Section	FIN-5 Finance	Approval Date	10/23/03
Policy	FIN-5.6 Investment Policy	Latest Revision	8/19/20

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FIN-5.6 Investment Policy

5.6.1 Policy

The purpose of this document is to convey the Investment Policy of the San Juan Water District ("District"). This policy should be reviewed periodically to ensure consistency with legal and District requirements. It is the District's policy to invest all funds in such a way as to achieve the highest investment return possible consistent with maximum security of District funds while meeting the daily cash flow demands of the District. All investments must conform to pertinent state and local statutes governing the investment of public funds.

5.6.2 Scope

The District currently has one fund type, an enterprise fund, in which all transactions are accounted and reported in. Activities for both Wholesale and Retail include: Non-Operating, Operations, and Capital Improvements. This investment policy applies to all fund and activity types. In addition, this policy will apply to any new fund created, unless that fund is specifically exempted.

5.6.2.1 Exceptions

Two exceptions exist regarding the investment of (1) bond reserve funds, and (2) grant funds.

Acceptable investments for bond reserve funds are specified in the bond documents, and may not necessarily be the same as those listed later in this document (e.g. Guaranteed Investment Contract). Bond funds will be invested in accordance with the statutory provisions governing the issuance of the bonds or the bond documents, as applicable.

Grant funds will be invested according to the statutory provisions applicable to the investment of the grant funds or the grant itself, as applicable.

5.6.2.2 Pooling of Funds

With the exception of cash in restricted and special funds, the District will consolidate cash balances from all funds to the extent practicable in order to maximize investment earnings and minimize fees.

5.6.3 Prudence

5.6.3.1 Standard of Prudence

The standard of prudence will be the "prudent investor" standard.

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Board and its designated investment officer(s) shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. This standard will be applied in all District investment decisions. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

The District's Investment Officer and other individuals assigned to managing the investment portfolio acting in accordance with written procedures and the investment policy and exercising due diligence will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that such deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

5.6.4 Objectives

The primary objectives, listed in order of priority, of the District's investment activities are:

5.6.4.1 Safety

Safety of principal is the foremost objective of the District's investment program. Investments will be executed in a manner that seeks to ensure preservation of capital in the overall portfolio, whether from institutional default, broker/dealer default or erosion of market value of securities. In attaining this objective, the District will strive to mitigate credit risk and interest rate risk.

5.6.4.1.1 Credit Risk

The District will minimize credit risk, the risk of loss due to the failure of the security issuer/backer, by:

- Limiting investments to the safest types of securities;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business; and
- Diversifying the investment portfolio by sector and issuer.

5.6.4.1.2 Interest Rate Risk

The 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 meet the cash flow requirements, thereby avoiding, to the extent possible, the need to sell securities on the open market prior to maturity; and
- Investing operating funds in shorter-term securities.

5.6.4.2 Liquidity

The District's investment portfolio will remain sufficiently liquid to meet all cash flow requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash flow requirements (static liquidity). Since all possible cash flow requirements cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). As mentioned earlier, a portion of the portfolio should also be invested in short-term securities, which offer same-day liquidity.

5.6.4.3 Return on Investment

The District's investment portfolio will be designed to attain an acceptable rate of return, taking into account the investment risk constraints and cash flow requirements.

5.6.5 Standards of Care

5.6.5.1 Delegation of Authority

The Finance Director is hereby designated as the "Investment Officer" in charge of managing the District's investment program. The Investment Officer may delegate the day-to-day placement of investments to a registered investment advisor. The investment advisor shall make all investment decisions and transactions in strict accordance with State law and this Policy. The Investment Officer shall establish a system of written internal controls to regulate the District's investment activities, including the activities of the investment advisor and any subordinate officials acting on behalf of the District.

5.6.5.2 Investment Procedures

The Investment Officer will establish written investment procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the established procedures.

5.6.5.3 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment officials and employees will disclose to the Investment Officer any material financial interests in financial institutions that conduct business within their jurisdiction, and they will further disclose any large personal financial/investment positions that could be related to the performance of the District.

5.6.6 Safekeeping and Custody

5.6.6.1 Authorized Financial Dealers and Institutions

The District will conduct investment transactions with authorized financial dealers and institutions. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Investment Officer with the following: proof of National Association of Security Dealers certification, completed broker/dealer questionnaire, certification of having read the District's investment policy, and depository contracts.

An annual review of the registrations of qualified bidders will be conducted by the Investment Officer. A current broker dealer questionnaire is required to be on file for each financial institution and broker/dealer in which the District invests. The Investment Officer will maintain a list of authorized financial dealers and institutions.

If the District utilizes an investment advisor to conduct investment transactions on the District's behalf, the investment advisor may use its own list of approved broker/dealers and financial institutions for investment purposes. The investment advisor's approved list must be made available to District upon request.

As an additional source for investing, the District may utilize services designed for government agencies seeking competitive investment rates (e.g. GFOA Yield Advantage).

5.6.6.2 Internal Control

The Investment Officer will facilitate an annual process of independent review by the District's external audit firm as part of the annual audit. This review will provide internal control by assuring compliance with policies and procedures.

5.6.6.3 Delivery vs. Payment

All investment transactions, including collateral for repurchase agreements, entered into by the District shall be conducted on a delivery-versus payment (DVP) basis. Investments will be held in safekeeping by a third party custodian and evidenced by safekeeping receipts. The custodian will be competitively selected by the Investment Officer and will act under the terms of a custody agreement.

5.6.7 Authorized and Suitable Investments

5.6.7.1 Investment Types

Investment of District funds is governed by the California Government Code Sections 53600, *et seq*. Within the context of these limitations, the following investments are authorized:

- 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.
- 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.
- U.S. Instrumentalities, United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a category of "AA," its equivalent, or better by a nationally recognized statistical rating organization (NRSRO) and shall not exceed 30 percent of the District's moneys that may be invested pursuant to this section.
- 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. Securities eligible for investment under this subdivision shall be rated in a category of "A," its equivalent, or better by a NRSRO.

- 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. Securities eligible for investment under this subdivision shall be rated in a rating category of “A,” its equivalent, or better by a NRSRO.
- 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. Securities eligible for investment under this subdivision shall be rated in a rating category of “A,” its equivalent, or better by a NRSRO.
- Bankers’ acceptances, otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank.
  - The maximum maturity may not exceed 180 days;
  - No more than 40 percent of the District’s portfolio may be invested in bankers’ acceptances; and
  - Rated in a rating category of “A-1,” its equivalent, or better by at NRSRO.
- Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):
  1. is organized and operating in the United States as a general corporation with total assets greater than $500 million with other debt rated in a rating category of “A,” its equivalent, or better by a NRSRO, or
  2. is organized within the U.S. as a special purpose corporation, trust or limited liability company with program-wide credit enhancements and its commercial paper is rated in a rating category of “A-1,” its equivalent, or higher by a NRSRO.

  The maximum maturity will be 270 days or less. No more than 25 percent of the District’s funds will be invested in eligible commercial paper. The District may purchase no more than 10 percent of the outstanding commercial paper of any single corporate issue.

- Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Negotiable certificates of deposit eligible for investment under this subdivision shall be rated in a rating category of “A,” its equivalent, or better for long term certificates, or rated in a rating category of “A-1,” its equivalent, or better for short term certificates by a NRSRO. Purchases of negotiable certificates of deposit may not exceed 30 percent of the District's portfolio, which may be invested pursuant to this section.

- Local Agency Investment Fund (LAIF), the State of California managed investment pool may be used up to the maximum permitted by California law.
- Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. No more than 5% of the investment portfolio may be invested in this investment type. A maturity limitation of two years is applicable.
- Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of “A,” its equivalent, or better by a NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the District's money that may be invested pursuant to this section.
- Money Market Funds invested in U.S. Government securities are permitted under this policy and under the California Government Code Section 53601. In order to be eligible for investment under this section, an investment objective of such a fund must be the maintenance of a price per share of $1.00. The following criteria must also be met:
  - The fund shall have a minimum of $500 million in total portfolio value.
  - The fund shall be registered with the Securities and Exchange Commission, and shall have achieved a rating of Aaa by Moody’s and AAA by S&P.
  - The fund shall have retained an advisor which is registered with the SEC, or which is exempt from such registration.
  - Investment in such funds shall not exceed 20% of the District’s total portfolio.
  - No more than 10% of the District’s total portfolio may be invested in any one mutual fund.
- Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
- Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. Securities eligible for investment under this subdivision shall be rated in a rating category of “AA,” its equivalent, or better by a NRSRO and have a maximum remaining maturity of five years or less. Purchase of

securities authorized by this subdivision may not exceed 20 percent of the District's surplus money that may be invested pursuant to this section.

- Local Government Investment Pools (LGIPs), shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in Section 56301 subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
  1. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
  2. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
  3. The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

5.6.7.2 Ineligible Investments

Ineligible investments are those that are not described herein, including but not limited to, common stocks, reverse repurchase agreements, inverse floaters, range notes, mortgage derived interest only strips, derivatives securities, or any security that could result in zero interest accrual.

5.6.8 Investment Parameters

5.6.8.1 Diversification

The District will diversify its investments by security type and institution. With the exception of U. S. Treasury securities, U. S. Agency Obligations and authorized pools (e.g. LAIF), no more than 5% of the District's total investment portfolio will be invested in a single issuer. The diversification requirements of the portfolio apply at time of purchase.

5.6.8.2 Maximum Maturities

To the extent possible, the District will strive to match its investments with anticipated cash flow requirements. Where this Policy does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security that—at the time of the investment—has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

5.6.8.3 Investment Earnings

Investment earnings that are collected from investments authorized in this policy will be allocated monthly to the various program areas based upon their respective participation and in accordance with generally accepted accounting principles.

5.6.8.4 Investment Pools

A thorough investigation of the pool/fund is required prior to investing. At a minimum that review should consist of the following:

- a determination of the eligible investment securities;

- a determination of the allowable size of deposits and withdrawals;
- the frequency with which deposits and withdrawals can be made;
- the process and timeline for withdrawals;
- a review of the fee schedule.

The Finance Director shall monitor the pool to ensure he/she is aware of any changes made to the pool in the above categories.

5.6.8.5 Review of Investment Portfolio

The securities held by the District must be in compliance with Section 7.0 Authorized and Suitable Investments at the time of purchase. Because some securities may not comply with Section 7.0 Authorized and Suitable Investments subsequent to the date of purchase, the Investment Officer shall at least quarterly review the portfolio to identify those securities that do not comply. The Investment Officer shall establish procedures to report to the Board, should one exist, major and critical incidences of noncompliance identified through the review of the portfolio.

5.6.9 Policy Considerations

5.6.9.1 Legislative Changes

Further restrictions on allowable maturities, investment type or percentage allocations imposed by any State of California legislative action, will be incorporated into the District's Investment Policy as deemed prudent and supersede any and all previous applicable language.

5.6.9.2 Investment Policy Adoption

The District's Investment Policy will be adopted by resolution or motion of the District's Board of Directors. The policy will be reviewed and updated periodically.

5.6.10 Reporting

5.6.10.1 Methods

The Investment Officer will provide investment reports to the Board. Such reports will provide a status of the current portfolio, along with economic conditions, potential future changes and investment strategies. The reports will include:

- A listing of the securities held by category;
- Maturity date of all investments;
- Coupon, discount or earnings rate;
- Par Value, Amortized Book Value and Market Value; and
- Percentage of the portfolio by category.

5.6.10.2 Performance Standards

The investment portfolio will be developed with the objective of attaining a rate of return commensurate with the District's investment risk constraints, cash flow requirements and the economic environment. An appropriate benchmark will be established against which portfolio performance can be compared on a regular basis.

5.6.10.3 Marking to Market

The market value of the portfolio will be calculated monthly, with a statement of market value issued. 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 “Mark-To-Market Practices for State and Local Government Investment Portfolios and Investment Pools.”

Glossary of Cash Management Terms

Accrued Interest: Interest earned but not yet received.

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

Amortization: An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Arbitrage: Transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a yield difference in the two markets.

Asked: The price at which securities are offered.

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

Basis Point: One basis point is one hundredth of one percent (.01).

Bid: The price offered by a buyer of securities.

Bond: A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Book Value: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker: A person who brings buyers and sellers together for a commission.

California Local Agency Obligations: Bonds that are issued by a California county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs 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 deposit of public monies.

Commercial Paper: Short-term, negotiable unsecured promissory notes of corporations.

Comprehensive Annual Financial Report (CAFR): The official annual financial report for the San Juan Water District. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principals (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: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Glossary (con't)

Credit Analysis: A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield: The interest paid on an investment expressed as a percentage of the current price of the security.

Custodian: A bank or other financial institution that keeps custody of stock certificates and other assets.

Defeased Bond Issues: Issues that have sufficient money to retire outstanding debt when due so that the agency is released from the contracts and covenants in the bond document.

Delivery vs. Payment (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

Derivative: Securities that are based on, or derived from, some underlying asset, reference date, or index.

Discount: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Diversification: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

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 a security is a useful indicator of its price volatility for given changes in interest rates.

Fannie Mae: Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Federal Reserve System: The central bank of the U.S. which consists of a seven member Board of Governors, 12 regional banks, and 5,700 commercial banks that are members.

Federal Deposit Insurance Corporation (FDIC): Insurance provided to customers of a subscribing bank, which guarantees deposits to a set limit (currently $100,000) per account.

Fed Wire: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae: Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Government Accounting Standards Board (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

Glossary (con't)

Government Finance Officers' Association (GFOA): GFOA is the professional association of state/provincial and local finance officers in the United States and Canada, and has served the public finance profession since 1906.

Guaranteed Investment Contracts (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

Inactive Deposits: Funds not immediately needed for disbursement.

Interest Rate: The annual yield earned on an investment, expressed as a percentage.

Investment Agreements: An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Liquidity: An asset that can easily and rapidly be converted into cash without significant loss of value.

Local Agency Bonds: These bonds are issued by a county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

Local Agency Investment Fund (LAIF): A pooled investment vehicle for local agencies in California sponsored by the State of California and administered by the State Treasurer.

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

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

Modified Duration: A measure of exposure to market risk of a security or a portfolio. It is the percent change in the price of a security (portfolio) or a 100 basis point change in the security's (portfolio's) yield.

Mutual Funds: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

Negotiable Certificate of Deposit: A large denomination certificate of deposit, which can be sold in the open market prior to maturity.

New Issue: Term used when a security is originally "brought" to market.

Note: A written promise to pay a specified amount to a certain entity on demand or on a specified date.

Par Value: The amount of principal, which must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

Perfected Delivery: Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Portfolio: Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Glossary (con't)

Primary Dealer: A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Principal: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

Prudent Investor Standard: A person empowered to invest for the District is a fiduciary. He or she will act as a trustee with the care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the district, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Prospectus: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC that typically includes 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 (also known as an "official statement").

Prudent Investor Standard: A standard of conduct where a person acts with care, skill, prudence, and diligence when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing funds. The test of whether the standard is being met is if a prudent person acting in a similar situation would engage in similar conduct to ensure that investments safeguard principal and maintain liquidity.

Purchase Date: The date in which a security is purchased for settlement on that or a later date.

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 or the current income return.

Repurchase Agreement (REPO): A transaction where the seller agrees to buy back from the buyer (District) the securities at an agreed upon price on demand or at a specified date.

Risk: Degree of uncertainty of return on an asset.

Rule G-37 of the Securities Rulemaking Board: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

Safekeeping Service: Offers storage and protection of assets provided by an institution serving as an agent.

Sallie Mae: Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.

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

Securities and Exchange Commission (SEC): The federal agency responsible for supervising and regulating the securities industry.

Settlement Date: The date on which a trade is cleared by delivery of securities against funds.

Glossary (con't)

State Obligations: Registered Treasury notes or bonds of the 50 United States, 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 50 United States.

Tax and Revenue Anticipation Notes (TRANS): Notes issued in anticipation of receiving tax proceeds or other revenues at a future date.

Time Certificate of Deposit: A non-negotiable certificate of deposit, which cannot be sold prior to maturity.

Treasury Bills: U.S. Treasury Bills which are short-term, direct obligations of the U.S. Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of $10,000 in multiples of $5,000 above the minimum. Issued in book entry form only. T-bills are sold on a discount basis.

Trustee or trust company or trust department of a bank: A financial institution with trust powers, which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

Underwriter: A dealer, which purchases a new issue of municipal securities for resale.

U.S. Government Agencies: Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.

U.S. Treasury Obligations: Debt obligations of the United States Government sold by the Treasury Department in the forms of Bills, Notes, and Bonds. Bills are short-term obligations that mature in 1 year or less and are sold on the basis of a rate of discount. Notes are obligations, which mature between 1 year and 10 years. Bonds are long-term obligations, which generally mature in 10 years or more.

U.S. Instrumentality: An organization that serves a public purpose and is closely tied to the U.S. government, but is not a government agency. Many instrumentalities are private companies, and some are chartered directly by state or federal government. Instrumentalities are subject to a unique set of laws that shape their activities.

Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

Yield: The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity: The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve: A graphic representation that shows the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

Revision History:

Revision Date	Description of Changes	Requested By
1/13/16	Numerous changes – see Board staff report dated 1/13/16	Finance Committee
2/8/17	Numerous changes – see Board staff report dated 2/8/17	Finance Committee
2/28/18	Numerous changes – see Board staff report dated 2/8/18	Finance Committee
8/19/20	Numerous changes – see Board staff report dated 8/19/20	Finance Committee