

POLICY: Investment Policy

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RESOLUTION NO.: 82-25; **DATE:** June 24, 2025

I. Investment Policy

A. Mission Statement

It is the policy of the City of Richmond (City) to invest public funds in a manner which prioritizes safety and liquidity over yield while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds.

B. Scope

This investment policy covers the City's pooled funds which include the General Fund, Special Revenue, Debt Service, Capital Projects, Enterprise, Internal service, Trust & Agency, Redevelopment/Successor Agency and any other Funds investment activities under the direction of the City.

The investment of bond and note proceeds will be in accordance with policy contained in the relevant bond documents approved by the City Council at the time of the issuance of the debt. To the extent not inconsistent with such bond documents, bond or note proceeds and in accordance with Government Code, sections 53601(l) and 5922(d), proceeds may be invested in (i) Guaranteed Investment Contracts or other debt issuance proceeds with an investment provider rated in a category of "A" or better and with downgrade protection or (ii) Investment instruments described herein.

The investment policy for the Police and Fire Pension Fund and the General Pension Fund are contained in the City Charter.

C. Objectives

The City's investment activities are designed to accurately monitor and forecast expenditures and revenues to ensure funds are always available when needed. The portfolio will be managed to take advantage of changing economic conditions that can aid in increasing the return on the City's portfolio.

The primary objectives of the investment activities, in priority order shall be:

1. **Safety.** Safety of principle is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio. To attain this objective, the City will diversify its investments by investing funds among a variety of securities offering independent returns.
2. **Liquidity.** An adequate percentage of the portfolio will remain sufficiently liquid in short-term securities to enable the City to meet its cash flow requirements. Since all cost requirements cannot be anticipated, investment in securities with active secondary or resale

markets is highly recommended. Emphasis should be on marketable securities with low sensitivity market risks.

3. **Yield.** The investment portfolio of the City should be designed with the objective of attaining a market rate of return, also known as the yield, throughout budgetary and economic cycles. Yield should be considered only after safety and liquidity objectives have been met and measured against cash flow needs.

D. Delegation of Authority

Management responsibility for the investment program is hereby delegated to the Director of Finance, acting in their capacity as Treasurer, or the Deputy Director of Finance as designee, or the Accounting Manager as designee, who shall be responsible for all transactions undertaken and shall monitor and review all investments for consistency with this investment policy. The Director of Finance or their designee(s) shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in the absence of the Director of Finance.

E. Prudence

The City holds to the “prudent investor” standard as set forth in Section 53600.3 of the California Government Code, in that all investments placed shall be made with a degree of judgment and care. The prudent investor standard states, “[w]hen investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, 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.”

Investment officers acting in accordance with written procedures and the 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 appropriate action is taken to control adverse developments.

F. Ethics and Conflict of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus, employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to the City Clerk’s Office any material interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that

could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the City. All investment personnel shall comply with the reporting requirements of the Political Reform Act, including the annual filing of their Statement of Economic Interest.

G. Authorized Financial Institutions, Depositories and Broker/Dealers

The Director of Finance will obtain financial information from qualified institutions to determine if the institution markets in securities appropriate to the City's needs, can assign qualified sales representatives, and can provide written agreement to abide by the conditions set forth in the City's Investment Policy.

The City may engage the services of investment advisory firms to assist in the management of the portfolio and investment advisors may utilize their own list of approved broker/dealers. Investment advisors should be registered with the US Securities and Exchange Commission (SEC). The advisor shall maintain a list of authorized broker-dealers and complete the appropriate due diligence required by the SEC. The list of approved firms maintained by the investment advisor shall be provided to the City on an annual basis or upon request. The investment advisor will certify that they have read and are willing to comply with the City's investment policy.

If an external investment advisor is not used in the process of recommending a particular transaction in the City's portfolio, any authorized broker/dealer from whom a competitive bid is obtained for the transaction will meet the following criteria and provide the required information to the Director of Finance: proof of Financial Industry Regulatory Authority (FINRA) certification, proof of state registration, audited financial statements, a completed broker/dealer questionnaire, and certification of having read the City's investment policy. Each firm will be evaluated and selected based on firm and staff qualifications, trading product capacity, research capabilities, compliance and due diligence, presentation, and credit worthiness.

In accordance with Government Code Section 53601.5, institutions eligible to transact investment business with the City include:

- Institutions licensed by the state as a broker-dealer.
- Institutions that are members of a federally regulated securities exchange.
- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

The Director of Finance will maintain a list of broker/dealers authorized to provide investment services. These may include "primary" dealers or "regional" dealers

that qualify under Securities and Exchange Commission Rule 15c3-1 (uniform net capital rule). An eligible designation does not guarantee that the City will do business with the firm or institution.

An annual review of the financial condition and registrations of brokers/dealers on the City's approved list will be conducted by the Director of Finance. The bidding process shall be conducted every four years. The current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.

H. Authorized Investments and Maximum Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. The City will not invest in securities maturing more than five (5) years from the date of trade settlement, unless the City Council has by resolution granted authority to make such an investment either specifically or as a part of an investment program it has approved no less than three months prior to the investment or is otherwise stated in this policy. Forward settlement on new issues may not exceed 45 days from time of investment.

The City's investments are governed by Government Code Sections 53600, et seq. Within the investments permitted by the Government Code, the City seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

An appropriate risk level determined by the Government Code must be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio must be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

1. **Government Bonds and Notes** - Maximum of 100% invested no longer than 5 years.
 - a) United States Treasury Notes, Bonds, Bills, or certificates of indebtedness or those for which the full faith and credit of the United States are pledged for the payment of principal and interest; and
 - b) Treasury notes or bonds of the State of California; and
 - c) Bonds, Notes, Warrants or other evidence of indebtedness of the State of California, or any local agency within California with a minimum rating threshold of an "A".
2. **Bonds and Notes of Federally Sponsored Agencies** - Maximum of 100% invested no longer than 5 years, such as the Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association,

Government National Mortgage Association, or any other instruments issued by a federal agency, or a United States government sponsored enterprise.

3. **Bankers' Acceptance** - Bills of exchange or time drafts drawn on and accepted by a commercial bank insured by the FDIC, with a rating category of at least A-1 or the equivalent by a nationally recognized statistical rating organization (NRSRO). Purchases in this category may not exceed 180 days maturity or 40% of the City's investment portfolio as provided by Government Code Section 53601(f)g. Purchases may not exceed 5% in any single issuer.
4. **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. Such securities must be rated in a rating category of "A" or better by a nationally recognized rating service. Purchases may not exceed 30% of the total portfolio. Purchases in any single issuer may not exceed 5% of the portfolio.
5. **Negotiable Certificates of Deposit** issued by a Federal and State chartered bank or a Federal and State Savings and Loan Association or by any state licensed branch of a foreign bank. Purchases are not to exceed 30% of total portfolio. Purchases may not exceed 5% in any single issuer.
6. **Repurchase Agreements** Repurchase agreements are agreements between the local agency and seller for the local agency to purchase government securities to be resold back to the seller at a specific date and for a specific amount and are authorized by Government Code Section 53601(j). Although the legal maximum maturity on these investments is 360 days, repurchase agreements are generally short-term investments varying from one day to two weeks. Investments in repurchase agreements must be collateralized, and collateral required for repurchase agreements is limited to Treasury and Agency securities. In order to anticipate market changes and provide a level of security for all funds, the required collateralization level is 102% of the market value of principal and accrued interest.
7. **Collateralized Bank Deposits** As authorized in Government Code Section 53601(n), notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits.

8. **Local Agency Investment Fund (LAIF)** - maximum of \$75 million The City may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the maximum permitted by State law but not to exceed the aggregate limit set by the City of 100%. LAIF's investments in instruments prohibited by or not specified in the City's policy do not exclude the investment in LAIF itself from the City's list of allowable investments.

9. **Joint Powers Authority**
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 subdivisions (a) to (r), 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:
 - (a) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

 - (b) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.

 - (c) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

10. **Medium Term Notes** with a maximum of five years maturity issued by corporations organized and operating within the United States. Such securities must be rated in a rating category of "A" or better by a nationally recognized rating service. Purchases may not exceed 30% of the total portfolio. Purchases in any single issuer may not exceed 5% of the portfolio.

11. **Commercial Paper** of "prime quality" of the highest ranking or of the highest letter and numerical rating as provided by Moody's Investor Service, Inc., or Standard & Poor's Corporation. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and have total assets in excess of five hundred million dollars (\$500,000,000) and having an "A" or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by Moody's Investors Service, Inc., or Standard & Poor's. Eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 25% of the City's surplus money that may be invested pursuant to this section.

12. **Mutual Funds and Money Market Mutual Funds** are eligible for investment if the companies providing the mutual funds invest only in instruments authorized by Government Code, Sections 53601 and 53630.

To be an eligible money market investment under this section:

- The money market shall have attained the highest ranking, or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations and shall maintain these ratings for the duration of the investment.
- Retain an investment advisor registered with the Securities and Exchange Commission (SEC) with not less than five (5) years' experience investing in securities and obligations.
- The fund shall have a minimum of \$500 million to total asset size of portfolio at time of investment and should not drop below this threshold.
- The purchase price of the share of beneficial interest shall not include any commission that these companies charge.
- Purchases in one mutual fund shall not exceed 10 percent of the total portfolio.
- Purchases shall not exceed 20 percent of the total portfolio.

13. **Mortgage-Backed Passthrough/Asset-Backed Securities** which are rated "AA" or higher and have a maximum remaining maturity not to exceed 5 years. No more than 20 percent of the City's surplus funds shall be invested pursuant to this section.

Agency Mortgage-Backed Securities issued or guaranteed by the U.S Government or U.S. Agencies shall have a maximum maturity of 5 years. Percentage of the portfolio, issuer, and ratings are not applicable.

14. Supranational Securities that are United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments must be rated "AA" or its equivalent or better and shall not exceed 30 percent of the City's surplus funds.

15. **Public Bank Obligations** As authorized in Government Code Section 53601(r), 53635(c), and 57603 local agencies may invest in commercial paper, debt securities or other obligations of a public bank. The maximum legal final maturity is limited to five years.

Summary of Maximum Percentage Limitations of Investments, by Investment Type

The following summary of maximum percentage limits, by instrument, is established for the City's total pooled fund's portfolio:

<u>Investment Type:</u>	<u>Percentage</u>
U.S. Treasury Bills, Notes, and Bonds	0 to 100%
U.S. Government Agency Obligations	0 to 100%
Bankers' Acceptance	0 to 40%
Muni Bonds Issued by other 49 States	0 to 30%
Negotiable Certificates of Deposit Local	0 to 30%
Repurchase Agreements	0 to 100%
Local Agency Investment Fund (LAIF)	0 to 100% (Max \$75 million)
Joint Powers Authority	0 to 100%
Medium Term Notes	0 to 30%
Commercial Paper	0 to 25%
Money Market Funds	0 to 20%
ABS/Non Agency MBS	0 to 20%
Supranational Securities	0 to 30%
Collateralized Bank Deposits	0 to 100%
Public Bank Obligations	0 to 100%

I. Reporting

A monthly transaction report will be submitted by the Treasurer to the City Council in accordance with Government Code Section 53607. A monthly Investment Report will be submitted with the monthly transaction report. The following elements will be part of the investment report:

1. Type of investment
2. Institution/Issuer
3. Date of maturity
4. Cost of security (par amount) and dollar amount in all securities
5. Description of the funds, investments and programs managed by contracts
6. Current market value of securities
7. Rate of return
8. Statement of compliance to meet pool expenditure requirements for the next six months
9. If, in any case, pool expenditures are not met, an explanation of why sufficient monies will not be available.

J. Review of the Investment Portfolio

The securities held by the City must be in compliance with Section H - Authorized and Suitable Investments at the time of purchase. Because some securities may not comply with Section H - Authorized and Suitable Investments subsequent to the date of purchase, The Director of Finance must periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this investment policy and establish protocols for reporting major and critical incidences of noncompliance to the City Council. A report to City Council detailing the issue and recommendations to bring the portfolio back into compliance should be made.

K. Investment Pools

Government sponsored investment pools (Pools) are permitted under California Government Code Section 53601 et seq. and an excellent short-term investment option for cash management facilities. These pools can provide safety, liquidity and yield in a single diversified investment. However, thoughtful investigation and due diligence are required both initially at the time of purchase and ongoing analysis to determine that the investment pool is being managed in a manner consistent with the objectives of the Policy.

Best efforts will be made to acquire the following information:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

L. Collateralization

Collateral for Certificates of Deposit (CD) and Negotiated Certificates of Deposit (NCD) must comply with Government Code 53601, Chapter 4, Bank Deposit law Section 16500 et seq. and the Savings and Loan and Credit Union Deposit Law Government Code Section 16600 et seq. In addition, if the CD is not FDIC insured or goes over the FDIC \$250,000 limit, collateral is required to equal 100 percent of the

principal of either U.S. Treasury securities or Federal Agency securities. The collateral level for Repurchase (and reverse repurchase) Agreements is 102% for reverse repurchase agreements of principal and accrued interest.

Collateral will always be held by an independent third party with whom the City has a current custodial agreement. Clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The right of collateral substitution is granted, within the parameters and constraints of the Policy.

M. Safekeeping and Custody

Securities purchased from broker/dealers shall be held in third party safekeeping by the trust department of the City's bank or other designated third party, in the City's name and control. The basic premise underlying the City's investment philosophy is and will continue to be to ensure that money is always safe and available when needed. All trades executed by a dealer will settle delivery vs. payment (DVP) through the City's safekeeping agent. Securities held in custody for the City shall be independently audited on an annual basis to verify investment holdings.

N. Diversification and Risk Tolerance

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

- The diversification requirements included in the “Authorized Investments” section of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- The City may elect to sell a security before its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or City's risk preferences.
- If a security owned by the City is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:
 - Any actions taken related to the downgrade by the investment adviser will be communicated to the Treasury Committee in a timely manner.
 - If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council by the Treasurer.

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

securities, securities with principal paydowns before maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The City, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The City will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the City based on the City's investment objectives, constraints and risk tolerances.

O. Internal Control

The Treasurer or designee shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, and misrepresentations by third parties or unanticipated changes in financial markets. Accordingly, the Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

P. Performance Standards

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Director of Finance must monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the monthly investment report. The Director of Finance shall select an appropriate, readily available index to use as a market benchmark.

Q. Investment Policy Adoption

The investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed annually by the Council and any modification made thereto must be approved by the City Council.

R. Interest Earnings

All money earned and collected from investments authorized in this policy shall be allocated quarterly to pooled funds based on the daily cash balance in each fund as a percentage of the entire pooled portfolio. Should any fund not have a daily cash balance at the end of a quarter, it will receive none of the money earned and collected from the pooled investments. Furthermore, should any fund have a temporary negative daily cash balance at the end of a quarter, the negative amounts will be reallocated to provide earnings to the funds with a positive daily cash balance.

S. Restrictions

1. The City will not invest any funds in inverse floaters, range notes, or interest-only STRIPS (Separate Trading of Registered Interest and Principal of Securities) that are derived from a pool of mortgages.
2. The City will not invest any funds in any security that could result in zero interest accrual if held to maturity. This limitation does not apply to investments in shares of beneficial interest (money market mutual funds) that are authorized elsewhere in the Investment Policy.
3. The City will not invest in companies involved in the manufacturing of tobacco and tobacco-related products such as cigarettes, cigars, pipe tobacco, chewing tobacco, etc.
4. The City will not invest in companies that develop and manufacture commodities that facilitate violence, war, oppression, and apartheid.
5. The City will not invest in companies that develop and manufacture arms and weapons.
6. The City will not invest in companies that develop and manufacture commodities involved in border and mass surveillance industries.
7. The City will not invest in companies involved in mass incarceration and detention industries, nor those companies that use prison labor to manufacture products.
8. In accordance with the Slavery Era Insurance Ordinance 14-05 N.S. Section 2.29.030 Social Disclosure on Gains from Slavery effective July 1, 2005, the City will not invest any funds in international financial instruments that benefited from slavery. The City Council prohibits, by social investment policy, such investments and reserves the absolute right to divest from such investments with the cost of divestment being borne by the contracting institution.
9. In accordance with Resolution 38-13 effective May 7, 2013, the City declared it a policy of the City of Richmond to not invest in Fossil Fuel companies and urges the Board and Management of the City's Pension funds to divest from publicly-traded Fossil Fuel Companies.
10. In accordance with the Sanctuary City Ordinance 12-18 N.S. Section 4 Prohibition on Investments effective June 5, 2018, the City shall not make any investments in stocks, bonds, securities, or other obligations issued by any provider of Data Broker or Extreme Vetting services to United States Immigration and Customs Enforcement (ICE).

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.

Benchmark: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

Bid: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

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 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 deposits of public monies.

Collateralization of Deposits: Process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing the repayment of deposit funds.

Data Broker: Means either 1) the collection of information, including personal information about consumers, from a wide variety of sources for the purpose of reselling such information to their customers, which include both private-sector businesses and government agencies; 2) the aggregation of data that was collected for another purpose from that for which it is ultimately used.

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 (DVP): 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.

Diversification: Investment contained within the portfolio will be diversified by security type, institution and maturity.

Extreme Vetting: Data mining, threat modeling, predictive risk analysis, or other similar services.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

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.

Fossil Fuel: A fuel formed by natural processes, such as anaerobic decomposition of buried dead organisms, containing organic molecules originating in ancient photosynthesis that release energy in combustion such as: coal, oil, and gas reserves as measured by the gigatons of carbon dioxide that would be emitted if those reserves were extracted and burned.

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. The 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-through" 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.

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.

Offer: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Bid.

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 Investor: A trustee who manages investments responsibly, prioritizing beneficiaries' best interests while avoiding conflicts of interest. They exercise reasonable care, skill, and caution to make sound investment decisions that align with trust objectives and risk tolerance.

Public Bank: A corporation, organized as either a nonprofit mutual benefit corporation or a nonprofit public benefit corporation for the purpose of engaging in the commercial banking business or industrial banking business, that is wholly owned by a local agency, as specified, local agencies, or a joint powers authority.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This interest may be amortized yield to maturity on a bond or the current income return.

Repurchase Agreements: An agreement of one party (for example, a financial institution) to sell securities to a second party (such as a local agency) and simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on demand or at a specified date.

Sanctuary City: A municipal jurisdiction that limits its cooperation with the national government's effort to enforce immigration law.

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: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

Securities and Exchange Commission (SEC) Rule 15C3-1: See Uniform Net Capital Rule.

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 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.

United States Immigration and Customs Enforcement (ICE): A federal law enforcement agency under the U.S. Department of Homeland Security. ICE's stated mission is to protect America from the cross-border crime and illegal immigration that threaten national security and public safety.

Yield: The rate of annual income return 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.