



Robert Jweinat, Chair
Mark Armstrong, Vice Chair

City of San Ramon Finance Committee Agenda

San Ramon City Hall
Training Room, First Floor
7000 Bollinger Canyon Road

April 1, 2026
4:00 PM
Regular Meeting

Agenda Questions: Please contact the City Clerk's Office at
(925) 973-2539 or cityclerk@sanramon.ca.gov.

Please refer to the end of the agenda to review options for participation in the meeting.
This agenda is posted in accordance with Government Code Section 54954.2(a).

1. Call to Order/Roll Call

2. Public Comment

At this time, members of the public are encouraged to address the Committee on any item not already included on the agenda. Comments should not exceed 3 minutes. No Committee action can be taken at this meeting on issues raised during Public Comment.

3. Approval of Minutes

3.1. Finance Committee Regular Meeting - March 4, 2026.

Recommendation: Approve Minutes

4. Unfinished Business

5. New Business

5.1. Review of Investment Advisory Services

Recommendation: The Finance Committee is recommended to receive the presentation from Tonya Dazzio, of Meeder Investment Management.

Staff Report by Jennifer Wakeman, Finance Director

5.2. Annual Review - Statement of Investment Policy

Recommendation: The Finance Committee is asked to review the draft Statement of Investment Policy for Fiscal Year 2026-27 and consider forwarding the policy to the City Council for approval.

Staff Report by Jennifer Wakeman, Finance Director

6. Committee Member Comments

7. Adjournment

The next Finance Committee Meeting is scheduled for May 6, 2026.

How to View or Participate in the Meeting

The public is invited to participate in the meeting using any of the following methods:

In Person:

Members of the public can provide in-person comments at the meeting. To make a request for disability-related accommodation to participate in the meeting, please contact the City Clerk's Office 48 hours in advance of the meeting at cityclerk@sanramon.ca.gov.

Written Communication by Email:

Public comments may be submitted via e-mail to cityclerk@sanramon.ca.gov at least 2 hours prior to the start time of the meeting. Please include "Public Comment" in the subject line. In the body of the email please include your name and the item you wish to comment on. Written public comment will not be read aloud during the meeting.

Attendee Conduct:

There will be zero tolerance for any person addressing the Committee making profane, offensive and disruptive remarks, or engaging in loud, boisterous, or other disorderly conduct, that disrupts the orderly conduct of the public meeting. Specifically, it is important for all speakers to adhere to the following guidelines for participation in this meeting:

- a. No profanity or obscenity.
- b. Refrain from personal threats or attacks.
- c. Refrain from hateful epithets and demeaning language based on any person's race, religion, sexual orientation, ethnicity, gender, or disability.
- d. Respect all people that are present or watching.

At the discretion of the Chair, a speaker may forfeit speaking time for any of the following reasons:

- a. Exceeding the allotted time to speak;
- b. Yelling, screaming, or other behavior that renders this Committee unable to continue the meeting;
- c. Excessive profanity or slander;
- d. Specific threats or "fighting words" that incite violence; or
- e. Speech that is outside the subject matter jurisdiction of the Committee or the specific agenda item in which you are speaking.

While the City of San Ramon ensures the First Amendment rights of its citizens, we do not accept nor endorse any offensive or hateful comments made during our meetings. The City of San Ramon celebrates the diversity of our community, and we strive to be a welcoming and open community for all.

**Minutes of the
City of San Ramon
Finance Committee Regular Meeting
March 4, 2026**

1. Call to Order/Roll Call

The meeting was called to order at 4:00 PM.

**Present: Robert Jweinat
Mark Armstrong**

Also in attendance: Steven Spedowfski, City Manager; Scott Koll, Assistant City Manager; Yuliya Elbo, Budget Manager; Adolfo Navarro, Accounting Specialist.

2. Public Comment

There were no public comments on items not on the agenda.

3. Approval of Minutes

3.1. February 18, 2026 Finance Committee Meeting

Recommendation: Approve Minutes

Motion by Chair Jweinat, second by Vice Chair Armstrong to approve the minutes. The motion passed 2-0.

4. Unfinished Business

4.1. City of San Ramon Quarterly Investment Report (Period Ending December 31, 2025)

Recommendation: Receive Report

Staff Report by Scott Koll, Assistant City Manager

Recommendation: Staff recommends that the Finance Committee review and accept the Quarterly Investment Report for the quarter ending December 31, 2025.

Public comment made by Greg Carr, but it was intended for FY 26 Budget to Actual Analyses presentation.

Chair Jweinat and Vice Chair Armstrong accepted the report.

4.2. FY26 Budget to Actual Analyses: July - December 2025

Recommendation: Receive Report

Staff Report by Yuliya Elbo, Budget Manager

Committee comments on how new changes are affecting Measure N revenue and operating cost. Suggests modifying the presentation to address anomalies in terms of percentage of why the city is ahead or behind for both revenue and expenditures. Committee suggested adding per capita analysis for informational purpose. Public comment made by Greg Carr proposing to simplify the report income vs expense for a better understanding and to help emphasize important points. Joseph Inderkom gave a suggestion regarding the Pension Plan and obligations.

Chair Jweinat and Vice Chair Armstrong accepted the report.

5. New Business

There was no new business to discuss.

6. Committee Member Comments

Committee members had nothing additional to report.

7. Adjournment

The meeting adjourned at 4:50 PM.



Finance Committee Staff Report Item No. 5.1.

Date: April 1, 2026
To: San Ramon Finance Committee
From: Jennifer Wakeman, Department Director
Subject: Review of Investment Advisory Services

Executive Summary:

The City has utilized FHN Financial Main Street Advisors, now Meeder Investment Management, for investment advisory services since 2010. This presentation will provide an overview of the contract's history, as well as the services provided. The City anticipates issuing a Request for Proposals in the Spring of 2027 for these services.

Recommendation:

The Finance Committee is recommended to receive the presentation from Tonya Dazzio, of Meeder Investment Management.

Background:

FHN Financial Main Street Advisors became the City's first investment advisory service provider on January 1, 2010. In late 2023, Meeder Investment Management acquired FHN Financial Main Street Advisors, however, the City's key contract personnel stayed the same.

Attachment A to this report shows the current Scope of Service in the City's contract with FHN Financial Main Street Advisors (now Meeder Investment Management) which outlines the guidelines for "investment advisory services". These responsibilities span technical investment evaluation and acumen, strategy and benchmarking, as well as support in communication of the market and portfolio information.

This contract is set to expire on June 30, 2026 and will be extended by one year due to current staff shortages in the Finance Department. In the Spring of 2027, Finance staff expects to issue a Request for Proposals for investment advisory services.

Fiscal Impact:

As an information-only report, there are no fiscal implications.

Alternative Option(s):

The Finance Committee may provide feedback at any point regarding a desired scope of services for investment advisory services.

Next Steps:

Finance staff will continue to coordinate with Meeder Investment Management staff in oversight of the City's investment portfolio.

Attachment(s):

- A. C2021-054_FHN_Financial_Main_Street_Advisors D2021.07.01- through 063026-
Scope of Services

Contractor: FHN Financial Main Street Advisors, LLC
Agreement Amount: Not-to-Exceed \$150,000
Project: Investment Advisory Services
Project Manager: Candace Daniels, Finance Manager

EXHIBIT A SCOPE OF SERVICES

The overall scope of services is to provide investment advisory services for the City's approximately \$70 million investment portfolio. The City's primary investment objectives are to maximize rate of return on public funds while minimizing all potential losses arising from investing activities such as market changes or an issuer default. Although the generation of revenues through earnings on investments is a primary goal, capital preservation in the overall portfolio and maintaining required liquidity are equally important considerations in making investing decisions. The City shall invest public funds in such manner as to comply with state and local law, and meet the objectives of the Investment Policy, in priority order of Safety, Liquidity and Return on Investment.

Contractor shall provide qualified personnel for services that may include, but are not limited, to the following:

1. Develop and implement sound investment strategies, which will maximize the portfolio's performance within the parameters of the City's current Investment Policy and California codes.
2. Assume the management of the City's investment portfolio.
3. Provide technical and fundamental market research, including yield curve analysis.
4. Assist the City with cash flow/maturity analysis.
5. Provide credit analysis of investment instruments in portfolio.
6. Provide monthly/quarterly/annually reporting. These reports will cover a range including but not limited to: local, national economy, the City's portfolio holdings, composition and sector analysis, return, weight average maturity, duration, performance objectives, and policy compliance.
7. Attend selected quarterly meetings with staff, as well as Finance Committee and City Council meetings as requested.
8. Evaluate market risk and develop strategies that minimize the impact on the portfolio.
9. Provide assurance of portfolio compliance with applicable policies and laws.
10. Establish an appropriate performance benchmark as part of reporting requirements.
11. Review investment policy annually and recommend appropriate amendments.
12. Monitor the creditworthiness of financial institutions and the investments in the portfolio.
13. Perform due diligence reviews of current and proposed broker / dealers.
14. Firm shall not have custody or possession of the funds/securities that the City has placed under its management. The City has retained a custodian to take and have possession of its invested assets.
15. Provide authorized City staff with online access to the City's current investment account.
16. Assist with annual audit inquiries and reporting.

The City has retained Union Bank of California as its custodian/safekeeping agent to take and have possession of its invested assets.



Finance Committee Staff Report Item No. 5.2.

Date: April 1, 2026
To: San Ramon Finance Committee
From: Jennifer Wakeman, Department Director
Subject: Annual Review - Statement of Investment Policy

Executive Summary:

The City is required to review the investment policy annually, a process which historically begins with the Finance Committee before advancing to the City Council for approval by resolution. As part of its contract, the City's investment advisor provides their industry insights to make recommended updates.

Recommendation:

The Finance Committee is asked to review the draft Statement of Investment Policy for Fiscal Year 2026-27 and consider forwarding the policy to the City Council for approval.

Background:

California Government Code Section 53646 requires annual review and approval of the Statement of Investment Policy by city councils of California municipalities. It is now appropriate to proceed with approval of an Investment Policy for the 2026-27 Fiscal Year. The City Council first adopted the Statement of Investment Policy in 1989 with Resolution No. 89-76. Since that time the Statement of Investment Policy has been reviewed annually and amended with appropriate to keep up with changes in state law. The City Council last adopted an Investment Policy on June 25, 2024, for the 2024-25 Fiscal Year, as there were no changes recommended for Fiscal Year 2025-26.

Currently, Meeder Public Funds, the City's Investment advisor, has the following recommended changes:

Dates were updated for the upcoming fiscal year

- Section headers were updated to reflect current practices
 1. Purpose and Annual Policy Review and Adoption
 2. Investment Objectives and Prudence
- Information in the "Permitted Investments" section was reformatted to a simplified

and easier to reference layout.

- Instruments listed in the “Permitted Investments” section were updated to reflect current practices.
 1. “Money Market Funds” replaced “Shares of beneficial interest issued by diversified management companies”
 2. “California Local Agency Bonds and Obligations” was broken out from its previous grouping with City of San Ramon Bonds and Obligations
 3. “Joint Powers Authority Pool” was added
 4. “Collateralized Bank Deposits” was added
 5. “Negotiable Order of Withdrawal” was removed
- Clarifying language was added to the “Market Risk” section
- New sections added based on recommended language from the investment advisor and the California Municipal Treasurers Association (CMTA)
 1. “Internal Controls”
 2. “Collateralization”
 3. “Due Diligence of Investment Pools”

Fiscal Impact:

The proposed action advances the draft Investment Policy to the City Council for approval and does not have a fiscal impact on the City.

Alternative Option(s):

The Finance Committee may provide feedback for further revision of the draft Investment Policy.

Next Steps:

With direction to do so, staff will forward the draft Statement of Investment Policy for Fiscal Year 2026-27 to the City Council for approval by resolution.

Attachment(s):

- A. Statement of Investment Policy FY2026-27 - Red Line Version
- B. Statement of Investment Policy FY2026-27 - Clean Version



CITY OF SAN RAMON

STATEMENT OF INVESTMENT POLICY

Fiscal Year 202~~4~~6-2~~5~~7

Purpose and Annual Policy Review and Adoption

This statement implements §53646 of the Government Code, of the State of California, by providing a Statement of Investment Policy. It is intended to provide sound procedures for the prudent investment and management of public funds of the City of San Ramon. Consistent with provisions of this code section, this policy shall be annually reviewed and adopted by the City Council.

Scope

This policy applies to all liquid financial assets of the City of San Ramon. These assets are accounted for in the City's *Annual Comprehensive Financial Report (ACFR)*, which includes the annual independent audit report, under the following categories:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Internal Service Funds
- Trust and Agency Funds

Funds excluded from this policy:

1. Bond Proceeds - The investment of bond proceeds held with trustees is directed by the City, but is governed by the restrictions on permitted investments in the applicable bond indenture or similar agreements.
2. Deferred Compensation, Retirement, Other Post-Employment Benefits (OPEB) 115 Trust, and Supplement Pension 115 Trust – Investments related to these plans are not subject to this policy since third-party administrators or trustees manage the funds and either the individual plan participants or trustees direct investment selection.

Objective

The City's objective is to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest idle funds to the fullest extent possible. Idle cash management and investment transactions are the responsibility of the Finance Division of the Administrative Services Department. The City shall attempt to obtain a market rate of return, provided that criteria for safety and liquidity are adequately met, and that all provisions of this investment policy are strictly adhered to.

Investment Principles Objectives and Prudence

The City of San Ramon operates its temporary pooled idle cash investments under the "*prudent investor standard*". This standard 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.*

Consistent with this principle, the following basic tenets shall serve to guide the City's investment program:

Safety — The first priority for the investment program shall be the safety of principal investment. Procedures for ensuring safety of principal shall involve compliance with legal requirements set forth under sections of the Government Code, development and maintenance of adequate records and controls, and avoidance of market speculation through an underlying "buy and hold" investment strategy.

Liquidity — The second priority for the investment program shall be to provide adequate cash for operations or capital purposes on an as-needed basis. Procedures for ensuring adequate liquidity shall include maintenance of pro forma City cash needs through analysis of historical and projected future cash flows, and matching investment maturities to cash requirements.

Yield — The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the investment risk constraints and liquidity needs. Yield on the City's investment portfolio is of secondary importance compared to the safety and liquidity objectives described above. Investments are limited to relatively low-risk securities in anticipation of earning a market rate of return relative to the risk being assumed. Nevertheless, investment performance shall be periodically monitored and evaluated by the Administrative Services Director by comparison with other benchmark yields.

Delegation of Authority

The City of San Ramon Municipal Code assigns treasury responsibilities to the Administrative Services Director who serves as the City Treasurer. The Administrative Services Director currently performs the duties of the Director of Finance. The authority to invest City Funds rests with the Administrative Services Director and his designated staff, herein referred to as the Deputy Treasurer. The Administrative Services Director has further authority, with consent of the City Council to delegate investment portfolio management to Meeder Public Funds, an Investment Advisory firm. No person may engage in an investment transaction except as provided for under the terms of this policy. The Administrative Services Director shall be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinate officials.

Ethics and Conflicts of Interest

Officers, Councilmembers, and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Employees, Councilmembers and investment officials shall disclose any material financial interests that could be related to the performance of the City's investment portfolio.

GASB 31

The Government Accounting Standards Board (GASB) Statement No. 31 requires that governmental entities report all investments with a maturity in excess of one-year at fair market value in the balance sheet or other statement of financial condition as of the end of the annual reporting cycle. Market value increases/declines are recognized by booking the variation against earnings at year-end. This book gain/loss would be realized by way of an increase/reduction in reserves, increasing/reducing funds available for appropriation. Because longer-term investments are subject to greater fluctuations in price and market value, specific constraints in the form of percentage limitations have been incorporated into this policy. These limitations minimize material gains/losses in the value of the portfolio in a declining/rising interest rate environment and mitigate the risks inherent in GASB Statement 31.

Permitted Investments

- ~~Bonds issued by the City of San Ramon or other local agency of the State of California, provided that the obligations are rated Aa3, AA-, AA- or higher by a Nationally Recognized Statistical Rating Organization (NRSRO), Moody's Investors Services (Moody's), Standard and Poor's Ratings Services (S&P), or Fitch Ratings (Fitch), respectively. Purchases of eligible municipal securities shall not exceed five years to maturity.~~
- ~~United States Treasury notes, bonds, bills or other obligations for which full faith and credit of United States are pledged for payment of principal and interest. Purchases of eligible treasury securities shall not exceed five years to maturity.~~

- ~~**Federal Agency Securities.** Federal agency or United States government-sponsored enterprise obligations, participations or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Purchases of eligible federal agency securities shall not exceed five years maturity.~~
- ~~**Bonds issued by the State of California.** Provided that the obligations are rated Aa3 or higher provided by (Moody's), has an AA or higher rating provided by (S&P), or has an AA or higher rating provided by (Fitch). Purchases of eligible federal agency securities shall not exceed five years to maturity.~~
- ~~**Bankers' Acceptances,** issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by Moody's or by S&P. Purchases of Bankers' Acceptances may not exceed 180 days to maturity, or 40% of the City's surplus funds, nor may the City invest more than 2% of its surplus funds in the Bankers' Acceptances of any one commercial bank.~~
- ~~**Commercial Paper** issued by corporations organized and operating within the United States with total assets in excess of \$500,000,000. Commercial paper must have a minimum short-term rating by at least two of the following NRSRO's: A-1 by S&P, P-1 by Moody's, or F-1 by Fitch and a minimum long-term debt rating of A2 by Moody's, A by S&P, or A by Fitch. Purchases of eligible Commercial Paper may not exceed 270 days to maturity nor represent more than 10% of the outstanding paper of an issuing corporation, nor may the City's investments in Commercial Paper exceed 25% for the City's surplus funds.~~
- ~~**FDIC Insured Certificates of Deposit** issued by a nationally or state-chartered bank, or a state or federal savings and loan association, or by a state-licensed branch of a foreign bank. The invested amount per institution shall not exceed the current FDIC insured limit (currently \$250,000). Purchases of eligible FDIC insured certificates of deposit shall not exceed five years to maturity.~~
- ~~**Negotiable Certificates of Deposit** issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided (1) that the senior debt obligations of the issuing institution are rated Aa2 or better by Moody's or rated AA or better by S&P and (2) that the financial institution has received a minimum overall "satisfactory" rating for meeting the credit needs of California communities in its most recent evaluation. Purchases of negotiable certificates of deposit may not to exceed 30% of the City's surplus funds, nor in excess of the greater of either the net worth of the depository or \$500,000. Purchases of eligible negotiable certificates of deposit shall not exceed five years maturity.~~
- ~~**Repurchase Agreements** used solely as short-term investments not to exceed 30 days. The following collateral restrictions will be observed. Only U.S. Treasury securities or Federal Agency securities allowable in this policy will be acceptable collateral. All~~

~~securities underlying Repurchase Agreements must be delivered to the City's custodian bank by book entry, physical delivery, or third-party custodial agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value, 102 percent of the funds borrowed against those securities. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a weekly basis. Investments in repurchase agreements shall not exceed 30% of the City's surplus funds.~~

~~Additional Repurchase Agreement Provisions: Market value must be calculated each time there is a substitution of collateral.~~

~~The City or its trustee shall have perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement~~

~~The City may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York.~~

~~The City will have specific written agreements with each firm with which it enters into Repurchase Agreements.~~

- ~~• **Medium-Term Corporate Notes** issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state operating within the United States. Medium-term corporate notes shall have a maximum maturity of five years, and a minimum long-term debt rating by at least two of these NRSRO's: A2 by Moody's, A by S&P, or A by Fitch. Purchases shall not to exceed 30% of the City's surplus funds.~~
- ~~• **State of California Local Agency Investment Fund.** Investment in LAIF may not exceed \$40 million. No more than 15% of the total City investment portfolio is to be invested in LAIF.~~
- ~~• **Negotiable Order of Withdrawal** that functions as an interest-bearing checking account that is fully collateralized with securities rated "AA" or higher and offered by a nationally or state-chartered bank or a State or Federal savings and loan association or by a state-licensed branch of a foreign bank with assets exceeding \$5 Billion. No more than \$3,500,000 of the City investment portfolio is to be invested in this type of account.~~
- ~~• **Supranational Debt Obligations.** United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development of the World Bank (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IABD), with maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments must have a minimum rating of AA or better by at least two of the following NRSRO's: Moody's, S&P, or Fitch, and shall not exceed~~

30% of the City's surplus funds.

- ~~Shares of beneficial interest issued by diversified management companies, that are money market funds (MMFs) registered with the Securities and Exchange Commission under the Investment Advisory Company Act of 1940 (15 U.S.C. See 80a-1 et seq.). To be eligible for investment pursuant to this subdivision these companies shall either (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations listed above and with assets in excess of \$500,000,000. The MMF invests only in Treasury and Federal Government Agency securities, and in repurchase agreements backed by Treasury and Federal Government Agency securities.~~

~~The purchase price of the MMF shares shall not exceed 20% of the City's surplus funds. (Per section 53601-L)~~

United States (U.S.) Treasury Obligations

<u>California State Code:</u>	<u>53601 (b)</u>
<u>Maximum Term:</u>	<u>5 years</u>
<u>Maximum Type Allocation:</u>	<u>100%</u>
<u>Maximum Issuer Concentration:</u>	<u>100%</u>
<u>Minimum Issuer Rating:</u>	<u>N/A</u>

Federal Agency Securities

<u>California State Code:</u>	<u>53601 (f)</u>
<u>Maximum Term:</u>	<u>5 years</u>
<u>Maximum Type Allocation:</u>	<u>100%</u>
<u>Maximum Issuer Concentration:</u>	<u>50%</u>
<u>Minimum Issuer Rating:</u>	<u>N/A</u>

Money Market Funds

<u>California State Code:</u>	<u>53601 (r)</u>
<u>Maximum Term:</u>	<u>1 day</u>
<u>Maximum Type Allocation:</u>	<u>20%</u>
<u>Maximum Issuer Concentration:</u>	<u>20%</u>
<u>Minimum Issuer Rating:</u>	<u>The money market funds must have an average weighted maturity of 90 days or less and abide by SEC regulations; funds must receive the highest ranking by 2 of the 3 largest nationally recognized rating agencies OR retain an investment advisor who is registered, or exempt from registration, with the SEC and has at least 5 years' experience managing money market funds in excess of \$500 million</u>

<u>Other:</u>	<u>Invest in U.S. Treasuries, U.S. Federal Agencies, or repurchase agreements fully collateralize by U.S. treasury/federal agency securities and maintain a constant net asset value (“NAV”). The purchase price of the MMF shares shall not exceed 20% of the City's surplus funds. (Per section 53601-L)</u>
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City of San Ramon Bonds and Obligations

<u>California State Code:</u>	<u>53601 (e)</u>
<u>Maximum Term:</u>	<u>5 years</u>
<u>Maximum Type Allocation:</u>	<u>10%</u>
<u>Maximum Issuer Concentration:</u>	<u>10%</u>
<u>Minimum Issuer Rating:</u>	<u>Aa3 or AA- by one NRSRO</u>

State Obligations – California and Others

<u>California State Code:</u>	<u>53601 (c) (d)</u>
<u>Maximum Term:</u>	<u>5 years</u>
<u>Maximum Type Allocation:</u>	<u>3%</u>
<u>Maximum Issuer Concentration:</u>	<u>3%</u>
<u>Minimum Issuer Rating:</u>	<u>Aa3 or AA- by one NRSRO</u>

California Local Agency Bonds and Obligations

<u>California State Code:</u>	<u>53601 (e)</u>
<u>Maximum Term:</u>	<u>5 years</u>
<u>Maximum Type Allocation:</u>	<u>10%</u>
<u>Maximum Issuer Concentration:</u>	<u>2%</u>
<u>Minimum Issuer Rating:</u>	<u>Aa3 or AA- by one NRSRO</u>

Bankers’ Acceptances

<u>California State Code:</u>	<u>53601 (g)</u>
<u>Maximum Term:</u>	<u>180 days</u>
<u>Maximum Type Allocation:</u>	<u>40%</u>
<u>Maximum Issuer Concentration:</u>	<u>2%</u>
<u>Minimum Issuer Rating:</u>	<u>A1/P1 by S&P or Moody’s</u>

Local Agency Investment Fund (“LAIF”)

<u>California State Code:</u>	<u>16429.1</u>
<u>Maximum Term:</u>	<u>None</u>
<u>Maximum Type Allocation:</u>	<u>\$75 million (per LAIF account)</u>
<u>Maximum Issuer Concentration:</u>	<u>None</u>

Joint Powers Authority Pool (“JPA”)

<u>California State Code:</u>	<u>53601 (p)</u>
<u>Maximum Term:</u>	<u>N/A</u>
<u>Maximum Type Allocation:</u>	<u>None</u>
<u>Maximum Issuer Concentration:</u>	<u>None</u>
<u>Other:</u>	<u>Must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years’ experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).</u>

Commercial Paper (“CP”)

<u>California State Code:</u>	<u>53601(h)(2)(c)</u>
<u>Maximum Term:</u>	<u>397 days</u>
<u>Maximum Type Allocation:</u>	<u>25%</u>
<u>Maximum Issuer Concentration:</u>	<u>10% in a single issuer and 2% in aggregate with corporate notes/bonds and certificate of deposits (“CDs”) at time of purchase.</u>
<u>Minimum Issuer Rating:</u>	<u>A-1, P-1, F-1 equivalent or better by a NRSRO</u>
<u>Other:</u>	<u>1. is organized within the U.S. as a special purpose corporation, trust, or LLC, and has program wide credit enhancements, and have CP that is rated “A-1” or higher, or the equivalent, by a NRSRO.</u> <u>2. Is organized within the United States as a special purpose corporation, trust, or limited liability company, has programmable credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond, has commercial paper rated "A-1" or higher, or the equivalent, by a NRSRO.</u>

Negotiable CD (At or below the FDIC Limit)

<u>California State Code:</u>	<u>53601(i)</u>
<u>Maximum Term:</u>	<u>5 years</u>
<u>Maximum Type Allocation:</u>	<u>30%</u>
<u>Maximum Issuer Concentration:</u>	<u>2% in aggregate with corporate notes/bonds and CP</u>
<u>Minimum Issuer Rating:</u>	<u>Not applicable</u>
<u>Other:</u>	<u>Issued by a nationally or state-chartered bank, or a state or federal savings and loan association, or by a state-licensed branch of a foreign bank.</u>

Negotiable CD

<u>California State Code:</u>	<u>53601(i)</u>
<u>Maximum Term:</u>	<u>5 years</u>
<u>Maximum Type Allocation:</u>	<u>30%</u>
<u>Maximum Issuer Concentration:</u>	<u>2% in aggregate with corporate notes/bonds and CP</u>
<u>Minimum Issuer Rating:</u>	<u>provided (1) that the senior debt obligations of the issuing institution are rated Aa2 or better by Moody's or rated AA or better by S&P and (2) that the financial institution has received a minimum overall "satisfactory" rating for meeting the credit needs of California communities in its most recent evaluation</u>
<u>Other:</u>	<u>issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank.</u>

Medium-Term Corporate Notes

<u>California State Code:</u>	<u>53601 (k)</u>
<u>Maximum Term:</u>	<u>5 years</u>
<u>Maximum Type Allocation:</u>	<u>30%</u>
<u>Maximum Issuer Concentration:</u>	<u>2% in aggregate with CDs and CP</u>
<u>Minimum Issuer Rating:</u>	<u>A/A2 less than 4yrs, Aa-/Aa3 greater than 4 yrs by at least two of the NRSRO's.</u>

Repurchase Agreements

<u>California State Code:</u>	<u>53601 (j)</u>
<u>Maximum Term:</u>	<u>30 days</u>
<u>Maximum Type Allocation:</u>	<u>30%</u>
<u>Maximum Issuer Concentration:</u>	<u>Not applicable</u>
<u>Minimum Issuer Rating:</u>	<u>Not applicable</u>
<u>Collateral:</u>	<u>102%, by treasury and federal agency securities</u>
<u>Marked-to-Market</u>	<u>At least weekly</u>
<u>Other:</u>	<u>Executed with a bank organized and operating or licensed to operate in the United States under federal or state law or a securities dealer which is a registered broker/dealer, designated by the Federal Reserve Bank of New York as a primary dealer in United States government securities, and in full compliance with all applicable capital requirements, City Treasurer maintains a list of approved counterparties following a thorough review, counterparties execute a Master Repurchase Agreement, counterparties regularly provide audited financial statements</u>

Collateralized Bank Deposits

<u>California State Code:</u>	<u>53601 (n)</u>
<u>Maximum Term:</u>	<u>5 years</u>
<u>Maximum Type Allocation:</u>	<u>none</u>
<u>Maximum Issuer Concentration:</u>	<u>none</u>
<u>Minimum Issuer Rating:</u>	<u>N/A</u>

Supranational Obligations

<u>California State Code:</u>	<u>53601(q)</u>
<u>Maximum Term:</u>	<u>5 years</u>
<u>Maximum Type Allocation:</u>	<u>30%</u>
<u>Maximum Issuer Concentration:</u>	<u>5%</u>
<u>Minimum Issuer Rating:</u>	<u>Must be rated AA or better by at least two NRSRO. Must be senior unsubordinated obligations denominated in U.S. Dollars.</u>
<u>Other:</u>	<u>Issued by International Bank for Reconstruction and Development (“IBRD”), International Finance Corporation (“IFC”), or the Inter-American Development Bank (“IDB”). Obligations shall be denominated in U.S. dollars, be senior unsecured unsubordinated debt, purchased from a registered broker/dealer</u>

Ineligible Investments

Any security type not specifically approved by this policy is hereby specifically prohibited. Security types which are thereby prohibited include, but are not limited to:

- "Complex" derivative structures such as range notes, dual index notes, inverse floaters, leveraged or deleveraged floating-rate notes, or any other complex variable-rate or structured note.
- Interest only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.
- Asset Backed Securities
- Common Stocks
- Reverse Repurchase Agreements

Maximum Maturity

Pursuant to Government Code §53601, the City Council limits investments to securities with remaining maturity periods of no greater than five years.

Credit/Issuer Risk

The City will seek to mitigate credit risk by requiring that issuers meet specific qualifying criteria. The following guidelines will be used to determine the distribution of funds between issuers.

For medium term corporate notes and negotiable certificates of deposit, issuers must possess an acceptable long-term senior debt rating by at least two of the nationally recognized ratings services, i.e. Moody's, S&P's, and Fitch, as detailed below:

1. For maturities of four years or less, a minimum rating of A2 by Moody's, A by S&P, or A by Fitch.
2. For maturities of four to five years, a minimum rating of Aa3 by Moody's, AA- by S&P, or AA- by Fitch.

In the event an issuer is downgraded to below A2 (Moody's) or A (S&P or Fitch), an analysis will be prepared of the exposure to the City and a recommendation will be made regarding holding the security or a possible sale.

Market Risk

Market risk shall be addressed by diversification of security types and distribution. Percentage limitations and maturity restrictions will comply with the State of California Government Code. Maturity distribution, particularly as impacted by changes in the yield curve will be frequently monitored by staff. Market risk will further be mitigated by maintaining at least 30% of the total book value in securities having a maturity of one (1) year or less, this will provide sufficient liquidity to meet daily expenditure requirements~~limiting the portion of the portfolio investments with maturities in excess of one year to 70%~~. The weighted average maturity of the portfolio shall not exceed 2.5 years. The amount of maturities required ~~in excess of~~within one- year and the weighted average maturity of the portfolio shall be considered at time of purchase.

Diversification by Investment Type and Issuer

Percentage limitations by investment type are outlined in Section 53600 of the Government Code. As described above the City will further diversify the portfolio by issuer, with the exception of Treasury securities, which will have no percentage limitations. The City shall seek to preserve principal by mitigating credit risk by diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the City. Listed below are sector and issuer limitations:

Sector	Sector Limit	Issuer Limit	Max Years	Minimum Rating <i>(NRSROs: S&P, Moody's, Fitch)</i>
U.S. Treasuries	100%	100%	5 Years	N/A
Federal Agencies	100%	50%	5 Years	N/A
Money Market	20%	20%	N/A	AAA/Aaa by at least two NRSROs
City of San Ramon Bonds	10%	10%	5 Years	Aa3 or AA- by one NRSRO
State of California Obligations	3%	3%	5 Years	Aa3 or AA- by one NRSRO
Local Agencies of California	10%	2%	5 Years	Aa3 or AA- by one NRSRO
Bankers' Acceptances	40%	2%*	180 Days	A1/P1 by S&P or Moody's
<u>Local Agency Investment Fund (LAIF)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>Per CA Code Limit \$75 million per account</u>
<u>Joint Powers Authority Pool (JPA)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Commercial Paper	25%	2%*	270 Days	A1/P1/F1 and long-term A/A2/A by one NRSRO
Negotiable CDs	30%	2%*	5 Years	See page 4 for rating criteria
Medium-Term Notes	30%	2%*	5 Years	A/A2 less than 4 yrs, Aa-/Aa3 greater than 4 yrs by at least two NRSROs
<u>Repurchase Agreements</u>	<u>30%</u>	<u>N/A</u>	<u>30 days</u>	<u>N/A</u>

<u>Collateralized Bank Deposits</u>	<u>N/A</u>	<u>N/A</u>	<u>5 years</u>	<u>N/A</u>
Supranational Obligations (IFC, IBRD, and IADB)	30%	5%	5 Years	AA/Aa2 by at least two NRSROs

*The issuer limits for Banker’s Acceptances, Commercial Paper, Negotiable Certificates of Deposits and Medium-Term Corporate Notes shall be calculated in aggregate at time of purchase.

Sale of Securities

The City does not make investments for the purpose of trading or speculation, but buys with the prevalent intent to hold securities to maturity. The prohibition of speculative investment precludes pursuit of profit through unusual risk or conjectural fluctuations in market prices. However, fluctuations in market rates or changes in credit quality may produce situations where securities may be sold at a nominal loss in order to mitigate further erosion of principal. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

Brokers/Dealers

A competitive bid/offer process, utilizing a minimum of three financial institutions on the approved broker/dealer list maintained by the City or the City's Investment Advisor, will be used to place all investment purchases and sales of secondary traded issues, if possible. Some secondary issues may be offered by only one or two broker/dealers. Purchases of securities that are new issues do not require three offers.

All brokers/dealers with whom business is transacted shall be subject to regulation by the Securities and Exchange Commission. The investment advisor annually conducts a review of all broker/dealers, including their adherence to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1).

Safekeeping and Custody

The assets of the City shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Collateralized securities such as repurchase agreements shall be purchased using the delivery versus payment procedures.

Reporting Requirements

Pursuant to Government Code §53646, the Administrative Services Director shall render a quarterly investment report to the City Manager and City Council showing the type of investment, issuer, purchase date, purchase price, date of maturity, amount of deposit, coupon rate of interest, investment yield, and, for investments with a maturity exceeding 12 months, current market value, and source of market valuation. The quarterly report shall state its relationship to the adopted investment policy and shall provide assurance that the investment portfolio provides sufficient cash flow to meet the cash requirements for the following six months. The investment report shall be submitted within 30 days following the end of the quarter. Additionally, pursuant to Government Code §53607, a monthly transaction report shall be presented to the City Manager and City Council.

Performance Standards

The City portfolio is managed with the objective of obtaining a market rate of return, commensurate with identified risk constraints and cash flow characteristics. The appropriate benchmarks will be periodically reviewed by the City Council Finance Committee.

Allocation of Interest

Interest from the City's pooled investments is allocated proportionately to the City's various funds in the month it is received.

Internal Controls

The Finance Director shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

Collateralization

California Government Code, Sections 53652, et. seq., requires depositories to post certain types and levels of collateral for public funds above the FDIC insurance amounts. The collateral requirements apply to bank deposits, both active (checking and savings accounts) and inactive (non-negotiable time certificates of deposit).

Due Diligence of Investment Pools

The City shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. Annually, the Finance Director or their designee shall seek responses to the following questions from any investment pool or mutual fund in which the City invests:

-

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

Glossary

Agencies: Federal agency securities.

Banker's Acceptance (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. The drafts are drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. An acceptance is a high grade negotiable instrument.

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

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

Broker: A broker brings buyers and sellers together for a commission. He/she does not take a position.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

Collateral: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper: Short term unsecured promissory note issued by a corporation (including limited liability companies) to raise working capital. These negotiable instruments are purchased at a discount to par value or at par value with interest bearing. Commercial paper is issued by corporations such as General Motors Acceptance Corporation, IBM, Bank of America, etc.

Comprehensive Annual Financial Report (CAFR): The official annual report for the City. It includes combined statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material and a detailed Statistical section.

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

Custody: A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions; buying and selling for his/her own account.

Delivery versus Payment: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Derivatives: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Diversification: Dividing investment among a variety of securities offering independent returns with the objective of lowering risk.

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

Federal Home Loan Banks (FHLB): Government sponsored wholesale banks which lend funds and provide correspondent banking services to member commercial banks, thrifty institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

Federal Home Loan Mortgage Corporation (FHLMC): The FHLMC was created under the Federal Home Loan Mortgage Act, Title III of the Emergency Home Finance Act of 1970 as a stockholder owned government-sponsored enterprise. Freddie Mac, as the corporation is called, is charged with providing stability and assistance to the secondary home mortgage market by buying first mortgages and participation interests and reselling these securities in the form of guaranteed mortgage securities. Although agency obligations are not explicitly guaranteed by the federal government, the rating agencies believe that in the unlikely event of financial difficulties, the federal government will support the agency to the extent necessary to provide for full and timely payment on their securities.

Federal National Mortgage Association (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Reserve System: The central bank of the United States created by congress and consisting of a seven-member Board of Governors in Washington, D.C.; 12 regional banks and approximately 38 percent of the 8,039 commercial banks in the United States are members of the Federal Reserve System. National banks must be members; state-chartered banks may join if they meet certain requirements.

Interest Rate: The annual yield earned on an investment, expressed as a percentage.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. A security is said to be liquid if the spread between bid and asked prices is narrow and a reasonable size can be done at those quotes.

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

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

Money Market: A segment of the financial market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are traded.

Municipal Securities of Local Agencies: Debt securities issued by states, cities, counties and other governmental entities to fund day-to-day obligations and to finance capital projects. The purchase of municipal securities is a loan to the bond issuer in exchange for regular interest payments and the return of the original investment.

Nationally Recognized Statistical Rating Organization ("NRSRO"): Firms that review and assess the creditworthiness of an obligor as an entity or with respect to specific securities or money market instruments and express their opinion in the form of a letter rating. A credit rating agency may apply to the SEC for registration as a nationally recognized statistical rating organization ("NRSRO"). The primary rating agencies are Standard & Poor's Corporation, Moody's Investor Services, Inc. and Fitch, Inc.

Negotiable Certificates of Deposit: Unsecured obligations of the financial institution, bank or savings and loan, bought at par value with the promise to pay face value plus accrued interest at maturity. They are high-grade negotiable instruments, paying a higher interest rate than regular certificates of deposit.

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

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker/dealers, banks and a few unregulated firms.

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 a bond, the current income return.

Repurchase Agreement (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

Risk: Degree of uncertainty of return on an asset.

Safekeeping: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

Structured Notes: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, FHLMC, etc.) and Corporations, which have imbedded option (e.g. call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Securities & Exchange Commission: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC Rule 15C3-1: See “Uniform Net Capital Rule”.

Supranational Securities: A supranational organization is formed by a group of countries through an international treaty with specific objectives such as promoting economic development. Supranational organizations also issue debt in the United States. The most commonly recognized supranational debt is issued by the International Bank for Reconstruction and Development (IBRD or World Bank).

Treasury Bills: A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bond: Long-term U.S. Treasury securities having initial maturities of more than 10 years.

Treasury Notes: Intermediate-term coupon bearing U.S. Treasury having initial maturities of from one year to ten years.

Trustee: A financial institution with powers to act in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms as well as nonmember broker/dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Yield: The rate of annual income return on an investment expressed as a percentage. (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security. (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.



CITY OF SAN RAMON

STATEMENT OF INVESTMENT POLICY

Fiscal Year 2026-27

Purpose and Annual Policy Review and Adoption

This statement implements §53646 of the Government Code, of the State of California, by providing a Statement of Investment Policy. It is intended to provide sound procedures for the prudent investment and management of public funds of the City of San Ramon. Consistent with provisions of this code section, this policy shall be annually reviewed and adopted by the City Council.

Scope

This policy applies to all liquid financial assets of the City of San Ramon. These assets are accounted for in the City's *Annual Comprehensive Financial Report (ACFR)*, which includes the annual independent audit report, under the following categories:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Internal Service Funds
- Trust and Agency Funds

Funds excluded from this policy:

1. Bond Proceeds - The investment of bond proceeds held with trustees is directed by the City, but is governed by the restrictions on permitted investments in the applicable bond indenture or similar agreements.
2. Deferred Compensation, Retirement, Other Post-Employment Benefits (OPEB) 115 Trust, and Supplement Pension 115 Trust – Investments related to these plans are not subject to this policy since third-party administrators or trustees manage the funds and either the individual plan participants or trustees direct investment selection.

Objective

The City's objective is to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest idle funds to the fullest extent possible. Idle cash management and investment transactions are the responsibility of the Finance Division of the Administrative Services Department. The City shall attempt to obtain a market rate of return, provided that criteria for safety and liquidity are adequately met, and that all provisions of this investment policy are strictly adhered to.

Investment Objectives and Prudence

The City of San Ramon operates its temporary pooled idle cash investments under the "*prudent investor standard*". This standard 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.*

Consistent with this principle, the following basic tenets shall serve to guide the City's investment program:

Safety — The first priority for the investment program shall be the safety of principal investment. Procedures for ensuring safety of principal shall involve compliance with legal requirements set forth under sections of the Government Code, development and maintenance of adequate records and controls, and avoidance of market speculation through an underlying "buy and hold" investment strategy.

Liquidity — The second priority for the investment program shall be to provide adequate cash for operations or capital purposes on an as-needed basis. Procedures for ensuring adequate liquidity shall include maintenance of pro forma City cash needs through analysis of historical and projected future cash flows, and matching investment maturities to cash requirements.

Yield — The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the investment risk constraints and liquidity needs. Yield on the City's investment portfolio is of secondary importance compared to the safety and liquidity objectives described above. Investments are limited to relatively low-risk securities in anticipation of earning a market rate of return relative to the risk being assumed. Nevertheless, investment performance shall be periodically monitored and evaluated by the Administrative Services Director by comparison with other benchmark yields.

Delegation of Authority

The City of San Ramon Municipal Code assigns treasury responsibilities to the Administrative Services Director who serves as the City Treasurer. The Administrative Services Director currently performs the duties of the Director of Finance. The authority to invest City Funds rests with the Administrative Services Director and his designated staff, herein referred to as the Deputy Treasurer. The Administrative Services Director has further authority, with consent of the City Council to delegate investment portfolio management to Meeder Public Funds, an Investment Advisory firm. No person may engage in an investment transaction except as provided for under the terms of this policy. The Administrative Services Director shall be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinate officials.

Ethics and Conflicts of Interest

Officers, Councilmembers, and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Employees, Councilmembers and investment officials shall disclose any material financial interests that could be related to the performance of the City's investment portfolio.

GASB 31

The Government Accounting Standards Board (GASB) Statement No. 31 requires that governmental entities report all investments with a maturity in excess of one-year at fair market value in the balance sheet or other statement of financial condition as of the end of the annual reporting cycle. Market value increases/declines are recognized by booking the variation against earnings at year-end. This book gain/loss would be realized by way of an increase/reduction in reserves, increasing/reducing funds available for appropriation. Because longer-term investments are subject to greater fluctuations in price and market value, specific constraints in the form of percentage limitations have been incorporated into this policy. These limitations minimize material gains/losses in the value of the portfolio in a declining/rising interest rate environment and mitigate the risks inherent in GASB Statement 31.

Permitted Investments

United States (U.S.) Treasury Obligations

California State Code:	53601 (b)
Maximum Term:	5 years
Maximum Type Allocation:	100%
Maximum Issuer Concentration:	100%
Minimum Issuer Rating:	N/A

Federal Agency Securities

California State Code:	53601 (f)
Maximum Term:	5 years
Maximum Type Allocation:	100%
Maximum Issuer Concentration:	50%
Minimum Issuer Rating:	N/A

Money Market Funds

California State Code:	53601 (r)
Maximum Term:	1 day
Maximum Type Allocation:	20%
Maximum Issuer Concentration:	20%
Minimum Issuer Rating:	The money market funds must have an average weighted maturity of 90 days or less and abide by SEC regulations; funds must receive the highest ranking by 2 of the 3 largest nationally recognized rating agencies OR retain an investment advisor who is registered, or exempt from registration, with the SEC and has at least 5 years' experience managing money market funds in excess of \$500 million
Other:	Invest in U.S. Treasuries, U.S. Federal Agencies, or repurchase agreements fully collateralize by U.S. treasury/federal agency securities and maintain a constant net asset value ("NAV"). The purchase price of the MMF shares shall not exceed 20% of the City's surplus funds. (Per section 53601-L)

City of San Ramon Bonds and Obligations

California State Code:	53601 (e)
Maximum Term:	5 years
Maximum Type Allocation:	10%
Maximum Issuer Concentration:	10%
Minimum Issuer Rating:	Aa3 or AA- by one NRSRO

State Obligations – California and Others

California State Code:	53601 (c) (d)
Maximum Term:	5 years
Maximum Type Allocation:	3%
Maximum Issuer Concentration:	3%
Minimum Issuer Rating:	Aa3 or AA- by one NRSRO

California Local Agency Bonds and Obligations

California State Code:	53601 (e)
Maximum Term:	5 years
Maximum Type Allocation:	10%
Maximum Issuer Concentration:	2%
Minimum Issuer Rating:	Aa3 or AA- by one NRSRO

Bankers' Acceptances

California State Code:	53601 (g)
Maximum Term:	180 days
Maximum Type Allocation:	40%
Maximum Issuer Concentration:	2%
Minimum Issuer Rating:	A1/P1 by S&P or Moody's

Local Agency Investment Fund ("LAIF")

California State Code:	16429.1
Maximum Term:	None
Maximum Type Allocation:	\$75 million (per LAIF account)
Maximum Issuer Concentration:	None

Joint Powers Authority Pool ("JPA")

California State Code:	53601 (p)
Maximum Term:	N/A
Maximum Type Allocation:	None
Maximum Issuer Concentration:	None
Other:	Must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has a least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).

Commercial Paper ("CP")

California State Code:	53601(h)(2)(c)
Maximum Term:	397 days
Maximum Type Allocation:	25%
Maximum Issuer Concentration:	10% in a single issuer and 2% in aggregate with corporate notes/bonds and certificate of deposits ("CDs") at time of purchase.
Minimum Issuer Rating:	A-1, P-1, F-1 equivalent or better by a NRSRO
Other:	1. is organized within the U.S. as a special purpose corporation, trust, or LLC, and has program wide credit enhancements, and have CP that is rated "A-1" or higher, or the equivalent, by a NRSRO.

2. Is organized within the United States as a special purpose corporation, trust, or limited liability company, has programmable credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond, has commercial paper rated "A-1" or higher, or the equivalent, by a NRSRO.

Negotiable CD (At or below the FDIC Limit)

California State Code: 53601(i)
 Maximum Term: 5 years
 Maximum Type Allocation: 30%
 Maximum Issuer Concentration: 2% in aggregate with corporate notes/bonds and CP
 Minimum Issuer Rating: Not applicable
 Other: Issued by a nationally or state-chartered bank, or a state or federal savings and loan association, or by a state-licensed branch of a foreign bank.

Negotiable CD

California State Code: 53601(i)
 Maximum Term: 5 years
 Maximum Type Allocation: 30%
 Maximum Issuer Concentration: 2% in aggregate with corporate notes/bonds and CP
 Minimum Issuer Rating: provided (1) that the senior debt obligations of the issuing institution are rated Aa2 or better by Moody's or rated AA or better by S&P and (2) that the financial institution has received a minimum overall "satisfactory" rating for meeting the credit needs of California communities in its most recent evaluation
 Other: issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank.

Medium-Term Corporate Notes

California State Code: 53601 (k)
 Maximum Term: 5 years
 Maximum Type Allocation: 30%
 Maximum Issuer Concentration: 2% in aggregate with CDs and CP
 Minimum Issuer Rating: A/A2 less than 4yrs, Aa-/Aa3 greater than 4 yrs by at least two of the NRSRO's.

Repurchase Agreements

California State Code:	53601 (j)
Maximum Term:	30 days
Maximum Type Allocation:	30%
Maximum Issuer Concentration:	Not applicable
Minimum Issuer Rating:	Not applicable
Collateral:	102%, by treasury and federal agency securities
Marked-to-Market	At least weekly
Other:	Executed with a bank organized and operating or licensed to operate in the United States under federal or state law or a securities dealer which is a registered broker/dealer, designated by the Federal Reserve Bank of New York as a primary dealer in United States government securities, and in full compliance with all applicable capital requirements, City Treasurer maintains a list of approved counterparties following a thorough review, counterparties execute a Master Repurchase Agreement, counterparties regularly provide audited financial statements

Collateralized Bank Deposits

California State Code:	53601 (n)
Maximum Term:	5 years
Maximum Type Allocation:	none
Maximum Issuer Concentration:	none
Minimum Issuer Rating:	N/A

Supranational Obligations

California State Code:	53601(q)
Maximum Term:	5 years
Maximum Type Allocation:	30%
Maximum Issuer Concentration:	5%
Minimum Issuer Rating:	Must be rated AA or better by at least two NRSRO. Must be senior unsubordinated obligations denominated in U.S. Dollars.
Other:	Issued by International Bank for Reconstruction and Development (“IBRD”), International Finance Corporation (“IFC”), or the Inter-American Development Bank (“IDB”). Obligations shall be denominated in U.S. dollars, be senior unsecured unsubordinated debt, purchased from a registered broker/dealer

Ineligible Investments

Any security type not specifically approved by this policy is hereby specifically prohibited. Security types which are thereby prohibited include, but are not limited to:

- "Complex" derivative structures such as range notes, dual index notes, inverse floaters, leveraged or deleveraged floating-rate notes, or any other complex variable-rate or structured note.
- Interest only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.
- Asset Backed Securities
- Common Stocks
- Reverse Repurchase Agreements

Maximum Maturity

Pursuant to Government Code §53601, the City Council limits investments to securities with remaining maturity periods of no greater than five years.

Credit/Issuer Risk

The City will seek to mitigate credit risk by requiring that issuers meet specific qualifying criteria. The following guidelines will be used to determine the distribution of funds between issuers.

For medium term corporate notes and negotiable certificates of deposit, issuers must possess an acceptable long-term senior debt rating by at least two of the nationally recognized ratings services, i.e. Moody's, S&P's, and Fitch, as detailed below:

1. For maturities of four years or less, a minimum rating of A2 by Moody's, A by S&P, or A by Fitch.
2. For maturities of four to five years, a minimum rating of Aa3 by Moody's, AA- by S&P, or AA- by Fitch.

In the event an issuer is downgraded to below A2 (Moody's) or A (S&P or Fitch), an analysis will be prepared of the exposure to the City and a recommendation will be made regarding holding the security or a possible sale.

Market Risk

Market risk shall be addressed by diversification of security types and distribution. Percentage limitations and maturity restrictions will comply with the State of California Government Code. Maturity distribution, particularly as impacted by changes in the yield curve will be frequently

monitored by staff. Market risk will further be mitigated by maintaining at least 30% of the total book value in securities having a maturity of one (1) year or less, this will provide sufficient liquidity to meet daily expenditure requirements. The weighted average maturity of the portfolio shall not exceed 2.5 years. The amount of maturities required within one- year and the weighted average maturity of the portfolio shall be considered at time of purchase.

Diversification by Investment Type and Issuer

Percentage limitations by investment type are outlined in Section 53600 of the Government Code. As described above the City will further diversify the portfolio by issuer, with the exception of Treasury securities, which will have no percentage limitations. The City shall seek to preserve principal by mitigating credit risk by diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the City. Listed below are sector and issuer limitations:

Sector	Sector Limit	Issuer Limit	Max Years	Minimum Rating <i>(NRSROs: S&P, Moody's, Fitch)</i>
U.S. Treasuries	100%	100%	5 Years	N/A
Federal Agencies	100%	50%	5 Years	N/A
Money Market	20%	20%	N/A	AAA/Aaa by at least two NRSROs
City of San Ramon Bonds	10%	10%	5 Years	Aa3 or AA- by one NRSRO
State of California Obligations	3%	3%	5 Years	Aa3 or AA- by one NRSRO
Local Agencies of California	10%	2%	5 Years	Aa3 or AA- by one NRSRO
Bankers' Acceptances	40%	2%*	180 Days	A1/P1 by S&P or Moody's
Local Agency Investment Fund (LAIF)	N/A	N/A	N/A	Per CA Code Limit \$75 million per account

Joint Powers Authority Pool (JPA)	N/A	N/A	N/A	N/A
Commercial Paper	25%	2%*	270 Days	A1/P1/F1 and long-term A/A2/A by one NRSRO
Negotiable CDs	30%	2%*	5 Years	See page 4 for rating criteria
Medium-Term Notes	30%	2%*	5 Years	A/A2 less than 4 yrs, Aa-/Aa3 greater than 4 yrs by at least two NRSROs
Repurchase Agreements	30%	N/A	30 days	N/A
Collateralized Bank Deposits	N/A	N/A	5 years	N/A
Supranational Obligations (IFC, IBRD, and IADB)	30%	5%	5 Years	AA/Aa2 by at least two NRSROs

*The issuer limits for Banker’s Acceptances, Commercial Paper, Negotiable Certificates of Deposits and Medium-Term Corporate Notes shall be calculated in aggregate at time of purchase.

Sale of Securities

The City does not make investments for the purpose of trading or speculation but buys with the prevalent intent to hold securities to maturity. The prohibition of speculative investment precludes pursuit of profit through unusual risk or conjectural fluctuations in market prices. However, fluctuations in market rates or changes in credit quality may produce situations where securities may be sold at a nominal loss in order to mitigate further erosion of principal. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

Brokers/Dealers

A competitive bid/offer process, utilizing a minimum of three financial institutions on the approved broker/dealer list maintained by the City or the City's Investment Advisor, will be used to place all investment purchases and sales of secondary traded issues, if possible. Some

secondary issues may be offered by only one or two broker/dealers. Purchases of securities that are new issues do not require three offers.

All brokers/dealers with whom business is transacted shall be subject to regulation by the Securities and Exchange Commission. The investment advisor annually conducts a review of all broker/dealers, including their adherence to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1).

Safekeeping and Custody

The assets of the City shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Collateralized securities such as repurchase agreements shall be purchased using the delivery versus payment procedures.

Reporting Requirements

Pursuant to Government Code §53646, the Administrative Services Director shall render a quarterly investment report to the City Manager and City Council showing the type of investment, issuer, purchase date, purchase price, date of maturity, amount of deposit, coupon rate of interest, investment yield, and, for investments with a maturity exceeding 12 months, current market value, and source of market valuation. The quarterly report shall state its relationship to the adopted investment policy and shall provide assurance that the investment portfolio provides sufficient cash flow to meet the cash requirements for the following six months. The investment report shall be submitted within 30 days following the end of the quarter. Additionally, pursuant to Government Code §53607, a monthly transaction report shall be presented to the City Manager and City Council.

Performance Standards

The City portfolio is managed with the objective of obtaining a market rate of return, commensurate with identified risk constraints and cash flow characteristics. The appropriate benchmarks will be periodically reviewed by the City Council Finance Committee.

Allocation of Interest

Interest from the City's pooled investments is allocated proportionately to the City's various funds in the month it is received.

Internal Controls

The Finance Director shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

Collateralization

California Government Code, Sections 53652, et seq., requires depositories to post certain types and levels of collateral for public funds above the FDIC insurance amounts. The collateral requirements apply to bank deposits, both active (checking and savings accounts) and inactive (non-negotiable time certificates of deposit).

Due Diligence of Investment Pools

The City shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. Annually, the finance director or designee shall seek responses to the following questions from any investment pool or mutual fund in which the City invests:

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

Glossary

Agencies: Federal agency securities.

Banker's Acceptance (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. The drafts are drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. An acceptance is a high grade negotiable instrument.

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

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

Broker: A broker brings buyers and sellers together for a commission. He/she does not take a position.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

Collateral: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper: Short term unsecured promissory note issued by a corporation (including limited liability companies) to raise working capital. These negotiable instruments are purchased at a discount to par value or at par value with interest bearing. Commercial paper is issued by corporations such as General Motors Acceptance Corporation, IBM, Bank of America, etc.

Comprehensive Annual Financial Report (CAFR): The official annual report for the City. It includes combined statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material and a detailed Statistical section.

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

Custody: A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions; buying and selling for his/her own account.

Delivery versus Payment: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Derivatives: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Diversification: Dividing investment among a variety of securities offering independent returns with the objective of lowering risk.

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

Federal Home Loan Banks (FHLB): Government sponsored wholesale banks which lend funds and provide correspondent banking services to member commercial banks, thrifty institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

Federal Home Loan Mortgage Corporation (FHLMC): The FHLMC was created under the Federal Home Loan Mortgage Act, Title III of the Emergency Home Finance Act of 1970 as a stockholder owned government-sponsored enterprise. Freddie Mac, as the corporation is called, is charged with providing stability and assistance to the secondary home mortgage market by buying first mortgages and participation interests and reselling these securities in the form of guaranteed mortgage securities. Although agency obligations are not explicitly guaranteed by the federal government, the rating agencies believe that in the unlikely event of financial difficulties, the federal government will support the agency to the extent necessary to provide for full and timely payment on their securities.

Federal National Mortgage Association (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Reserve System: The central bank of the United States created by congress and consisting of a seven-member Board of Governors in Washington, D.C.; 12 regional banks and approximately 38 percent of the 8,039 commercial banks in the United States are members of the Federal Reserve System. National banks must be members; state-chartered banks may join if they meet certain requirements.

Interest Rate: The annual yield earned on an investment expressed as a percentage.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. A security is said to be liquid if the spread between bid and asked prices is narrow and a reasonable size can be done at those quotes.

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

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

Money Market: A segment of the financial market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are traded.

Municipal Securities of Local Agencies: Debt securities issued by states, cities, counties and other governmental entities to fund day-to-day obligations and to finance capital projects. The purchase of municipal securities is a loan to the bond issuer in exchange for regular interest payments and the return of the original investment.

Nationally Recognized Statistical Rating Organization ("NRSRO"): Firms that review and assess the creditworthiness of an obligor as an entity or with respect to specific securities or money market instruments and express their opinion in the form of a letter rating. A credit rating agency may apply to the SEC for registration as a nationally recognized statistical rating organization ("NRSRO"). The primary rating agencies are Standard & Poor's Corporation, Moody's Investor Services, Inc. and Fitch, Inc.

Negotiable Certificates of Deposit: Unsecured obligations of the financial institution, bank or savings and loan, bought at par value with the promise to pay face value plus accrued interest at maturity. They are high-grade negotiable instruments, paying a higher interest rate than regular certificates of deposit.

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

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker/dealers, banks and a few unregulated firms.

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 a bond, the current income return.

Repurchase Agreement (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

Risk: Degree of uncertainty of return on an asset.

Safekeeping: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

Structured Notes: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, FHLMC, etc.) and Corporations, which have imbedded option (e.g. call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Securities & Exchange Commission: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC Rule 15C3-1: See “Uniform Net Capital Rule”.

Supranational Securities: A supranational organization is formed by a group of countries through an international treaty with specific objectives such as promoting economic development. Supranational organizations also issue debt in the United States. The most commonly recognized supranational debt is issued by the International Bank for Reconstruction and Development (IBRD or World Bank).

Treasury Bills: A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bond: Long-term U.S. Treasury securities having initial maturities of more than 10 years.

Treasury Notes: Intermediate-term coupon bearing U.S. Treasury having initial maturities of from one year to ten years.

Trustee: A financial institution with powers to act in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms as well as non-member broker/dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Yield: The rate of annual income return on an investment expressed as a percentage. (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security. (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.