

2023

STANISLAUS COUNTY
TREASURY POOL
INVESTMENT POLICY



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Treasurer – Tax Collector
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1. Purpose

The purpose of the Stanislaus County Treasury Pool Investment Policy ("Policy") is to provide guidance for the investment of funds in excess of the current day anticipated expenditures. Investment responsibility has been entrusted and delegated to the Stanislaus County Treasurer ("Treasurer") in accordance with California State Law ("Law") and local ordinance. This policy is intended to provide guidelines to ensure compliance with State and local laws and the prudent money management and investment of funds in the Stanislaus County Treasury Pool ("Pool").

2. Scope

This investment policy applies to all financial assets and investment activity of the County of Stanislaus ("County") including monies entrusted to the Treasurer and deposited into the Pool by County departments, County & City Schools, and Special Districts. The funds covered by this Policy are accounted for and incorporated in the County of Stanislaus Comprehensive Annual Financial Report (CAFR) and include:

- 2.1. General Fund
- 2.2. Special Revenue Funds
- 2.3. Debt Service Funds
- 2.4. Capital Project Funds
- 2.5. Enterprise Funds
- 2.6. Internal Service Funds
- 2.7. Fiduciary Funds

3. Objective

The investment program shall provide for daily cash flow requirements while following the objectives of this Policy in priority order of Safety, Liquidity, and Return on Investment. In accordance with Government Code 53600.5, the primary objectives of the investment program for the Pool, in priority order, shall be:

3.1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a prudent manner as to ensure the preservation and return of capital in the overall portfolio. To attain this objective, investments will only be made in highly rated or strongly collateralized securities with a very high probability of maintaining the principal amount invested. The County will diversify its investments by type, issuer, and maturity among a variety of securities with independent returns.

3.2. Liquidity

The investment portfolio will remain sufficiently liquid to meet all anticipated cash flow requirements of all the Pool's depositors. This may be accomplished through a variety of investment strategies, such as laddering investment maturities to meet historical cash flow needs, seasonal disbursements, and one-time disbursement requests by depositors. To further ensure liquidity, a portion of the Pool may be in highly liquid securities which can easily be sold on the secondary market or matched to known expenditures such as bond payments. In addition, reserves may be held in a local government investment pool offering same day withdrawal.

3.3. Return on Investments

The investment portfolio strategy shall be designed with the objective of achieving a competitive market rate of return or yield, while adhering to credit quality requirements and liquidity needs. A market rate of return should correspond with the County's investment risk constraints identified in the Policy and the cash flow requirements of the depositors. Due to the primary objectives of safety and liquidity, the portfolio's yield may be lower than that of a higher risk and/or longer maturity investment pool.

3.4. Strategy

The core investment strategy will call for securities to be held to maturity. The following exceptions may apply:

- 3.4.1 Liquidity needs of the portfolio require a security to be sold;
- 3.4.2 A security with declining credit may be sold early to minimize loss of principal; or
- 3.4.3 Sale of a security before maturity may be made if such sale will allow investment in a higher yielding instrument and any loss upon sale can be more than compensated by additional interest earnings within a six-month period.

4. Delegation of Authority

In accordance with Government Code Section 27000-27013 and Government Code 53607, the Stanislaus County Board of Supervisors ("Board") has delegated the daily investment of Pool funds to the Treasurer. This is an annual delegation given to the Treasurer by the Board and can be revoked at any time. The Treasurer is responsible for all transactions undertaken and for establishing a system of controls to regulate the activities of staff authorized to invest, specifically the Assistant Treasurer-Tax Collector and the Chief Deputy Treasurer, and their procedures in the absence of the Treasurer.

5. Prudent Investor Standard

In accordance with Government Code 53600.3, the County Treasurer is a fiduciary subject to the "Prudent Investor Standard" which shall be applied in the context of managing the overall portfolio. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer shall act with care, skill, prudence, and diligence to meet the objectives set forth in the Policy to safeguard investment principal, maintain liquidity needs of the County and earn a reasonable competitive market rate of return.

6. Ethics and Conflicts of Interest

Investment officials shall refrain from personal business activity that could conflict with proper execution and management of the Policy and investment program, or which could impair their ability to make impartial decisions. Investment officials must provide a public disclosure document (Form 700) by February 1 of each year or when material interest in financial institutions or personal investment positions require it. Furthermore, investment officials must refrain from undertaking personal investment transactions with the same individual(s) employed by the financial institution with whom business is conducted on behalf of the County. All bond issue participants, including but not limited to, underwriters, bond counsel, financial advisors, brokers, and dealers will disclose any fee sharing arrangements or fee splitting to the Treasurer prior to the execution of any transactions.

7. Treasury Oversight Committee

In accordance with Government Codes 27130 - 27137 and 53646, the Board established a Treasury Oversight Committee ("Committee") in 1996. The purpose of the Committee is to review and monitor the Policy and regular reporting thereof. The Committee will cause an annual audit to be conducted to determine compliance with this Policy.

This policy shall be reviewed by the Treasurer annually, and any changes prepared by the Treasurer shall be reviewed and approved for propriety by the Committee, prior to being submitted for review and approval by the Board at a public meeting. The members of the Committee are the County Auditor-Controller (or designee), the County Superintendent of Schools (or designee) and a member of the public familiar with the investment industry.

In 2004, Government Code Section 27131 (b) was added to remove the mandate requiring counties to have a Committee. The Committee is now optional and no longer required. However, Stanislaus County chooses to maintain its Treasury Oversight Committee functionality as an added layer of oversight and transparency to the compliance of investment policies and government code.

Pursuant to Government Code Sections 27132.1, 27132.2 and 27132.3, Committee members are prohibited from:

- 7.1. Being an employee of an entity, which has contributed to the campaign fund of any candidate for local treasurer or legislative body either during membership or three years prior to membership.
- 7.2. Raising any money for a candidate for local treasurer or governing board.
- 7.3. Securing employment with bond underwriters, bond counsel, security brokerages or dealers, or like financial services while a Committee member or for three years after leaving the Committee.

An annual certification of compliance as prepared by the Treasurer shall be submitted by Committee members.

Pursuant to Government Code Section 27132.4, Committee meetings shall be open to the public and subject to the Ralph M. Brown Act.

8. Limits on Honoraria, Gifts, and Gratuities

A limit of \$50 per calendar year is placed on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the County Treasury ("Treasury") conducts business by any member of the Committee, the Treasurer and any staff involved in the investment process. A Statement of Economic Interests (Form 700 from the California Fair Political Practices Commission) will be collected from the Treasurer-Tax Collector, Assistant Treasurer-Tax Collector, and Chief Deputy Treasurer on an annual basis. Committee members will confirm their understanding and agreement with these limitations annually.

The acceptance of transportation, meals, and/or refreshments received during regularly scheduled conferences (such as the California Association of County Treasurers and Tax Collectors – CACTTC) are not prohibited by this Policy.

9. Authorized Broker/Dealers and Institutions

In accordance with Government Code 53601.5, the Treasurer shall maintain an approved list of broker/dealers and institutions authorized to provide investment services to the County. The approved list may include "primary" or regional dealers qualified under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule) with a minimum capitalization of \$250,000 and have at least one major office in the State of California. Broker/Dealers staff assigned to Stanislaus County accounts must have at least five years of experience in California public agency investing with knowledge of investment products acceptable under the Stanislaus County Investment Policy. The firms and individuals assigned to the County accounts shall be reputable and trustworthy. No public deposit shall be made except in a qualified public depository as established by Law. All financial institutions and broker/dealers proposing to conduct investment transactions with the County shall supply the following to the Treasurer for review:

- 9.1. Proof of registration with the Financial Industry Regulation Authority (FINRA)
- 9.2. Proof of registration with the State of California
- 9.3. Completed Broker/Dealer questionnaire
- 9.4. Certification of review and willingness to comply with all aspects of this Policy.

Broker/Dealers are prohibited from making political contributions to any candidate for the Board or Treasurer, which exceed the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. The County is prohibited from selecting any broker/dealer or security firm within any consecutive 48-month period following a contribution exceeding the limit set forth in the above rule.

A review of the financial condition and registrations of previously approved Broker/Dealer firms will be conducted by the Treasurer, at least annually or more often, as needed. A current audited financial statement is required to be on file for each financial institution and broker/dealer on the County's approved list.

10. Authorized Investments

In accordance with Government Code 53601 and 53635, investments will only be made in authorized securities with a maturity date of five (5) years or less from the transaction settlement date unless otherwise approved by the Board. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.

For the purpose of approved investments and compliance with the investment percentage limits compared to the overall portfolio balance, calculations shall be performed on the date the investment is purchased. If the percentage is legally compliant on the date of purchase, then compliance with the Law shall have been met. Calculations are to be based on the final maturity date, and neither duration nor average days may be used.

The investment instruments listed in Attachment 1 are authorized for investment and any instrument not listed are specifically prohibited. Authorized investments are allowed under California State Government Code 53601 and 53635 and concentration limitations are equivalent to, or more conservative than, the code allows.

11. Non-Authorized Investments

In accordance with Government Code 53601.6, investments in derivative securities such as inverse floaters, range notes, or mortgage-derived, interest-only strips or any securities that could result in zero interest accrual if held to maturity are prohibited.

12. Due Diligence - Investment Pools and Mutual Funds

Due diligence shall be performed by investigating any pool or fund prior to investing and on an annual basis thereafter. A completed questionnaire will be required which will answer the following questions:

- 12.1. A description of eligible investment securities, and a written statement of investment policy and objectives.
- 12.2. A description of interest calculations and how interest is distributed, and how gains and losses are treated.
- 12.3. A description of how the securities are safeguarded (including the settlement processes), how often the securities are priced, and the how often the program is audited for compliance.
- 12.4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- 12.5. A schedule for receiving statements and portfolio listings.

12.6. Are reserves, retained earnings, etc. utilized by the pool/fund?

12.7. A fee schedule, and when and how is it assessed.

12.8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

All Due Diligence reviews will be maintained with the annual investment files for a period of five (5) years. Third-party safekeeping arrangements will be approved by the Treasurer and will be corroborated by a written custodial agreement.

13. Review of Investment Portfolio

The securities held by the Pool must be in compliance with Section 10.0 Authorized Investments at the time of purchase. The Treasurer shall review the portfolio, at least monthly, to identify any securities that may not comply with Section 10.0 Authorized Investments after the date of purchase and establish a procedure to report to the Board and Committee any major or critical incidences of non-compliance identified through review of the portfolio. To ensure diversification of the portfolio, purchases of the following types of investments will limit issuers to 10% across all asset types:

13.1 Certificates of Deposit

13.2 Negotiable Certificates of Deposit

13.3 Yankee Certificates of Deposit

13.4 Commercial Paper

13.5 Medium-Term and Corporate Notes

14. Collateralization

In accordance with Government Code 53601, collateralization will be required on certificates of deposit and repurchase agreements. To anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for certificates of deposit and 102% or greater based on the collateral type for repurchase agreements. Collateralization of any investment will be in accordance with securities approved under this policy. Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. The right of collateral substitution is granted.

15. Safekeeping & Custody

In accordance with Government Code 53608, all security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping statements. Third-party safekeeping arrangements will be approved by the Treasurer and will be corroborated by a written custodial agreement.

16. Diversification

The Treasurer will diversify the Pool investments by security type and institution to achieve a diversified mix of independent maturities. No more than 10% of the total portfolio may be invested in the securities of any single issuer, across all investment types, other than the US Government, its agencies and instrumentalities.

17. Maximum Maturities

Investment purchases shall not include securities maturing more than five years from the date of purchase unless previously approved by the County Board of Supervisors. If approved by the Board,

reserve funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. Board approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.

18. Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Pool are protected from loss, theft, fraud or misuse. Accordingly, the Treasurer shall budget for independent review by an external auditor, with the scope of the audit to be determined by the Auditor-Controller in consultation of the Treasury Oversight Committee. This review will provide internal control by assuring investment transactions are in compliance with policies, procedures and laws.

The annual audit shall be supervised by a Certified Public Accountant (CPA) who shall render an opinion to the Committee. The opinion shall be forwarded to the Board for review and acceptance. The selection of the CPA shall be by the Stanislaus County Auditor-Controller as a Committee member.

19. Performance Standards

The investment portfolio shall be designed with the objective of earning a rate of return throughout budgetary cycles, corresponding with the investment risk constraints and the cash flow needs of the Pool.

20. Reporting

In accordance with Government Code 53607, a monthly report shall be prepared by the Treasurer no later than 30 days following the end of the monthly reporting period. A copy of the report will be forwarded to Committee members, and the Treasurer will maintain a file of their acceptance. The report will be forwarded to the Board for final review and acceptance. The report will be provided through both the Board and Treasurer's web sites.

The monthly report shall include:

- 20.1. A concise management summary of Pool activity and position rendered with statements of review and reconciliation with custodial records, source of market valuation, ability to meet next six (6) month's expenditures and for compliance with this Policy by the Treasurer.
- 20.2. A detailed listing of securities held at the end of the month grouped by investment type (e.g. CD, CP, MTN) and delineated as follows:
 - 20.2.1. Issuing agency (e.g. U.S. Government, FHLB, Toyota Motor Credit)
 - 20.2.2. Date purchased
 - 20.2.3. Date of maturity
 - 20.2.4. Par Value
 - 20.2.5. Book Value
 - 20.2.6. Market value
 - 20.2.7. Stated rate (coupon rate)
 - 20.2.8. Yield-to-Maturity
 - 20.2.9. Days-to-Maturity
- 20.3. A detailed listing of security transactions during the report period (purchases, sales and maturities) grouped by investment type and to include the following:

- 20.3.1. Date of transaction
- 20.3.2. Issuing agency (e.g. U.S. Government, FHLB, Toyota Motor Credit)
- 20.3.3. Purchase, Deposit, Sale, Maturity or Withdrawal Amount
- 20.3.4. Stated rate (coupon rate)
- 20.3.5. A summary of Pool position by investment type dollar amount, percentage of total portfolio and average weighted maturity showing compliance with Policy limitations.
- 20.3.6. A summary by investment type of purchases and sales/maturities and ending position.

21. Investment Policy Adoption

In accordance with Government Code 53646, the Policy shall be adopted by resolution of the Board. The Policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

The Treasurer shall establish written procedures for the operation of the investment program consistent with this Policy. The procedures will include reference to: safekeeping, master repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer.

22. Investment Pool Expenses

The expenses for administration of the Pool shall be borne by all depositors by the utilization of investment earnings to offset the costs. Costs include normal Treasury costs for staff and support services in the areas of:

- 22.1. Handling, safekeeping, and depositing monies received;
- 22.2. Investment transactions and custodial safekeeping of securities;
- 22.3. Bank services; accounting, reporting, and auditing of deposit and investment transactions;
- 22.4. Training, informational, and educational materials and services related to financial markets, investments, and individual business and governmental entities' financial condition; and
- 22.5. Other duties and costs related to the management of Pool funds.

Appropriate costs normally charged as "Treasury/org 30400" on the Stanislaus County Auditor-Controller's records will incorporate and clearly define the Pool expenses.

23. Agencies' Voluntary Depositing and Withdrawal

"Voluntary" agency depositing is discouraged due to the potential volatility of depositing and withdrawal, which may occur. The Pool is designed as an operating fund for the County and entities, which are required to deposit by Law or have historically utilized the efficiencies of the Treasury. Only those agencies which use the Treasury for operational purposes due to their ties to County departmental functions, area schools or special public districts and are either required or allowed to deposit funds in the Treasury are allowed to be participants in the Pool.

Withdrawals from the Pool, for investment purposes outside of the Pool, by non-County member agencies may be done if the following conditions are met:

- 23.1. The agency has provided the Treasurer with legal authority that it can invest funds outside of the Pool and specifying that responsibility for investment of funds now resides with the agency;

- 23.2. The agency shows evidence of maintaining a minimum cash balance of one month's normal payroll expenditures for 30 days prior to the date of request as verified by the County Auditor-Controller;
- 23.3. The agency withdraws a minimum of \$1,000,000 and will continue to maintain a minimum Pool cash balance of one month's normal payroll costs;
- 23.4. The agency makes its request in writing signed by an authorized representative of the agency's board; and
- 23.5. The agency must allow two business days for each five million dollars or increment thereof which is being withdrawn (e.g. a \$15,000,000 withdrawal would require that the Treasurer receive a completed request form with appropriate signatures and verifications 6 business days before the funds are released)

If the withdrawing agency's Pool cash balance falls below one month's payroll expense, the Treasurer may demand that funds be retrieved to restore the Pool cash balance to such level.

Reinvestment of funds from external investments (e.g. California State Local Agency Investment Fund) may be done without the above procedures. The Treasurer's Office may verify with the Auditor's Office, by email, that the agency has one month's payroll expenditures as cash in the Pool exclusive of the redemption of the external investment funds.

24. Investment Earnings Apportionment and Rate

The Pool's investment earnings shall be apportioned by the following method. The investment earnings, which have been received in cash and accumulated from the beginning to the end of each calendar quarter, shall be apportioned to each cash balance fund maintained within the Pool. The apportionment of earnings to any cash balance fund will be in direct proportion of that fund's average daily cash balance to the entire Pool's average daily cash balance for that same quarter.

Example:

Earnings received for the quarter ending March 31	\$5,000,000
Fund ABC average daily cash balance during the quarter	\$10,000,000
Treasury Pool average daily cash balance during the quarter	\$500,000,000
Interest earnings apportioned to Fund ABC would be calculated as \$5,000,000 x (\$10,000,000/\$500,000,000)	\$100,000

Cash balance accounts shall be maintained in and earnings apportionment shall be performed by the County Auditor-Controller's Office.

The cash earnings apportionment rate is calculated as the investment earnings received on a cash basis for the quarter divided by the average daily cash balance for the entire Pool, annualized (times four). In the example above the cash earnings apportionment rate would be 4% [(\$5,000,000 / \$500,000,000) x 4].

25. Exemptions and Amendments

Any investment held prior to the adoption of changes to this Policy, which does not meet the revised guidelines of the Policy, shall be exempted from the requirements. Upon that investment's maturity or liquidation, the monies received shall be invested in accordance with this Policy.

ATTACHMENT I – AUTHORIZED INVESTMENTS

Authorized Investments	Authorized by CA Gov Code	Maximum Maturity	Maximum % or \$ Limit of Portfolio	Issuer Concentration % Limit	Minimum Credit Quality	Additional Requirements
Local Agency Bonds, Notes, and Warrants						
Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency including Stanislaus County.	53601 (a)(e)	5 years	None	None	None	None
U.S. Treasury Obligations						
United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.	53601 (b)	5 years	None	None	None	None
California State Registered Warrants, Treasury Notes, and Bonds						
Registered State warrants or Treasury notes or bonds of this State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State.	53601 (c)	5 years	None	None	None	None

Authorized Investments	Authorized by CA Gov Code	Maximum Maturity	Maximum % or \$ Limit of Portfolio	Issuer Concentration % Limit	Minimum Credit Quality	Additional Requirements
State Registered Treasury Notes and Bonds						
Registered Treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a State or by a department, board, agency, or authority of any of the other 49 states, in addition to California.	53601 (d)	5 years	None	None	None	None
U.S. Agency Obligations						
Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.	53601 (f), 53601.6	5 years	None	None	None	None
Bankers' Acceptances						
Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.	53601 (g)	180 days	40%	30%	None	None

Authorized Investments	Authorized by CA Gov Code	Maximum Maturity	Maximum % or \$ Limit of Portfolio	Issuer Concentration % Limit	Minimum Credit Quality	Additional Requirements
Commercial Paper						
Commercial paper of "prime" quality only. The entity that issues the commercial paper shall meet all of the following conditions: (A) Is organized and operating in the United States as a general corporation. (B) Has total assets in excess of five hundred million dollars (\$500,000,000). (C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.	53601 (h), 53601.2, 53635 (a)	270 days	40%	10%	"A-1" by S&P or equivalent by an NRSRO	Must not exceed 10% of the outstanding commercial paper of one issuer. NRSRO is a nationally recognized statistical rating organization.
Negotiable Certificates of Deposit						
Negotiable certificates of deposit issued by a Nationally- or State-Chartered Bank, or by a Federally- or State-Licensed branch of a foreign bank. NCD's are highly liquid and actively traded in the secondary market.	53601 (i), 53638	5 years	30%	10%	None	The deposit shall not exceed the shareholder's equity of any depository bank.
Certificates of Deposit (Non-Negotiable)						
Certificates of deposit issued by a nationally or state-chartered bank which are 110% collateralized by the institution with government securities.	53635, 53635.2, 53635.8, 53636, 53637, 53638, 53641	5 years	None	10%	None	The deposit shall not exceed the shareholder's equity of any depository bank.

Authorized Investments	Authorized by CA Gov Code	Maximum Maturity	Maximum % or \$ Limit of Portfolio	Issuer Concentration % Limit	Minimum Credit Quality	Additional Requirements
Repurchase Agreement						
Repurchase Agreement for any security authorized by government code 53601 with an approved broker/dealer and a third-party custodial bank. Signed Master Repurchase Agreement is required.	53601 (j)	1 year	None	None	None	The market value of the agreement's underlying securities shall be valued at 102% or greater. Reverse repurchase agreements are prohibited.
Medium-Term and Corporate Notes						
Debt securities issued by corporate or depository institutions operating or licensed in the United States with a maximum remaining maturity of five years or less.	53601 (k)	5 years	30%	10%	"A" by S&P or equivalent by an NRSRO	Notes purchased at par or a discount and payable at par or greater are preferred. Private placement notes are prohibited.
Mutual Funds (Beneficial Interest)						
Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by Government Code 53601 (a) to (l) inclusive and have assets under management in excess of \$500 million.	53601 (l)(1)	N/A	20%	10%	See Additional Requirements	Mutual Fund must receive highest rating by not less than two NRSROs or have an investment advisor registered or exempt from registration with the Securities & Exchange Commission (SEC) with at least five years' experience investing in instruments authorized by Sections 53601 and 53635 with assets under management in excess of \$500 million dollars.

Authorized Investments	Authorized by CA Gov Code	Maximum Maturity	Maximum % or \$ Limit of Portfolio	Issuer Concentration % Limit	Minimum Credit Quality	Additional Requirements
Money Market Mutual Funds (Beneficial Interest)						
Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC under the Investment Company Act of 1940 (15 U.S.C. Sec 80a-1 et seq.)	53601 (l)(2)	N/A	20%	None	See Additional Requirements	Money Market Mutual Fund must receive highest rating by not less than two NRSROs or have an investment advisor registered or exempt from registration with the SEC with at least five years' experience investing in money market mutual funds with assets under management in excess of \$500 million dollars.
California Asset Management Program (CAMP)						
CAMP is a California Joint Powers Authority established in 1989 for public agencies to jointly exercise their common power to invest surplus funds.	53601 (p)	N/A	None	N/A	None	To be used for reserves and liquidity
Local Agency Investment Fund (LAIF)						
LAIF is a voluntary program created by statute in 1977 as an investment alternative for California's local governments and special districts.	16429.1 (b)	N/A	\$75 million or as approved by the State Treasurer	N/A	None	To be used for reserves and liquidity

Authorized Investments	Authorized by CA Gov Code	Maximum Maturity	Maximum % or \$ Limit of Portfolio	Issuer Concentration % Limit	Minimum Credit Quality	Additional Requirements
Supranational Bonds and Notes						
Obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC) and Inter-American Development Bank (IADB) and eligible for purchase and sale in the United States.	53601 (q)	5 years	30%	None	"AA" by S&P or equivalent by an NRSRO	None

ATTACHMENT II – GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

BANKERS' ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report of the (*entity*). It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value (*e.g., U.S. Treasury Bills.*)

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

FEDERAL AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks,

thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MUTUAL FUND: An investment company that pools cash and is able to invest in a variety of securities, including fixed-income securities and money market instruments, as outlined in the fund's prospectus.

NRSRO: National Recognized Statistical Rating Organization; current NRSROs include: A.M. Best Rating Services, Inc., DBRS, Inc., Egan-Jones Ratings Co., Fitch Ratings, Inc., HR Ratings de México, S.A. de C.V., Japan Credit Rating Agency, Ltd., Kroll Bond Rating Agency, Inc., Moody's Investors Service, Inc., & S&P Global Ratings.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of

capital.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate the buyer for this.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): Reverse repurchase agreements are forms of short-term lending and borrowing using bonds or securities as collateral.

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB): Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15(C)3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The annual rate of income returned on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.