TRANSBAY JOINT POWERS AUTHORITY

Board Policy No. 009 Category: Financial Matters

INVESTMENT POLICY

I. Introduction

The purpose of this policy is to set forth the scope, objectives, standards of care, authorized financial institutions, permitted investment instruments and parameters, and review and reporting requirements for all investments made by the Transbay Joint Powers Authority (TJPA) and its Trustees. It is the policy of the TJPA to invest funds in a manner which will comply with all federal and state laws governing the investment of public funds, preserve capital, meet the daily cash flow demands of the TJPA, and provide investment return.

II. Governing Authority

The investment program shall be operated in conformance with federal, state, and other legal requirements, including applicable provisions of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (Sections 53600 et seq.).

III. Scope

This policy applies to the investment of all funds, excluding the investment of debt proceeds and employees' retirement funds. The investment of debt proceeds and employees' retirement funds shall be governed by the relevant documents. All other investments will be managed to ensure the safety of the portfolio by investing in high quality securities and by maintaining a mix of securities that will provide reasonable assurance that no single investment or class of investments will have a disproportionate impact on the total portfolio.

IV. Objectives

The primary objectives, in priority order, for the TJPA's investment activities are:

1. **Safety**. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The safety of the portfolio is provided by investing in high quality securities and enhanced in three ways by maintaining a prudent mix (i.e., diversity) of investments:

    a. Spreading investments over different investment types minimizes the impact that any one industry/investment class can have on the portfolio;
    b. Spreading investments over multiple credits/issuers with an investment type minimizes the credit exposure of the portfolio to any single firm/institution; and
    c. Spreading investments over various maturities minimizes the risk of portfolio depreciation due to a rise in interest rates.

    The portfolio shall contain a sufficient number and diversity of marketable securities so that a reasonable portion of the portfolio can be readily converted to cash without causing a material change in the value of the portfolio. Limitation and eligibility as to specific investments are to be determined by the TJPA Chief Financial Officer and the Executive Director, collectively; investments shall be diversified by limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury and federal Agency securities), limiting investments in securities that have higher credit risks, and investing in securities with varying maturities.

2. **Liquidity**. The investment portfolio shall remain sufficiently liquid to meet all cash flow requirements that may be reasonably anticipated. The TJPA will maintain a cash position anticipated to meet short-term obligations.
3. **Return on Investment**. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

V. Standard of Prudence

In managing its overall portfolio, the TJPA shall observe the "Prudent Investor Standard" as stated in California Government Code Section 53600.3. Investments shall be made 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 TJPA, that a prudent person acting in a like capacity, and with familiarity of those matters, would use to safeguard the principal and maintain the liquidity needs of the TJPA. Investment officers acting in accordance with state and local law and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

VI. Delegation of Authority

Management's responsibility for the investment program and implementation of this policy is derived from the TJPA Board of Directors and is hereby delegated to the TJPA Chief Financial Officer or the Executive Director's designee. The Board may rescind the delegation pursuant to this section.

The following individuals are authorized to sign investment documents and/or execute cash transfers and make investments of the TJPA's funds:

- Executive Director or their designee
- Chief Financial Officer or their designee

All investment documents and cash transfer authorization forms shall be approved by one of the two signature authorities from the above list. The Board's designees are responsible for the establishment of a system of controls to regulate activities of subordinate employees and their procedures in the absence of the designees.

VII. Ethics and Conflict of Interest

Officers and employees involved in the investment process will not engage in personal business activities that could conflict with the proper and lawful execution and management of the investment program, or that could impair their ability to make impartial decisions. Pursuant to the TJPA's Conflict of Interest code, the Executive Director and Chief Financial Officer (and any designee performing functions under this policy) shall disclose any material interests in financial institutions with which they conduct business in their Annual Statement of Economic Interests. They shall further disclose to the TJPA Board any personal financial/investment positions that could be related to the performance of the TJPA's investment portfolio. Other TJPA Finance staff shall disclose any personal financial/investment positions that could be related to the performance of the TJPA's investment portfolio to the Chief Financial Officer.

All persons, broker/dealers, financial institutions, and advisors providing investment services shall disclose to the TJPA Chief Financial Officer all fee sharing, fee splitting, and commission arrangements with other entities or persons prior to TJPA agreeing to purchase an investment.

VIII. Authorized Financial Institutions and Dealers

No public deposits will be made except in a qualified public depository as established by state law. All broker/dealers and custodial Trustees must annually review and abide by this Investment Policy.

TJPA will not do business with a firm which has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board (MSRB), and any other relevant MSRB rules that may be promulgated, to the City & County of San Francisco Treasurer, any member of the TJPA Board, or any candidate for an office that may become either the City & County of San Francisco Treasurer or any member of the TJPA Board.

TJPA may choose a Trustee to hold custody of moneys gained by the sale of formerly State-owned land parcels, tax increment proceeds, and other moneys as deemed necessary by the Executive Director and the Chief Financial Officer. Moneys held by the Trustee shall be invested and reinvested by the Trustee solely at the direction of the TJPA in those certain investment securities listed in "Exhibit A" hereto entitled "Permitted Investments".

IX. Permitted Investment Instruments

California Government Code Section 53601 governs and limits the investments permitted for purchase by local governments. Within those limitations, the TJPA further restricts eligible investments to the following types of investments below, as more fully described in Exhibit A:

1. U.S. Treasury Obligations
2. U.S. Agency Obligations
3. State of California and California Local Agency Obligations and Bonds
4. Bankers Acceptances
5. Commercial Paper (domestic)
6. Negotiable Certificates of Deposit
7. Non-negotiable Certificates of Deposit
8. Repurchase Agreements

9. Medium-Term Notes
10. Money Market Mutual Funds
11. Collateralized Bank/Time Deposits
12. City & County of San Francisco Pooled Investment Fund
13. Local Agency Investment Fund (LAIF)
14. Supranational Obligations
15. Public Bank Obligations

The maximum percentage share of investments in these instruments as a share of the TJPA's portfolio, the credit quality and the maximum maturities of investments shall conform to the restrictions in Exhibit A, based primarily on California Government Code, and shall be domestic investments only. Percentage holding limits apply at the time the security is purchased. Investment pools and mutual funds shall be investigated and assessed prior to investing and on a continual basis. All funds under management shall be combined for the purpose of evaluating portfolio limits.

X. Ineligible Investments

The following investments are either prohibited by law, or authorized by law but prohibited by this policy:

Prohibited by Law

1. Securities not listed in California Government Code
2. Inverse floaters
3. Range notes
4. Interest only strips derived from a pool of mortgages
5. Unregistered securities
6. Any security that could result in zero- or negative-interest accrual if held to maturity

Prohibited by TJPA Investment Policy

1. Securities not listed in Section IX, Permitted Investment Instruments
2. Local agency (outside of California) obligations and bonds
3. Placement service deposits and certificates of deposit
4. Reverse repurchase agreements and securities lending agreements
5. Mortgage pass-through securities
6. Joint Powers Authority pool
7. Voluntary Investment Program fund

XI. Collateralization

Collateral for certificates of deposit (both negotiable and non-negotiable) and repurchase agreements must comply with the various relevant California Government Code sections. If a certificate of deposit is not FDIC insured, collateral posted by the depository institution is required to be valued at 110 percent or greater of principal. Collateral required to be posted by the depository institution for repurchase agreements is required to be valued at 102 percent of principal.

California banks and savings and loan associations are required to secure TJPA deposits by pledging eligible securities as collateral, pursuant to California Government Code Section 53651. In accordance with California Government Code Section 53652, the fair value of the pledged securities must equal at least 110 percent of the TJPA's deposits. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the TJPA's total deposits.

As a matter of TJPA policy, all deposits of the TJPA are secured by the pledge of eligible securities equal to 110 percent of the TJPA's deposits.

In accordance with California Government Code Section 53653, the TJPA Chief Financial Officer may waive the 110 percent collateral requirement for deposits which are insured up to $250,000 by the FDIC.

XII. Safekeeping and Custody

To protect against fraud, embezzlement, or potential losses caused by collapse of individual securities dealers, all securities purchased by the TJPA shall be held in safekeeping by a third-party bank trust department, acting as an agent for the TJPA, in compliance with California Government Code Section 53608. All trades executed by a dealer will settle delivery vs. payment (DVP) through the TJPA's safekeeping agent.

XIII. Internal Controls; Record-keeping

TJPA shall maintain a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in the financial markets, or imprudent actions by employees and officers of the TJPA. The internal control procedures include explicit designation of authority to persons responsible for investment transaction, as well as references to compliance monitoring and safekeeping. No person may engage in an investment transaction except as provided under the terms of this policy and the internal controls. The internal controls shall be provided to and reviewed by the independent auditor to assure compliance with this policy and the controls.

Trade confirmations shall be kept for a minimum of six years.

XIV. Performance Standard

TJPA's investment strategy is generally passive, with the aim of holding securities until maturity balanced with managing sometimes uncertain cashflow needs. For this reason, a rate of return benchmark is not being utilized by TJPA.

XV. Review of Investment Portfolio and Reporting Requirements

The TJPA Chief Financial Officer shall submit a list of investment holdings and an investment report to the TJPA Board of Directors on a quarterly basis. The report will include, at a minimum, investment types, issuer, maturity, par value, dollar amount invested, market value as of the date of the report and the source of the valuation, and accrued interest. In addition, the investment report shall state compliance of the portfolio with the investment policy and a statement noting the ability of TJPA to meet expenditure requirements for the next six months in accordance with California Government Code Section 53646 (b) (2) and (3). This report should separate the investments in the portfolio and investments of debt proceeds, which are governed by the debt issuance documents. The report should exclude employees' retirement funds which are administered by the California Public Employees Retirement System ("CalPERS") or, for defined contribution plans, at the direction of the employee.

The TJPA Chief Financial Officer shall also submit a monthly report of investment transactions to the TJPA Board. Both quarterly and monthly reports shall be submitted to the Board within 45 days of the quarter end or month end.

The securities held by TJPA must be in compliance with the above Section IX Permitted Investment Instruments at the time of purchase. Since some securities may not comply subsequent to the date of purchase, the TJPA Chief Financial Officer shall review the portfolio at least monthly to identify any securities that do not comply. Any major incidents of non-compliance and any realized losses identified by the Chief Financial Officer shall be reported to the Board.

XVI. Issuer Concentration Limit

To limit idiosyncratic credit risk, the TJPA's total exposure to any single non-U.S. Treasury issuer shall not exceed ten percent (10%) of the Portfolio's market value at the time of purchase. For this limit, "issuer" is defined at the obligor level and aggregates positions across all eligible sectors (e.g., commercial paper, negotiable CDs, corporate/medium-term notes, and municipal securities) of that obligor and its directly guaranteed subsidiaries.

Exemptions: U.S. Treasury securities are exempt. U.S. federally-sponsored agencies (e.g., FHLB, FNMA, FHLMC, FFCB) are subject to the 10% per-issuer limit each, unless a more restrictive statutory or Exhibit A limit applies. Shares in diversified money market funds and LAIF are not subject to this per-issuer cap but remain subject to their own statutory/policy limits.

XVII. Social and Environmental Concerns

Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. Investments are discouraged in entities that manufacture tobacco products, firearms or nuclear weapons. In addition, investments are encouraged in entities that offer banking products to serve all members of the local community, and investments are discouraged in entities that finance high-cost check-cashing and deferred deposit (payday-lending) businesses.

XVIII. Maximum Maturity

Investments purchased for the Portfolio shall have a remaining final maturity of five (5) years or less at the time of purchase. A longer maturity may be used only if expressly authorized by the Board at a public meeting and such authorization occurs no more than three (3) months before the transaction. These limits apply unless a more restrictive limit is stated in Exhibit A or in applicable bond documents for trustee-held funds.

XIX. Investment Policy Review

TJPA's investment policy shall be adopted by resolution of the TJPA Board of Directors. This policy shall be reviewed annually at a regular meeting of the TJPA Board. Any modifications to this policy must be approved by resolution of the TJPA Board.

EXHIBIT A

Permitted Investments

Per State of California Government Code [i]

Investment Type	Maximum Maturity[1]	Maximum Specified Percentage of Portfolio	Minimum Quality Requirements
U.S. Treasury Obligations	5 years	None	None
U.S. Agency and GSE Obligations	5 years	None	None
TJPA Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40% [ii]	None
Commercial Paper (CP) – Non-Pooled Funds (under $100,000,000 of investments)	270 days	25% [iii]	Highest letter and number rating by an NRSRO
Negotiable Certificates of Deposit	5 years	30% [v,vi]	None
Non-negotiable Certificates of Deposit	5 years	None [vi]	None
Repurchase Agreements [vii]	1 year	None	None
Medium-Term Notes [viii]	5 years	30%	"A" rating category or above
Money Market Mutual Funds [x]	n/a	20% [ix]	Multiple [iv]
Collateralized Bank/Time Deposits	5 years	None	None
City & County of San Francisco Pooled Investment Fund [xi]	n/a	None	None
Local Agency Investment Fund (LAIF) [xii]	n/a	None	None
Supranational Obligations [xiii]	5 years	30%	"AA" rating or above
Public Bank Obligations [xiv]	5 years	None	None

Prohibited investments include securities not listed above, as well as inverse floaters, range notes, and interest only strips derived from a pool of mortgages, and any security that could result in zero interest accrual if held to maturity. [xv] See endnotes next page.

1 All instruments are further subject to the Maximum Maturity limits in the Policy.

[i] Sources: California Government Code Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.

[ii] No more than 30 percent of the agency's money may be in Banker's Acceptances of any one bank.

[iii] Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper and medium-term notes of any single issuer.

[iv] Issuing corporation must be organized and operating within the U.S. and have assets in excess of $500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating organization.

[v] No more than 30 percent of the agency's money may be invested in negotiable certificates of deposit that are authorized under Section 53601(i). Foreign bank issuers must be U.S. or state-licensed branches.

[vi] Per TJPA policy: individual CD purchases limited to $250,000 from each financial institution to take advantage of FDIC coverage.

[vii] Repurchase agreements collateralized by U.S. Treasury or U.S. Agency/GSE securities under a Master Repurchase Agreement; collateral ≥ 102%; custodial DVP settlement with the agency's third-party custodian.

[viii] "Medium-term notes" are defined in Section 53601 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"

[ix] No more than 10 percent of the agency's total funds may be invested in any one mutual fund. This limitation does not apply to money market mutual funds.

[x] A mutual fund or a money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration with assets under management in excess of $500 million who has not less than five years' experience investing in instruments authorized by Sections 53601 and 53635 (mutual funds) or experience in managing the types of instruments that can be purchased by money market funds as specified in SEC Regulation 2a-7 (money market funds). Mutual funds must abide by the same investment restrictions and regulations that apply to public agencies in California (Section 53601(a-k, m-o)). Money market funds must follow regulations specified by the SEC under the investment company act of 1940 (15 USC Section 80a-1, et seq.)

[xi] Not a permitted investment for Trustee Accounts.

[xii] Not a permitted investment for Trustee Accounts. Maximum account balance is capped by LAIF at $75 million as of policy approval date.

[xiii] Only those US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the

International Finance Corporation or the Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the US.

[xiv] Commercial paper, debt securities or other obligations of a public bank

[xv] Zero interest accrual means the security has the potential to realize zero interest depending upon the structure of the security. Zero coupon bonds and similar investments that start at a level below the face value are legal because their value does increase.

Glossary of Terms

Accrued Interest: Interest accumulated since the last interest payment.

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: 1/100th of 1 percent of yield. If a yield increases from 1.25% to 1.50%, the difference is referred to as a 25 basis point increase.

Bond: A debt obligation of a firm or public entity. Represents the agreement to repay the debt in principal and, typically, interest on the principal.

Book Value: The value at which an asset is carried on a balance sheet.

Broker: A person or firm that acts as an intermediary by purchasing and selling securities for others rather than for its own account. The term does not include a dealer bank.

Broker/Dealer: A general term for a securities firm that is engaged in both purchasing and selling securities on behalf of customers as well as on its own account. The term does not include a dealer bank.

Buy and Hold Strategy: A strategy based on holding all securities until maturity, regardless of fluctuations in the market.

Certificate of Deposit (CD): A short-term, secured deposit in a financial institution that usually returns principal and interest to the lender (purchaser) at the end of the loan period. Certificates of Deposit differ in terms of collateralization and marketability. Those appropriate to public agency investing include:

Negotiable Certificates of Deposit: Generally, short-term debt instrument that usually pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. The majority of negotiable CDs mature within six months while the average maturity is two weeks. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor). Negotiable CDs are insured by the FDIC up to $250,000, but they are not collateralized beyond that amount.

Non-negotiable Certificates of Deposit: CDs that carry a penalty if redeemed prior to maturity. A secondary market does exist for non-negotiable CDs, but redemption includes a transaction cost that reduces returns to the investor. Non-negotiable CDs issued by banks and savings and loans are insured by the FDIC up to $250,000, including principal and interest. Amounts deposited above this amount may be secured with other forms of collateral through an agreement between the investor and the issuer. Collateral may include other securities including Treasuries or Agency securities.

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.

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

Corporate Notes and Bonds: Debt instruments, typically unsecured, issued by corporations, with original maturities in most cases greater than one year and less than ten years.

County Pooled Investment Funds: The aggregate of all funds from public agencies placed in the custody of the county treasurer or chief finance officer for investment and reinvestment.

Coupon: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value; a certificate attached to a bond evidencing interest due on a payment date.

Credit Rating: Various alphabetical and numerical designations used by institutional investors, investment banks, and nationally recognized statistical rating organizations companies to give relative indications of bond and note creditworthiness. Standard & Poor's and Fitch Ratings use the same system, starting with their highest rating, of AAA, AA, A, BBB, BB, B, CCC, CC, C, and D for default. Moody's Investors Service uses AAA, AA, A, BAA, BA, B, CAA, CA, and D. Each of the services use pluses (+) and minuses (-), or numerical modifiers to indicate steps within each category. The top four letter categories are considered investment grade ratings.

Credit Risk: The chance that an issuer will default or otherwise be unable to make scheduled payments of interest and principal on an outstanding obligation. Another concern for investors is that the market's perception of an issuer/borrower's credit will cause the market value of a security to fall, even if default is not expected.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, including underwriting, buying and selling securities, including from their own account.

Default Risk: The risk that issuers/borrowers will be unable to make the required payments on their debt obligations.

Delivery vs. Payment (DVP): The payment of cash for securities as they are delivered and accepted for settlement.

Depository Institutions: These institutions hold agency monies in the forms of certificates of deposit (negotiable or term), public time deposits and public demand accounts. To be eligible to receive local agency money, a financial institution must receive an overall rating of not less than "satisfactory" from the appropriate federal supervisory agency for meeting the criteria specified in the Community Reinvestment Act of 1977.

Discount: The difference between the cost of a security and the par value of a security, when the cost is below par. Investors purchase securities at a discount when return to the investor (yield) is higher than the stated coupon (interest rate) on the investment.

Diversification: The allocation of different types of assets in a portfolio to mitigate risks and improve overall portfolio performance.

Event Risk: The risk associated with a changing portfolio value due to a market event causing swings in market prices and/or spreads.

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

Government Sponsored Enterprises (GSE): Privately held corporations with public purposes created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy. Securities issued by GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government.

Interest: The amount a borrower pays to a lender (investor) for the use of its money.

Interest Rate Risk: The risk that an investment's value will change due to a change in the absolute level of interest rates, spread between two rates, shape of the yield curve, or any other interest rate relationship.

Issuer/Obligor: The legal entity responsible for repayment of principal and interest. For concentration testing, exposure is aggregated at the obligor level across all instruments and sectors, including directly guaranteed subsidiaries. Affiliate (for Concentration Limits): Any entity that controls, is controlled by, or is under common control with the obligor. Affiliates may be combined with the obligor for concentration purposes when guarantees, control, or common branding create shared exposure within the Portfolio.

Liquidity: The measure of the ability to convert an instrument to cash on a given date at full face or par value.

Liquidity Risk: The risk that a security, sold prior to maturity, will be sold at a loss of value. For a local agency, the liquidity risk of an individual investment may not be as critical as how the overall liquidity of the portfolio allows the agency to meet its cash needs.

Local Agency Investment Fund (LAIF): A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

Local Government Investment Pool: Investment pools that range from the State Treasurer's Office LAIF to county pools.

Market Risk: The chance that the value of a security will decline as interest rates rise. In general, as interest rates fall, prices of fixed income securities rise. Similarly, as interest rates rise, prices fall. Market risk also is referred to as systematic risk or risk that affects all securities within an asset class similarly. Buying and holding a security to maturity eliminates the effects of market risk.

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

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

Medium-Term Note: Corporate or depository institution debt securities meeting certain minimum quality standards sold with maturity of five to ten years, usually issued by corporations organized and operating in the United States.

Money Market: The segment of the financial market in which financial instruments with high liquidity and very short maturities (U.S. Treasury bills, commercial paper, bankers' acceptances, negotiable CDs, etc.) are issued and traded. The money market is used by participants as a means for borrowing and lending in the short term, from several days to just under a year.

Money Market Mutual Funds (MMF): MMF's are mutual funds that invest exclusively in short-term money market instruments. MMF's seek the preservation of capital as a primary goal while maintaining a high degree of liquidity and providing income representative of the market for short term investments.

Nationally Recognized Statistical Rating Organization (NRSRO): Credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes.

Par Amount or Par Value: The principal amount of a note or bond which must be paid at maturity. Par, also referred to as the "face amount" of a security, is the principal value stated on the face of the security. A par bond is one sold at a price of 100 percent of its principal amount.

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

Premium: Premium means the difference between the par value of a security and the cost of a security, when the cost is above par. Investors pay a premium to purchase a security when the return to the investor (yield) is lower than the stated coupon (interest rate) on the investment.

Prudent Investor Standard: As stated in California Government Code Section 53600.3., all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law (except as provided in subdivision (a) of California Government Code Section 27000.3).

Repurchase Agreement (RP or REPO): An agreement of one party (for example, a financial institution) to sell securities to a second party (such as the local agency) and simultaneous agreement to repurchase them at a fixed price on demand or at a fixed date.

Rule G-37 of the Municipal 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.

Safety: In the context of investing public funds, safety relates to preserving the principal of an investment in an investment portfolio; local agencies address the concerns of safety by controlling exposure to risks.

Securities and Exchange Commission (SEC): a federal agency which holds primary responsibility for enforcing the federal securities laws and regulating the securities industry, the nation's stock and options exchanges, and other electronic securities markets in the United States.

SOFR: Acronym for "Secured Overnight Financing Rate," which represents a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.

U.S. Agency Obligations: Debt obligations issued by federal agencies and/or U.S. government-sponsored enterprises. Examples include Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Federal Agricultural Mortgage Corporation (Farmer Mac).

U.S. Treasury Obligations: Debt obligations of the U.S. Government sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more (and thus are not eligible local agency investments).

Weighted Average Maturity (WAM): The weighted average amount of time until the maturities of all the securities that comprise a portfolio, expressed in days or years. The WAM is calculated by computing the percentage value of each instrument in the portfolio. The number of days until the security's maturity is multiplied by the security's percentage of the portfolio, and the sum of the subtotals equals the WAM.

Yield: The current rate of return on an investment security generally expressed as a percentage of the security's current price