

# COUNTY OF SONOMA



## STATEMENT OF INVESTMENT POLICY

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# COUNTY OF SONOMA

## STATEMENT OF INVESTMENT POLICY

Under the authority delegated to the County Treasurer by the Board of Supervisors to invest and reinvest all of the funds in the County Treasury and, in accordance with the California Government Code, the following sets forth the investment policy of the County of Sonoma:

### **1. POLICY STATEMENT**

The purpose of this Investment Policy (Policy) is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the stewardship of the Sonoma County Pooled Investment Fund (Pooled Investment Fund). Each transaction and the entire portfolio must comply with California Government Code Section 53601, et. seq., Section 53635, et. seq., and this policy. All portfolio activities will be judged by the standards of the Policy and ranking of investment objectives.

### **2. STANDARDS OF CARE**

The County Treasurer is the Trustee of the Pooled Investment Fund and, therefore, a fiduciary subject to the prudent investor standard as per Gov Code Sections 27000.3 and 53600.3. These sections declare that each Treasurer or Governing body authorized to make investment decisions on behalf of local agencies, to be a fiduciary subject to the prudent investor standard.

The standard requires that “when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the County Treasurer or the Board of Supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors, 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 county and the other depositors. With the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.” This standard shall be applied in the context of managing the overall portfolio.

The County Treasurer, employees involved in the investment process and the members of the Treasury Oversight Committee (Oversight Committee) shall refrain from all personal business activity that could conflict with the management of the investment program.

### **3. INVESTMENT OBJECTIVES**

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance:

[a] **SAFETY OF CAPITAL** - The preservation of capital is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they be from securities default or erosion of market value

[b] **LIQUIDITY** - As a second objective, the Pooled Investment Fund should remain

sufficiently flexible to ensure the County Treasurer meets all operating requirements, which may be reasonably anticipated in any depositor's fund.

- [c] **RATE OF RETURN** - As the third objective, the Pooled Investment Fund should be designed to attain a reasonable rate of return through budgetary and economic cycles, consistent within the context and principals [a] and [b] of this Section, Safety and Liquidity, and within appropriate risk limitations, diversification, prudent investment principles and cash flow characteristics identified herein.

Social and Environmental Consideration: Whenever possible and consistent with the above statutory objectives, investment opportunities will be evaluated for social and environmental impacts. The intent of this consideration is to create positive impacts by investing in socially and environmentally responsible agencies and corporations as defined by priorities set by the Board of Supervisors.

#### **4. CASH FLOW ANALYSIS**

In order to comply with the requirement to certify that the Pooled Investment Fund can meet expected cash disbursements for the ensuing six months in each Quarterly Report, the County Treasurer shall require Investment staff to prepare and maintain projections of estimated cash flows. Investment staff will use these projections as part of the analysis to determine the construction of the Pooled Investment Fund.

#### **5. IMPLEMENTATION**

In order to provide direction to those responsible for management of the Pooled Investment Fund, the County Treasurer has established this Policy and presented it to the Treasury Oversight Committee. The County Board of Supervisors shall approve this Policy and any changes to it. The County Treasurer shall provide this policy to the legislative body of local agencies that participate in the Pooled Investment Fund.

The Policy defines investible funds; authorized instruments; credit quality required; maximum maturities; diversification and concentrations; collateral requirements; qualifications of broker-dealers and financial institutions doing business with, or on behalf of, the County; limits on gifts and honoraria; the reporting requirements; the Treasury Oversight Committee; the manner of appropriating costs; and the criteria to request withdrawal of funds.

#### **6. PARTICIPANTS**

- [a] **STATUTORY PARTICIPANTS** - General Participants are those government agencies within the County of Sonoma for which the Sonoma County Treasurer is statutorily designated as the Custodian of Funds.

- [b] **VOLUNTARY PARTICIPANTS** - Other local agencies, such as Special Districts and Cities for which the Treasurer is not the statutory designated Custodian of Funds, may participate in the Pooled Investment Fund. Such participation is subject to the consent of the County Treasurer and must be in accordance with the California Government Code Section 53684, et seq. The agency must approve in

writing the Pooled Investment Fund as an authorized investment and be provided with this Investment Policy.

## **7. AUTHORIZED PERSONS**

The Sonoma County Board of Supervisors, by resolution, has delegated investment responsibility for the Sonoma County Investment Program to the Auditor-Controller-Treasurer-Tax Collector. Daily management responsibility of the investment program has been assigned to the Assistant Auditor-Controller-Treasurer-Tax Collector designated as the Chief Deputy Investment Officer. The Treasury Manager and the Investment and Debt Officer are also authorized to initiate investment transactions.

## **8. AUTHORIZED INVESTMENTS**

Authorized investments shall match the general categories established by the California Government Code Section 53635, et. seq., and further defined by California Government Code Section 53601, et. seq. Authorized investments may also be further limited by this Investment Policy. Authorized investments shall also include, in accordance with California Government Code Section 16429.1, investments into the State Local Agency Investment Fund (LAIF). No investment shall be made in any security with a maturity greater than five years, unless the Board of Supervisors has granted express authority to make that investment. As stipulated in Government Code Section 53601, the maturity shall be measured as the time from the settlement date to final maturity, provided that the settlement date does not exceed 45 days from the trade or transaction date. As the California Government Code is amended, this Policy shall likewise become amended.

## **9. DIVERSIFICATION**

The Pooled Investment Fund shall hold a diversified portfolio of securities. Diversification shall be across various investment categories, including but not limited to: security sector (type), issuer, maturity and credit rating. The purpose of diversification is to reduce portfolio risk arising from overconcentration in any category of investment. Given that the United States Treasury and Agency issuers are the largest issuers and holdings of the Investment Pool, diversification across these issuers should be considered to the extent possible within the context of the other degrees of diversification. The main Investment Pool Objectives of Safety and Liquidity will be considered superior to diversification of assets.

## **10. PROHIBITED INVESTMENTS**

- (1) No investments shall be made that are prohibited by law.
- (2) No investments shall be authorized that have the possibility of returning a zero or negative yield if held to maturity. As per Government Code Section 53601.6 this shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) that are authorized for investment pursuant to California Government Code 53601.1.

(3) Notwithstanding the prohibition in paragraph (2), investments in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, shall be permitted in the event of, and for the duration of, a period of negative market interest rates. These instruments may be held until their maturity dates. This section shall remain in effect only until January 1, 2026, and as of that date is repealed; unless Section 53601.6(b)(2) is repealed or changed prior to that date, in which case this section will be repealed as of the date in Section 53601.6(b)(2).

## ***11. CREDIT RATINGS & DOWNGRADES***

Minimum Credit Ratings for various investment types are listed in the table in Appendix 1. For clarity, when a minimum credit is listed, it includes all modifiers to the credit rating. For example, if a rating category is listed as “A”, then any tier of that “A” rating, such as “A+”, “A-“, “A1”, “A2”, or “A3” would meet the criterion. The controlling credit rating is the highest credit rating issued by a National Recognized Statistic Rating Organization (NRSRO) at time of purchase (trade date) of the asset.

In the event of a downgrade of the credit-rating of a security held by the Investment Pool to a rating below the minimum criteria for purchase, Treasury staff will report the downgrade to the Auditor-Controller-Treasurer-Tax Collector promptly. Sale of the security is not mandatory, but an evaluation of the current situation of the issuer in the context of the market price, time to maturity and impact on the Pool will be considered in deciding whether to sell or hold the security. Any such security will be periodically re-evaluated, and as needed, as conditions change, until the security either matures or is sold.

## ***12. TRADING OR EARLY SALE OF SECURITIES***

It is expected that all securities purchased will be held to maturity. However, in an effort to minimize market or credit risks or to increase the total return of the portfolio, securities may be sold prior to maturity, with any gain or loss on sale being distributed to participants in the calendar quarter of the settlement of the transaction. All sales that will generate a realized loss will be discussed with the Auditor-Controller-Treasurer-Tax Collector prior to execution.

## ***13. MAXIMUM MATURITY***

The maximum maturity of securities is described in Section 13 of this Investment Policy. In accordance with Government Code Section 53601, any maximum maturity limit in excess of five years needs to be approved by the County Board of Supervisors. The Sonoma County Board of Supervisors has approved investments in notes backed the Sonoma County Energy Independence Program (SCEIP) with maturities up to 20 years (Resolution 11-0137).

## ***14. COMMERCIAL PAPER***

All commercial paper issuers must maintain an “A-1” rating by Standard & Poor’s Corporation, a “P-1” rating by Moody’s Investor Service, or a “F-1” rating by Fitch Financial Services, issued by corporations operating within the United States, and having total assets in excess of five hundred million dollars (500,000,000.00). As used in this policy, “corporation” includes a limited liability company. No more than 10% of the total assets of the investments held by a local agency

may be invested in any one issuer's Commercial Paper.

**15. REPURCHASE AND REVERSE REPURCHASE AGREEMENTS / SECURITIES LENDING AGREEMENTS**

Under California Government Code Section 53601(j) and Section 53635, the County Treasurer may enter into repurchase agreements and reverse repurchase agreements / securities lending agreements. The maximum maturity of repurchase agreements shall be one year. The maximum maturity of a reverse repurchase agreement shall be 92 days, and the proceeds of reverse repurchase agreements / securities lending agreements may not be invested beyond the expiration of the agreement. The reverse repurchase agreements / securities lending agreements must be "matched to maturity."

**16. MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS**

A Mutual Fund managed by an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by Government Code Section 53601, subdivisions (a) to (k), inclusive, or subdivisions (m) to (o) and with assets under management in excess of five hundred million dollars (\$500,000,000.00). No more than 10% of the agency's funds may be invested in any one Mutual Fund.

**17. JOINT POWERS AGREEMENT**

With approval of the Board of Supervisors, the Treasurer is allowed to enter into a Joint Powers Agreement with governments whose policies are consistent with or more restrictive than Sonoma County's Statement of Investment Policy. Furthermore, the Treasurer is allowed to invest in an Investment Pool sponsored by a Joint Powers Agree as a participant, provided that the Investment Policy of such Investment Pool is consistent with or more restrictive than this Sonoma County Statement of Investment Policy, and complies with California Government Code.

**18. COLLATERAL**

Repurchase agreements executed with approved broker-dealers must be collateralized with either: (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the approved list of the County and which meet the qualifications of the Policy, with a market value of 102%. Use of mortgage-backed securities for collateral is not permitted. For purposes of investing the daily excess bank balance, the collateral provided by the County's depository bank can include mortgage-backed securities valued at 100%.

**19. CRITERIA FOR THE SELECTION OF BROKER/DEALERS AND FINANCIAL INSTITUTIONS**

All transactions initiated on behalf of the Pooled Investment Fund and Sonoma County shall be executed through either (1) government security dealers reporting as Primary Dealers to the Market Reports Division of the Federal Reserve Bank of New York, (2) financial institutions that directly issue their own securities which have been placed on the Approved List of Broker/Dealers and (3) Financial Institutions or broker/dealers in the State of California approved by the County Treasurer

based on the reputation and expertise of the company and individuals employed. All brokers/dealers and financial institutions must have a strong industry reputation and open lines of credit with other dealers. Further, these firms shall have an investment grade rating from at least one national rating service, if applicable.

In compliance with Government Code Sections 27133(c) and (d), broker/dealers and financial institutions which have exceeded the political contribution limits within a four year period to the County Treasurer or any member of the governing board of a local agency or any candidate for those offices, are prohibited from the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer or financial institution will be sent a copy of this Policy and a list of those persons authorized to execute investment transactions. Each firm shall acknowledge receipt of such materials to qualify for the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer and financial institution authorized to do business with Sonoma County shall, at least annually, supply the County Treasurer with updated financial statements.

## **20. WITHDRAWAL REQUESTS**

[a] **STATUTORY PARTICIPANTS** - The County Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Sonoma County Auditor-Controller at Book Value. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the County Treasurer. In accordance with California Government Code Section 27136, et seq., such requests for withdrawals must first be made in writing to the County Treasurer. These requests are subject to the County Treasurer's consideration of the stability and predictability of the Pooled Investment Fund, and any potential adverse effect on the interests of the other depositors in the Pooled Investment Fund. In no event will withdrawal requests be redeemed at greater than Book Value.

[b] **VOLUNTARY PARTICIPANTS** - For outside participants who utilize Government Code Section 53684, where the County Treasurer does not serve as the agency's treasurer, withdrawal requests for regular cash flow purposes, which are predictable redemptions that have been communicated to the Treasurer, will be paid at Book Value. For all other withdrawal requests, the participant shall submit the request for withdrawal to the County Treasurer. These requests are subject to the County Treasurer's consideration of the stability and predictability of the Pooled Investment Fund, and any potential adverse effect on the interests of other depositors in the Pooled Investment Fund. In no event will withdrawal requests be redeemed at greater than Book Value. If the Treasurer deems appropriate, the deposits may be returned at any time.

## **21. DELIVERY & SAFEKEEPING**

Delivery of all securities shall be either to the County Treasurer or to a third party custodian. No securities shall be held in the safekeeping of a broker / dealer unless it is collateral for a reverse repurchase agreement.

## **22. APPORTIONMENT OF INTEREST & COSTS**

Earnings, consisting of interest, amortization, accretion, gains, losses or other income attributed to

the Investment Pool shall be apportioned to all Pooled Investment Fund participants quarterly, based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the Pooled Investment Fund. The amount of earnings apportioned shall be determined using the accrual method of accounting, whereby earnings will be apportioned for the quarter in which it was actually earned. The Treasurer shall deduct from the gross earnings those administrative costs relating to the investing, depositing, and handling of funds, including salaries and other compensation, banking costs, equipment costs, supplies, the cost of information services, audit and any other costs as provided by Section 27013 of the Government Code.

### **23. *TREASURY OVERSIGHT COMMITTEE***

In accordance with Government Code Section 27131, the Board of Supervisors has established a Treasury Oversight Committee. The Treasury Oversight Committee will render unbiased and objective opinions on matters involving the Treasurer's investment of public funds. Specifically, the law requires that the Treasury Oversight Committee meet to: (1) Review the Investment Policy Statement and proposed changes prior to submission to the Board of Supervisors for adoption; (2) Review the Treasurer's investment portfolio reports and the compliance of the portfolio with law and this Investment Policy; and (3) cause an annual audit to be conducted of the Treasury in accordance with Government Code Section 27134.

All meetings of the Treasury Oversight Committee are to be open to the public and subject to the Ralph M. Brown Act.

By law, the Treasury Oversight Committee is not allowed to direct individual investment decisions, nor select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the County Treasury.

### **24. *REVIEW, MONITORING AND REPORTING OF THE PORTFOLIO***

Quarterly, the County Treasurer will provide to the Treasury Oversight Committee, the Board of Supervisors, and to any local agency participant a report on the Pooled Investment Fund. The report will list the type of investments, name of issuer, maturity date, par amount and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value and the credit rating. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Investment Policy and a statement of the Pooled Investment Fund's ability to meet the expected expenditure requirements for the next six months.

Annually, the County Treasurer shall provide to the Treasury Oversight Committee a Statement of Investment Policy. Additionally, the County Treasurer will render a copy of the Statement of Investment Policy to the Board of Supervisors and to the legislative body of the local agencies that participate in the Pooled Investment Fund.

### **25. *LIMITS ON HONORARIA, GIFTS AND GRATUITIES***

In accordance with California Government Code Section 27133 (d), et seq., this Policy hereby establishes limits for the County Treasurer, individuals responsible for management of the portfolios, and members of the Treasury Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of \$50 in a calendar 12 month time

period from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the County Treasurer and complete the appropriate state forms.

No individual may receive aggregate gifts, honoraria and gratuities in a calendar twelve (12) month time period in excess of the limits established by the Fair Political Practices Commission (FPPC). Any violation must be reported to the FPPC on an annual basis.

**26. AUDITS**

The Treasury Oversight Committee shall initiate an annual audit to ensure the County's Investment Portfolio is in compliance with its policy and state law.

**27. EXCEPTION TO POLICY**

The County Treasurer, except as prohibited by state law, can make exceptions to the investment purchasing limits when deemed to be in the best interest of all of the Pooled Investment Fund participants. All exceptions will be reported in the quarterly report. Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will become effective immediately.

**28. INVESTMENT OF BOND PROCEEDS**

The County Treasurer shall invest bond proceeds using the standards of the County of Sonoma's Investment Policy. The bond proceeds will be invested in securities permitted by the bond documents. If the bond documents are silent, the bond proceeds will be invested in securities permitted by the County of Sonoma's Investment Policy.

**29. DISASTER RECOVERY PLAN**

The County Treasurer's Disaster Recovery Plan includes contact information for the Treasury staff and key county personnel, as well as contact information for authorized banks and brokers. Copies of the plan have been distributed to the investment staff: Assistant Auditor-Controller-Treasurer-Tax Collector (Chief Deputy Investment Officer), Treasury Manager, and Investment and Debt Officer.

In the event we are unable to conduct normal business operations, the investment staff shall interact with one another by home phone, cell phone, or e-mail to decide on an alternate location from which to conduct daily operations. If unable to contact one another, the investment staff shall establish contact with one another through the County Office of Emergency Services.

## Appendix A: Investment Criteria Table

Investment Type	Maximum Maturity	Maximum % of Pool	Minimum Rating	Code Section
U.S Treasury and Agency Securities	5 years	100	--	§53601(b) §53601(f)
Obligations Issued or Unconditionally Guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank	5 years	30	AA	§53601(q)
Bonds and Notes issued by the State of California or California local agencies	5 years	100	--	§53601(a) §53601(c) §53601(e)
Bonds and Notes issued by any other State of the United States, including those issued by said State's agencies, departments, boards or authorities	5 years	100	--	§53601(d)
Commercial Paper (See Section 14)	270 days	40	A-1/F-1/P-1	§53601(h) §53635(a)
Negotiable Certificates of Deposit	5 years	30	--	§53601(i)
Repurchase Agreements (See Section 15)	1 year	100	--	§53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements (See Section 15)	92 days	20	--	§53601(j)
Medium Term Corporate Notes	5 years	30	A	§53601(k)
Mutual Funds & Money Market Mutual Funds (See Section 16)	--	20	Aaa & AAAm	§53601(l)
Mortgage Pass-Through Securities, Collateralized Mortgage Obligations, and Asset Backed Securities	5 years	20	AA	§53601(o)
Joint Powers Agreement (See Section 17)	--	20	AA	§6509.7 §53601(p)
Local Agency Investment Fund (LAIF)	--	As limited by LAIF	--	§16429.1
Collateralized Time Deposits	5 years	N/A	--	§53649 et seq.

## **GLOSSARY OF TERMS**

### **ACCRUED INTEREST**

Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

### **AGENCY ISSUES**

Securities Issued by federal agencies, those chartered by the federal government or government sponsored enterprises, that are considered to be backed by the federal government.

### **ASSET BACKED SECURITIES**

A financial security backed by a loan, lease or receivables against asset other than real estate or mortgaged backed securities.

### **BASIS POINT**

One basis point is equal to 1/100 of one percent. For example, if interest rates increase from 4.25% to 4.50%, the difference is referred to as a 25-basis-point increase.

### **BOOK VALUE**

The value of a held security as carried in the records of an investor. May differ from current market value of the security. Sonoma County uses accrual cost-basis to determine book value.

### **BROKER/DEALER**

Any person engaged in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

### **CERTIFICATE OF DEPOSIT**

An instrument representing a receipt from a bank for a deposit at a specified rate of interest for specified period of time.

### **COLLATERALIZATION**

Process by which a borrower pledges securities, property or other deposits for the purpose securing the repayment of a loan and/or security.

### **COMMERCIAL PAPER**

Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

### **COUPON RATE**

The annual rate of interest payable on a security expressed as a percentage of the principal amount.

### **CREDIT RISK**

The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**CURRENT YIELD**

The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

**CUSIPS**

CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

**DISCOUNT**

The amount by which the par value of a security exceeds the price paid for the security.

**EARNINGS APPORTIONMENT**

The quarterly interest distribution to the Pooled Investment Fund Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pooled Investment Fund.

**FAIR VALUE**

The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**FEDERAL FUNDS**

Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

**FEDERAL FUNDS RATE**

Interest rate at which banks lend federal funds to each other.

**FLOATING RATE NOTE**

A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, SOFR, etc.).

**GOVERNMENT OBLIGATIONS**

Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations, but involve Federal sponsorship or guarantees.

**INTEREST**

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

**LOCAL AGENCY INVESTMENT FUND (LAIF)**

The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

**LOCAL AGENCY OBLIGATION**

An indebtedness issued by a local agency, department, board or authority within the State of California.

**MARKET VALUE**

The price at which a security is trading and could presumably be purchased or sold. Sonoma County expresses the Market Value of the Pooled Investment Fund as a percentage of the Book Value (where 100% would indicate that the Book and Market Values are equal).

**MATURITY**

The date upon which the principal of a security becomes due and payable to the holder.

**MEDIUM TERM NOTE**

Notes and bonds that are debt obligations of corporations. This is a California Code designation that is not equivalent to financial market usage.

**MONEY MARKET MUTUAL FUND**

A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

**NATIONAL RECOGNIZED STATISTICAL RATING ORGANIZATION**

A category of credit rating agencies, called nationally recognized statistical rating organizations (NRSROs) was created by the Securities and Exchange Commission (SEC) in the mid-1970s when it was decided to use their credit ratings to assess the riskiness of securities for regulatory purposes. The SEC maintains a list of NRSROs at the following website:

<https://www.sec.gov/about/divisions-offices/office-credit-ratings/current-nrsros>

**PAR**

The stated maturity value, or face value, of a security.

**PAR VALUE**

The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

**PREMIUM**

The amount by which the price paid for a security exceeds the security's par value.

**REPURCHASE AGREEMENT OR REPO**

An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a Repo is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the Repos when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

**SECURITIES LENDING**

A transaction wherein the Treasurer's Pooled Investment Fund transfers its securities to

broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

**SETTLEMENT DATE**

The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

**TRADE DATE**

The date and time corresponding to an investor's commitment to buy or sell a security.

**VOLUNTARY PARTICIPANT**

Local agencies that are not required to deposit their funds with the County Treasurer.

**WEIGHTED AVERAGE MATURITY**

The remaining average maturity of all securities held in a portfolio.