maturity does not exceed 180 days;
    c. No more than 40% of the total portfolio may be invested in banker's acceptances; and,
    d. No more than five percent per issuer.

5. **Federally Insured Time Deposits** (**Non-Negotiable Certificates of Deposit** in state or federally chartered banks, savings and loans, or credit unions, provided that:

    a. The amount per institution is limited to the maximum covered under federal insurance;
    b. The maturity of such deposits does not exceed five years; and,
    c. No more than five percent per issuer.

6. **Supranationals** provided that:

    a. Issues are unsubordinated obligations issued by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB);
    b. The securities are rated in the rating category of "AA" or its equivalent or higher by one NRSRO;
    c. No more than 30% of the total portfolio may be invested in these securities;
    d. No more than 10% of the portfolio per issuer; and,
    e. The maximum maturity does not exceed five years.

7. **Collateralized Time Deposits (Non-negotiable certificates of deposit)** in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

    a. No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits;
    b. The maturity of such deposits does not exceed five years; and,
    c. No more than five percent per issuer.

8. **Negotiable Certificates of Deposit (NCDs)** provided that:

    a. The amount of the NCD insured up to the FDIC limit does not require any credit ratings;

b. Any amount above the FDIC insured limit must be issued by institutions which have long-term obligations which are rated in the rating category of "A" or its equivalent or higher by at least one NRSRO; or have short term debt obligations rated "A-1" or higher, or the equivalent, by at least one NRSRO;
c. The maturity does not exceed five years;
d. No more than 30% of the total portfolio may be invested in be in negotiable certificates of deposit that are authorized under Section 53601(i).; and,
e. No more than five percent per issuer.

9. **Repurchase Agreements** collateralized with securities authorized under Sections VI and VIII (2 and 3) of this policy maintained at a level of at least 102% of the market value of the repurchase agreements, provided that:

   a. The maximum maturity of repurchase agreements will be one year;
   b. There is no limit to the amount to be invested in repurchase agreements;
   c. Securities used as collateral for repurchase agreements will be delivered to the County's custodian bank (See Section VII B); and,
   d. The repurchase agreements are the subject of a master repurchase agreement between the County and the provider of the repurchase agreement. The master repurchase agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).

10. **Commercial Paper** provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (a) or (b) and other requirements specified below:
    a. Securities issued by corporations:
       1. A corporation organized and operating in the United States with assets more than $500 million.
       2. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
       3. If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
    b. Securities issued by other entities:
       1. The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
       2. The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
       3. The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
    c. Other requirements:
       1. No more than 10% of the outstanding commercial paper of any single issuer.
       2. No more than 40% of the Pool's investment assets under management may be invested in Commercial Paper.

3. No more than 5% of the Pool may be invested in any single issuer.
4. The maximum maturity may not exceed 270 days.

11. **State of California Local County Investment Fund (LAIF)**, provided that:

a. The County may invest up to the maximum permitted amount in LAIF; and,
b. LAIF's investments in instruments prohibited by or not specified in the County's policy do not exclude it from the County's list of allowable investments, provided that the fund's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

12. **Local Government Investment Pools,** provided that: specifically Joint Powers Authority Pools and County Pooled Investment Funds. Provided that:

a. A Joint Powers Authority Pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o)

13. **Corporate Medium Term Notes (MTNs),** provided that:

a. Such notes have a maximum maturity of five years;
b. 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;
c. Are rated in the rating category of "A" or its equivalent or better by at least one NRSRO;
d. Holdings of medium-term notes may not exceed 30% of the portfolio; and,
e. No more than five percent per issuer.

14. **Asset-Backed Securities, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations from Issuers Not Defined In Sections 2 and 3 of the Authorized and Suitable Investments Section of this Investment Policy** provided that such securities:

a. Have a maximum stated final maturity of five years;
b. Be rated in a rating category of "AA" or its equivalent or better by at least one NRSRO;
c. Purchase of securities authorized by this subdivision may not exceed 20% of the portfolio; and,
d. No more than five percent of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.

15. **Mutual Funds and Money Market Mutual Funds** that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940:

    a. No more than 10% invested in any one single mutual fund. This limitation does not apply to money market mutual funds;
    b. No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds;
    c. A Mutual Fund must receive the highest ranking by not less than two nationally recognized rating agencies, or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635; and,
    d. A Money Market Mutual Fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of $500 million.

IX. PORTFOLIO RISK MANAGEMENT

A. *Prohibited investment vehicles and practices*:

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options;
2. In accordance with California Government Code Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited;
3. Purchasing securities with a final maturity longer than five years from purchase settlement date, unless approved by the Board of Supervisors, is prohibited;
4. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited. Under a provision sunsetting January 1, 2026, securities backed by the U.S. Government that could result in zero or negative interest accrual if held to maturity are permitted;
5. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited;
6. Purchasing or selling securities on margin is prohibited;
7. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited;
8. The purchase of foreign currency denominated securities is prohibited; and,
9. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investments is prohibited.

B. *Mitigating credit risk in the portfolio*: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The County will mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in Section VIII are designed to mitigate credit risk in the portfolio;
2. No more than five percent of the total portfolio may be invested in securities of any single issuer, except for US government securities, LGIPs, Supranationals, and money market mutual funds, or unless otherwise specified in this policy;
3. The County may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity, or yield of the portfolio in response to market conditions or County's risk preferences; and,
4. If a security's credit ratings owned by the County are downgraded to a level below the quality required by this Investment Policy, making the security ineligible for additional purchases, the following steps will be taken:

    a. Any actions taken related to the downgrade by the investment manager will be communicated to the Treasurer in a timely manner; and,
    b. If a decision is made to retain the security, the credit situation will be monitored and reported to the governing board.

C. *Mitigating market risk in the portfolio*: Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The County recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The County will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The County further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The County, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

1. The County will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements;
2. The maximum stated final maturity of individual securities in the portfolio will be five years, except as otherwise stated in this policy; and,
3. The duration of the portfolio will at all times be approximately equal to the duration (typically plus or minus 20%) of a Market Benchmark Index selected by the County based on the County's investment objectives, constraints, and risk tolerances.

X. INVESTMENT OBJECTIVES (PERFORMANCE STANDARDS AND EVALUATION)

A. **Overall objective:** The investment portfolio will be designed with the overall objective of obtaining a total rate of return throughout economic cycles, commensurate with investment risk constraints and cash flow needs.

B. **Specific objective:** The investment performance objective for the portfolio will be to earn a total rate of return over a market cycle which is approximately equal to the return on the selected Market Benchmark Index.

XI. SOCIAL AND ENVIRONMENTAL CONCERNS

In the event all general objectives mandated by state law and set forth in Section III above are met and created equal, investments in corporate securities and depository institutions will be evaluated for social and environmental concerns. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability, or sexual orientation, as well as those entities that practice environmentally sound and fair labor practices. Investments are discouraged in entities that receive a significant portion of their revenues from the manufacture of tobacco products, firearms, or weapons not used in our national defense. Additionally, pursuant to the County's outlined desire to mitigate Climate Change and in respect to the Board of Supervisors Resolution 24-121 adopted September 10, 2024, the Treasury shall not invest any funds in securities issued by firms whose general business activities are classified as "Energy - Oil, Gas & Coal" according to the Bloomberg Industry Classification System.

XII. PROCEDURES AND INTERNAL CONTROLS

A. *Procedures*: The Treasurer will establish written investment policy procedures in a separate investment procedures manual to assist investment staff with day-to-day operations of the investment program consistent with this policy. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy as designated in Appendix I and the procedures established by the Treasurer.

B. *Internal Controls*: The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. Internal controls will be described in the County's investment procedures manual.

XIII. DEPOSIT AND WITHDRAWAL OF POOLED FUNDS

A. *Deposits*: Funds will be accepted at all times from those local agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the Treasury Pool. The County Treasurer, in conjunction with the Auditor, shall set conditions under which funds from local agencies not required to have their funds in the Treasury Pool may deposit voluntarily invested funds. Local agencies from outside the County will not be permitted to deposit funds in the Treasury Pool.

B. *Withdrawal Requests*: The Treasury will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Auditor at net asset value. Any requests to withdraw funds for purposes other than immediate cash flow needs, such as for external investing, are subject to the consent of the Treasurer.

In accordance with California Government Code Sections 27133(h) and 27136, such requests for withdrawals must first be made in writing to the Treasurer. When evaluating a request to withdraw funds, the Treasurer will take into account the effect of a withdrawal on the stability and predictability of the Pooled Investment Fund and the interests of other depositors. Any withdrawal for such purposes will be at the market value of the Pooled Investment Fund on the date of the withdrawal.

XIV. DIVESTMENT OF VOLUNTARY POOLED PARTICIPANTS

The Treasury purchases securities with the intent to hold them to maturity. To that end, funds are invested in securities that mature on dates consistent with the anticipated operating cash requirements of all Pool participants. Withdrawals of funds by Voluntary Pool Participants for any purpose not considered as funds being utilized for operations shall be prohibited unless the Voluntary Pool Participant divests from the Pool and completely withdrawals all funds, ending their relationship with the County Pool.

To initiate the divestment process, the agency shall send a letter to the County Treasurer requesting divestment from the Pool. The letter will indicate the specific legal authority the agency is using to divest from the Pool. The letter shall include the reasons the agency wishes to divest, acknowledgement that they will not be permitted to rejoin the Pool, and the timeline they wish to have the divestment completed.

Upon review of the letter and the divestment request approved by the County Treasurer, the two parties will agree upon a mutually beneficial date to completely withdraw the agency funds from the Pool. Once a mutually beneficial date is agreed upon the agency shall pass a resolution with the following requirements:

1. The agency will state their intent to divest from the County Pool.

2. The agency will relieve the County Treasurer and County of any fiduciary responsibility to the agency.

3. The agency will agree to hold harmless the County Treasurer and County for any adverse consequences the agency may face from divestment from the Pool.

4. The agency will acknowledge that the divestment is intended to be permanent, and that the agency may be prohibited from rejoining the Pool at a future date.

5. The agency will acknowledge that the divestment may cause an adverse impact on current Pool participants and that the County Treasurer, at their discretion, may mark the divestment to market.

6. The agency will add any other provisions to the resolution as required by state and local law.

The County Treasurer reserves the right to divest any Voluntary Pool Participant from the Pool if they withdraw funds for any purpose not considered as funds being utilized for operations without the consent of the County Treasurer.

XV. REPORTING, DISCLOSURE, AND PROGRAM EVALUATION

A. *Monthly Reports*: Monthly investment reports will be posted to the Treasurer's website. These reports will disclose, at a minimum, the following information about the risk characteristics of the County's portfolio:

1. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, date of maturity, and interest rate;

2. A one-page summary report that shows:

    a. Average maturity of the portfolio and modified duration of the portfolio;

    b. Maturity distribution of the portfolio; and,

    c. Average portfolio credit quality.

3. A monthly transactions report.

B. *Quarterly Reports*: Investment reports will be provided to the Board of Supervisors on a quarterly basis. The quarterly report shall be submitted within 45 days following the end of the quarter. These reports will disclose all information provided in the monthly reports, as well as the following:

1. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution; and,

2. A statement that the County has adequate funds to meet its cash flow requirements for the next six months.

Policy adopted by the Mendocino County Board of Supervisors on January __, 2025.

Appendix I

Authorized Personnel

While the Treasurer has final responsibility for all investment decisions, other Treasury personnel may aid in the day-to-day operations, the following job classes are authorized to transact investment business and wire funds for investment purposes on behalf of the County of Mendocino:

Assistant Treasurer-Tax Collector
Investment Operations Analyst
Chief Deputy Treasurer-Tax Collector (Treasurer Division)
Treasury Specialist I/II
Senior Revenue Recovery Specialist

Appendix II

GLOSSARY OF INVESTMENT TERMS

AGENCIES. Shorthand market terminology for any obligation issued by *a government-sponsored entity (GSE),* or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than $250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COST YIELD. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATINGS ORGANIZATION (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market.

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

TREASURER. This is the elected Auditor-Controller/Treasurer-Tax Collector, acting in their capacity as the Treasurer of the County.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

AMERESCO

Ameresco Project Number 1009375

Willits Library, PV + BESS Options

Critical Infrastructure Upgrades, Reduced Carbon Footprint, and Improved Energy Resilience

Rev. January 6, 2025

Prepared for

County of Mendocino – Willits Branch Library

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By

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Project Background

Ameresco presented a potential project for the Willits Library at the County of Mendocino Board of Supervisors (BOS) Meeting on December 17, 2024. The project included the following measures.

ECM 1: Roof Replacement

Replace the existing deteriorated roof with a Taylor Metals Versa-Span roof. The proposed roof will be metal with an expected useful life of 40+ years. This measure will completely tear off the existing roof. It includes installing new sheathing as needed, installing ridge vents to all ridges, seamless fascia to gutter eaves, galvanized downspouts, gutter guards, and R-17 insulation over the flat roof portion.

ECM 2: PV and BESS

Install a 32.4 kW DC PV system on the new roof, which will offset over 90% of the building energy use, and a 40 kW / 122 kWh Battery Energy Storage System (BESS). The combination of the BESS and the PV systems (microgrid) will allow the Library to significantly offset its energy usage cost, shift load away from high cost periods of the day, and provide resilience capabilities – such as isolated operation from the electric grid as needed.

The County approved the roof and PV portions of the project, but further investigation into battery options was requested to assist in the decision-making process. This document was developed to serve that purpose and intends to highlight Ameresco's BESS evaluation and selection processes, and present feasible options for the County's consideration.

Battery Energy Storage System (BESS) Selection Overview

When selecting a BESS for a customer, Ameresco evaluates the specific needs of the customer to provide the most cost effective and technically viable solution. For the Willits Library there were several key factors our team considered when selecting the BESS options proposed in the following section.

Tier 1 BESS Manufacturer

Ameresco prioritizes quality, reliability and long-term performance in the BESS solutions we offer. We only work with Tier 1 BESS manufacturers which are globally recognized with proven track records of excellence. We only select Tier 1 products to ensure that we can fulfill our guarantees for the duration of the project. These products are rigorously tested for durability and performance, ensuring their reliability. They offer bankability by trusted financial institutions and are used in successful projects worldwide. They come with warranty support providing customers with peace of mind for successful long-term equipment operation, and are certified to meet international safety standards.

Some examples of Tier 1 manufacturers we consistently work with are:

- Tesla
- ELM Microgrid
- Fortress Power

Voltage compatibility and integration with existing electrical panel.

During the site visit, Ameresco noted the existing electrical service provided by the utility operates at 208 Volts. The selected BESS needed to be designed to integrate with 208V existing electrical service to ensure direct compatibility without requiring any additional transformers or other electrical equipment, simplifying installation. The selected BESS was sized based on the Library's historical electrical usage which was around 40,000 kWh annually, with a peak demand of 28 kW. Ameresco researched multiple BESS manufacturers including Tesla, ELM Microgrid and Fortress Power. Through our research we found that only Fortress Power offered the most appropriately sized BESS at 208V. This option provided the most technically efficient, and most cost-effective way to connect to the existing electric infrastructure.

Integration with PV System

Ameresco selected a Direct Current (DC) coupled Fortress Power eSpire Mini Battery Energy Storage System. This system integrates directly with the DC side of the proposed PV system and designed as all-in-one outdoor cabinet system containing bi-directional energy storage inverter module, DCDC PV optimizer module, static transfer switch (STS) intelligent switching module, battery system, transformer, fire protection system, air conditioning system, and auxiliary source power supply.

The two-way BESS converter can charge and discharge the built-in battery system, the DCDC PV optimizer module can access the PV system to store PV power to the battery or power the load through the energy storage converter, and the STS intelligent switching module can realize fast and intelligent automatic switching to and from the grid. This integration allows the DC from the solar panels to charge the battery directly and only one conversion is required to supply AC power loads. This design allows for fewer components, eliminating the need for an additional inverter on the solar side. It also allows for better solar energy utilization allowing for direct charging during daylight hours, even if the grid is down.

Ability to operate as a Resilient Shelter Facility

The County and Library staff expressed interest in being able to operate the Library as a place to shelter in the event of a power outage. The selected BESS provides easier off-grid operation through the DC coupled battery. Based on the Library's 28-kW peak usage, Ameresco selected a BESS sized larger than this demand with the ability to operate for 4 hours with no additional charging. In case of an emergency Ameresco is confident that the larger 40 kW BESS will be capable of operating for extended periods of time in most cases, and non-essential equipment can be turned off manually to extend the capabilities of the battery. It is important to note that the 28-kW peak is the highest demand seen throughout the year, occurring in the summer when the air conditioning is operating and the building is open.

Battery Selection

When down-selecting from the available options on the approved California Energy Commission equipment list there were only three manufacturers that met the Tier 1, and capacity requirements (kW) to approximately meet the Library's needs, detailed in the table on the next page.

Manufacturer Name	Nameplate Power (kW)	Nominal Voltage
ELM Microgrid	125	480
Tesla Inc.	10	240
Tesla Inc.	11.5	240
Tesla Inc.	5.75	240
Tesla Inc.	7.6	240
Tesla Inc.	5	240
Fortress Power LLC	30	**208**
Fortress Power LLC	40	**208**

Ameresco chose Fortress Power, as it is the most compatible with the voltage requirements of the site. Coincidentally the Fortress Power options also had optimal capacity to serve the Library.

BESS Options

The Project options below describe the different BESS solutions Ameresco evaluated. In each case the PV system remains the same. The PV system size was calculated based on yearly energy consumption provided by the County staff.

Note that most of the energy savings come from the PV system production. The change in savings based on BESS selection is relatively minor. The BESS benefits include to energy arbitrage, and emergency operation capabilities. These benefits are diminished with the smaller battery options.

The incentive column represents the Investment Tax Credit (ITC) which will credit 30% of the installation cost of the PV and BESS. Additional funds may be available but are not certain and are not included at this time.

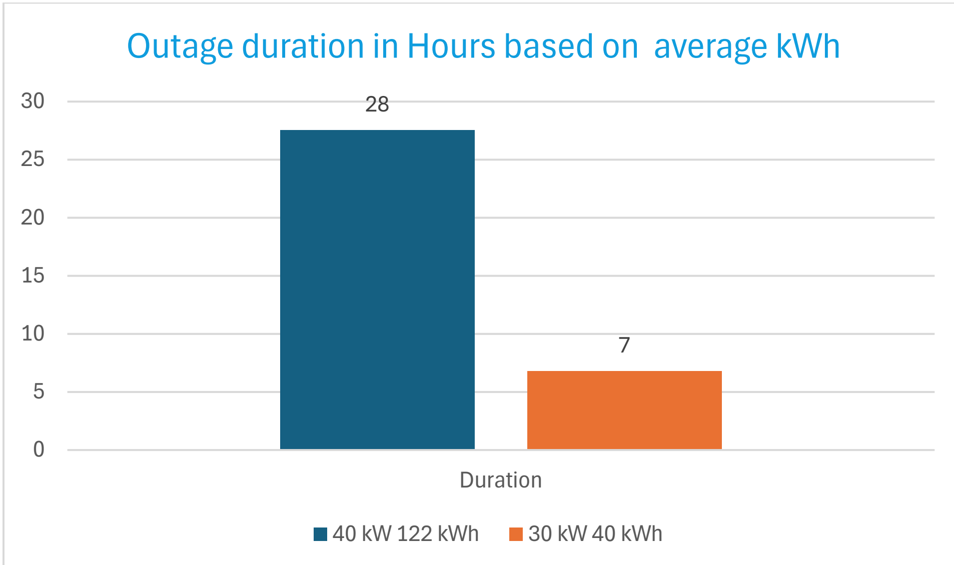
Project Option	PV System	BESS	Annual Savings	Annual Therm Savings	Total Savings	Cost	Incentive	Net Cost to the County	Simple Payback
1	**32.4kW**	**40 kW,122kWh**	**36,792kWh**	**0**	**$11,915**	**$467,821**	**$140,346**	**$327,475**	**27.5 years**
2	**32.4kW**	**30 kW, 40kWh**	**36,792kWh**	**0**	**$11,857**	**$378,375**	**$113,513**	**$264,863**	**22.3 years**

Please note the total savings and simple payback are based on the “first year” values only. Assumptions about increases in energy cost or dollar value are not included. County staff also indicated to the Ameresco team that a more detailed description of the total cost buildup – for the entire Willits Library project scope – would be helpful for the BOS to review. Projects delivered via Government Code (GC) 4217 are comprehensive and turnkey in nature, compared to other traditional construction methods such as the design-bid-build method. As such, it is critical that project stakeholders and evaluators recognize that all project design, engineering, trade labor, construction management, safety compliance, commissioning, and training are included in Ameresco’s proposed costs. Project cost breakdowns are provided on the following page for Options 1 and 2. Ameresco did evaluate a third “middle ground” option (30 kW / 122 kWh BESS), but this option did not provide compelling cost savings compared to Option 1, so it was omitted from this report. The breakdowns are shown at the project level, and include the PV and Roof measures to provide a comprehensive view of the project financials.

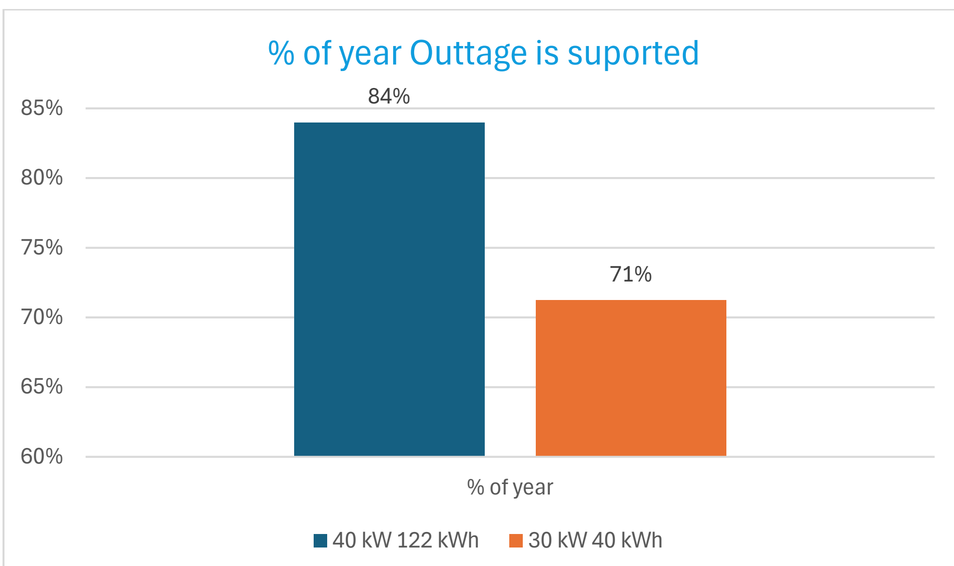
	Project Cost Categories		% of Total Price	Project Option 1	% of Total Price	Project Option 2
1	**Pre-Construction Costs**					
	A	Design and Other Engineering	2.7%	$ 26,080	3.1%	$ 26,080
	B	Pre-Construction Services	0.5%	$ 4,752	0.6%	$ 4,752
	C	Other Pre-Construction Costs	1.0%	$ 10,000	1.2%	$ 10,000
1T	**Pre-Construction Cost Subtotal**		7.63%	$ 40,832	4.82%	$ 40,832
2	**Construction Costs**					
	A	Trade Subcontractors	0.3%	$ 3,000	0.4%	$ 3,000
	B	DB Subcontracts	38.2%	$ 365,979	43.2%	$ 365,979
	C	Direct Purchase Equipment	14.3%	$ 136,937	7.1%	$ 60,119
	D	Project Management	5.0%	$ 47,866	5.0%	$ 42,350
		Travel	2.2%	$ 20,620	2.4%	$ 20,620
	E	Project Engineering				
		Ameresco	5.9%	$ 56,279	6.6%	$ 56,279
		3rd Party	1.9%	$ 18,300	2.2%	$ 18,300
	F	General Conditions	1.8%	$ 17,144	2.0%	$ 17,114
	G	Construction Completion				
		M&V	0.4%	$ 4,300	0.5%	$ 4,300
		Commissioning	1.0%	$ 9,863	1.2%	$ 9,863
		Warranty Calls	0.3%	$ 3,180	0.4%	$ 3,180
	H	Other Construction Costs	12.0%	$ 114,878	12.0%	$ 101,641
	I	Contingency	5.3%	$ 51,160	5.2%	$ 44,143
2T	**Construction Cost Subtotal**		*85.37%*	$ 849,476	*88.18%*	$ 746,887
3	**Implementation Costs Subtotal**			**$ 890,308**		**$ 787,719**
4	**Profit**		7.00%	$ 67,012	7.00%	$ 59,291
5	**Total Project Cost**			**$ 957,320**		**$ 847,009**

BESS Capabilities

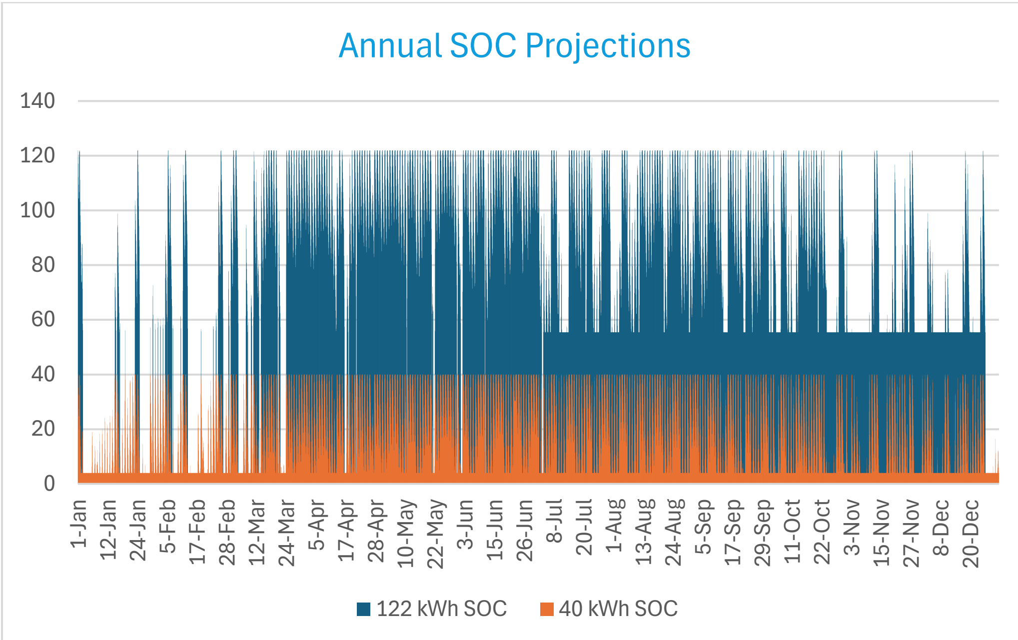
Ameresco performed high level analyses of the operation of these systems using utility interval data obtained for the Library, PV Production data simulated through Helioscope, and the proposed battery capabilities. The chart below shows the hourly duration of each BESS option based on the average annual kWh usage of the Library. This chart demonstrates the increased capabilities and resilience benefit of the larger 40 kW BESS.



Our analysis of the batteries evaluates how many hours the proposed systems can support an outage. This information analyzes when the BESS charges from solar and maintains at least the minimum 10% of its capacity to support any potential outage. As shown below, the larger BESS will support the Library during an outage for 84% of the year, while the smaller battery is estimated to do so about 71% of the year.



The final chart supports the previous charts showing the State of Charge (SOC) of the proposed systems throughout the year. The additional capacity of the larger BESS (Option 1) is evident in this chart.



A. Project Option 1 – 40 kW / 122 kWh BESS

This represents Ameresco's most comprehensive offering.

- This option provides load shifting capabilities, allowing the Library to minimize electricity purchased during more expensive time of use (TOU) periods. Currently, the Library's peak energy usage is about 28 kW. As such, this battery can operate for 3 hours at maximum 40 kW usage – which represents an extreme use case where all electric loads are being concurrently used. With existing Library equipment, it could operate completely isolated at maximum load conditions for 4 hours. However, in reality, this battery system will enable off-grid operation of the Library for a much longer period – likely multiple days – under normal historical energy usage conditions at this facility.
- This will enable the Library to island itself from the utility grid, and provide a facility for residents and other stakeholders to shelter during utility interruptions. This option is designed with a factor of safety to account for a worst-case scenario situation. The 40-kW battery is intentionally oversized and could still provide emergency backup power in the case where an emergency occurred after a high use day when the sun has set. In this situation the 27-kW peak demand could be met and there would be excess energy to operate critical equipment for some time, while there is no regeneration capabilities due to clouds, smoke, or night.
- Due to the relatively low energy usage at this facility, the savings are approximately $12,000 per year, resulting in a simple payback of about 27.5 years.

B. Project Option 2 – 30 kW 40 kWh BESS

This second offering is the most financially attractive.

- This option will still provide load shifting capabilities and may provide 30 kW of power for a little over an hour in peak demand conditions. Like the previous offerings, this microgrid option will provide islanded backup power for some longer duration under normal/historical operating conditions than the 1-hour peak load scenario. L
- Load shaving may be necessary for this system to provide backup power and reliably serve as a place for residents and other project stakeholders to shelter. The load shaving may be performed manually by trained personnel only, without any modifications to the existing electrical switchgear, by turning off all branch circuit breakers identified by the County as non-critical loads with corresponding identifying stickers.

V. Conclusion

This initiative presents an extraordinary opportunity to dramatically enhance the facilities at Willits Branch Library. Our team will gladly organize the scopes of work into any project the County deems to best support its objectives. We at Ameresco are eager to collaborate with Willits Branch Library staff and the County of Mendocino to significantly improve the safety, aesthetics, and operational efficiency of these facilities while supporting the County's strategic goals of carbon footprint reduction, improved energy resilience, and ensuring fiscal responsibility.

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