



**SANTA MARIA PUBLIC AIRPORT DISTRICT
BOARD OF DIRECTORS**

**Thursday
March 12, 2026**

**Administration Building
Airport Boardroom
6:00 P.M.**

**REGULAR MEETING
A G E N D A**

This agenda is prepared and posted pursuant to the requirements of the California Government Code Section 54954.2. By listing a topic on this agenda, the Santa Maria Public Airport District has expressed its intent to discuss and act on each item. The Santa Maria Public Airport District welcomes orderly participation at its meetings from all members of the public. This includes assistance under the Americans with Disabilities Act to provide an equally effective opportunity for individuals with a disability to participate in and benefit from District activities. To request assistance with disability accommodation, please call (805) 922-1726. Notification at least 48 hours prior to the meeting would enable the Santa Maria Public Airport District to make reasonable arrangements to ensure accessibility to this meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL: Brown, Adams, Guy, Clayton, Rodriguez

- 1. MINUTES OF THE REGULAR MEETING HELD FEBRUARY 12, 2026**
- 2. COMMITTEE REPORT(S):**
 - a) EXECUTIVE
 - b) ADMINISTRATION & FINANCIAL
 - c) SAFETY & SECURITY
 - d) REAL ESTATE
 - e) AIRPORT PLANNING & CAPITAL IMPROVEMENT
 - f) GOVERNMENT AFFAIRS
 - g) MARKETING & PROMOTIONS
 - h) GENERAL AVIATION
- 3. GENERAL MANAGER'S REPORT**
- 4. MANAGER OF FINANCE & ADMINISTRATION REPORT**
 - a) Demand Register
 - b) Financial Statements

5. **PUBLIC SESSION:** Statements from the floor will be heard during public session. Request to Speak forms are provided for those wishing to address the board. After completing the form, please give it to the Clerk. Requests requiring board action will be referred to staff and brought on the next appropriate agenda. Members of the public are cordially invited to speak on agenda items as they occur. Staff reports covering agenda items are available for review in the offices of the General Manager on the Tuesday prior to each meeting. The Board will establish a time limit for receipt of testimony. The board reserves the right to establish further time limits for receipt of testimony.
6. **RESOLUTION 954. A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA MARIA PUBLIC AIRPORT DISTRICT ADOPTING A STRUCTURALLY BALANCED BUDGET POLICY.**
7. **RESOLUTION 955. A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA MARIA PUBLIC AIRPORT DISTRICT ADOPTING AN INVESTMENT POLICY.**
8. **RESOLUTION 956. A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA MARIA PUBLIC AIRPORT DISTRICT ADOPTING A RESERVE POLICY.**
9. **RESOLUTION 957. A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA MARIA PUBLIC AIRPORT DISTRICT ADOPTING A DEBT MANAGEMENT POLICY.**
10. **AUTHORIZATION FOR THE PRESIDENT AND SECRETARY TO EXECUTE THE FIRST AMENDMENT OF SERVICE AGREEMENT BETWEEN THE DISTRICT AND TARTAGLIA ENGINEERING FOR THE REHABILITATION OF RUNWAY 12-30.**
11. **AUTHORIZATION FOR THE PRESIDENT AND SECRETARY TO EXECUTE THE SECOND AMENDMENT OF SERVICE AGREEMENT BETWEEN THE DISTRICT AND TARTAGLIA ENGINEERING FOR THE LANDSIDE IMPROVEMENT PROJECT.**
12. **AUTHORIZATION FOR THE PRESIDENT AND SECRETARY TO EXECUTE THE SIXTH AMENDMENT OF SERVICE AGREEMENT BETWEEN THE DISTRICT AND TARTAGLIA ENGINEERING FOR THE U.S. CUSTOMS BUILDING UPGRADES.**
13. **AUTHORIZATION FOR THE PRESIDENT AND SECRETARY TO EXECUTE AN AGREEMENT OF SALE OF CONSERVATION CREDITS BETWEEN THE SANTA MARIA PUBLIC AIRPORT DISTRICT AND RANCHO PURISMA, LLC IN CONNECTION WITH THE LA PURISMA CONSERVATION BANK.**
14. **CLOSED SESSION:** The Board will hold a Closed Session to discuss the following item(s):
 - a) **Conference with Real Property Negotiators: APN: 111-231-2 and 111-231-17. Agency negotiators: General Manager and District Counsel. Negotiating parties: Aerostar Properties. Under Negotiation: Through the Fence Agreement (Gov. Code Section 54956.8).**
15. **DIRECTORS' COMMENTS.**
16. **ADJOURNMENT.**

MINUTES OF THE REGULAR BOARD
MEETING OF THE BOARD OF DIRECTORS
OF THE SANTA MARIA PUBLIC AIRPORT
DISTRICT HELD FEBRUARY 12, 2026

The Board of Directors of the Santa Maria Public Airport District held a Regular Meeting at the regular meeting place at 6:00 p.m. Present were Directors Brown, Guy, Clayton, and Rodriguez. General Manager, Pehl, Manager of Finance & Administration, Flores, and District Counsel Steele. Director Adams was absent.

1. MINUTES OF THE REGULAR MEETING HELD January 22, 2026. Director Clayton made a Motion to approve the minutes of the regular meeting held January 22, 2026. Director Guy Seconded, and it was carried by a 4-0 vote.
2. COMMITTEE REPORT(S):
 - a) EXECUTIVE – The committee met to set the agenda.
 - b) ADMINISTRATION & FINANCIAL – The committee met twice.
 - c) SAFETY & SECURITY – No meeting scheduled.
 - d) REAL ESTATE – The committee met twice.
 - e) AIRPORT PLANNING & CAPITAL IMPROVEMENT– No meeting scheduled.
 - f) MARKETING & PROMOTIONS – No meeting scheduled.
 - g) GENERAL AVIATION – No meeting scheduled.
3. GENERAL MANAGER’S REPORT: General Manager Pehl provided updates on Customs and solar. He reminded the Board of an upcoming conference he will be attending to help market Customs. He provided a summary of a meeting he attended with the City Manager and City staff to discuss the Future of Tourism.
4. The Manager of Finance & Administration presented the Demand Register to the Board for review and approval.
 - a) Demand Register. The Demand Register, covering warrants 074415 through 074489 in the amount of \$311,616.62, was recommended for approval as presented. Director Guy made a Motion to accept the Demand Register as presented. Director Clayton Seconded, and it was carried by a 4-0 vote.
5. PUBLIC SESSION: Statements from the floor will be heard during public session. Request to Speak forms are provided for those wishing to address the board. After completing the form, please give it to the Clerk. Requests requiring board action will be referred to staff and brought on the next appropriate agenda. Members of the public are cordially invited to speak on agenda items as they occur. Staff reports covering agenda items are available for review in the offices of the General Manager on the Tuesday prior to each meeting. The Board has established a three-minute time limit for receipt of testimony. The board reserves the right to establish further time limits for receipt of testimony.

No one requested to speak.

6. Resolution 953. A Resolution of the Board of Directors of the Santa Maria Public Airport District expressing appreciation to Ignacio (Nash) Moreno for service on the Board of Directors of the Santa Maria Public Airport District. Director Brown made a Motion to approve. Director Guy Seconded, and it was carried by the following roll call vote. Directors Brown, Guy, Clayton, and Rodriguez voted "Yes".
7. Presentation by District Counsel to discuss Brown Act Policies.
8. Approve Consent and Agreement to the Levy of a Contractual Assessment on a leasehold interest with United Lions Corporation, lessee of the property located at 3455 Skyway Drive (Radisson Hotel) and authorize Board President and Secretary to execute on behalf of the District. Director Guy made a Motion to approve. Director Rodriguez Seconded, and it was carried by a 4-0 vote.
9. Authorization for the General Manager to add Director Marvin Rodriguez as an authorized signature on the account at Columbia Bank and remove Katya Haussler as an authorized agent. Director Guy made a Motion to approve. Director Brown Seconded, and it was carried by a 4-0 vote.

RECESS: At 6:50 p.m.

Return to OPEN SESSION: At 6:55 p.m. The Board and staff reconvened to Open Session.

10. Closed Session. At 6:55 p.m. the Board went into Closed Session to discuss the following item(s):
 - a) Conference with Real Property Negotiators: APN: 111-231-2 and 111-231-17. Agency negotiators: General Manager and District Counsel. Negotiating parties: Aerostar Properties. Under Negotiation: Through the Fence Agreement (Gov. Code Section 54956.8).
 - b) Conference with Real Property Negotiators: APN: 111-231-017. Agency negotiators: General Manager and District Counsel. Negotiating parties: Potential lessees to be determined. Under Negotiation: Price and Terms of Payment (Gov. Code Section 54956.8).

At 7:42 p.m., the Board and staff reconvened to Open Public Session.

There were no reportable actions.

11. Directors' Comments. Director Guy stated that a great deal of progress has been made during Director Nash Moreno's tenure on the Board. He expressed his appreciation for Director Moreno's service, noting that he did an exemplary job balancing his Board responsibilities with personal commitments. Director Guy described the work accomplished during his tenure as monumental and shared his personal gratitude for Director Moreno's contributions both individually and as a fellow Board Member.

Director Clayton stated that Director Moreno will be greatly missed. He reflected on their time, beginning service on the Board together, and noted that he truly enjoyed working alongside him. Director Clayton also discussed an upcoming frisbee golf tournament he is hosting to help promote the new American Airlines service and invited all those in attendance to participate. He noted that the event will include food and music and is anticipated to be well attended. Additionally, Director Clayton thanked Mr. Flores for providing a clear understanding of the District's current financial situation and helping to ensure the organization is moving in the right direction.

Director Rodriguez expressed his appreciation to Director Moreno for recommending him for appointment to the Board. He stated that he hopes to make Director Moreno proud and looks forward to bringing his leadership skills to the team.

Director Brown reflected on Director Moreno's time on the Board, noting that he was immediately thrust into the role of Board President. He stated that he believes the District is heading in the right direction and that he intends to continue building on the progress that has been made.

12. Adjournment: President Brown asked for a Motion to adjourn to a Regular Meeting to be held on February 26, 2026, at the regular meeting place. Director Clayton made that Motion, Director Guy Seconded, and it was carried by a 4-0 vote.

ORDER OF ADJOURNMENT

This Regular Meeting of the Board of Directors of the Santa Maria Public Airport District is hereby adjourned at 7:47 p.m. on February 12, 2026.

Steve Brown, President

Tony Guy, Secretary

**DEMAND REGISTER
SANTA MARIA PUBLIC AIRPORT DISTRICT**

Full consideration has been received by the Santa Maria Public Airport District for each demand, numbers 074490 to 074546 and electronic payments on Columbia Bank and in the total amount of \$ 441,508.67.

MARTIN PEHL
GENERAL MANAGER

DATE

The undersigned certifies that the attached register of audited demands of the Santa Maria Public Airport District for each demand, numbers 074490 to 074546 and electronic payments on Columbia Bank in the total amount of \$441,508.67 has been approved as being in conformity with the budget approved by the Santa Maria Public Airport District and funds are available for their payment.

MICHEAL FLORES
MANAGER OF FINANCE AND ADMINISTRATION

DATE

THE BOARD OF DIRECTORS OF THE SANTA MARIA PUBLIC AIRPORT DISTRICT APPROVED PAYMENT OF THE ATTACHED WARRANTS AT THE MEETING OF MARCH 12, 2026.

TONY GUY
SECRETARY

Santa Maria Public Airport District

Demand Register

Check Number	Check Date	Vendor Name	Check Amount	Description
* 74490	2/26/2026	Advance Media New York	\$33,801.93	Airport Advertising
* 74491	2/26/2026	AT&T	\$101.58	Telephone Service
* 74492	2/26/2026	Bartlett, Pringle & Wolf	\$398.25	Software Support - Acumatica
* 74493	2/26/2026	Bomar Security & Investigation	\$5,536.00	Security Service
* 74494	2/26/2026	City of Guadalupe	\$140,530.87	Security Service/LEO
* 74495	2/26/2026	Coffman Associates	\$1,582.00	WHPM Update
* 74496	2/26/2026	Comcast	\$1,461.38	Cable/Internet/Digital Voice
* 74497	2/26/2026	Consolidated Electrical Distributors, Inc.	\$379.76	Terminal/Hangar Lighting
* 74498	2/26/2026	Deep Blue Integration, Inc.	\$390.00	Fire Alarm Monitoring - Customs
* 74499	2/26/2026	Fenton, Kerry	\$1,217.52	Reimbursement - Air Svc Data Seminar
* 74500	2/26/2026	Ferguson US Holdings, Inc.	\$340.39	Terminal Maintenance
* 74501	2/26/2026	Grainger	\$382.77	Terminal Lighting
* 74502	2/26/2026	Gsolutionz, Inc.	\$407.63	Voice Svcs - February 2026
* 74503	2/26/2026	Interstate Batteries	\$224.75	Vehicle Maintenance
* 74504	2/26/2026	IRIS Companies	\$2,272.88	Badging Cardstock
* 74505	2/26/2026	J B Dewar, Inc	\$736.32	Unleaded/Diesel Fuel
* 74506	2/26/2026	JD Humann Landscaping, Inc	\$5,949.00	Landscaping/Irrigation Repair
* 74507	2/26/2026	Keylock Security Specialists	\$3,768.32	Security System Maintenance and Repair
* 74508	2/26/2026	Lowe's	\$96.49	Office Equipment
* 74509	2/26/2026	Maguire, Shane	\$488.00	Tenant Refund
* 74510	2/26/2026	Mar-Co Equipment Company	\$626.98	Vehicle Maintenance
* 74511	2/26/2026	Mission Linen Service	\$536.22	Uniform Service
* 74512	2/26/2026	O'Reilly Automotive, Inc.	\$94.87	Vehicle Maintenance
* 74513	2/26/2026	PrintMasters & Bob's Rubber Stamps	\$97.85	Name Plates
* 74514	2/26/2026	S Lombardi & Assoc., Inc.	\$4,305.00	Airport Advertising
* 74515	2/26/2026	San Luis Powerhouse	\$738.21	Generator Maintenance - Terminal
* 74516	2/26/2026	Smith's Alarms & Electronics Inc.	\$630.00	Electronic Security System
* 74517	2/26/2026	Tower Patrol	\$3,257.06	D3 Security Trailer w/Solar Panel
74518	3/9/2026	Adams, Chuck	\$100.00	Director's Fees
74519	3/9/2026	AT&T	\$135.43	Telephone Service
74520	3/9/2026	Bomar Security & Investigation	\$9,240.88	Security Service
74521	3/9/2026	Brown, Steve	\$600.00	Director's Fees
74522	3/9/2026	C.J. Brown & Company, CPAs	\$2,620.00	Single Audit 6/30/25
74523	3/9/2026	City of Santa Maria - Alarm Permit	\$15.00	Alarm Permit Renewal Charges
74524	3/9/2026	City of Santa Maria-Util Div	\$6,240.92	Utilities - Water
74525	3/9/2026	Coast Networx	\$210.00	Network Support Services
74526	3/9/2026	Comcast Business	\$496.63	Internet Service - Customs
74527	3/9/2026	Consolidated Electrical Distributors, Inc.	\$97.88	Lighting Maintenance - Terminal
74528	3/9/2026	Gsolutionz, Inc.	\$95.60	GPS Cloud Svc - Phones
74529	3/9/2026	Guy, Anthony Ted	\$600.00	Director's Fees
74530	3/9/2026	Hayward Lumber Company	\$48.44	Fencing & Gates - FBO
74531	3/9/2026	J B Dewar, Inc	\$661.92	Unleaded/Diesel Fuel

Santa Maria Public Airport District

Demand Register

Check Number	Check Date	Vendor Name	Check Amount	Description
74532	3/9/2026	Letters, Inc.	\$24.00	Car Wash
74533	3/9/2026	Local Copies, Etc.	\$134.63	Payment for V000208
74534	3/9/2026	MarTeeny Designs	\$550.00	Website Maintenance
74535	3/9/2026	McMaster-Carr	\$348.10	Lighting/Terminal Maintenance
74536	3/9/2026	Mission Linen Service	\$178.74	Uniform Service
74537	3/9/2026	Oberon3, Inc	\$50.00	Terminal Maintenance
74538	3/9/2026	Pacific Telemanagement Services	\$463.00	Pay Phone Svcs - Terminal
74539	3/9/2026	Quinn Company	\$108.09	Drainage Maintenance
74540	3/9/2026	RB Clean & Sweep	\$500.00	Street Sweeping
74541	3/9/2026	Rodriguez, Marvin	\$100.00	Director's Fees
74542	3/9/2026	Sherwin-Williams	\$112.30	Terminal Maintenance
74543	3/9/2026	State Water Resources Control Board	\$48.34	Site Cleanup Program - Oct-Dec 25
74544	3/9/2026	Tri-Counties Plant Service	\$275.00	Interior Plant Service - Terminal
74545	3/9/2026	Verizon Wireless	\$645.09	Mobile Devices
74546	3/9/2026	VTC Enterprises	\$84.00	Trash - Paper Recycling
		Subtotal	<u>\$235,136.02</u>	
ACH	2/10/2026	PG&E	\$26,646.14	Terminal/Admin/Hangar Electricity
ACH	2/10/2026	Frontier	\$977.94	Telephone Service
ACH	2/10/2026	CalPers	\$6,817.28	Employee Retirement
ACH	2/11/2026	CalPers	\$18,256.80	Employee Health Insurance
ACH	2/12/2026	Paychex	\$31,060.99	Payroll
ACH	2/12/2026	Paychex	\$8,403.23	Payroll Taxes
ACH	2/12/2026	Clark Pest Control	\$3,240.75	Weed/Wildlife Abatement
ACH	2/12/2026	Quadient	\$200.00	Postage Machine
ACH	2/13/2026	Paychex	\$200.24	Paychex Invoice
ACH	2/13/2026	Empower	\$5,710.14	Employee Paid Retirement
ACH	2/13/2026	De Lage Landen	\$83.74	Copier
ACH	2/18/2026	PG&E	\$3,029.12	Terminal/Admin/Hangar Electricity
ACH	2/18/2026	Frontier	\$162.14	Telephone Service
ACH	2/18/2026	The Gas Company	\$1,524.63	Utilities - Gas
ACH	2/18/2026	U.S. Bank Equipment Finance	\$573.14	RICOH Printer Lease
ACH	2/24/2026	Frontier	\$956.43	Telephone Service
ACH	2/24/2026	CalPers	\$7,402.40	Employee Retirement
ACH	2/26/2026	Columbia Bank - VISA	\$13,539.99	Business Travel, Advertising, Security
ACH	2/26/2026	Paychex	\$8,028.06	Payroll Taxes
ACH	2/26/2026	Paychex	\$30,447.17	Payroll
ACH	2/27/2026	Paychex	\$200.24	Paychex Invoice
ACH	2/27/2026	Primo Brands	\$49.06	Water Delivery

Santa Maria Public Airport District

Demand Register

Check Number	Check Date	Vendor Name	Check Amount	Description
ACH	2/27/2026	Amazon Business Prime	\$1,772.94	Office Equipment, Advertising, Shop Supplies
ACH	3/2/2026	CaPers	\$19,239.83	Unfunded Liability
ACH	3/2/2026	Aflac	\$204.24	Employee Voluntary Insurance
ACH	3/3/2026	Empower	\$5,710.14	Employee Paid Retirement
ACH	3/3/2026	Principal	\$2,901.34	Employee Dental/Life/Disability Insurance
ACH	3/3/2026	Home Depot	\$407.65	Hangar Lighting/Customs
ACH	3/4/2026	Primo Brands	\$181.87	Water Delivery
ACH	3/4/2026	Frontier	\$344.17	Telephone Service
ACH	3/5/2026	Advantage Plus	\$617.89	Answering Service
ACH	3/9/2026	CalPers	\$7,482.95	Employee Retirement
		Subtotal	<u>\$206,372.65</u>	
		Total	<u><u>\$441,508.67</u></u>	

Santa Maria Public Airport District
Budget vs Actual - YTD
As of February 28, 2026

	<u>YTD</u>	<u>YTD BUD</u>	<u>YTD VARIANCE</u>	<u>FY BUDGET</u>	<u>FY VARIANCE</u>
61000-Landing fees	55,797.03	48,482.68	7,314.35	72,724.00	16,926.97
61100-Tiedowns	18,816.00	18,606.00	210.00	27,909.00	9,093.00
61200-Fuel Flowage Fees	61,862.70	87,360.00	(25,497.30)	131,040.00	69,177.30
62000-T-Hangar	407,169.24	418,460.00	(11,290.76)	627,690.00	220,520.76
62100-Corporate Hangar	301,377.00	307,362.00	(5,985.00)	461,043.00	159,666.00
62200-Owner Build Hangar	15,976.00	15,976.00	0.00	23,964.00	7,988.00
63000-T-Hangar Storage	34,662.00	34,764.68	(102.68)	52,147.00	17,485.00
64100-Main Hangar	96,840.00	96,836.68	3.32	145,255.00	48,415.00
64200-Commercial Aviation	331,623.40	288,842.00	42,781.40	433,263.00	101,639.60
64300-Land Lease - Commercial Aviation	67,196.00	65,472.00	1,724.00	98,208.00	31,012.00
65000-Car Rental	117,752.00	119,912.68	(2,160.68)	179,869.00	62,117.00
65100-Terminal Space Lease	115,487.69	114,954.00	533.69	172,431.00	56,943.31
66100-Agricultural Lease	1,256,718.68	1,209,693.36	47,025.32	1,814,540.00	557,821.32
66200-Non Aviation Land Leases	285,749.96	269,823.36	15,926.60	404,735.00	118,985.04
66300-Cell Tower Lease	42,642.50	42,815.36	(172.86)	64,223.00	21,580.50
66400-Mobile Home Parks	378,341.86	401,654.68	(23,312.82)	602,482.00	224,140.14
67000-Administrative Income	17,976.89	19,163.36	(1,186.47)	28,745.00	10,768.11
69100-Interest and Investment Earnings	95,719.82	148,000.00	(52,280.18)	222,000.00	126,280.18
69110-AIP Reimbursement	5,823,147.00	2,900,538.00	2,922,609.00	4,350,807.00	(1,472,340.00)
69120-PFC Revenue	69,257.33	37,892.68	31,364.65	56,839.00	(12,418.33)
69200-Tax Revenues	1,339,868.63	1,698,200.00	(358,331.37)	2,547,300.00	1,207,431.37
Total Income	10,933,981.73	8,344,809.52	2,589,172.21	12,517,214.00	1,583,232.27

80000-G&A	16,807.17	10,662.00	6,145.17	15,993.00	(814.17)
80001-MHP - Maintenance	9,523.81	15,680.00	(6,156.19)	23,520.00	13,996.19
80002-MHP - MHP Liability Insurance	19,903.22	10,664.68	9,238.54	15,997.00	(3,906.22)
80003-MHP - Property Management	14,100.00	18,800.00	(4,700.00)	28,200.00	14,100.00
80004-MHP - Salaries/ Employee Related	55,199.82	86,369.36	(31,169.54)	129,554.00	74,354.18
80005-MHP - Utilities	145,614.03	156,600.00	(10,985.97)	234,900.00	89,285.97
80100-Salaries- Administration	298,062.75	360,592.68	(62,529.93)	540,889.00	242,826.25
80101-Salaries - Maintenance & Operations	367,671.22	375,473.36	(7,802.14)	563,210.00	195,538.78
80102-Employee Benefits - Other	39,303.17	42,238.00	(2,934.83)	63,357.00	24,053.83
80104-Employee Benefits - Medical	184,619.01	203,892.68	(19,273.67)	305,839.00	121,219.99
80105-Medicare Tax	11,851.89	11,678.00	173.89	17,517.00	5,665.11
80106-PERS Retirement	240,326.00	263,070.00	(22,744.00)	394,605.00	154,279.00
81000-ARFF Services	498,425.00	662,000.00	(163,575.00)	993,000.00	494,575.00
81100-Electricity	209,562.94	168,378.12	41,184.82	252,567.00	43,004.06
81200-Natural Gas	6,231.52	5,408.68	822.84	8,113.00	1,881.48
81300-Water	75,025.41	93,973.40	(18,947.99)	140,960.00	65,934.59
81600-Communications	51,728.76	50,695.36	1,033.40	76,043.00	24,314.24
81601-Communications - Alarm	12,612.79	12,177.36	435.43	18,266.00	5,653.21
81602-Communications - Wireless	11,170.61	16,582.68	(5,412.07)	24,874.00	13,703.39
81603-Communications - Access Control	0.00	1,015.36	(1,015.36)	1,523.00	1,523.00
82400-Supplies Office	28,781.89	30,000.04	(1,218.15)	45,000.00	16,218.11
82410-Supplies Shop	29,552.30	23,333.36	6,218.94	35,000.00	5,447.70
82500-Fuel Expense	13,002.65	30,000.00	(16,997.35)	45,000.00	31,997.35
83000-Maintenance - Misc	6,160.11	14,333.44	(8,173.33)	21,500.00	15,339.89
83001-Maintenance - Lighting	9,674.85	17,666.72	(7,991.87)	26,500.00	16,825.15
83002-Maintenance - Generator	5,255.81	4,980.72	275.09	7,471.00	2,215.19
83003-Maintenance - Pavement	13,315.58	22,666.72	(9,351.14)	34,000.00	20,684.42
83004-Maintenance - Weed/Wildlife	24,796.06	48,978.68	(24,182.62)	73,468.00	48,671.94
83005-Maintenance - Fencing & Gates	8,809.54	12,866.76	(4,057.22)	19,300.00	10,490.46
83006-Maintenance - Building	73,061.99	50,471.40	22,590.59	75,707.00	2,645.01
83007-Maintenance - Fire Alarm	2,983.96	4,386.04	(1,402.08)	6,579.00	3,595.04
83008-Maintenance - Drainage	483.36	10,000.04	(9,516.68)	15,000.00	14,516.64
83100-Signs	2,554.61	5,666.72	(3,112.11)	8,500.00	5,945.39
84000-Equipment Lease	6,804.60	6,666.68	137.92	10,000.00	3,195.40

84500-Janitorial	93,694.00	92,364.00	1,330.00	138,546.00	44,852.00
84700-Landscaping	44,192.79	43,734.72	458.07	65,602.00	21,409.21
85000-Vehicle Maintenance	67,346.27	51,333.36	16,012.91	77,000.00	9,653.73
85400-Dues and Membership	90,316.98	64,724.00	25,592.98	97,086.00	6,769.02
86000-Advertising	278,928.93	50,000.00	228,928.93	75,000.00	(203,928.93)
86001-Consulting - Admin	65,439.31	74,780.68	(9,341.37)	112,171.00	46,731.69
86002-Consulting Professional	149,565.35	102,676.68	46,888.67	154,015.00	4,449.65
86003-Consulting - Legal	50,281.59	66,666.68	(16,385.09)	100,000.00	49,718.41
86004-Consulting - Security	394,414.10	333,158.00	61,256.10	499,737.00	105,322.90
86005-Bank Fees	(173.72)	1,600.00	(1,773.72)	2,400.00	2,573.72
86006-Computer Software	169,153.04	110,677.36	58,475.68	166,016.00	(3,137.04)
86007-Customs	25,086.36	83,333.36	(58,247.00)	125,000.00	99,913.64
86015-Depreciation - Hangar Area	0.00	19,666.68	(19,666.68)	29,500.00	29,500.00
86025-Depreciation - Landing Area	0.00	1,608,000.00	(1,608,000.00)	2,412,000.00	2,412,000.00
86035-Depreciation - FBO	0.00	12,000.00	(12,000.00)	18,000.00	18,000.00
86045-Depreciation - Revenue Gen Land	0.00	206,666.68	(206,666.68)	310,000.00	310,000.00
86055- Depreciation - Terminal Area	0.00	250,000.00	(250,000.00)	375,000.00	375,000.00
86100-Depreciation - Administration	0.00	22,000.00	(22,000.00)	33,000.00	33,000.00
86200-Insurance	(2,049.60)	365,458.00	(367,507.60)	548,187.00	550,236.60
86500-Permits	12,858.96	8,000.00	4,858.96	12,000.00	(858.96)
86600-Education and Recognition	9,718.72	19,886.68	(10,167.96)	29,830.00	20,111.28
86700-Business Travel	30,741.93	20,000.00	10,741.93	30,000.00	(741.93)
86800-Fire Fighting Training	0.00	18,000.00	(18,000.00)	27,000.00	27,000.00
88001-Airfest Expense - Sponsorship	75,000.00	50,000.00	25,000.00	75,000.00	0.00
88609-Conservation Easement	0.00	700,000.00	(700,000.00)	1,050,000.00	1,050,000.00
88610-SEMCO	75,000.00	0.00	75,000.00	0.00	(75,000.00)
Total Expenses	4,122,491.44	7,222,695.92	(3,100,204.48)	10,834,042.00	6,711,550.56
Net Income	6,811,490.29	1,122,113.60	5,689,376.69	1,683,172.00	(5,128,318.29)

**SANTA MARIA PUBLIC AIRPORT DISTRICT
TREASURERS REPORT
FOR MONTH ENDING 2/28/26**

BEGINNING BANK BALANCE	\$ 1,105,481.67
DEPOSITS	\$ 329,071.33
WITHDRAWALS	\$ 670,944.00
ENDING BANK BALANCE	\$ 763,609.00
INVESTMENT SUMMARY	
LAIF	\$ 788,364.60
COLUMBIA BANK MONEY MARKET ACCOUNT	\$ 130,932.07
CLASS	\$ 2,437,650.26
ENDING CASH BALANCE	\$ 4,120,555.93

Santa Maria Public Airport District
Profit & Loss
As of February 28, 2026

	ACTUALS YTD	BUDGET YTD	VARIANCE
Revenues from Operations			
Landing Area			
Landing fees and tiedowns	74,613.03	67,088.68	(7,524.35)
Fuel flowage fees	61,862.70	87,360.00	25,497.30
Subtotal	136,475.73	154,448.68	17,972.95
Hangar area			
T-Hangar	407,169.24	418,460.00	11,290.76
Corporate T-Hangars	301,377.00	307,362.00	5,985.00
T-Hangar Storage Units	34,662.00	34,764.68	102.68
Owner Build Hangars	15,976.00	15,976.00	0.00
Subtotal	759,184.24	776,562.68	17,378.44
FBO Area			
Main Hangar	96,840.00	96,836.68	(3.32)
Commercial Hangars	331,623.40	288,842.00	(42,781.40)
Land Leases	67,196.00	65,472.00	(1,724.00)
Subtotal	495,659.40	451,150.68	(44,508.72)
Terminal Area			
Car Rental	117,752.00	119,912.68	2,160.68
Terminal Space Lease	115,487.69	114,954.00	(533.69)
TSA LEO Reimbursement	0.00	0.00	0.00
Subtotal	233,239.69	234,866.68	1,626.99
Revenue generating land			
Non Aviation Land Leases	285,749.96	269,823.36	(15,926.60)
Agricultural Leases	1,256,718.68	1,209,693.36	(47,025.32)
Cell Towers	42,642.50	42,815.36	172.86
Airport Mobile Home Park	378,341.86	401,654.68	23,312.82
Subtotal	1,963,453.00	1,923,986.76	(39,466.24)
Administrative			
Badging Income			
Miscellaneous Income	17,976.89	19,163.36	1,186.47
Plans and Specs	0.00	0.00	0.00
Cares Grant Revenue	0.00	0.00	0.00
Subtotal	17,976.89	19,163.36	1,186.47
Total Revenue from operations	3,605,988.95	3,560,178.84	(45,810.11)

Operating Expenses:

Landing Area	92,317.83	842,165.48	749,847.65
Hangar Area	64,037.52	89,958.20	25,920.68
FBO Area	72,382.23	76,978.84	4,596.61
Terminal Area	363,697.40	569,689.56	205,992.16
Revenue generating land	271,606.86	549,242.16	277,635.30
Public Administration	3,183,111.09	3,468,661.68	285,550.59

Total Expenses 4,047,152.93 5,596,695.92 1,549,542.99

Operating income (loss) (441,163.98) (2,036,517.08) (1,595,353.10)

Non-Operating Revenues (Expenses):

Passenger Facility Charges	69,257.33	37,892.68	(31,364.65)
Interest Income	95,719.82	148,000.00	52,280.18
Property Tax Revenue	1,339,868.63	1,698,200.00	358,331.37
Federal Capital Grants	5,823,147.00	2,900,538.00	(2,922,609.00)

Total non-operating rev (exp) 7,327,992.78 4,784,630.68 (2,543,362.10)

Net Income 6,886,828.80 1,140,113.60 (5,746,715.20)

Santa Maria Public Airport District
Balance Sheet
As of February 28, 2026

User: Mike Flores

Current Assets:

Cash and cash equivalents	3,384,785
Restricted - cash and cash equivalents	418,226
Certificate-of-deposit	8,000
Accounts receivable - customers and tenants, net	166,223
Prepaid expenses and deposits	10,677,692
	<hr/>
Total current assets	14,654,926

Non-current assets:

Note receivable	0
Interest Receivable	0
Capital assets, not being depreciated	15,598,298
Depreciable capital assets	26,094,135
Deferred other post-employment benefits outflows	9,240
Deferred pension outflows	945,818
	<hr/>
Total non-current assets	42,647,492

Total assets

57,302,418

Current Liabilities:

Accounts payable and accrued expenses	34,447
Accrued wages and related payables	11,790
Unearned Revenue (customer prepaid)	218,081
Hangar and other deposits	119,285
Long-term liabilities - due in one year:	
Compensated absences	43,436
Land improvements payable	6,551
	<hr/>
Total current liabilities	433,590

Long-term liabilities - due in more than one year

Compensated absences	130,307
Land improvements payable	37,125
Total other post-employment benefits liability	321,302
Net pension liability	2,566,217
Deferred pension inflows	72,640
	<hr/>
Total long term liabilities	3,127,591

Total Liabilities

3,561,181

Net position:

Retained Earnings	46,929,766
Change in Net Position	<u>6,811,470</u>

Total net position	<u>53,741,236</u>
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Total liabilities and net position	<u><u>57,302,418</u></u>
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RESOLUTION NO. 954

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SANTA MARIA PUBLIC AIRPORT DISTRICT
ADOPTING A STRUCTURALLY BALANCED BUDGET POLICY**

WHEREAS, the Santa Maria Public Airport District (“District”) is required by law to adopt a balanced budget; and

WHEREAS, the District recognizes that statutory requirements alone do not distinguish between a budget balanced through temporary measures and one that is structurally balanced to support long-term fiscal sustainability; and

WHEREAS, the Board of Directors finds that adopting a Structurally Balanced Budget Policy will promote stable financial operations, reduce reliance on short-term or non-recurring resources, and support sound long-term planning; and

WHEREAS, the District’s policy defines a structurally balanced budget as one in which ongoing revenues are sufficient to fund ongoing expenses, and one-time revenues are used only for one-time expenditures, ensuring a sustainable fiscal foundation for the continued operation and development of the airport; and

WHEREAS, the District is obligated under federal law—including the Airport and Airway Improvement Act of 1982 and FAA Grant Assurance 24—to remain as financially self-sustaining as possible, and adherence to a structurally balanced budget is essential to meeting these obligations; and

WHEREAS, the Board of Directors desires to establish formal policy guidelines to ensure compliance with federal requirements, promote prudent financial management, and safeguard the District’s long-term fiscal health;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Santa Maria Public Airport District hereby adopts the Structurally Balanced Budget Policy, attached hereto and incorporated herein by reference, as the governing standard for the development, adoption, and administration of the District’s annual budget; and

BE IT FURTHER RESOLVED, that the General Manager and Manager of Finance and Administration are authorized and directed to implement and enforce the Structurally Balanced Budget Policy, including the classification of revenues and expenditures as ongoing or one-time, and the application of financial practices that maintain the District’s long-term fiscal sustainability and FAA-required self-sufficiency; and

BE IT FURTHER RESOLVED, that all prior or inconsistent budget practices, guidelines, or directives are hereby superseded.

PASSED AND ADOPTED at the regular meeting of the Board of Directors of the Santa Maria Public Airport District held on March 12, 2026, on Motion of, and carried by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Steve Brown, President

ATTEST:

Tony Guy, Secretary



STRUCTURALLY BALANCED BUDGET POLICY

Why a Structurally Balanced Budget Policy Is Important

The Santa Maria Public Airport District (“District”) is required by law to have a “balanced budget.” However, the law does not distinguish between a budget that is balanced using short-term fixes and a budget that is structurally balanced for the long term. By defining our own balanced budget policy, the District is ensuring that we maintain a strong financial foundation for our community for years to come.

Adopting a Structurally Balanced Budget

The District will adopt a structurally balanced budget. A structurally balanced budget has two important qualities.

First, ongoing expenses should be covered by ongoing revenues. Ongoing revenues are revenues that can be expected to continue year to year. Property taxes are an example of recurring revenue. Ongoing expenses can be expected to continue year to year. Staff salaries or services that the District expects to provide year to year are an example of a recurring expense.

The second quality of a structurally balanced budget is that one-time or short-term revenues are used to fund one-time or short-term expenses. An example of this is a grant with a term limit. An example of a short-term expense could be contractors hired to provide the service that the grant funds.

Federal Self-Sustainability Requirement

In accordance with Section 511(a)(9) of the Airport and Airway Improvement Act of 1982 (AAIA), Pub. L. 97-248, codified at 49 U.S.C. § 47107(a)(13), the District acknowledges its obligation— as a recipient of Federal Aviation Administration (FAA) grant funding— to remain as self-sustaining as possible under the circumstances at this airport. This requirement is further reflected in FAA Grant Assurance 24, *Fee and Rental Structure*, which directs airport sponsors to maintain a rate and fee structure that makes the airport as financially self-sufficient as practicable.

To support compliance with these federal obligations, the District’s structurally balanced budget shall incorporate financial practices that promote long-term fiscal sustainability, ensure that airport revenues are sufficient to cover ongoing expenses, and maintain the financial independence expected of airports receiving FAA grant funding.

RESOLUTION NO. 955

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SANTA MARIA PUBLIC AIRPORT DISTRICT
ADOPTING AN INVESTMENT POLICY**

WHEREAS, the Santa Maria Public Airport District (“District”) is responsible for the prudent stewardship and management of public funds entrusted to it; and

WHEREAS, the District recognizes that its investment activities must prioritize the safeguarding of principal, the maintenance of adequate liquidity, and the achievement of a reasonable market rate of return consistent with these primary objectives; and

WHEREAS, the District’s Investment Policy establishes clear guidelines for the investment of short-term operating funds, including the pooling of funds, permitted investment instruments, diversification requirements, maximum maturities, internal controls, reporting standards, and safeguards for the custody of investment assets; and

WHEREAS, the Investment Policy requires that the primary objectives of the investment program be, in priority order: **safety, liquidity, and yield**, ensuring the preservation of capital through credit-risk mitigation, interest-rate-risk management, and diversification of investments; and

WHEREAS, the policy provides for the use of the “prudent person” standard in investment decision-making, requires ethical conduct and disclosure of conflicts of interest by investment personnel, and assigns responsibility for investment management to the Manager of Finance and Administration; and

WHEREAS, the Investment Policy requires the establishment of strong internal controls, including safekeeping of securities through third-party custodians, delivery-versus-payment settlement, annual independent audits, and clear delegation of authority; and

WHEREAS, the policy authorizes only those investment types permitted under state law and consistent with Government Finance Officers Association (GFOA) recommended practices, including U.S. government obligations, high-grade commercial paper, certificates of deposit, repurchase agreements, money market mutual funds, and local government investment pools; and

WHEREAS, the Board of Directors finds that adopting the Investment Policy is necessary to ensure the safe, transparent, and efficient management of the District’s financial assets in accordance with industry best practices, state law, and the District’s fiduciary responsibilities;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Santa Maria Public Airport District hereby adopts the Investment Policy, attached hereto and incorporated herein by reference, as the governing document for all District investment activities; and

BE IT FURTHER RESOLVED, that the General Manager, and Manager of Finance and Administration are authorized and directed to implement and administer this policy, including monitoring portfolio performance, preparing required quarterly reports, evaluating investment risks, and ensuring full compliance with all internal control and safekeeping requirements; and

BE IT FURTHER RESOLVED, that any existing or prior investment directives inconsistent with the provisions of the adopted Investment Policy are hereby repealed or superseded.

PASSED AND ADOPTED at the regular meeting of the Board of Directors of the Santa Maria Public Airport District held on March 12, 2026, on Motion of, and carried by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Steve Brown, President

ATTEST:

Tony Guy, Secretary

**SANTA MARIA PUBLIC AIRPORT
DISTRICT**

INVESTMENT POLICY



Santa Maria Public Airport District Investment Policy

I. Scope

This policy applies to the investment of short-term operating funds. Longer-term funds, including investments of proceeds from certain bond issues, are covered by a separate policy.

1. Pooling of Funds

Except for cash in certain restricted and special funds, the Santa Maria Public Airport District will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

II. General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall 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.

a. Credit Risk

The Santa Maria Public Airport District will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the safest types of securities
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Santa Maria Public Airport District will do business
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

b. Interest Rate Risk

The Santa Maria Public Airport District will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring

Investment Policy

the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static Liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic Liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, while taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earnings a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- a. A security with declining credit may be sold early to minimize loss of principal.
- b. A security swap would improve the quality, yield, or target duration in the portfolio.
- c. Liquidity needs of the portfolio require that the security be sold.

III. Standards of Care

1. Prudence

The standard of prudence to be used by investment officials shall be the “prudent person” standard, and shall be applied in the context of managing an overall portfolio. Investment officers, acting in accordance with written procedures and this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived.

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Santa Maria Public Airport District.

Investment Policy

3. Delegation of Authority

Authority to manage the investment program is granted to the Treasurer, hereinafter referred to as investment officer and derived from the following:

Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. Safekeeping and Custody

1. Authorized Financial Dealers and Institutions

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness (e.g. a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C2-1 (uniform net capital rule).

All financial institutions and broker/dealers, who desire to become qualified for investment transactions, must supply the following as appropriate:

- b. Audited financial statements
- c. Proof of National Association of Securities Dealers (NASD) certification
- d. Proof of state registration
- e. Completed broker/dealer questionnaire
- f. Certification of having read and understood and agreeing to comply with the Santa Maria Public Airport District’s investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer.

From time to time, the investment officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to the criteria under Paragraph 1 may be granted. All terms and relationships will be fully disclosed prior to purchase, will be reported to the appropriate entity on a consistent basis and should be consistent with state or local law. These types of investment purchases should be approved by the appropriate legislative or governing body in advance.

Investment Policy

2. Internal Controls

The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Santa Maria Public Airport District are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- c. Control of collusion
- d. Separation of transaction authority from accounting and record keeping
- e. Custodial safekeeping
- f. Avoidance of physical delivery securities
- g. Clear delegation of authority to subordinate staff members
- h. Written confirmation of transactions for investments and wire transfers
- i. Development of a wire transfer agreement with the lead bank and third-party custodian

3. Delivery vs. Payment

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

V. Suitable and Authorized Investments

1. Investment Types

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law where applicable:

- a. U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
- b. Canadian government obligations (payable in local currency);
- c. Certificates of deposit and other evidences of deposit at financial institutions, bankers; acceptances, and commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency;
- d. Investment-grade obligations of state, provincial and local governments and public authorities;
- e. Repurchase agreements whose underlying purchased securities consist of the forgoing:
 1. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and:

Investment Policy

2. Local government investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation.

Investment in derivatives of the above instruments shall require authorization by the appropriate governing authority. (See the GFOA Recommended Practice on “Use of Derivatives by State and Local Governments,” 1994.)

1. Collateralization

Where allowed by state law and in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on non-negotiable certificates of deposit. (See GFOA Recommended Practices, Appendix 3.)

2. Repurchase Agreements

Repurchase agreements shall be consistent with GFOA Recommended Practices on Repurchase Agreements. (See GFOA Recommended Practices, Appendix 3.)

VI. Investment Parameters

1. Diversification

The investments shall be diversified by:

- b. limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- c. limiting investment in securities that have higher credit risks,
- d. investing in securities with varying maturities, and
- e. continuously investing a portion of the portfolio in readily available funds such as local government investment pools (GLIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations. (See the GFOA Recommended Practice on “Diversification of Investments in a Portfolio: in Appendix 3.)

2. Maximum Maturities

To the extent possible, the Santa Maria Public Airport District shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow the Santa Maria Public Airport District will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The Santa Maria Public Airport District shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years, if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body. (See the GFOA Recommended Practice on “Maturities of Investments in a Portfolio” in Appendix 3.)

Investment Policy

Because of inherent difficulties in accurately forecasting cash-flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as LGIPs, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

VII. Reporting

1. Methods

The investment officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the Santa Maria Public Airport District to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the investment officer, the legislative body, and any pool participants. The report will include the following:

- a. Listing of individual securities held at the end of the reporting period.
- b. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
- c. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- d. Listing of investment by maturity date.
- e. Percentage of the total portfolio which each type of investment represents.

1. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

2. Market to Market

The market value of the portfolio shall be calculated at least quarterly, and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Market-to-Market Practices for State and local Government Investment Portfolios and Investment Pools." (See GFOA Recommended Practices, Appendix 3.) In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

Investment Policy

VIII. Policy Considerations

1. Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments

This policy shall be reviewed by the investment officer on an annual basis. Any changes must be approved by the investment officer and any other appropriate authority, as well as the individual(s) charged with maintaining internal controls.

3. Waivers of Investment Policy

There will be circumstances from time to time when strict adherence to a provision of this Investment Policy is not possible or not in the best interest of the Santa Maria Public Airport District.

If the Santa Maria Public Airport District Staff has determined that a waiver of one or more provisions of this investment Policy should be considered, staff will prepare an analysis for the governing body describing the rationale and the impact of the waiver on the proposed investment.

Provisions of this Investment Policy may be waived by the approval of the governing body.

The failure of an investment to comply with one or more provisions of this investment Policy shall in no way affect the validity of any investment entered into by the Santa Maria Public Airport District in accordance with applicable laws.

IX. List of Attachments

The following documents, as applicable, are attached to this policy:

- Appendix 1: Glossary
- Appendix 2: Investment Pools
- Appendix 3: GFOA Recommended Practices and Policy Statements
- Listing of authorized personnel

Appendix 1: Glossary

Accrued Interest - The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of an FSA is the Federal National Mortgage Association (FNMA).

Amortization - The systematic reduction of the amount owed on a debt issued through periodic payments of principal.

Average Life - The average length of time that an issue of serial bonds and/or term bonds, with a mandatory sinking fund feature, is expected to be outstanding.

Basis Point - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

Bid - The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Callable Bond - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk - The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Collateralization - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Convexity - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price-to-interest rate changes.

Appendix 1: Glossary con't.

Coupon Rate - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the “interest rate.”

Credit Quality - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer’s ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer, because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return) - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Delivery Versus Payment (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Derivative Security - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Discount - The amount by which the par value of a security exceeds the price paid for the security.

Diversification - A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of the security is a useful indicator of its price volatility for given changes in interest rates.

Fair Value - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Funds (Fed Funds) - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on the same-day basis through the Federal Reserve banking system. Fed funds re-considered to be immediately available funds.

Federal Funds Rate - Interest rate charged by one institution lending federal funds to the other.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. Securities market. (See “Treasury Bills, Notes, and Bonds.”)

Appendix 1: Glossary con't

Interest Rate - (See "Coupon Rate.")

Interest Rate Risk - The risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value.

Internal Controls - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. Control of Collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. Separation of transaction authority from accounting and record keeping - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. Custodial safekeeping - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. Avoidance of physical delivery securities - Book-entry Securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. Clear delegation of authority to subordinate staff members - subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. Written confirmation of transactions for investments and wire transfers - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. Development of a wire transfer agreement with the lead bank and third-party custodian - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Inverted Yield Curve - A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940 - Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Appendix 1: Glossary con't

Investment Policy - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment-grade Obligations - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Liquidity - An asset that can be converted easily and quickly into cash has high liquidity.

Local Government Investment Pool (LGIP) - An investment by local governments in which their money is pooled as a method for managing local funds.

Mark-to-market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value - Current market price of a security.

Maturity - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. (See "Weighted Average Maturity.")

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Fund - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines;

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value its portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

Appendix 1: Glossary con't

Mutual Fund Statistical Services - Companies that track and rate mutual funds, e.g. IBC/Donoghue, Lipper Analytical Services, and Morningstar.

National Association of Securities Dealers (NASD) - a self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares, as well as other securities.

Net Asset Value - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)

$$\frac{[(\text{Total assets}) - (\text{Liabilities})]}{(\text{Number of shares outstanding})}$$

No Load Fund - A mutual fund which does not levy a sales charge on the purchase of its shares.

Nominal Yield - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Offer - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Par - Face value or principal value of a bond, typically \$1,000 per bond.

Positive Yield Curve - A chart formation that illustrates short-term securities having lower yield than long-term securities.

Premium - The amount by which the price paid for a security exceeds the security's par value.

Prime Rate - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule - An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Appendix 1: Glossary con't

Regular Way Delivery - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3). (Payment on a T+1 basis is currently under consideration.) Mutual funds are settled on a same day basis; government securities are settled on the next business day.

Reinvestment Risk - The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (repo or RP) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo) - An agreement of one party to repurchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act - Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Securities Exchange Commission (SEC) -

Serial Bond - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Sinking Fund - Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Swap - Trading one asset for another.

Term Bond - Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Total Return - The sum of all investment income, plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation, plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

$$(\text{Price appreciation}) + (\text{Dividends paid}) + (\text{Capital gains}) = \text{Total Return}$$

Treasury Bills - Short-term U.S. government non-interest bearing debt securities, with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly.

Appendix 1: Glossary con't

The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes - Intermediate U.S. government debt securities with maturities of one to ten years and issued in denominations ranging from \$1,000 to \$1 million or more.

Treasury Bonds - Long-term U.S. government debt securities with maturities of ten years or longer, and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule - SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

Volatility - A degree of fluctuation in the price and valuation of securities.

“Volatility Risk” Rating - A rating system to clearly indicate the level of volatility and other non-credit risk associated with securities and certain bond funds. The rating for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns (“aaa” by S&P; “v-1” by Fitch) to those that are highly sensitive with current identifiable market volatility risk (“ccc-“ by S&P, “V-10” by Fitch).

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

When Issued (WI) - A conditional transaction in which an authorized new security has not been issued. All “when issued” transactions are settled when the actual security is issued.

Yield - The current rate of return on an investment security generally expressed as a percentage of the security’s current price.

Yield-to-call (YTC) - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield Curve - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-maturity - The rate of return yielded by a debt security held to maturity, when both interest payments and the investor’s potential capital gain or loss are included in the calculation of return.

Zero-coupon Securities - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Appendix 2: Investment Pools

1. Definition

In most states, there are provisions for the creation and operation of a government investment pool. The purpose of a pool is to allow political subdivisions to pool investable funds in order to achieve a potentially higher yield.

There are basically three (3) types of pools: 1) state-run pools, 2) pools that are operated by a political subdivision where allowed by law and the political subdivision is the trustee, and 3) pools that are operated for profit by third parties. Prior to any political subdivision being involved with any type of pool, a thorough investigation of the pool and its policies and procedures must be reviewed.

2. Pool Questionnaire

Prior to entering a pool, the following questions and issues should be considered:

Securities:

Government pools may invest in a broader range of securities than an entity may invest in. It is important to be aware of, and comfortable with, the securities a pool buys. The following is a list of questions an investment officer may wish to ask a prospective Pool.

1. Does the pool provide a written statement of investment policy and objectives?
2. Does the Statement contain:
 - a. a description of eligible investment instruments?
 - b. the credit standards for investments?
 - c. the allowable maturity range of investments?
 - d. the maximum allowable dollar weighted average portfolio maturity?
 - e. the limits of portfolio concentration permitted for each type of security?
 - f. the policy on reverse repurchase agreements, options, short sales and futures?
3. Are changes in the policies communicated to the pool participants?
4. Does the pool contain only the types of securities that are permitted by your investment policy?

Interest:

Interest is not reported in a standard format, so it is important to know how interest is quoted, calculated, and distributed in order to make comparisons with other investment alternatives.

Interest Calculations

1. Does the pool disclose the following about yield calculations:
 - a. the methodology used to calculate interest? (simple maturity, yield to maturity, etc.)
 - b. the frequency of interest payments?
 - c. how interest is paid? (credited to principal at the end of the month, each quarter; mailed?)
 - d. how are gains/losses reported? factored monthly or only when realized?

Appendix 2: Investment Pools

Reporting

1. Is the yield reported to participants of the pool monthly? (If not, how often?)
2. Are expenses of the pool deducted before quoting the yield?
3. Is the yield generally in line with the market yields for other investment alternatives?
4. How often does the pool report? What information does the report include? Does it include the market value of securities?

Security:

The following questions are designed to help safeguard funds from loss of principal and loss of market value.

1. Does the pool disclose safekeeping practices?
2. Is the pool subject to audit by an independent auditor at least annually?
3. Is a copy of the audit report available to participants?
4. Who makes the portfolio decisions?
5. How does the manager monitor the credit risk of the securities in the pool?
6. Is the pool monitored by someone on the board of a separate neutral party external to the investment function to ensure compliance with written policies?
7. Does the pool have specific policies with regard to the various investment vehicles?
 - a. What are the different investment alternatives?
 - b. What are the policies for each type of investment?
8. Does the pool mark the portfolio to its own market value?
9. Does the pool disclose the following about how portfolio securities are valued?
 - a. What is the frequency with which the portfolio securities are valued?
 - b. What is the method used to value the portfolio (cost, current value, or some other method)?

Operations:

The answers to the following questions will help determine whether this pool meets the entity's operational requirements:

1. Does the pool limit eligible participants?
2. What entities are permitted to invest in the pool?
3. Does the pool allow multiple accounts and sub-accounts?
4. Is there a minimum or maximum account size?
5. Does the pool limit the number of transactions each month? What is the number of transactions permitted each month?
6. Is there a limit on transactions amounts for withdrawals and deposits?
 - a. What is the minimum and maximum withdrawal amount permitted?
 - b. What is the minimum and maximum deposit amount permitted?
7. How much notice is required for withdrawals/deposits?

Appendix 2: Investment Pools

8. What is the cutoff time for deposits and withdrawals?
9. Can withdrawals be denied?
10. Are the funds 100 percent withdrawable at any time?
11. What are the procedures for making deposits and withdrawals?
 - a. What is the paperwork required, if any?
 - b. What is the wiring process?
12. Can an account remain open with a zero balance?
13. Are confirmations sent following each transaction?

Statements:

It is important for the Treasurer and the Agency's trustee (when applicable) to receive statements monthly, so the pool's records of activity and holdings are reconciled by the Treasurer and its trustee.

1. Are statements for each account sent to participants?
 - a. What are the fees?
 - b. How often are they passed?
 - c. How are they paid?
 - d. Are there additional fees for wiring funds? (What is the fee?)
2. Are expenses deducted before quoting the yield?

Questions to consider for Bond Proceeds:

It is important to know (1) whether the pool accepts bond proceeds and (2) whether the pool qualifies with the U.S. Department of the Treasury as an acceptable commingled fund for arbitrage purposes.

1. Does the pool accept bond proceeds subject to arbitrage rebate?
2. Does the pool provide accounting and investment records suitable for proceeds of bond issuance subject to arbitrage rebate?
3. Will the yield calculation reported by the pool be acceptable to the IRS, or will it have to be recalculated?
4. Will the pool accept transaction instructions from a trustee?
5. Are separate accounts allowed for each bond issue so that the interest earnings of funds are subject to rebate are not commingled with funds not subject to regulations?

Appendix 3: GFOA Recommended Practices and Policy Statements

GFOA's Standing Committee on Cash Management has developed recommended practices and policy statements pertaining the prudent investment of public funds. State and local governments should carefully consider the factors outlined in the GFOA recommended practices and policy statements when making investment decisions and entering into investment transaction.

The following recommended practices and policy statements are attached:

- Collateralization of Public Deposits (1984, 1987 and 1993)
- Diversification of Investments in a Portfolio (1997)
- Governmental Relationship with Securities Dealers (1986 and 1988)
- Market Risk (Volatility) Ratings (1995)
- Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools (1995)
- Master Trust and Custodial Bank Security Lending Programs (1995)
- Maturities of Investments in a Portfolio (1997)
- Repurchase Agreements, Reverse Repurchase Agreements, Leveraging, and Prudent Investment Practices for Cash Management (1986 and 1995)
- Selection of Investment Advisers (1992)
- State and Local Laws Concerning Investment Practices (1997)
- Use and Application of Voluntary Agreements and Guidelines and Support for Written Investment Policies for State and Local Governments (1995)
- Use of Derivatives by State and Local Governments (1994)
- Use of Various Types of Mutual Funds by Public Cash Managers (1987)

GFOA Recommended Practice

Collateralization of Public Deposits (1984, 1987 and 1993)

Background. The safety of public funds should be the foremost objective in managing public funds. Collateralization of public deposits through pledging of appropriate securities by depositories is the only way to fully guarantee the safety of such deposits. State programs pertaining to the collateralization of public deposits have generally proved to be cost-effective and beneficial for both the public sector and its depositories.

However, federal law imposes certain limitations on collateral agreements between financial institutions and public entities to provide adequate collateral for public entities to secure sizable public unit deposits. Under certain circumstances, the Federal Deposit Insurance Corporation (FDIC) may be able to avoid a perfected security interest and leave the public depositor with only the right to share with other creditors in the pro rata distribution of the assets of a failed institution.

Recommendation. The Government Finance Officers Association (GFOA) favors the use of pledging requirements as protection for state or local governments, and as incentives for the use of state and local obligations in the satisfaction of such pledges. GFOA further favors and encourages state and local governments to establish adequate and efficient administrative systems to maintain such pledged collateral, including state or locally administered collateral pledging or collateral pools. To accomplish these goals, GFOA recommends that:

1. Public entities implement programs of prudent risk control. Such programs could include a formal depository risk policy, credit analysis, and the use of fully secured investments. In the absence of an effective statewide collateralization program, local officials should establish and implement collateralization procedures.
2. State and local government depositories take all possible actions to comply with federal requirements in order to ensure that their security interests in collateral pledged to secure deposits are enforceable against the receiver of a failed financial institution. Federal law provides that a depositor's security agreement, which tends to diminish or defeat the interest of the FDIC in an asset acquired by it as receiver of an insured depository, shall not be valid against the FDIC unless the agreement
 - is in writing;
 - was executed by the depository institution and any person claiming an adverse interest, contemporaneously with the acquisition of the asset by the depository institution;
 - was approved by the board of directors of the depository or its loan committee; and
 - has been continuously, from the time of its execution, an official record of the depository institution.

GFOA Recommended Practice

Diversification of Investments in a Portfolio (1997)

Background. State and local governments are charged with observing the investment management objectives of safety, liquidity, and yield. Portfolio risk includes all the risks associated with investments, such as credit risk and market risk. Risks to safety and liquidity can be mitigated through diversifying and types and maturities of securities purchased. Because ensuring safety and liquidity are paramount, entities should seek to reduce portfolio risk as much as possible in their investment policies through appropriate diversification of investments in the portfolio and restrictions on maturity provisions.

Recommendation. The Government Finance Officers Association (GFOA) recommends that state and local governments diversify their investments to reduce portfolio risk through such means as:

- limiting investments to avoid over concentration in securities from a specific issuer or business sector, excluding U.S. Treasury securities;
- limiting investments in securities that have higher credit risks;
- investing in securities of varying maturities; and
- continuously investing a portion of the portfolio in readily available funds, such as local government investment pools (LGIPs), money market funds, or maintained to meet ongoing obligations.

GFOA Recommended Practice

Governmental Relationships with Securities Dealers (1986 and 1988)

Background. State and local governments represent one of the largest sources of investment funds available to purchase U.S. Government Securities. Without broad participation by state and local government investors, the government securities market would lack liquidity and the U.S. Treasury's cost of borrowing would increase. At the same time, governmental investors are expected to protect public funds from losses arising from default and to ensure that securities are purchased and sold at the best price available in the competitive marketplace.

Recommendation. The Government Finance Officers Association (GFOA) makes the following specific recommendations to state and local government investors in selecting depositories and securities dealers for the purpose of investment transactions in government securities:

1. Select or qualify depositories, custodians, and dealers through competitive procedures, including requests for proposals for banking services. All securities purchases should be made through competitive bidding. In the event that a governmental unit does not obtain competitive price bids, investors are urged to obtain written documentation of price markups prior to completing the transaction.
2. Require securities dealers conducting transactions with governmental entities to comply with the Federal Reserve Bank of New York's capital adequacy guidelines as a condition of doing business. Before investing public funds, government investors should obtain compliance certifications from the dealer and an independent auditor.
3. Secure acknowledgment from depositories and dealers that they have received written copies of their investment policies, portfolio risk constraints, and investment trading requirements.
4. Be aware of reasonably foreseeable risks of market price loss, illiquidity, nonmarketability, or default of investment instruments before they are purchased. Additionally, securities dealers have a responsibility to disclose unreasonable risks.

GFOA Recommended Practice

Market Risk (Volatility) Rating (1995)

Background. State and local government have long relied on credit ratings as an independent analytical source to gauge the credit risk of an investment option. However, credit risk analysis alone is not sufficient to safeguard against the assumption of other risk components, including market, interest rate, and liquidity risks. Through the securitization and structuring process, AAA rated securities and funds also may carry extreme market and other risks that are wholly unaddressed by credit ratings. Rating agencies now provide market risk ratings that evaluate the volatility of the security under a wide range of potential interest rate and mortgage prepayment scenarios.

Risk components, such as interest rate, prepayment, credit, spread and liquidity, and currency risks are analyzed to assess how aggressively a fund uses derivatives and leveraging, and what risks their use presents to fund managers and investors in the fund. Results indicate the degree of potential variability in the prospective fund performance. Historical performance and volatility of funds returns relative to appropriate benchmarks also are evaluated.

When applied to individual collateralized mortgage obligations (CMOs), market risk rating provided a useful benchmark to governmental entities as they establish guidelines for prudent management of derivative investments.

Recommendation. The Government Finance Officers Association (GFOA) encourages state and local governments to augment information they receive from brokers, dealers, or advisers with independent research when conducting due diligence of potential investments. Information sources include historical trading ranges, trend and volume data, brokerage firm research, cash flow and present value analysis, and credit ratings and research.

GFOA encourages investment in only those CMOs and funds that seek market risk ratings from rating agencies to provide comprehensive disclosure of risks to public investors. Although volatility ratings currently are not mandatory, public investors may wish to consider limiting their investments to CMOs and funds that have received favorable volatility ratings from a nationally recognized rating agency.

GFOA Recommended Practice

Market-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools (1995)

Background. As the investment portfolios of state and local governments are subjected to increased scrutiny, it is essential that reporting standards be enhanced so that investors, governing bodies, and the public remain informed of the current market value of the portfolio. Regular disclosure of the value of a governmental entity's investments is an important step to furthering taxpayer and market confidence in state and local government investment practices.

Recommendation. The Government Finance Officers Association (GFOA) recommends the state and local government officials responsible for investment portfolio reporting determine the market value of all securities in the portfolio on at least a quarterly basis. These values should be obtained from a reputable and independent source and disclosed to the governing body or other oversight body at least quarterly in a written report. It is recommended that the report include the market value, book value, and unrealized gain or loss of the securities in the portfolio.

Many state and local government officials are allowed to invest in various state and local government investment pools available in their state or region. GFOA recommends that pool administrators, on at least a monthly basis, determine the market value of all securities in the pool and report this information to all pool participants on at least a quarterly basis. These values should be obtained from a reputable and independent source. This information should be included in the report to the governing body prepared on at least a quarterly basis.

GFOA Recommended Practice

Master Trust and Custodial Bank Security Lending Programs (1995)

Background. The lending of securities helps to maintain an orderly market, while providing incremental income to the participant. Broker/dealers borrow primarily to cover fails (the non-delivery of a security expected to be delivered on a date certain) and short sales (the sale of a security not presently owned by the seller in order to take advantage of an expected lower market price), and to execute arbitrage transactions. Their preferred partners in these transactions are the master trust and custodial banks, since their huge portfolios basically offer “one-stop shopping.”

As part of their trust and custody management services, banks, like other money managers, offer to lend securities owned by institutional clients to brokers in exchange for collateral. The collateral, which is usually cash, is reinvested at a rate higher than the rebate rate paid to the broker. The resulting proceeds are subsequently split between the lending agent and the client.

A security lending transaction is similar to a reverse repurchase transaction, and is subject to many of the same risks. While the indemnifications offered may vary, the lending agreement may provide that broker credit risk, broker default risk, and collateral maintenance are risks undertaken by the lending agent. The degree of risk assumed by lending agent default risk and collateral reinvestment risk are undertaken by the institutional client.

Unsound collateral reinvestment practices can result in some master trust and custodial banks incurring losses on behalf of their institutional security lending program customers. Additionally, rapidly changing interest rates, lending short and investing long, investing in speculative derivatives, and paying a fixed rebate rate while investing in floating rebate rate securities under adverse market conditions are examples of situations that can produce investment losses.

Liquidity requirements are often accepted by and guaranteed by the lending agent upon one-day's notice, as substitution of the lending client in large lending programs is easily accomplished and essentially riskless. Programs that require the client to undertake responsibility for managing the liquidity present greater risks and require that the client place limits on the amount of the portfolio which may be put on loan. The term of the securities on loan and the reinvestment of the proceeds must be carefully established by the client and strictly managed.

Recommendation. While investment strategies that include security lending programs are not inherently risky when employed judiciously with appropriate precautions and controls, the Government Finance Officers Association (GFOA) urges state and local government officials to exercise extreme caution in their use of security lending programs. Prior to participating in a security lending program, finance officers should carefully evaluate the following:

- whether security lending is legally permissible under state statute and the jurisdiction's written investment policy;
- the terms of the lending agreements;
- the indemnification provisions;

Master Trust and Custodial Bank Security Lending Programs (1995) con't

- the reinvestment guidelines and terms of the lending, including the maturity of loans as well as the securities purchased;
- the liquidity provisions and risks;
- the credit risks to be undertaken; and
- the resources required to monitor compliance with the agreement.

GFOA Recommended Practice

Maturities of Investments in a Portfolio (1997)

Background. Securities are issued in a variety of maturities. To ensure that liquidity is maintained and to reduce interest rate risk in operating funds, most state and local governments limit the maximum maturity (the date on which payment of a financial obligation is due) on any specified purchased security and the maximum weighted average maturity (the average maturity or reset period of all securities that comprise a portfolio) of the entire portfolio.

The longer the maturity horizon that is selected, the greater the price volatility. In accordance with the Governmental Accounting Standards Board reporting requirements, the portfolio could show unrealized losses or gains for any reporting period.

Recommendation. The Government Finance Officers Association (GFOA) recommends that, to the extent possible, state and local governments should match investments with anticipated cash flow requirements. GFOA supports the following practices to achieve this objective:

1. Unless matched to a specific cash requirement, governments should not directly invest in securities maturing more than five years from the date of purchase. Reserve or other funds with longer-term investment horizons may be invested in securities exceeding five years, if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities should be disclosed in writing to the legislative body through a written investment policy.
2. Governments should adopt weighted average maturity limitations, which often range from 90 days to three years, consistent with the government's investment objectives.
3. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools (LGIPs), money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

GFOA Recommended Practice

Repurchase Agreements, Reserve Repurchase Agreements, Leveraging, and Prudent Investment Practices for Cash Management (1986 and 1995)

Background. Repurchase agreements (repos) are the sale by a bank or dealer of government security with the simultaneous agreement to repurchase the security on a later date. Repos are commonly used by public entities to secure money market rates of interest and are an integral part of an investment program of state and local governments. In a reverse repurchase agreement (reverse repo), an investor owns securities, such as a Treasury note, U.S. government agency bond or other security, that a bank or dealer purchases under an agreement to sell back to the investor on a specified date, at an agreed-upon interest rate.

Reverse repos generally have two basic uses: first, reverse repos may be one way to avoid liquidating a portfolio to meet unexpected or immediate cash flow requirements. This straightforward use of the instrument is accepted by most public finance officers as a legitimate cash management practice. The second, potentially more controversial, use of the reverse repo is to enhance portfolio returns through the purchase of securities finance through repurchase transactions. The cash obtained can then be invested in another higher-yielding instrument. The conservative and prudent approach to this use of reverse repos involves short-term contracts in which the term of the reverse repo is matched with the maturity of the reinvestment. Losses of state and local government fund have occurred as the result of the inappropriate use of reverse repos in leveraging portfolios to increase investment returns and as a result of other unsound investment practices.

Recommendation. The Government Finance Officers Association (GFOA) recommends that state and local government finance officers develop policies and procedures to insure the safety of repos and reverse repos. The following actions are recommended:

1. Government entities and investment officers should exercise special caution in selecting parties with whom they will conduct repurchase transactions and be able to identify the parties acting as principals to the transaction.
2. Proper collateralization practices are necessary to protect the public funds invested in repurchase agreements. Risk is significantly reduced by delivery of underlying securities through physical delivery or safekeeping with the purchaser's custodian. Over-collateralization, commonly called "haircuts," or marking-to-market practices should be mandatory procedures.
3. Master repurchase agreements should be employed, subject to appropriate legal and technical review. Governments using the prototype agreement developed by the Public Securities Association should include appropriate supplemental provisions regarding delivery, substitution, margin maintenance, margin amounts seller representations, and governing law.

GFOA Recommended Practice

Repurchase Agreements, Reserve Repurchase Agreements, Leveraging, and Prudent Investment Practices for Cash Management (1986 and 1995)

4. Reverse repo proceeds generally should not be invested in securities whose maturity does not match the term of the reverse repo. For example, borrowing short to lend long can produce losses in adverse markets. Further, the possibility exists that other factors can go wrong, such as default by the dealer or adverse market changes that erode the value of the underlying securities.
5. The use of reverse repos should be considered only by entities that have the expertise and resources required to successfully engage in the technique. Additionally, state statutes may prohibit or discourage the use of reverse repos. Government officials who engage in reverse repos should verify whether such uses of reverse repos are legally sanctioned.
6. Public officials should not engage in investment practices, such as purchasing securities on margin (by borrowing funds from a counterparty), selling securities short (by borrowing the security from a third party and selling in anticipation of higher interest rates), purchasing long-term bonds with short-term funds, and trading futures contracts without an exact offsetting cash market position.

GFOA Recommended Practice

Selection of Investment Advisers (1992)

Background. Some state and local governments have augmented their investments programs by retaining investment advisers to perform various portfolio services, ranging from advice-only consultation to fully discretionary management. In many cases, the results of these engagements have been favorable but there also have been cases of reported investment losses resulting from governmental units transacting business with certain investment advisers. Unlike the highly regulated bank trust and mutual fund sectors, federal regulatory inspection of independent investment advisers is infrequent and relatively superficial.

Recommendation. The Government Finance Officers Association (GFOA) has recommended consistently that state and local governments exercise caution in their selection of investment advisers and implement an ongoing risk control management program. The association urges state and local governments considering or retaining independent investment advisers to carefully review the credentials, procedures, and controls of firms offering investment advisory services. Recommended precautionary measures include:

- delivery versus payment,
- third-party custody arrangements,
- prohibitions against self-dealing,
- independent auditors,
- timely reconciliations, and
- other appropriate internal control measures.

GFOA Policy Statement

State and Local Laws Concerning Investment Practices (1997)

(Amends State Statutes Concerning Investment Practices approved in 1992)

Background. The authority of state and local governments to invest in public funds is derived through the power of state and local legislative bodies and state statutes and local laws that reflect public policies. Some state and local laws and practices may permit investments that are inappropriate for local government, while others may be overly restrictive with regards to permissible instruments or eligible financial entities. Many state and local governments have modified their cash management and investment laws and policies to improve the safety of their investments while obtaining a favorable rate of return on invested public funds.

GFOA Position. The Government Finance Officers Association (GFOA) encourages state and local legislative bodies to remove artificial restrictions upon the efficient investment of public funds by:

1. Amending state and local laws regulating local government investment authority to permit prudent investment of public funds in prime money market instruments and investment securities, such as:
 - U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
 - Canadian government obligations (payable in local currency);
 - Certificates of deposit and other evidences of deposit at financial institutions, bankers' acceptances, and commercial paper, rated in the highest tier (e.g. A1, P1, F1 or D1 or higher) by a nationally recognized rating agency;
 - Investment-Grade obligations of state, provincial and local governments and public authorities;
 - Repurchase agreements whose underlying purchased securities consist of the foregoing; and
 - Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities.

Investment in derivatives of the above instruments shall require authorization by the appropriate governing authority. (See GFOA Recommend Practice on "Use of Derivatives by State and Local Governments," 1994.)

2. Authorizing and encouraging the efficient, professional investment of public funds in local government investment pools, either state-administered or through joint powers and other intergovernmental agreement legislation, to take advantage of portfolio diversification and liquidity.
3. Authorizing and encouraging professional investments by removing geographical restrictions on eligible financial entities.

GFOA Recommended Practice

Use and Application of Voluntary Agreements and Guidelines and Support for Written Investment Policies for State and Local Governments (1995)

Background. Various participants in the investment process are seeking to clarify the relationship of parties in an investment transaction by undertaking voluntary efforts to develop model agreements and guidelines. Some of these documents contain legal assumptions that might affect the validity of a transaction. Others would require certain statements to be in writing in order to be effective. Although the enforceability of such guidelines is uncertain, state and local government investors should be aware of their existence and the possibility that their counterparties may be operating under these or similar guidelines.

Recommendation. The Government Finance Officers Association (GFOA) recommends that state and local governments consider carefully any agreement or guidelines presented for their use, because many of these documents affect a public entity's rights and responsibilities in a given transaction. Furthermore, GFOA recommends that:

1. Governmental investors be aware of the federal, state, and local laws that govern investment contracts and agreements, as well as statutes and regulations affecting suitability obligations of broker/dealers, which require that a broker/dealer should only recommend a product after that broker/dealer has taken steps to determine that it is suitable for the customer.
2. Governmental investors use the GFOA-developed Broker/Dealer Request for Information, Sample Agreement for Securities Service and (Optional) Statement of Work in dealing with broker/dealers, modified as necessary, which have been formulated specifically by and for state and local government investors.
3. Governmental investors use the GFOA-developed Sample Agreement for Investment Advisory Services when contracting for investment advisers.
4. Governmental investors protect their existing statutory and regulatory rights by ensuring that such rights are not inadvertently waived through the use of "boiler-plate" language in contracts with counterparties.
5. Governmental investors develop written investment policies using the GFOA-developed Sample Investment Policy.

GFOA Recommended Practice

Use of Derivatives by State and Local Governments (1994)

Background. Derivative products are financial instruments created from or whose value depends on (is derived from) the value of one or more underlying assets or indexes of asset values. Derivatives include instruments or features such as collateralized mortgage obligations (CMOs), interest-only (IPs) and principal-only (POs), forwards, futures, currency and interest rate swaps, options, floaters/inverse floaters, and caps/floors/collars. State and local governments may use derivatives in their roles as debt, cash, and pension fund managers.

Recommendation. The Government Finance Officers Association (GFOA) urges state and local government finance officers to exercise extreme caution in the use of derivatives and to consider their use only when they have developed a sufficient understanding of the products and the expertise to manage them. Because new derivative products are increasingly complex, state and local governments should use these instruments only if they can evaluate the following factors, among others, to determine their appropriateness:

1. Governmental entities must observe the objectives of sound asset and liability management policies that ensure safety, liquidity, and yield. Because of the risks involved, the use of derivatives by governmental entities should receive particular scrutiny. Certain derivative products may not be appropriate for all governmental investors. Characteristics of such products can include high price volatility, illiquid markets, products that are not market-tested, highly leveraged products, products requiring a high degree of sophistication to manage, and products that are difficult to value.
2. Governmental entities should understand that state and local laws may not specifically address the use of derivatives and examine such considerations as:
 - the constitutional and statutory authority of the governmental entity to execute derivative contracts,
 - the potential for violating constitutional or statutory provisions limiting the entity's authority to incur debt resulting from the transaction, and
 - the application of the governmental entity's procurement statutes to derivative transactions.
3. Governmental entities should be aware of all the risks associated with use of derivatives, including counterparty credit, custodial, market, settlement, and operating risk.
4. Governmental entities should establish internal controls for each type of derivative in use to ensure that these risks are adequately managed. For example,
 - the entity should provide a written statement of purpose and objectives for derivative use;
 - written procedures should be established that provide for periodic monitoring of derivative instruments;
 - managers should receive periodic training and have sufficient expertise and technical

Use of Derivatives by State and Local Governments (1994) con't

- resources to oversee derivative programs;
 - recordkeeping systems should be sufficiently detailed to allow governing bodies, auditors, and examiners to determine if the program is functioning in accordance with established objectives;
 - managers should report regularly on the use of derivatives to their governing body and appropriate disclosure should be made in official statements and other disclosure documents; and
 - reporting on derivative use should be in accordance with generally accepted accounting principles, and because use of these instruments is a complex matter, early discussion with public accountants is essential to determine if specialized reporting may be required.
5. Governmental entities should be aware of whether if their broker/dealer is merely acting as an agent, is an intermediary in a derivatives transaction or is taking a proprietary position. Possible conflicts of interest should be taken into consideration before entering into a transaction.
 6. Governmental entities should be aware that there may be little or no pricing information or standardization for some derivatives. Competitive price comparisons are recommended before entering into a transaction.
 7. Governmental entities should exercise caution in the selection of broker/dealers or investment managers to ensure that these agents are knowledgeable about, understand and provide disclosure regarding the use of derivatives, including benefits and risks. The entity should secure written acknowledgment from broker/dealers that they have received, read, and understood the entity's debt and investment policies, including whether derivatives are currently authorized under the entity's investment policy, and that the broker/dealer or investment manager has ascertained that the recommended product is suitable for the governmental entity.
 8. Governmental entities are responsible for ensuring this same level of safeguards when derivative transactions are conducted by a third party acting on behalf of the governmental entity.

GFOA Recommended Practice

Use of Various Types of Mutual Funds by Public Cash Managers (1987)

Background. State and local government cash managers can sometimes benefit from investing public funds through mutual funds. The Government Finance Officers Association (GFOA) has endorsed the use of money market mutual funds by public cash managers through the Association's model investment legislation for state and local governments. Portfolio diversification, liquidity, and professional management are desirable features of these investment vehicles.

Recommendation. The GFOA recommends that state and local governments using mutual funds study the funds' prospectus and statement of additional information to determine

- the integrity and experience of the investment company,
- sales fees and operating expenses,
- fundamental portfolio policies, and
- portfolio composition.

State and local government cash managers should use special care when investing in bond mutual funds. Mutual funds investing exclusively in short and intermediate-term instruments may be appropriate investments in some jurisdictions. However, mutual funds investing in long-term securities should be avoided by investors of short-term funds. Market price risks could impair the safety of assets, which is the foremost objective of public cash managers.

The following personnel are authorized to transfer funds per the investment policy:

General Manager

Manager of Finance and Administration

RESOLUTION NO. 956

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SANTA MARIA PUBLIC AIRPORT DISTRICT
ADOPTING A RESERVE POLICY**

WHEREAS, the Santa Maria Public Airport District (“District”) faces financial risks including revenue shortfalls, recessions, and losses arising from extreme or unforeseen events; and

WHEREAS, the District recognizes that maintaining financial reserves provides protection from risk, ensures continuity of operations, and enables the District to respond quickly and decisively during periods of economic or operational stress; and

WHEREAS, the Board of Directors finds that a Reserve Policy is necessary to establish the appropriate level of reserves, identify acceptable uses of reserves, and outline procedures for monitoring, replenishing, and managing reserve levels; and

WHEREAS, the Reserve Policy sets a minimum reserve level of 20% of operating expenses and a maximum reserve level of 35% of operating expenses, ensuring that reserve funding remains proportional to the District’s operating scale and budget over time; and

WHEREAS, the policy provides that if reserves fall below the minimum threshold, the Manager of Finance and Administration shall develop and present a replenishment plan to the Board of Directors, and if reserves exceed the maximum threshold, excess reserves may be used as one-time revenues, with priority given to funding the District’s economic uncertainty reserve; and

WHEREAS, the Reserve Policy prohibits the use of reserves for recurring operating costs except in cases of significant revenue disruption or economic downturns, during which reserves may be used temporarily to allow for orderly operational restructuring; and

WHEREAS, the Board of Directors finds it prudent, fiscally responsible, and consistent with long-term planning to adopt a formal Reserve Policy;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Santa Maria Public Airport District hereby adopts the Reserve Policy, attached hereto and incorporated herein by reference, as the governing framework for establishing, maintaining, and administering financial reserves; and

BE IT FURTHER RESOLVED, that the General Manager is authorized to utilize reserves consistent with the policy, and the Manager of Finance and Administration is directed to monitor reserve levels, conduct long-range forecasting, and present replenishment or expenditure plans to the Board as required by the policy; and

BE IT FURTHER RESOLVED, that all prior or conflicting practices or directives concerning reserves are hereby superseded.

PASSED AND ADOPTED at the regular meeting of the Board of Directors of the Santa Maria Public Airport District held on March 12, 2026, on Motion of, and carried by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Steve Brown, President

ATTEST:

Tony Guy, Secretary



RESERVE POLICY

Why a Reserve Policy Is Important

A reserve provides protection from risk. Santa Maria Public Airport District faces risks like revenue shortfalls during recessions and losses from extreme events. Reserves help make sure that the Santa Maria Public Airport District can respond quickly and decisively to extreme events. Reserves also support vital public services during revenue declines. A reserve policy describes how much we will try to retain in our reserve. It also describes acceptable uses of reserves.

The Size of Santa Maria Public Airport District's Reserve

Santa Maria Public Airport District will try to hold the following amounts in reserves. The amount of money held in reserve is stated as a percent of expenses. This is so that the Santa Maria Public Airport District's reserve stays consistent with the size of the budget over time.

- **At a minimum, the reserve will be equal to at least 20% of operating expenses for the budget year.**
- **The maximum size of the reserves is 35% of operating expenses for the budget year.**

Santa Maria Public Airport District's finance department will conduct long-range forecasting to decide if Santa Maria Public Airport District is likely to stay within its range of reserves.

If the minimum reserve is not kept during the forecast period, the Manager of Finance and Administration will develop a plan to bring the reserve to the desired amount. This plan will be offered to the Board of Directors for consideration.

If the maximum reserve is exceeded during the forecast period, the Santa Maria Public Airport District may spend the excess reserves. Excess reserves shall be treated as one-time revenue, with priority given to fund an economic uncertainty reserve, in which the Santa Maria Public Airport District shall invest in accordance with its investment policy.

Acceptable Uses of Reserves

Reserves are meant to address unexpected, nonrecurring costs. Reserves should not be used for recurring annual operating costs. An exception is poor economic conditions or events that disrupt Santa Maria Public Airport District's revenues. In such cases, reserves may be used to provide short-term relief so that Santa Maria Public Airport District can restructure its operations in an orderly manner.

Authority to Use Reserves

The General Manager may authorize the use of reserves for purposes consistent with this policy.

Replenishment of Reserves

If Santa Maria Public Airport District uses its reserves and those reserves are below the allowed minimum, then the Manager of Finance and Administration will propose a plan for the replacement of the reserves. The Board of Directors will review and approve the plan. Santa Maria Public Airport District will try to replace the reserves within the minimum amount of time that is practical.

RESOLUTION NO. 957

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA MARIA PUBLIC AIRPORT DISTRICT ADOPTING A DEBT MANAGEMENT POLICY

WHEREAS, the Santa Maria Public Airport District ("District") is responsible for maintaining, operating, and developing the Santa Maria Public Airport in a financially sound and sustainable manner; and

WHEREAS, the District periodically utilizes debt as a financing tool to construct, improve, or acquire long-term capital assets that support aviation services, economic development, and the long-term operational needs of the airport; and

WHEREAS, the District recognizes its responsibility to issue and manage debt prudently, transparently, and in compliance with all applicable federal and state laws, including Senate Bill 1029 and California Government Code § 8855, which require the adoption of a written debt management policy; and

WHEREAS, the District further recognizes its obligations under Federal Aviation Administration (FAA) Grant Assurances, California investment laws, and federal securities and tax regulations governing the appropriate use of debt proceeds and airport revenue; and

WHEREAS, the Board of Directors finds that the adoption of a Debt Management Policy will:

- Establish clear guidelines for the issuance and administration of debt;
- Ensure the prudent use of debt consistent with the District's long-term capital planning;
- Protect the District's financial integrity and creditworthiness;
- Provide transparency to the public regarding the District's debt practices; and
- Support the continued safe, efficient, and cost-effective operation of the airport;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Santa Maria Public Airport District hereby adopts the Debt Management Policy, attached hereto and incorporated herein by reference, as the governing document for the planning, issuance, management, and reporting of all District-issued debt; and

BE IT FURTHER RESOLVED, that the Manager of Finance and Administration is authorized and directed to implement and administer the Debt Management Policy, ensure compliance with all internal control procedures contained therein, and provide periodic reporting to the Board of Directors; and

BE IT FURTHER RESOLVED, that all prior policies or directives inconsistent with the adopted Debt Management Policy are hereby repealed or superseded.

PASSED AND ADOPTED at the regular meeting of the Board of Directors of the Santa Maria Public Airport District held on March 12, 2026, on Motion of, and carried by the following roll call vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steve Brown, President

ATTEST:

Tony Guy, Secretary



DEBT MANAGEMENT POLICY

Purpose of the Debt Management Policy

Debt is a valuable tool that helps the Santa Maria Public Airport District (“District”) deliver essential airport infrastructure that supports aviation, economic activity, and community mobility. With this tool comes the responsibility to issue and manage debt prudently, transparently, and in accordance with federal and state requirements.

This policy establishes the framework for responsible use of debt and is adopted in full compliance with SB 1029 and California Government Code § 8855, which require local agencies to maintain a written debt policy addressing the purposes of debt, allowable types of debt, relationship to the District’s capital planning, policy goals, and internal control procedures

It also reflects the District’s obligations under FAA Grant Assurances, California investment laws, and Federal securities and tax regulations.

Why a Debt Management Policy Is Important

Debt is a powerful tool to help The Santa Maria Public Airport District provide our community with the infrastructure it needs to thrive. With power comes responsibility. This policy forms guidelines to make sure The Santa Maria Public Airport District uses debt responsibly.

When Debt Could Be Issued

Debt is one option that The Santa Maria Public Airport District has to pay for a capital asset. Below are the conditions when debt would be a better choice for The Santa Maria Public Airport District.

Low interest rates. Low interest rates mean a lower total cost of borrowing.

Soft construction market. The community can benefit if The Santa Maria Public Airport District uses debt to build more assets while construction costs are low.

The asset has a long, useful life. Assets that last a long time will benefit citizens and taxpayers far into the future. It is fair for these future taxpayers and citizens to help pay the cost of the asset by paying for some of the debt.

The Santa Maria Public Airport District’s forecasts show that debt is affordable. Debt adds a long-term cost to the budget.

Use of debt is consistent with legal and other limits. Other levels of government and this policy describe limits that The Santa Maria Public Airport District must observe.

When Debt Shouldn’t Be Issued

There are many cases where debt is not the right financing tool. Below are important cases where debt should not be used:

Paying for ongoing public services. Ongoing public services benefit today's citizens and taxpayers, but debt will be paid by tomorrow's citizens and taxpayers.

Life of the debt is longer than the life of the capital asset it funds. If the debt lasts for longer than the capital asset, then future taxpayers and citizens will pay for an asset that they do not benefit from.

Cost of issuing debt is too high. The Santa Maria Public Airport District has to pay certain costs and fees to issue debt. These costs may outweigh the benefits that debt provides, especially for small capital projects.

Allowable Debt Instruments

1. Long-Term Bonded Debt

- Revenue Bonds
- General Obligation (GO) Bonds
- Demand Bonds
- Special Assessment Bonds
- Combination Bonds

2. Short-Term Debt and Notes

- Bond Anticipation Notes (BANs)
- Revenue Anticipation Notes (RANs)
- Tax Anticipation Notes (TANs)
- Commercial Paper
- Registered Warrants

3. Specialized Financing Instruments

- Certificates of Participation (COPs)
- Conduit Debt Obligations
- Financed Purchases

The Santa Maria Public Airport District may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Management Policy.

FAA and State Considerations

- **Revenue Use:** For any debt issued, federal Grant Assurances require that **airport-generated revenue be used only for airport-related capital or operating costs**. Debt retirement for airport bonds is an allowable use of this revenue.
- **Investment Restrictions:** Bond proceeds and debt service reserves must be invested in accordance with the **California Government Code** and the district's investment policy.

General Debt Limitations

There is a limit on the amount of debt that is affordable for The Santa Maria Public Airport District. The Santa Maria Public Airport District defines two measures of affordability:

First, "annual debt service as a percent of general expenditures" measures the resources that debt uses in the annual budget. If this measure gets too high, The Santa Maria Public Airport District could have trouble providing regular services. *The Santa Maria Public Airport District will limit annual debt service as a percent of general expenditures to no more than 15%.*

The second measure is "overlapping debt divided by market value of the properties in the community." This shows the size of the burden that debt puts on taxpayers. This measure includes not only debt issued by The Santa Maria Public Airport District but also debt issued by overlapping

government jurisdictions that taxpayers live in. This is important because taxpayers are affected by the debt from all governments, not just The Santa Maria Public Airport District. *The Santa Maria Public Airport District's policy is that overlapping debt divided by market value of properties in the community should not exceed 10%*

Maturity Guidelines

Foremost, the term of any debt issued should not exceed the useful life the asset being funded.

The average weighted bond maturities of all debt should be 10 years or less.

Internal Control Procedures

The District shall maintain strong internal controls to ensure:

- Debt proceeds are used only for intended capital purposes.
- Restricted accounts are monitored and reconciled.
- Expenditures are properly documented.
- Investment of proceeds complies with state law.
- Arbitrage and private-use compliance are monitored.
- All required federal and state filings are submitted on time.
- Continuing disclosure filings are completed promptly and accurately.

The **Manager of Finance and Administration** is responsible for implementing internal controls and overseeing compliance, with regular reporting to the **Board of Directors**.

**FIRST AMENDMENT OF CONSULTING SERVICE AGREEMENT
(PRELIMINARY, DESIGN, BIDDING, CONSTRUCTION, AND COMPLETION PHASE)
SERVICES FOR THE REHABILITATION OF RUNWAY 12-30
AT THE SANTA MARIA PUBLIC AIRPORT DISTRICT**

RE: By this Service Agreement ("Agreement") dated July 10, 2025, by and between SANTA MARIA PUBLIC AIRPORT DISTRICT, a public airport district of the State of California ("District") and TARTAGLIA ENGINEERING a sole proprietorship owned by John A. Smith, (herein called "Engineer"), District retains Engineer to perform certain engineering and design services.

The SANTA MARIA PUBLIC AIRPORT DISTRICT ("District") and TARTAGLIA ENGINEERING. ("Engineer"), agree to amend the Agreement effective April 1, 2026, as follows:

1. **TIME OF PERFORMANCE.** The time to complete the services is extended from March 31, 2026, to August 31, 2026.

All of the terms, covenants, conditions, provisions and agreements of said Agreement, as amended, shall remain in full force and effect.

Dated: **March 12, 2026**

DISTRICT:

Approved as to content for
District:

SANTA MARIA PUBLIC AIRPORT DISTRICT

General Manager

Steven Brown, President

Approved as to form for District

Tony Guy, Secretary

District Counsel

ENGINEER:

TARTAGLIA ENGINEERING

John A. Smith, P.E.
Principal

**SECOND AMENDMENT OF CONSULTING SERVICE AGREEMENT
(PRELIMINARY, DESIGN, BIDDING, CONSTRUCTION, AND COMPLETION PHASE)
SERVICES FOR THE LANDSIDE IMPROVEMENT PROJECT
AT THE SANTA MARIA PUBLIC AIRPORT DISTRICT**

RE: By this Service Agreement ("Agreement") dated May 23, 2024, by and between SANTA MARIA PUBLIC AIRPORT DISTRICT, a public airport district of the State of California ("District") and TARTAGLIA ENGINEERING a sole proprietorship owned by John A. Smith, (herein called "Engineer"), District retains Engineer to perform certain engineering and design services.

The SANTA MARIA PUBLIC AIRPORT DISTRICT ("District") and TARTAGLIA ENGINEERING. ("Engineer"), agree to amend the Agreement effective April 1, 2026, as follows:

1. TIME OF PERFORMANCE. The time to complete the services is extended from March 31, 2026, to June 30, 2028.

All of the terms, covenants, conditions, provisions and agreements of said Agreement, as amended, shall remain in full force and effect.

Dated: **March 12, 2026**

DISTRICT:

Approved as to content for
District:

SANTA MARIA PUBLIC AIRPORT DISTRICT

General Manager

Steve Brown, President

Approved as to form for District

Tony Guy, Secretary

District Counsel

ENGINEER:
TARTAGLIA ENGINEERING

John A. Smith, P.E.
Principal

**SIXTH AMENDMENT OF CONSULTING SERVICE AGREEMENT
(PRELIMINARY, DESIGN, BIDDING, CONSTRUCTION, AND COMPLETION PHASE)
SERVICES FOR THE U.S. CUSTOMS BUILDING UPGRADES
AT THE SANTA MARIA PUBLIC AIRPORT DISTRICT**

RE: By this Service Agreement ("Agreement") dated April 11, 2024, by and between SANTA MARIA PUBLIC AIRPORT DISTRICT, a public airport district of the State of California ("District") and TARTAGLIA ENGINEERING a sole proprietorship owned by John A. Smith, (herein called "Engineer"), District retains Engineer to perform certain engineering and design services.

The SANTA MARIA PUBLIC AIRPORT DISTRICT ("District") and TARTAGLIA ENGINEERING. ("Engineer"), agree to amend the Agreement effective April 1, 2026, as follows:

1. **TIME OF PERFORMANCE.** The time to complete the services is extended from March 31, 2026, to June 30, 2026.

All of the terms, covenants, conditions, provisions and agreements of said Agreement, as amended, shall remain in full force and effect.

Dated: **March 12, 2026**

DISTRICT:

Approved as to content for
District:

SANTA MARIA PUBLIC AIRPORT DISTRICT

General Manager

Steve Brown, President

Approved as to form for District

Tony Guy, Secretary

District Counsel

ENGINEER:

TARTAGLIA ENGINEERING

John A. Smith, P.E.
Principal



TO: President and
Members of the Board
of Directors
Santa Maria Public Airport District

FROM: Craig A. Steele, General Counsel
Richards Watson & Gershon

MEETING: March 12, 2026

ITEM

Authorization for the President and Secretary to Execute an Agreement for Sale of Conservation Credits between the Santa Maria Public Airport District and Rancho Purisma, LLC in Connection with the La Purisma Conservation Bank

BACKGROUND

Pursuant to the 2024 settlement agreement between the District and the United States Fish and Wildlife Service and the California Department of Fish and Wildlife (“the Services”), the District was required to contribute certain funds over time to the National Fish and Wildlife Foundation to fund conservation activities to preserve the California Tiger Salamander (“CTS”). The District has made the payments required so far, with two additional payments due in August of 2026 and August of 2027. In 2025, the Services directed the District to use \$1 million of the funds it had contributed to purchase CTS conservation credits from the La Purisma Conservation Bank, through the Bank’s sponsor, Rancho Purisma, LLC. That transaction was concluded in June of 2025, with the authorization of the District Board.

Through the attached letter, the Services have committed to the use of an additional \$1 million of the funds the District has contributed to purchase additional credits. The proposed agreement is substantively the same as the agreement the Board approved in 2025.

ANALYSIS

This agreement provides for the expenditure of \$1 million the District has already contributed pursuant to the Settlement Agreement. The District must still contribute the remaining \$2 million over time after this transaction. There is no additional commitment of funds from the District.

RECOMMENDATION

Staff and General Counsel recommend that the Board of Directors authorize the President and Secretary to execute the agreement for sale of conservation credits between the District and Rancho Purisma, LLC.

ATTACHMENTS

1. Agreement for Sale of Conservation Credits
2. Letter from USFWS and CDFH

SANTA MARIA PUBLIC AIRPORT DISTRICT



U.S. FISH AND WILDLIFE SERVICE
Pacific Southwest Region
2800 Cottage Way, Room W-2606
Sacramento, California 95825-1846



STATE OF CALIFORNIA
DEPARTMENT OF FISH AND WILDLIFE
Director's Office
P.O. Box 944209
Sacramento, California 94244-2090

In Reply Refer to:

Sent Electronically

Brian Sweeney
Rancho Purisima LLC
116 11th Street,
Manhattan Beach, California 90266

Ray Powell
Taratrey Investments LLC
4914 Augusta Circle,
College Station, Texas 77845

Subject:

Dear Ray Powell and Brian Sweeney:

This letter serves to document the recent interactions between the U.S. Fish and Wildlife Service (FWS), the California Department of Fish and Wildlife (CDFW), Rancho Purisima LLC, the bank sponsor of the La Purisima Conservation Bank (La Purisima), and Taratrey Investments, the project proponent of the Casmalia Creek project, regarding the sale of credits related to the Santa Maria Airport Settlement Agreement (Settlement Agreement) and ongoing conservation efforts for California tiger salamander (CTS). This letter memorializes the terms of the agreement between FWS, CDFW, La Purisima, and Taratrey Investments for purchase of credits from La Purisima and future considerations related to additional Settlement Agreement funds.

In August 2024, FWS and CDFW reached a settlement agreement with the Santa Maria Public Airport District (Airport) to address alleged impacts to upland and breeding habitat for the West Santa Maria metapopulation of CTS. Under the terms of this agreement, the Airport agreed to provide a total of \$5,000,000 over the course of three years to an account held by the National Fish and Wildlife Foundation (NFWF) for CTS conservation and recovery. An initial \$2,000,000 payment was provided in late 2024, and an additional payment of \$1,000,000 was made in August 2025. The remaining \$2,000,000 is slated to be provided in two annual payments of \$1,000,000 in August 2026 and August 2027. The settlement agreement gives preference to projects benefiting the West Santa Maria/Orcutt CTS metapopulation area and/or East Santa Maria CTS metapopulation area if possible. If, by August 15, 2029, NFWF continues to hold funds on behalf of the Airport, then CDFW in coordination with FWS will determine the best opportunity for CTS offsets within the DPS and fund those projects or purchase credits from a Service-approved conservation bank.

Ray Powell and Brian Sweeney

2

In March 2025, FWS, CDFW, and La Purisima reached agreement to purchase 38.1 credits, with a value of \$1,000,000, from La Purisima with Settlement Agreement funds, and this purchase was finalized on June 12, 2025, with transfer of a \$1,000,000 payment to Rancho Purisima LLC. Subsequently, in November 2025, La Purisima contacted FWS, seeking the purchase of additional credits from La Purisima with Settlement Agreement funds. In the following months leading up to February 2026, FWS, CDFW, and La Purisima engaged in multiple conversations about this matter, seeking to find a mutually agreeable outcome for all parties involved that met the requirements of the Settlement Agreement and supported the ongoing conservation and recovery of CTS.

As part of the Settlement Agreement, FWS and CDFW also engaged with Taratrey Investments on conservation of CTS on a property known as Casmalia Creek. This property is habitat for CTS in the West Santa Maria/Orcutt metapopulation, and the Settlement Agreement is clear that preference for funding will be given to projects benefitting this metapopulation. FWS and CDFW are currently reviewing Taratrey Investments' proposal to restore the Casmalia Creek property for the benefit of the West Santa Maria/Orcutt CTS metapopulation and create an associated conservation bank. Taratrey Investments has provided a project prospectus and proposed a timeline to accomplish their due diligence, meet CTS habitat and reproductive value benchmarks, and establish a conservation bank.

As FWS and CDFW conduct appropriate due diligence on the proposed Casmalia Creek bank, the remaining \$3,000,000 (\$1,000,000 currently held by NFWF with the additional \$2,000,000 to be added as described above through 2027) in Settlement Agreement funds will be held by NFWF in anticipation of the eventual purchase of credits most beneficial to CTS. Taratrey Investments will be held to the same conservation and fiscal standards and scrutiny to which the La Purisima Conservation Bank and other conservation banks in California have been held. These include requirements outlined in the draft Bank Enabling Instrument¹, such as the following:

1. Environmental Baseline Assessment to determine its conservation value and support credit calculations
2. Credit calculations and release criteria
3. Commitment to management, monitoring, and reporting
4. Establishment of a perpetual conservation easement, identification of CDFW-approved land manager, and agreement of appropriate endowment holder for long-term stewardship
5. Financial Assurances and Endowment Funding to ensure long-term financial viability of the bank, including compliance with financial reporting requirements

¹ <https://nrm.dfg.ca.gov/FileHandler.ashx?DocumentID=238028>.

Ray Powell and Brian Sweeney

3

6. Additional provision as specified in the draft Bank Enabling Instrument

Taratrey Investments has set forth an ambitious timeline for establishing the proposed Casmalia Creek bank. FWS and CDFW will work with Taratrey Investments throughout the process to assess the viability of the project and ensure that the remaining Settlement Agreement funds are used in a timely and beneficial manner.

Considering the uncertainty of successful implementation of the Casmalia Creek restoration project, FWS and CDFW are moving forward at this time with the purchase of additional credits from La Purisima with a value of \$1,000,000. The paperwork is in process, and it will be processed as expediently as possible. No further credits will be purchased from La Purisima unless and until FWS and CDFW have determined that the priority project at Casmalia Creek benefitting CTS is unviable or Taratrey Investments voluntarily withdraws their proposal. Per the terms of the Settlement Agreement, if, by August 15, 2029, NFWF continues to hold funds on behalf of the Airport, then CDFW in coordination with FWS will determine the best opportunity for CTS offsets within the DPS and fund those projects or purchase credits from a Service-approved conservation bank.

FWS and CDFW are committed to a transparent process that supports a competitive conservation banking market in Santa Barbara County and across California, as well as maximizing the recovery potential of CTS across its range. FWS and CDFW will provide updates to interested parties upon request. Any questions about this matter can be directed to FWS Assistant Regional Director [Adam Johnson](mailto:adam_johnson@fws.gov)² at 541-891-4204 or CDFW Deputy Director for Regional Operations [Kevin Thomas](mailto:kevin.thomas@wildlife.ca.gov)³ at 916-817-9467.

Sincerely,

Paul Souza
Regional Director
Pacific Southwest Region
U.S. Fish and Wildlife Service

DocuSigned by:
Valerie Termini
414750F79734400...

Valerie Termini
Acting Director
California Department of Fish and Wildlife

² adam_johnson@fws.gov

³ kevin.thomas@wildlife.ca.gov

AGREEMENT FOR SALE OF CONSERVATION CREDITS

This Agreement for Sale of Conservation Credits (“*Agreement*”) is entered into this ___ day of _____, 2026, by and between Rancho Purisima LLC, a California limited liability company (“*Bank Sponsor*”) and the Santa Maria Public Airport District (“*District*” or “*Project Applicant*”), jointly referred to as the “*Parties*,” as follows:

RECITALS

A. Bank Sponsor has developed the La Purisima Conservation Bank (“*Bank*”) located in Santa Barbara County, California pursuant to that certain *La Purisima Conservation Bank Enabling Instrument* (“*Bank Agreement*”) by and among Bank Sponsor, Purisima Preserve LLC, a California limited liability company, Purisima Santa Barbara LLC, a California limited liability company, Rancho Santa Rita Preserve LLC, and Cebada Canyon LLC, a California limited liability company (collectively, “*Property Owner*”), the United States Fish and Wildlife Service (“*USFWS*” or “*Service*”), and the California Department of Fish and Wildlife (“*CDFW*” or “*Department*”). The USFWS and CDFW are sometimes referred to collectively as the “*Wildlife Agencies*”; and

B. The Bank was approved by the Wildlife Agencies on March 13, 2014, and is currently in good standing with the Wildlife Agencies; and

C. The USFWS alleged that certain actions by the District resulted in impacts to habitat, including alleged take, of California tiger salamander, and the District and Wildlife Agencies, without any admission of liability by the District, entered into that certain Settlement Agreement dated August 15, 2024 (“*Settlement Agreement*”); and

D. Pursuant to the Settlement Agreement, the District agreed to provide for the conservation of California tiger salamander by contributing funds to the California Tiger Salamander Mitigation and Conservation Account (“*CTS Account*”) held by the National Fish and Wildlife Foundation (“*NFWF*”); and

E. As described in the Settlement Agreement, at the direction of CDFW after consultation with the USFWS, CTS Account funds may be used to acquire credits from a USFWS-approved conservation bank; and

F. The Bank has received approval from the USFWS and CDFW to offer California tiger salamander and Western spadefoot toad Credits as compensation for the loss of breeding and upland habitat for California tiger salamander and Western spadefoot toad as specified in the Bank Agreement; and

G. The Wildlife Agencies previously approved the variance from the Settlement Agreement, as drafted, for the District to acquire California tiger salamander Credits directly from Bank Sponsor, upon confirmation by the Bank Sponsor of Credit availability/adequate balance of Credits remaining for sale. District wishes to acquire from Bank Sponsor, and Bank Sponsor wishes to transfer to District, Thirty-Eight and One-Tenth (38.1) California tiger salamander Credits; and

H. Substantially concurrently herewith, and pursuant to the terms of the Settlement Agreement, CDFW will direct NFWF to disburse funds from the CTS Account to Bank Sponsor as compensation for the transfer of Thirty-Eight and One-Tenth (38.1) California tiger salamander Credits to District.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Bank Sponsor hereby transfers to District and District hereby acquires from Bank Sponsor Thirty-Eight and One-Tenth (38.1) California tiger salamander Credits for the total amount of One Million Dollars (\$1,000,000.00). Bank Sponsor will deliver to District an executed Bill of Sale in the manner and form as attached hereto and marked Exhibit "A". The purchase price for said Credits shall be paid by ACH or wire transfer of funds from the CTS Account held by NFWF as directed by CDFW in writing and in accordance with written payment instructions provided by Bank Sponsor to NFWF.

2. The sale and transfer herein is not intended as a sale or transfer to District of a security, license, lease, easement, or possessory or non-possessory interest in real property, nor the granting of any interest of the foregoing.

3. District shall have no obligation whatsoever by reason of the acquisition of the Conservation Credits, to support, pay for, monitor, report on, sustain, continue in perpetuity, or otherwise be obligated or liable for the success or continued expense or maintenance in perpetuity of the Credits sold, or the Bank. Pursuant to the Bank Agreement and any amendments thereto, Bank Sponsor shall monitor and make reports to the USFWS and CDFW on the status of any Conservation Credits allocated to District. Bank Sponsor shall be fully and completely responsible for satisfying any and all conditions placed on the Bank or the Conservation Credits by the Service and Department.

4. The Conservation Credits sold and transferred to District shall be non-transferable and non-assignable and shall not be used as compensatory mitigation for any other purpose, except as set forth herein.

5. District must exercise its right to acquire the Credits within 30 days of the date of this Agreement. After the 30-day period, this Agreement will be considered null and void.

6. Upon acquisition of the Credits specified in Recital G above, the Bank Sponsor shall submit to the parties listed in the Notices section of the Bank Agreement copies of the: a) Agreement for Sale of Conservation Credits; b) Bill of Sale; c) Payment Receipt (Exhibit "B"); and d) an updated inventory / ledger. The updated inventory / ledger must detail: i) Project Applicant; ii) Project Name; iii) Status (sale complete/sale not complete); iv) Credit Sale Date; v) USFWS File Number; vi) U.S. Army Corps of Engineers File Number (if applicable); vii) Total Number of Credits Authorized to Sell; viii) Total Number of Credits Sold to Date (inclusive); and ix) Balance of all Credits Available. The inventory / ledger should include all sales data from bank opening/establishment to the present.

(Remainder of page intentionally left blank; signature page(s) follow(s).)

IN WITNESS WHEREOF, the Parties have executed this Agreement the day and year first above written.

BANK SPONSOR:

RANCHO PURISIMA LLC, a California limited liability company

By: _____ Date: _____
Brian Sweeney, Manager

PROJECT APPLICANT:

SANTA MARIA AIRPORT DISTRICT

By: _____ Date: _____
Steve Brown, President

By: _____ Date: _____
Tony Guy, Secretary

APPROVED:

UNITED STATES FISH AND WILDLIFE SERVICE:

The Service verifies that the La Purisima Conservation Bank is in good standing as of the date of this Agreement.

By: _____ Date: _____
Ventura Fish and Wildlife Office

CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE:

The Department verifies that the La Purisima Conservation Bank is in good standing as of the date of this Agreement.

By: _____ Date: _____
Regional Manager
California Department of Fish and Wildlife
South Coast Region

Exhibit "A"

BILL OF SALE

Service File # N/A

Department File # N/A

In consideration of One Million Dollars (\$1,000,000.00), receipt of which is hereby acknowledged, Rancho Purisima LLC, a California limited liability company, does hereby transfer to the Santa Maria Airport District Thirty-Eight and One-Tenth (38.1) credits in the *La Purisima Conservation Bank* in Santa Barbara County, California, developed, and approved by the U.S. Fish and Wildlife Service and California Department of Fish and Wildlife pursuant to the *La Purisima Conservation Bank Enabling Instrument* (the "**Bank Agreement**").

Rancho Purisima LLC represents and warrants that it has good title to the credits, has good right to sell the same, and that they are free and clear of all claims, liens, or encumbrances other than those authorized by the Bank Agreement.

Rancho Purisima LLC covenants and agrees with the Santa Maria Airport District to warrant and defend the sale of the credits hereinbefore described against all and every person and persons whomsoever lawfully claiming or to claim the same.

DATED: _____

RANCHO PURISIMA, LLC, a California limited liability company

By: _____
Brian Sweeney, Manager

Exhibit "B"

La Purisima Conservation Bank

CALIFORNIA TIGER SALAMANDER CREDITS

PAYMENT RECEIPT

PROJECT APPLICANT INFORMATION

Name: Santa Maria Airport District

Address:

Telephone:

Contact:

CREDIT INFORMATION

Species/Habitat Affected:

Credits Acquired: Thirty-Eight and One-Tenth (38.1)

Payment Amount: One Million Dollars (\$1,000,000.00)

PAYMENT INFORMATION

Payee: Rancho Purisima LLC

Payer: Santa Maria Airport District

Amount: One Million Dollars (\$1,000,000.00)

Method of payment: ACH or Wire from National Fish and Wildlife Foundation (California Tiger Salamander Mitigation and Conservation Account)

Received by: _____ Date: _____
(Signature)

Name: Brian Sweeney Title: Manager