

EAST BAY REGIONAL PARK DISTRICT INVESTMENT POLICY

1. PURPOSE & POLICY

- 1.1 The purpose of this Investment Policy for the East Bay Regional Park District (the District) is to provide guidance and direction for the prudent investment of District funds, and to foster the creation of a systematic and controlled investment process. The ultimate goal is to maximize the efficiency of the District's cash management system, and to enhance the economic status of the District while protecting its pooled cash. The initial step toward a prudent investment policy is to set out a clear statement of fundamental investment direction.
- 1.2 The District policy is to invest public funds in a prudent manner, providing the highest yield with the maximum security of principal invested, while also meeting the daily cash flow requirements of the District. Also, the District's policy is to conform to all applicable federal, state and local statutes governing the investment of public funds.

2. SCOPE

This Investment Policy applies to all financial assets of the District excluding: (a) retirement funds held by trustees, but accounted for in the District's general ledger as a trust fund; (b) OPEB funds held by trustees, but accounted for in the District's general ledger as a trust fund, (c) employee deferred compensation funds held in a trust and not considered financial assets of the District, and; (d) bond proceeds, the investment of which shall be governed by the provisions of the related bond indentures or resolutions. Financial assets are reported in the District's Annual Comprehensive Financial Report, and are accounted for in the following funds:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Internal Service Funds
- Permanent Funds
- Any new fund created by the District unless specifically exempted.

3. PRUDENCE

The standard of prudence to be used for managing the District's investment program is California Government Code Section 53600.3, the prudent investor standard which states, "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."

Investment officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market risk, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. RISK TOLERANCE

The District recognizes that investment risks can result from issuer defaults, or various technical complications leading to temporary illiquidity.

- 4.1 Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in high grade securities and diversification.
- 4.2 Market risk, defined as market value fluctuations due to overall changes in market price and rate, shall be mitigated by maintaining appropriate diversification of assets.
- 4.3 Interest rate risk, defined as market value fluctuations due to changes in interest rates, interest rate spreads, or the shape of the yield curve, shall be mitigated by maintaining an appropriate duration strategy and diversification of maturities.
- 4.4 Custodial credit risk, defined as the risk of loss due to the failure of the custodian, shall be mitigated by prudent custodian selection procedures and requirements, as described in section 14 of this Policy.

5. OBJECTIVES

The District strives to maintain in its investment portfolio 100% of all idle funds, given daily and projected cash flow needs. The District's funds shall be invested in accordance with all applicable District policies and codes, State statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

- 5.1 SAFETY. The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of those amounts. Safety of principal is the foremost objective of the District's investment program, followed by liquidity and yield. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The District only operates in those investments that are considered very safe. Also, safety is ensured by diversification, which is required in order that potential losses on individual securities do not exceed income from the remainder of the portfolio.
- 5.2 LIQUIDITY. Liquidity refers to the ability to sell an investment at any given moment with a minimal chance of losing some portion of principal or interest. The District's investment portfolio shall remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated. The District will maintain an adequate percentage of the portfolio in liquid short-term securities that can be converted to cash, if necessary, to meet disbursement requirements. This need for investment liquidity may be tempered to the extent the District is able to issue short-term notes to meet its operating requirements. However, in the absence of

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a Debt Issuance Policy approved by the Board of Directors, there should not be a reliance on short-term borrowing to provide liquidity.

5.3 YIELD/RETURN. The portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio, and state and local laws, regulations and resolutions that restrict the placement of short-term funds.

5.4 SUSTAINABILITY¹ Wherever possible, investment decisions shall take into account environmental, social, and governance ("ESG") factors.

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5.5 PUBLIC TRUST. All participants in the investment process shall act reasonably as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject and open to public scrutiny and evaluation. The overall program shall be designed and managed with the degree of professionalism required to be worthy of the public trust.

6. DELEGATION OF AUTHORITY

Management responsibility for the District's investment program is delegated annually by the District's Board of Directors to the Chief Financial Officer, who shall establish procedures for the operation of the investment program, consistent with this Investment Policy. Such procedures will include appropriate delegation of authority to persons responsible for investment transactions. No person may engage in investment transactions except as provided under the terms of this Investment Policy, and the procedures established by the Chief Financial Officer. The Chief Financial Officer is hereby delegated the authority from the Board of Directors to:

6.1 Enter into agreements with the District's depository in order to enable the Chief Financial Officer, or his/her designee to execute investment transactions that will involve charges and credits to the District's bank accounts.

6.2 Enter into banking arrangements with a third party bank trust department to facilitate the third-party safekeeping of District investments.

6.3 Establish operating procedures as deemed appropriate to operate an investment program consistent with this Investment Policy.

Upon the recommendation of the Chief Financial Officer, the Board of Directors may engage the support services of outside investment advisors with respect to the District's investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the District's financial resources.

7. ETHICS AND CONFLICT OF INTEREST

7.1 The Chief Financial Officer and all personnel responsible for authorizing the purchase of investments shall refrain from personal business activities that could conflict with proper execution of the investment program and/or which could impair their ability to make impartial investment decisions. The Chief Financial Officer and all responsible personnel shall disclose to the Board of Directors and the General Manager any material financial interests in any financial institutions that conduct

business with the District that could be related in a conflicting manner to the performance of the District's investment portfolio.

- 7.2 The Chief Financial Officer and investment personnel, designated by the Chief Financial Officer, shall file a Statement of Economic Interests each year as required by California Government Code Section 87203 and regulations of the Fair Political Practices Commission.

8. AUTHORIZED BROKER/DEALERS

- 8.1 The Chief Financial Officer shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the District to purchase securities only from those brokers and the firms they represent. Each approved broker/dealer must possess an authorizing certificate from the California Commissioner of Corporations as required by Section 25210 of the California Corporations Code. The firms they represent must:

- a. be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within its holding company structure, or
- b. report voluntarily to the Federal Reserve Bank of New York, or
- c. qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

- 8.2 When purchasing investments, broker/dealers located in Alameda and Contra Costa Counties will be considered when possible provided that their offerings are competitive and meet the criteria established by this Investment Policy.

- 8.3 Each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form that includes the firm's most recent audited financial statements. The registration status and standing of all brokers/dealers shall be verified with the Financial Industry Regulatory Authority (FINRA) or other applicable regulatory organizations.

- 8.4 If the District has an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the District.

9. AUTHORIZED AND SUITABLE INVESTMENTS

All investments and deposits of the District shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686. Although the following includes authorized investments, the Chief Financial Officer shall determine the extent to which they are suitable based upon this Investment Policy and the resources used by the Chief Financial Officer in implementing it.

Limitations identified in the following sections shall be adhered to and the percentage limits and credit criteria shall be measured against portfolio value on the date the investment is purchased. In the event of a credit downgrade below the minimum acceptable credit rating, the District shall require investment advisors engaged in the investing of District

funds to notify District staff of the downgrade, and provide a plan of action to address the downgrade. A security purchased in accordance with this Policy shall not have a forward settlement date exceeding 45 days from the time of investment.

9.1.a. United States Treasury bills, notes, bonds, or strips with a maturity not exceeding 5 years from the date of trade settlement. There is no limit on the percentage or ranking requirements of U.S. Treasury obligations that may be held in the District's portfolio.

Commented [MB1]: Based on California Code 2024 53601(a), consider inserting maturity language and ranking requirements for U.S. Treasuries.

9.1.b. Federal Agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or U.S. government-sponsored enterprises with a maturity not exceeding 5 years from the date of trade settlement. The aggregate investment in securities authorized in this section shall not exceed 75% of the District's portfolio. There is no limit on the percentage or ranking requirements of Federal Agency obligations that may be held in the district's portfolio.

Commented [MB2]: Based on California Code 2024 53601(f), consider inserting limit, maturity, and ranking requirements for Federal Agencies.

9.2. Eligible Banker's Acceptances with a maturity not exceeding 180 days from the date of trade settlement, drawn on or accepted by a FDIC insured commercial bank with combined capital and surplus of at least \$250 million, rated in a rating category of A-1, its equivalent, or higher by a nationally recognized statistical rating organization (NRSRO) at the time of purchase and whose senior long-term debt is rated in a rating category of "A" its equivalent, or higher by a NRSRO at the time of purchase. The aggregate investment in banker's acceptances shall not exceed 40% of the District's total portfolio, and no more than 30% of the agency's moneys may be invested in banker's acceptances of any commercial bank.

Commented [MB3]: Based on California Code 2024 53601(g), consider inserting language pertaining to limits per commercial bank regarding Banker's Acceptances.

9.3. Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:

A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of \$500,000,000 and (3) have debt other than commercial paper, if any, that is rated in a rating category of "A", its equivalent, or higher by a NRSRO.

B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated in a rating category of A-1, its equivalent, or higher, by a NRSRO.

Effective until January 1, 2026, the aggregate investment in commercial paper shall not exceed 40% of the District's total portfolio. After January 1, 2026, the aggregate investment in commercial paper shall not exceed 25% of the District's total portfolio.

9.4. Non-negotiable certificates of deposit with a final maturity not exceeding five years and shall meet the conditions in either paragraph (a) or paragraph (b) below:

(a) Certificates of deposit shall meet the requirements for deposit under California Government Code Section 53630 et. seq. To be eligible to

receive District deposits, the financial institution must meet the requirements of California Government Code Section 53635.2. Deposits are required to be collateralized as specified under California Government Code Section 53630 et. seq. The Chief Financial Officer, at his or her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. The District shall also have a signed agreement with the depository per California Government Code Section 53649.

- (b) Certificates of deposit placed through a deposit placement service shall meet the requirements of Government Code Section 53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance.

The aggregate investment in non-negotiable certificates of deposit and negotiable certificates of deposit shall not exceed 30% of the District's total portfolio.

- 9.5 Negotiable Certificates of Deposit with a final maturity not exceeding five years 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 federally- or state-licensed branch of a foreign bank. Negotiable CD issuers must be rated in a rating category of "A", its equivalent, or higher by two NRSROs.

The aggregate investment in non-negotiable certificates of deposit and negotiable certificates of deposit shall not exceed 30% of the District's total portfolio.

- 9.6 Repurchase Agreements with a final termination date not exceeding 30 days collateralized by U.S. Treasury obligations, Federal Agency securities, or Federal Instrumentality securities listed in Section 9.1 above with the maturity of the collateral not exceeding ten years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the District's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in the District's custodian bank, as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with broker/dealers who are recognized as Primary Dealers with the Federal Reserve Bank of New York or with firms that have a primary dealer within their holding company structure. Repurchase agreement counterparties shall execute a District approved Master Repurchase Agreement with the District. The Chief Financial Officer shall maintain a copy of the District's approved Master Repurchase Agreement along with a list of the broker/dealers who have executed same.

- 9.7 State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1. There is no limit on the percentage of LAIF that may be held in the District's portfolio. LAIF investments are subject to statutory limits.

- 9.8 California Asset Management Trust (CAMP), as long as the portfolio is rated among the top two rating categories by a NRSRO. There is no limit on the percentage of CAMP that may be held in the District's portfolio.
- 9.9 Medium Term Notes 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 with a final maturity not exceeding five years from the date of trade settlement. These notes must have a rating in a rating category of "A" or its equivalent, or higher by a NRSRO. The aggregate investment in medium term notes shall not exceed 30% of the District's total portfolio.
- 9.10 Money Market Funds registered under the Investment Company Act of 1940 that (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant net asset value per share of \$1.00; (3) invest only in the securities and obligations authorized by state statute and (4) have attained the highest ranking or the highest letter and numerical rating provided by at least two NRSROs, or retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of \$500 million dollars. No more than 10% of the District's total portfolio shall be invested in money market funds of any one issuer, and the aggregate investment in money market funds shall not exceed 20% of the District's total portfolio.
- 9.11 Municipal bonds that are listed below and are rated in a rating category of "A," its equivalent, or higher by a NRSRO at the time of purchase. The aggregate investment in municipal bonds shall not exceed 30% of the District's total portfolio.
- (a) Bonds issued by the District, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the District or by a department, board, agency, or authority of the District.
 - (b) Registered state warrants or treasury notes or bonds of the state of California, 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.
 - (c) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within California, 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.
 - (d) 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.
- 9.12 Supranationals which 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 under this subdivision shall be rated in the rating category of "AA," its equivalent, or better by at least one NRSRO. Purchases of supranationals shall not exceed 30 percent of the investment portfolio of the District.

- 9.13 **Mortgage Pass-Through and Asset-Backed Securities** including equipment lease-backed certificates, consumer receivable passthrough certificates, or consumer receivable-backed bonds of a maximum remaining maturity of five year. Securities eligible for investment under this subdivision shall be rated in a rating category of "AA," its equivalent or better by at least one NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the District's total portfolio.

With the exception of US Government securities, including its agencies and instrumentalities, repurchase agreements, money market funds, LAIF, and CAMP, no more than 5% of the investment portfolio may be invested in securities of a single issuer, regardless of security type.

Commented [MB4]: Based on Government Code 53601(o), we recommend inserting language that matches the investment title to match the change to Bill 882, that was passed January 1, 2024.

10. ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) INVESTMENT INITIATIVE

ESG investing is the process of incorporating analyses of non-financial environmental, social, and governance factors into investment decisions alongside more traditional financial criteria. As indicated in Section 5.4 of this Investment Policy, it is the District's objective to integrate environmental, social, and governance ("ESG") factors into investment decisions to the extent practical and possible. In order to achieve this objective, the District will apply the ESG Investment Criteria as defined herein to the Authorized and Suitable Investments as set forth below. The ESG investment criteria will be based on the ESG risk ratings and subindustry rankings provided by Sustainalytics as of the most recent prior-month end date. The investment criteria will be reviewed annually by the District's Chief Financial Officer.

ESG Investment Criteria	
ESG Risk Rating Limit	Issuer ESG Risk Rating < 30
ESG Risk Rating Exception: Top ESG Performers Within Industry Peer Groups	Issuer ESG Risk Rating is between 30-39.99 and the Issuer subindustry ranking is in the top 25 th percentile
Authorized and Suitable Investments subject to ESG Investment Criteria	Banker's Acceptances Commercial Paper Negotiable Certificates of Deposit Corporate & Bank Notes Asset-Backed Securities

If an investment no longer satisfies the ESG Investment Criteria, the District may continue to hold the investment unless directed to liquidate by the District.

11. PROHIBITED INVESTMENTS

In accordance with Section 53601.6 of the California Government Code, the District shall not invest any funds in inverse floaters, range notes or interest-only strips that are derived from a pool of mortgages. Except as provided in the subsequent paragraph, the District shall not invest in any security that could result in zero-interest accrual if held to maturity.

Notwithstanding the prohibition in prior paragraph, the District may invest in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. The District may hold these instruments until their maturity dates. Purchase of this investment type is prohibited after January 1, 2026.

12. INVESTMENT POOLS

The District allows investments in two public agency investment pools: LAIF and CAMP (per sections 9.7 and 9.8). Although these pools are long-standing, the Chief Financial Officer will periodically require from each pool, information which will demonstrate operating information and may include the following information:

- A written statement of investment policies and objectives.
- A description of interest calculations, how they are distributed, and how gains and losses are treated.
- A description of how securities are safeguarded (including the settlement process), and how often the securities are priced and the program audited.
- A schedule for receiving statements and portfolio listings.
- A statement regarding whether and how reserves or retained earnings are used by the pool.
- A description of who may invest in the program, how often, and what are the sizes and timing of deposits and withdrawals.
- A fee schedule and how and when fees are assessed.
- A statement of whether the pool is available for bond proceeds, and will it accept such proceeds.

13. MATURITY

The District will not invest in instruments whose maturities exceed five years at the time of trade settlement unless the Board of Directors has provided approval for a specific purpose at least three months before the investment is made.

On February 6, 2018, the Board of Directors granted the District authorization to invest in instruments whose maturities exceed five years. Effective June 1, 2018, the following instruments types may be purchased with maturities exceeding five years, U.S. Treasuries, federal agencies, including agency mortgage-backed securities, and municipal obligations. Authorization to purchase instruments whose maturities exceed five years will continue until the Board explicitly revokes the authorization.

The Chief Financial Officer shall be responsible for determining and monitoring an average maturity which meets the District projected cash flow requirements and shall be reported to the Board of Directors as required under State Law.

14. SELECTION OF DEPOSITORIES

The Chief Financial Officer shall be responsible for ensuring that only FDIC insured banks are utilized to provide depository and other banking services for the District. To be eligible, a bank must qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC insurance coverage in accordance with California Government Code Section 53652.

Under provisions of the Government Code, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities with a value of 110% of principal and accrued interest.

15. SAFEKEEPING & CUSTODY

The Chief Financial Officer shall select one or more banks to provide third-party safekeeping and custodial services for the District, in accordance with the provisions of Section 53608 of the California Government Code. A Safekeeping Agreement approved by the District shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. Custodian banks will be selected on the basis of their ability to provide services for the District's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except non-negotiable certificates of deposit, money market funds, LAIF and CAMP, purchased by the District will be delivered by book entry and will be held in third-party safekeeping by a District approved custodian bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by the District shall be held in the Federal Reserve System in a customer account for the custodian bank which will name the District as "customer."

All DTC eligible securities shall be held in the custodian bank's DTC participant account and the custodian bank shall provide evidence that the securities are held for the District as "customer."

16. DIVERSIFICATION

The District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the portfolio should be flexible depending upon the outlook for the economy, the securities markets, and the District's anticipated cash flow needs.

17. REPORTING

Periodically, but within three months of the close of each quarter, the Chief Financial Officer shall submit to the Finance Committee, Board of Directors and the General Manager a report of the investment earnings and performance results of the District's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the District;
2. A description of the funds, investments and programs;
3. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;
4. Current period earnings and rates of return for short-term and mid-term investments, including comparison to established benchmarks.
5. A statement of compliance with this Investment Policy or an explanation for non-compliance; and
6. A statement of the District's ability to meet expenditure requirements for six months, and an explanation of why money will not be available if that is the case.

18. INTERNAL CONTROLS

The Chief Financial Officer shall establish a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the District. Controls deemed most important include: control of collusion, segregation of duties, separating transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, written (email or faxed allowable) confirmation of telephone transactions, documentation of transactions and strategies and code of ethical standards. These controls will be audited by an independent external auditor and reviewed on an annual basis by the General Manager.

If an external investment advisor is used by the District, the name of the advisor and the custodial bank used shall be listed as an Addendum to this Policy. The District shall review the internal controls implemented by its Advisor on an annual basis.

19. PERFORMANCE STANDARDS

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the District's investments shall be compared to an appropriate benchmark.

20. REVIEW, ADOPTION & AMENDMENTS

This Investment Policy shall be reviewed and adopted annually by resolution of the Board of Directors. It may not be altered, amended or changed in any particular way, except by formal resolution of the Board of Directors.

GLOSSARY OF INVESTMENT TERMS AND INSTRUMENTS

Term	Description
Asset-Backed Securities ("ABS")	An asset-backed security (ABS) is a security whose income payments and hence value is derived from and collateralized (or "backed") by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt.
Banker's Acceptance	Normally, a short-term bill of exchange that is accepted as payment by banks engaged in financing trade of physical assets or merchandise.
Benchmark	A passive index used to compare the performance, relative to risk and return, of an investor's portfolio.
Bond	A debt obligation of a firm or public entity. A bond represents the agreement to repay the debt in principal and, typically, in interest on the principal.
Broker/Dealer	A person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

Term	Description
CAMP	<p>California Asset Management Program (CAMP) provides California public agencies, together with any bond trustee acting on behalf of such public agency, assistance with the investment of and accounting for bond proceeds and surplus funds. For bond proceeds, the objective of CAMP is to invest and account of such proceeds in compliance with arbitrage management and rebate requirements of the Internal Revenue Service.</p> <p>The program includes the California Asset Management Trust, a California common law trust organized in 1989. The Trust currently offers a professionally managed money market investment portfolio, the Cash Reserve Portfolio, to provide public agencies with a convenient method of pooling funds for temporary investment pending their expenditure. The Trust also provides record keeping, custodial and arbitrage rebate calculation services for bond proceeds. As part of the program, public agencies may also establish individual, professionally managed investment accounts.</p> <p>The Pool seeks to attain as high a level of current income as is consistent with the preservation of principal. The Pool purchases only investments of the type in which public agencies are permitted by statute to invest surplus funds and proceeds of their own bonds.</p>
Cash Flow	A comparison of cash receipts (revenues) to required payments (debt service, operating expenses, etc.).
Certificate of Deposit	A short-term, secured deposit in a financial institution that usually returns principal and interest to the lender at the end of the loan period. Certificates of Deposits (CDs) differ in terms of collateralization and marketability. Those appropriate to public agency investing include: Negotiable Certificates of Deposit, Non-Negotiable Certificates of Deposit.
Commercial Paper	A short-term, unsecured promissory note issued by a large corporation.
Corporate Notes & Bonds	Debt instruments, typically unsecured, issued by corporations, with original maturities in most cases greater than one year and less than ten years.
Credit Risk	The chance that an issuer will 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 a corporation's credit will cause the market value of a security to fall, even if default is not expected.
Credit Rating	Various alphabetical and numerical designations used by institutional investors, Wall Street underwriters, and commercial rating companies to give relative indications of bond and note creditworthiness. Standard & Poor's and Fitch Ratings use the same system, starting with their highest of "AAA, AA, A, BBB, BB, B, CCC, CC, C, and D" for default. Moody's Investor Services uses "Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C, and D". Each of the services use pluses (+), minuses (-), or numerical modifiers to

Term	Description																					
	indicate steps within each category. The top four letter categories are considered investment grade ratings.																					
Duration	A fixed-income metric that measures the sensitivity of a bond or portfolio to changes in interest rates. A portfolio or security with a higher duration will experience larger changes in market value as interest rates change.																					
Environmental, Social, Governance (ESG)	<p>ESG investing is the process of incorporating analyses of non-financial environmental, social, and governance factors into investment decisions alongside more traditional financial criteria. Examples of ESG factors are provided in the table below:</p> <table><tr><th>Environmental</th><th>Social</th><th>Governance</th></tr><tr><td>Green Building/Smart Growth</td><td>Human Rights</td><td>Board Independence</td></tr><tr><td>Climate change / Carbon</td><td>Avoidance of tobacco or other harmful products</td><td>Anti-Corruption Policies</td></tr><tr><td>Clean Technology</td><td>Community Development</td><td>Board Diversity</td></tr><tr><td>Pollution / Toxics</td><td>Diversity & Anti-bias issues</td><td>Executive Compensation</td></tr><tr><td>Sustainable Natural Resources / Agriculture</td><td>Workplace Benefits & Safety</td><td>Corporate Political Contributions</td></tr><tr><td>Water Use & Conservation</td><td>Labor Relations</td><td></td></tr></table>	Environmental	Social	Governance	Green Building/Smart Growth	Human Rights	Board Independence	Climate change / Carbon	Avoidance of tobacco or other harmful products	Anti-Corruption Policies	Clean Technology	Community Development	Board Diversity	Pollution / Toxics	Diversity & Anti-bias issues	Executive Compensation	Sustainable Natural Resources / Agriculture	Workplace Benefits & Safety	Corporate Political Contributions	Water Use & Conservation	Labor Relations	
Environmental	Social	Governance																				
Green Building/Smart Growth	Human Rights	Board Independence																				
Climate change / Carbon	Avoidance of tobacco or other harmful products	Anti-Corruption Policies																				
Clean Technology	Community Development	Board Diversity																				
Pollution / Toxics	Diversity & Anti-bias issues	Executive Compensation																				
Sustainable Natural Resources / Agriculture	Workplace Benefits & Safety	Corporate Political Contributions																				
Water Use & Conservation	Labor Relations																					
Federal Agency and Instrumentality Obligations	Obligations issued by a government sponsored entity or a federally regulated institution.																					
Issuer	Any corporation, governmental unit, or financial institution that borrows money through the sale of securities.																					
LAIF	<p>The Local Agency Investment Fund (LAIF), a voluntary program created by statute, began in 1977 as an investment alternative for California's local governments and special districts and continues today under the State of California Treasurer's office. The enabling legislation for the LAIF is Section 16429.1,2,3 of the California Government Code.</p> <p>This program offers participating agencies the opportunity to participate in a major portfolio which daily invests hundreds of millions of dollars, using the investment expertise of the Treasurer's Office Investment staff at no additional cost to the taxpayer.</p>																					

Term	Description
	<p>All securities are purchased under the authority of the Government Code Section 16430 and 16480.4. The State Treasurer's Office takes delivery of all securities purchased on a delivery versus payment basis using a third party custodian. All investments are purchased at market, and market valuation is conducted monthly.</p> <p>It has been determined that the State of California cannot declare bankruptcy under Federal regulations, thereby allowing the Government Code Section 16429.3 to stand. This Section states "money placed with the State Treasurer for deposit in the LAIF shall not be subject to impoundment or seizure by any State official or State agency."</p> <p>Deposits are subject to statutory limits.</p>
Liquidity	The ease with which an investment may be converted to cash, either by selling it in the secondary market or by demanding its repurchase pursuant to a put or other prearranged agreement with the issuer or another party.
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.
Maturity	The stated date on which all or a stated portion of the principal amount of a security becomes due and payable.
Money Market Fund	A type of investment comprising a variety of short-term securities with high quality and high liquidity. The fund provides interest to shareholders and must strive to maintain a stable net asset value (NAV) of \$1 per share.
Nationally Recognized Statistical Rating Organization (NRSRO)	The formal term to describe credit rating agencies that provide credit ratings that are used by the U.S. government in several regulatory areas. Ratings provided by Nationally Recognized Statistical Ratings Organizations (NRSRO) are used frequently by investors and are used as benchmarks by federal and state agencies. Generally, to be considered an NRSRO, the agency has to be "nationally recognized" in the U.S. and provide reliable and credible ratings. Also taken into consideration is the size of the credit rating agency, operational capability and its credit rating process. Some examples of NRSRO's include Moody's Investors Service Inc, Standard and Poor's Inc, Fitch Inc, Dominion Bond Rating Services Limited (DBRS) and A.M. Best Company Inc.
Notes	Debt obligations of a firm or public entity, usually maturing in less than ten years.
Portfolio	The combined holdings of all investment assets held by an investor.
Repurchase Agreement	From the perspective of a local agency, the short-term, often overnight, purchase of securities with an agreement to resell the securities at an agreed upon price.

Term	Description
Return	The principal gains or losses (realized and unrealized) plus interest on an investment or portfolio of investments. In certain unfavorable market environments or due to risk factors, income derived from principal and interest may be less than the original amount invested.
Risk	The uncertainty of maintaining the principal or interest associated with an investment due to a variety of factors.
State & Local Investment Pools	The combined deposits of state and local agencies organized and operated by the state treasurer or a Joint Powers Agreement between local agencies. Deposits of various participating local agencies are pooled and invested. Each agency's returns are based upon their share of the amount invested in the pool. This increases investment efficiencies, decreases costs, provides liquidity, and utilizes investment expertise of the pool managers.
Supranational	A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. Examples of supranational institutions include the European Investment Bank and the World Bank. Similarly to the government bonds, the bonds issued by these institutions are considered direct obligations of the issuing nations and have a high credit rating.
Yield to Maturity	The rate of income return on an investment, minus any premium above par or plus any discount with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.

ADDENDUM A– ADVISOR AND CUSTODY

The District has engaged PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc. LLC to provide investment advisory services. The District is aware the ongoing review and analysis of its investment advisor is just as important as the due diligence implemented during the manager selection process. The performance of the investment manager will be monitored on an ongoing basis and the District will review the internal controls of its advisor on an annual basis.

The District has engaged U.S. Bank National Association and Union Bank to provide custodial services. The District will review the internal controls of its custodian on an annual basis.