SAN JOAQUIN COUNTY

2023 Investment Policy

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1.0 INVESTMENT POLICY

The Investment Policy establishes the criteria for the prudent investment of pool participants' surplus treasury funds and outlines the policies for maximizing the efficiency of the San Joaquin County (County) cash management system. In addition, the Investment Policy governs the deposit, safekeeping, and investment of all funds under the control of the County Treasurer (Treasurer), as well as all related transactions and investment activities. It does not apply to bond funds or other affiliated public agency assets that reside outside of the County's Investment Pool.

The Investment Policy shall be reviewed annually by the Treasurer with the Treasury Oversight Committee. Any modifications made thereto must be approved by the County Board of Supervisors and adopted by resolution. No person may engage in an investment transaction except as provided under the terms of the Investment Policy. The Treasurer shall establish written Investment Policy procedures.

2.0 OBJECTIVE

The objective of the Investment Policy is to enhance the economic status of all Investment Pool participants while protecting their surplus treasury funds. The County operates its investment program under the "Prudent Investor Standard" set forth by Government Code Section 53600.3. This affords the County a broad spectrum of investment opportunities provided that the investment is deemed prudent and is allowable under current legislation of the State of California.

The criteria and priority for selecting investments are as follows:

(a) Safety. Safety of principal is the foremost objective of the County's investment program. The safety and risk associated with an investment refers to the potential loss of principal and/or interest. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the Investment Pool.

(b) Liquidity. Liquidity refers to the ability to access cash at any time with minimal risk of losing some portion of principal or interest. The Investment Pool will remain sufficiently liquid to enable the County to meet all anticipated operating requirements. Liquidity is an important investment quality considering an unanticipated need for funds may arise.

(c) Yield. Yield is the potential dollar earnings that an investment can provide and is also referred to as the rate of return. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

3.0 DELEGATION OF AUTHORITY

The County Board of Supervisors, as permitted under Government Code 53607, delegates the responsibility to invest or reinvest the funds of the County or to sell or exchange securities so purchased to the Treasurer who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures in the absence of the Treasurer.

4.0 GENERAL CONSTRAINTS

The following criteria represents the general framework within which the County's Treasury investment program shall be conducted:

(a) The laws of the State of California and the Prudent Investor Standard shall be the primary standards by which all County Treasury investments are transacted.

(b) Surplus treasury fund management and investment transactions are the responsibility of the Treasurer.

(c) The Treasurer strives to maintain the level of investment of all funds as near 100 percent as possible through daily projections and cash flow forecasting.

(d) The basic premise underlying the Investment Policy is to ensure that the pooled funds are always safe and available when needed.

(e) Surplus treasury funds are all funds which are not required to meet the bank's demands on the Treasury to redeem warrants or cover other County disbursement obligations on any given day.

5.0 CONSTRAINTS SET BY GOVERNMENT CODE

Government Code Sections 53601 and 53635 impose restrictions on the investments of government entities. All such restrictions are to be adhered to in their entirety. In addition, the Treasurer may impose further restrictions to investments if the Treasurer deems such action appropriate. The following section lists the only authorized investments of the County.

6.0 AUTHORIZED INVESTMENTS

The County's authorization to invest is limited to the securities categorized below. All securities must be U.S. dollar denominated. The restrictions specified in Government Code Sections 53601 and 53635 apply unless otherwise stated. Authorized investments are as follows:

(a) United States Treasury Bills, Notes, and Bonds (Maximum of 100%)

United States Treasury Bills, Notes, and Bonds for which the full faith and credit of the United States are pledged for the payment of principal and interest. Zero Coupon issues of these types of investments are authorized. There is no percentage limit on the total dollar amount that may be invested in this category.

(b) State Obligations and California Local Agency Bonds (Maximum of 100%)

Registered Treasury Notes, Bonds or Warrants as defined in Government Code Section 53601. There is no percentage limit on the total dollar amount that may be invested in this category.

(c) Obligations issued by A Federal Agency or a U.S. Government Sponsored Enterprise (GSE) (Maximum of 100%)

Federal Agency or GSE obligation, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government are authorized. There is no percentage limit on the total dollar amount that may be invested in this category.

(d) Banker's Acceptances (Maximum of 40%)

Bills of Exchange or Time Drafts (referred to as Banker's Acceptances). Banker's Acceptances may not exceed 40 percent of the Investment Pool and no more than 30 percent may be invested in the Banker's Acceptances of one commercial bank. The limit for each issuer may be specified in the Treasurer's "Approved Banker's Acceptance Issues".

(e) Commercial Paper (Maximum of 30%)

Commercial Paper is an unsecured, short-term debt instrument issued by a corporation. Commercial Paper must have the highest categories of a nationally recognized statistical rating organization (NRSRO). The maximum maturity is 270 days. The limit for each issuer is specified in the Treasurer's "Commercial Paper Approved List". Commercial Paper may not exceed 30 percent of the Investment Pool.

(f) Time Deposits (Maximum of 30%)

Certificates of Deposits issued by nationally or state-chartered bank, savings association, federal association, or state-licensed branch of a foreign bank. The bank must have a branch or office in the County. The bank must have a rating in the highest or second highest categories of an NRSRO. The limit for each issuer is specified in the Treasurer's "Approved Negotiable Certificates of Deposit List." The collateralization level will be 110 percent of market value for Certificate of Deposits. The maximum maturity is one year. Certificate of Deposits may not exceed 30 percent of the Investment Pool.

(g) Repurchase Agreements (Maximum of 100%)

Term repurchase agreements may be collateralized by either U.S. Treasury securities or by any U.S. Federal Agency security.

Regardless of maturity, repurchase agreements must be collateralized at 102 percent (market value plus accrued interest). Repurchase agreements shall only be made with dealers with assets in excess of $500 million and having either the highest commercial paper rating, of A or higher rating for the issuer's debt, if any, as provided by a NRSRO. There is no percentage limit on the total dollar amount that may be invested in this category.

All Repurchase Agreements with brokers/dealers will be done through a "Tri-Party Custodian Agreement" that has been approved, in writing, by the Treasurer.

All Repurchase Agreements with commercial banks will be governed by a Public Securities Association (PSA) agreement that has been approved, in writing, by the Treasurer.

(h) Medium Term Notes (Maximum of 30%)

Corporate Debentures (Medium Term Notes) that have a rating in the highest or second highest categories of a NRSRO. Medium Term Notes must be issued by corporations organized and operating within the United States. The maximum maturity of such issues is three years. Floaters of the above issues are authorized as long as the maximum maturity does not exceed three years. Medium Term Notes may not exceed 30 percent of the Investment Pool.

(i) Mutual Funds (Maximum of 20%)

Mutual Funds, as defined in Government Code Section 53601 that consist only of those investments authorized by the Investment Policy. Mutual Funds may not exceed 20 percent of the Investment Pool. A thorough investigation of the fund is required prior to investing and due diligence must be conducted on an annual basis.

(j) Specific Securities (Maximum per Approval)

Specific securities as specified in the ordinance, resolution, indenture, or agreement for monies pledged to the payment or security of bonds or other indebtedness as governed by Government Code Section 53601(m) must receive written approval from the Treasurer.

(k) Bank Deposits (Maximum of 10%)

Bank Deposits are interest-bearing active deposits in a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company. These deposits must be properly collateralized at 110 percent in accordance with Government Code Section 53652. Deposits with any one depository may not exceed 10 percent of the Investment Pool.

(l) Joint Powers Authority Programs (Maximum of 30%)

Managed investment pools pursuant to Government Code Section 53601(p) for which shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. Joint Powers Authority Programs may not exceed 30 percent of the Investment Pool. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

(m) Supranationals (Maximum of 10%)

U.S. Dollar denominated senior unsecured unsubordinated obligations which are rated in a rating category of "AA" or its equivalent by one NRSRO at time of purchase, issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, and eligible for purchase and sale within the U.S. Supranationals may not exceed 10 percent of the Investment Pool.

(n) Local Agency Investment Fund

Local Agency Investment Fund (LAIF) of the State of California is an investment alternative created pursuant to Government Code Section 16429.1 for California's local governments and special districts. LAIF purchases securities under the authority of Government Code Section 16430 and 16480.4. The Treasurer may invest up to the maximum amount permitted by LAIF.

7.0 DIVERSIFICATION

It is the policy of the Treasurer to diversify the pooled funds. Investments are diversified to minimize the risk of loss resulting in an overconcentration of assets in a specific maturity, issuer, or class of security. Diversification strategies shall be established by the Treasurer and periodically reviewed.

8.0 MATURITY STRUCTURE

To the extent possible, investments shall be made to match anticipated cash flow requirements. A minimum of 25 percent of the entire Investment Pool shall mature within 60 days to provide sufficient liquidity for expected disbursements. If for any reason the Investment Pool is not in compliance with the minimum maturity percentage, all new investments will be restricted to a maturity of 60 days or less until compliance is restored. No investment shall be made in any security with a maturity greater than five years unless it is approved by the Board of Supervisors.

Annually, the Treasurer must give written approval for authorized staff to purchase securities with a maturity of one year or longer.

9.0 DEALER APPROVAL

All financial institutions used for the placement of investments must be approved by the Treasurer in writing. The creditworthiness of all financial institutions will be reviewed by the Treasurer. The Treasurer will maintain a list of approved financial institutions authorized to provide investment services to the County.

The Treasurer will not approve any broker, brokerage, dealer, or securities firm that has, within the past two years, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Treasurer, any member of the Board of Supervisors, or any candidate for these offices.

All brokers are provided with the updated Investment Policy on an annual basis.

10.0 COMPETITIVE BIDDING

Bids for any investment shall be taken from a minimum of two banks or broker/dealers. Awards will be made to the highest offer, giving consideration to safety, liquidity, a balanced investment pool, and diversification. If two bids for a similar investment security are unavailable, then the second bid may be for another investment security with a similar maturity.

11.0 SWAPS AND TRADES

Securities may be swapped and traded for other eligible securities after calculating the gain between the buy and sell candidates in the transaction and approval by the Treasurer.

12.0 LOSSES

Generally, losses are acceptable on a sale before maturity and may be taken if reinvested proceeds will prevent the potential of a greater loss, provide increased liquidity, or earn a higher yield. Approval by the Treasurer is required.

13.0 SAFEKEEPING

Securities purchased from broker/dealers shall be held in third party safekeeping by the trust department of the County's bank or other designated third party custodian and in the County's name. The third party custodian shall be required to issue a safekeeping statement listing specific instrument, rate, maturity, and other pertinent information. No securities will be held by the broker/dealer from whom they were purchased.

Safekeeping of Repurchase Agreements is stipulated in the section titled "Authorized Investments".

14.0 CONFIRMATION

All investment confirmations are to be reviewed for conformity with the original transaction. Discrepancies are to be reported to the Treasurer.

15.0 INTERNAL CONTROLS

The Treasurer shall establish internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, or misuse. The Treasurer shall also be responsible for ensuring that all investment transactions comply with the Investment Policy and Government Codes.

The Treasurer shall establish a process for daily, monthly, quarterly, and annual reviews and the monitoring of investment program activity. Daily, the Treasurer or authorized Treasury personnel shall review the investment activity, as well as corresponding custodial and commercial bank balances and positions for compliance with the Investment Policy and guidelines. The County Auditor-Controller's Office or the contracted external auditor shall conduct an annual audit of the investment program's activities.

16.0 PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with investment risk constraints and cash flow needs.

The Treasurer's investment strategy is both passive and active. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be to identify a comparable benchmark to the investment duration. (i.e. 90-day U.S. Treasury Bill, six-month U.S. Treasury Bill, Average Fed Funds Rate). Benchmarks may be modified over time based on changes in market conditions or cash flow requirements.

17.0 CREDIT FOR INTEREST EARNINGS

Interest earnings from the Investment Pool shall be credited to participating entities each quarter. The credit is computed based on the average daily cash balance of funds on deposit during the quarter in the County Treasury.

In accordance with Government Code Section 27013, authorized costs of investing, depositing, banking, auditing, reporting or otherwise handling or managing funds will be deducted from the total interest earnings prior to the interest earnings apportionment.

18.0 DIRECTED INVESTMENTS

The Treasurer may allow special directed investments for Tax and Revenue Anticipation Note (TRANs) proceeds or other special purposes. The Treasurer will work with the entity to make a single directed investment. For proceeds between $10 million and $50 million, that investment will be in a U.S. Treasury Bill. For proceeds in excess of $50 million, the investment can be in either a U.S. Treasury Bill or a U.S. Treasury Note. Upon the maturity of the investment, all funds will be deposited into the Investment Pool. Any funds from the TRANs sale, not included in the investment, will be placed in the Investment Pool. The charge for the investment will be $5,000, which is estimated to cover the actual expenses of the offices of the Treasurer and the County Auditor-Controller. These expenses may include paying agent, safekeeping, establishing of entity funds, tracking, and recording the investment. The Treasurer may negotiate a different charge if it is cost justified and appropriate. Directed investments will be separate from the Investment Pool.

19.0 OUTSIDE AGENCIES

Local agencies not required to deposit funds with the County may place funds in the Investment Pool with the approval of the Treasurer. All agencies must comply with this Investment Policy. It is anticipated that most funds will be withdrawn from the Investment Pool by a warrant. Wire transfers must be arranged with the Treasurer.

20.0 WITHDRAWALS

The Treasurer requires 24-hour notice on withdrawals of $1 million to $10 million, a seven-day notice on withdrawals between $10 million and $25 million, and a 30-day notice for amounts exceeding $25 million. The Treasurer also reserves the right to work with any agency on the timing of a withdrawal exceeding $10 million if that withdrawal might affect the stability or predictability of cash flow in the County Treasury. The Treasurer may refuse any withdrawal above $25 million which may negatively impact the stability and predictability of cash flow in the County Treasury. The Treasurer may reduce or waive the required notice.

21.0 REPORTING

The Treasurer shall provide a monthly report to the County Board of Supervisors, County Administrator, County Auditor-Controller, and the County Treasury Oversight Committee itemizing all Treasury investments by investment type, institution, date of maturity, amount of investment, rate of interest, and current market value. Securities will be valued based on information from either the trustee, broker, the Wall Street Journal, or other sources approved by the Treasurer. The market value for Certificates of Deposit, Repurchase Agreements of less than 30 days, LAIF, and Joint Powers Authority Programs, will be at cost. The report will include the weighted average maturity of the investments in the Treasury Pool, and a statement denoting the ability of the local agency to meet its expenditure requirements for the next six months.

22.0 COUNTY TREASURY OVERSIGHT COMMITTEE

The County Treasury Oversight Committee (Committee) will review and monitor the Investment Policy on an annual basis. The Committee shall require an annual audit to be conducted to determine the County Treasury's compliance with the law and the Investment Policy.

The Committee shall not direct individual investment decisions, select individual investment advisors, brokers, dealers, or impinge on the day-to-day operations of the County Treasury.

A member may not be employed by an entity that has contributed to the campaign of a candidate for the office of local Treasurer or contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the County Treasury, in the previous three years or during the period that the employee is a member of the Committee (Government Code Section 27132.1).

A member may not directly or indirectly raise money for a candidate for local Treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the Committee (Government Code Section 27132.2).

A member may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the Treasurer is doing business during the period that the person is a member of the Committee or for one year after leaving the Committee (Government Code Section 27132.3).

Committee meetings shall be open to the public and subject to the Ralph M. Brown Act.

23.0 INDEMNIFICATION

The standard of care to be used by the County's officers or employees in all investment transactions shall be the Prudent Investor Standard (Government Code Section 53600.3), which is expanded as follows:

> 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 familiar with such 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.

The above criteria are established as the standard for professional responsibility and shall be applied in the context of managing the Investment Pool. Investment officers acting in accordance with the Investment Policy shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

24.0 ETHICS AND CONFLICT OF INTEREST

No officer, employee, or member of the Committee may directly or indirectly accept or solicit from any person, corporation, or group having a business relationship with the Treasurer or Treasury-related functions, any rebate, kickback, or anything of an economic value as a gift, gratuity, or honoraria.

No officer or employee of the Treasurer shall, outside of working hours, engage in any profession, trade, business, or occupation, which is incompatible or involves a conflict of interest with his/her duties as a County officer or employee.

Investment officials shall refrain from personal business activity that may conflict with proper execution and management of the Investment Policy and the investment program or which could impair their ability to make impartial decisions. Investment officials must provide public disclosure required under Government Code Section 87203, et seq.

The Treasurer and designated employees must annually file a Form 700 (Statement of Economic Interest) in accordance with the County's Conflict-of-Interest Code.

25.0 BUSINESS CONTINUITY PLAN

In the event the Treasurer or authorized staff is unable to conduct normal business operations, the Treasurer has an agreement with the custody bank for a daily sweep of surplus funds into an interest-bearing account as well as the ability to transfer additional funds to money market and liquid accounts until normal operations are restored. Treasurer-imposed restrictions pertaining to investment type, investment amount, and investment percentages, as stated in the Investment Policy, will be temporarily suspended to allow for continued operations.

GLOSSARY

Accrued Interest: The amount of interest that is earned but unpaid (not yet received) since the last interest payment date.

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

Broker: A broker brings buyers and sellers together for a transaction for which the broker receives a commission.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

Collateral: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

Commercial Paper (CP): The short-term unsecured debt of corporations.

Credit Risk: The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

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

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

Discount Note: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value.

Diversification: Dividing investment funds among a variety of securities offering independent returns to avoid excessive exposure to any one source of risk.

Government Sponsored Enterprise (GSE): A type of financial services corporation created by the Federal Government to facilitate borrowing in specific sectors. GSE bonds carry the implicit backing of the Federal Government.

Interest: The amount earned while owning a debt security and generally calculated as a percentage of the principal amount.

Internal Controls: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met.

Investment Policy: A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment Pool: A portfolio with funds combined from more than one entity.

Joint Powers Agreements (JPA): Entities created under Government Code 6509.7 that allow two or more public agencies to jointly exercise common powers and issue shares of beneficial interest to the participating public agencies and may invest in securities and obligations as described by subdivision (p) of Government Code Section 53601.

Liquidity: The speed and ease with which an asset can be converted to cash without substantial loss of value.

Local Agency: County, city, city & county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

Local Agency Investment Fund (LAIF): The LAIF is an investment alternative for California's local government and special districts authorized under Government Code Sections 16429.1. The LAIF is managed by the State Treasurer's Office, with oversight by the Local Agency Investment Advisory Board. All securities in LAIF are purchased under the authority of Government Code Sections 16430 and 16480.4. The State Treasurer's Office receives all securities on a delivery versus payment basis using a third party custodian. All securities are purchased at market, with market valuation conducted monthly.

Market Value: The price at which a security can be traded.

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

Maturity: The final date upon which the principal or stated value of a security becomes due and payable.

Medium Term Notes (MTN): Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term notes" refers to the time it takes for an obligation to mature and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five year maturity range. MTNs issued by banks are also called "bank notes."

Money Market: The market in which short-term debt instruments (Treasury Bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

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

Nationally Recognized Statistical Rating Organization (NRSRO): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation, Moody's Investor Services, Inc., Fitch Investors Service, Duff & Phelps Investment Service, Thompson BankWatch, and International Bank Credit Analyst.

Par: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond.

Portfolio: A collection of securities held by an investor.

Price: The amount of monetary consideration required by a willing seller and a willing buyer to sell an investment on a particular date.

Prudent Investor Standard: A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

Principal: The face value or par value of an investment.

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

Rating: Various alphabetical and numerical designations used by institutional investors, Wall Street underwriters, and commercial rating companies use to give relative indications of bond and note creditworthiness.

Repurchase Agreement (RP or REPO): The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities at a later date at a specified price that includes interest for the buyer's holding period. In essence, this is a collateralized investment whereby the security "buyer" lends the "seller" money for the period of the agreement.

Risk: The uncertainty of maintaining the principal or interest associated with an investment due to a variety of factors.

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: A service to bank customers whereby securities are held for protection by the bank in the customer's name.

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

Supranational: An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Examples include the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank.

Swap: A swap is any financial transaction that involves the simultaneous purchase of a security and the sale of another for the purpose of enhancing an investor's portfolio. Swap transactions of interest to California public investors include portfolio swaps and interest rate swaps.

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

Treasury Bills: Non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.

Treasury Notes: Interest-bearing obligations of the U.S. Treasury with maturities ranging from two to 10 years from date of issue.

Treasury Bonds: Interest-bearing obligations issued by the U.S. Treasury with maturities that range from 10 to 30 years from date of issue.

U.S. Government Agency Securities: Government sponsored obligations, participation, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

U.S. Treasury Securities: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The U.S. Treasury issues both discounted securities and fixed coupon notes and bonds.

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

Yield: The annual rate of return on a debt investment computed as though held to maturity expressed in percentages.

Zero-Coupon Bonds/U.S. Treasury Strips: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. “Zeros” or “strips” mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.