

Those persons wishing to speak on any item, whether or not it is included on the agenda, are requested to fill out and submit to the Clerk of the Board a "Request to Speak" form. Thank you.

It is the intention of the Chino Valley Independent Fire District to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is normally provided, the Chino Valley Independent Fire District will attempt to accommodate you in every reasonable manner. Please contact the Administration Office (909) 902-5260 at least forty-eight (48) hours prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible. Please advise us at that time if you will need accommodations to attend or participate in meetings on a regular basis.

Any public record, relating to an open session agenda item, that is distributed within 72 hours prior to the meeting is available for public inspection at the District's Administrative Headquarters, 14011 City Center Drive, Chino Hills, CA 91709.

CHINO VALLEY INDEPENDENT FIRE DISTRICT
Special Meeting - Standing Committee Meeting
Finance Committee

Administrative Headquarters
14011 City Center Drive
Chino Hills, CA 91709

Monday, August 21, 2023

9:00 a.m. - Open Session

AGENDA

ROLL CALL

FLAG SALUTE

INVOCATION

Chaplain Ted Wong

PUBLIC COMMUNICATIONS

This is the time and place for the general public to address the Committee about subjects that do not appear elsewhere on the agenda. The public may address items on the agenda at the time addressed by the Committee.

Due to Board policy and Brown Act requirements, action may not be taken on any issue on the agenda. When you address the Committee, please state your name and address (optional) prior to making your remarks. Please limit your comments to 3 minutes.

MINUTES

1. Minutes - July 24, 2023 - Meeting

OLD BUSINESS - None

NEW BUSINESS

2. PURCHASE OF SPARTAN TYPE 1 FIRE ENGINE

Purpose is for the Finance Committee to review and discuss the proposed purchase of one new Spartan Emergency Response WUI Type I fire engine.

3. ANNUAL REVIEW OF INVESTMENT POLICY STATEMENT

Purpose is for the Finance Committee to conduct an annual review of the District's Investment Policy.

ADJOURNMENT

I, Angela Robles, Clerk of the Board, on behalf of the Board of Directors, do hereby certify that a copy of this agenda has been posted by 6:00 p.m., on Friday, August 18, 2023.

Angela Robles

Angela Robles, Clerk of the Board

CHINO VALLEY INDEPENDENT FIRE DISTRICT

NO STAFF REPORT

Minutes - July 24, 2023 - Meeting

ATTACHMENTS:

Minutes - July 24, 2023 - Meeting

CHINO VALLEY INDEPENDENT FIRE DISTRICT
Special Meeting - Standing Committee Meeting
Finance Committee

Administrative Headquarters
14011 City Center Drive
Chino Hills, CA 91709

Monday, July 24, 2023
8:00 a.m. Committee Meeting

MINUTES

TELECONFERENCE MEETING ANNOUNCEMENT

President DeMonaco opened the meeting at 8:00 a.m. He explained the process for members of the public to participate in the meeting and provide public comment.

ROLL CALL

President John DeMonaco
Vice President Harvey Luth
Fire Chief Dave Williams
Finance Director Mark Shaker
Clerk of the Board Angela Robles
Accountant Dawn Burns

FLAG SALUTE

President John DeMonaco led the flag salute.

INVOCATION

Chaplain Marco Miranda provided the invocation.

CHANGES TO THE AGENDA

Clerk of the Board Robles stated that there were no changes.

PUBLIC COMMUNICATIONS

None.

MINUTES

1. Minutes – May 22, 2023 Meeting

The Committee agreed to file the minutes, as presented.

OLD BUSINESS

None.

NEW BUSINESS

2. RESOLUTION NO. 2023-10 OF THE BOARD OF DIRECTORS OF THE CHINO VALLEY INDEPENDENT FIRE DISTRICT APPROVING THE ADDITION OF FISCAL YEAR 2022-23 ITEMS NOT COMPLETED AS OF JUNE 30, 2023 TO THE FISCAL YEAR 2023-24 AMENDED BUDGET AS BUDGET AMENDMENT NO.1

Purpose is to review Resolution No. 2023-10 adding Fiscal Year 2022-23 items not completed as of June 30, 2023 to the Fiscal Year 2023-24 Amended Budget as Budget Amendment No.1

Report by Finance Director Mark Shaker.

Expenditures approved in the 2022-23 budget were ongoing and have not been completed. The proposed carryover items from the 2022-23 budget are expected to be completed during the 2023-24 fiscal year. In an effort to more effectively account for and avoid having to re-budget, the items would be added to the Fiscal Year 2023-24 Amended Budget as Budget Amendment No. 1 per Resolution No. 2023-10.

President DeMonaco asked if there was Public comment.

There was no request from the public to speak on this item.

President DeMonaco asked for Committee comment.

The Committee discussed the payment status of items carried over from Fiscal Year 2022-23: USAR Paratech Shoring Kit and the UBESS SCBA Upgrade.

The Finance Committee agreed to place this item on the consent calendar for approval by the Board of Directors at the next regular meeting.

ADJOURNMENT

The meeting was adjourned at 8:05 a.m.

**CHINO VALLEY INDEPENDENT FIRE DISTRICT
STAFF REPORT**

DATE: AUGUST 21, 2023

TO: FINANCE COMMITTEE

FROM: DAVE WILLIAMS, FIRE CHIEF

SUBJECT: PURCHASE OF SPARTAN TYPE 1 FIRE ENGINE

PURPOSE:

Purpose is for the Finance Committee to review and discuss the proposed purchase of one new Spartan Emergency Response WUI Type I fire engine.

DISCUSSION:

On May 3, 2023 the District suffered a significant loss due to a fire which occurred at the District Maintenance Facility during which a 2008 Smeal/Spartan Type I engine was significantly damaged. This unit was a designated reserve fire engine at Fire Station 64. As a result of the fire, the engine was deemed a total loss by the District's insurance carrier, SDRMA. The purchase of a replacement engine will position the District to maintain peak operational readiness.

Executive Staff and the Apparatus Committee have worked together to weigh all options that meet the needs of the District. This included an assessment of manufacturer capabilities, production timelines, supply chain shortages, and District fire engine specifications needs to serve our community. Additionally, it should be noted that Spartan is quoting a 550 days (1.51 years, March 2025) for construction and delivery.

Staff recommends the proposed purchase of a new Spartan Emergency Response WUI Type I fire engine. The apparatus will be equipped with all equipment, specifications recommendations and requirements listed under California O.E.S. Standards and NFPA 1901 for a Type I fire engine. Including a Metro Star enclosed cab, a Cummins IXS12 heavy duty diesel motor, a 1,500 GPM Type I fire rated pump, and unique added advantage of being a Wildland Urban Interface, WUI model. Furthermore, it is equipped with an additional Auxiliary Pump, increased approach and departure angles, and suspension clearances. The Spartan WUI Type I allows for on and off-road capabilities and offers the versatility and flexibility to navigate tight city streets as well as the ability to be used in rugged rural terrain.

The anticipated delivery date of fire engine will be in the 2024-2025 budget year. If approved, the expense relating to the purchase will be included in the Fiscal Year 2024-2025 Budget. District funds for the purchase would be legally encumbered upon signing the contract and purchase order with the vendor.

There are two options for payment and purchase of the Spartan Type I WUI. Option 1 seen below consists of a prepayment option coupled with a performance bond. Option 2 allows the District to be invoiced and pay for the engine upon delivery allowing the District to maintain funds in current investment opportunities.

Option 1 (100 % Pre-payment): \$1,097,582.44 Including Performance Bond and taxes.

Option 2 (Payment Due at Delivery): \$1,132,378.14 Includes taxes.

Staff has evaluated the purchasing options weighing the pros and cons of utilizing the pre-purchase option discount. Staff's recommendation is to order the Spartan without prepayment allowing the District to utilize the funds in its own investments rather than prepay in advance allowing for better interest earnings, outpacing Spartan's discount.

The attached quotes are through Sourcewell who has established purchasing agreements with the vendor under either a competitive bid or competitive proposal process. The process of accepting the terms of contract established under Sourcewell meet the requirements of the District's purchasing policy based on the use of pre-competed bid pricing.

Staff will work with legal to ensure that the purchase agreement preserves all of the appropriate rights and protections for the District. Staff is further recommending that the Fire Chief be designated the authority by the Board to execute the purchase agreement and related legal and contractual documents.

Staff is seeking approval for the purchase of the 2024 Spartan Emergency Response WUI Type I Engine, and is recommending that the Fire Chief be authorized to expend up to \$1,245,615.96, the full amount of the quoted price, inclusive of sales tax and a 10% contingency for change orders.

RECOMMENDATION:

It is recommended that the Finance Committee review and discuss Agreement No. 2023-12 for the proposed purchase of a new Spartan Emergency Response WUI Type I Engine, in the amount of \$1,132,378.14 with 10% contingency for a total consideration of \$1,245,615.95 and provide recommendation and direction to staff.

ATTACHMENTS:

PROPOSAL 1

PROPOSAL 2



Vendor Contract #113021-RVG-4

August 16, 2023

Captain Jeff Brady
Chino Valley Fire District
14011 City Center Drive
Chino Hills, CA 92806

We are pleased to offer you a Spartan Emergency Response Type I Urban Interface Fire Apparatus through the Sourcewell cooperative contract. The apparatus will be completed in approximately 550 days based on the provided specifications and drawings.

	Qty	Each	Total
<i>Category ERV014 – Type I Urban Interface Engine</i>			
MSRP	1	\$1,110,256.00	
Sourcewell Discount		(\$59,409.00)	
Discount Percentage		5.35%	
Sourcewell Price		\$1,050,847	\$1,050,847.00
100% Prepayment Discount with Bond			(\$32,293.00)
Sales Tax (7,75%)			\$78,937.94
Doc Fee			\$80.00
Tire Fee			\$10.50
Total Purchase Price			\$1,097,582.44

We look forward to providing your agency with industry-leading emergency vehicles. Our legacy of expertise means we build your apparatus from the ground up on a foundation ready to handle your specific response equipment and route needs. We put first responders first.

Sincerely,

Travis Grinstead
President & CEO



Vendor Contract #113021-RVG-4

August 16, 2023

Captain Jeff Brady
Chino Valley Fire District
14011 City Center Drive
Chino Hills, CA 92806

We are pleased to offer you a Spartan Emergency Response Type I Urban Interface Fire Apparatus through the Sourcewell cooperative contract. The apparatus will be completed in approximately 550 days based on the provided specifications and drawings.

Table with 4 columns: Category, Qty, Each, Total. Rows include MSRP, Sourcewell Discount, Sourcewell Price, Sales Tax, Doc Fee, Tire Fee, and Total Purchase Price.

We look forward to providing your agency with industry-leading emergency vehicles. Our legacy of expertise means we build your apparatus from the ground up on a foundation ready to handle your specific response equipment and route needs. We put first responders first.

Sincerely,

[Handwritten signature]

Travis Grinstead
President & CEO

**CHINO VALLEY INDEPENDENT FIRE DISTRICT
STAFF REPORT**

DATE: AUGUST 21, 2023

TO: FINANCE COMMITTEE

FROM: DAVE WILLIAMS, FIRE CHIEF

SUBJECT: ANNUAL REVIEW OF INVESTMENT POLICY STATEMENT

PURPOSE:

Purpose is for the Finance Committee to conduct an annual review of the District's Investment Policy.

DISCUSSION:

The current Investment Policy is attached to this report. No changes are proposed to the Investment Policy Statement at this time. Changes were last made in September 2022.

RECOMMENDATION:

It is recommended that the Finance Committee review and discuss the Investment Policy.

ATTACHMENTS:

CVIFD Investment Policy



Chino Valley Independent Fire District

Investment Policy

September 14, 2022

1. **PURPOSE**

To provide guidelines for the prudent investment of the Chino Valley Independent Fire District's temporarily idle cash in selected investments as authorized by the California Government Code sections 53600, et. seq., with the ultimate goal of protecting the District's pooled cash while producing a reasonable rate of return on investments and maintaining the public trust.

2. **POLICY**

It is the policy of the District to invest public funds in a manner which will provide a sound investment return with maximum security, while meeting the daily cash flow demands of the District's operations and conforming to all state and local statutes governing the investment of public funds. The District's investment policy has four objectives:

- 2.1. Protect principal
- 2.2. Provide for liquidity needs
- 2.3. Obtain reasonable rates of return on investment within the first two objectives
- 2.4. Maintain the public trust by avoiding any investment transactions that might impair public confidence.

3. **STANDARDS OF CARE**

3.1. Prudent Investor Standard

- 3.1.1. The standard of prudence to be used when managing the District's investments is California Government Code section 53600.3, the prudent investment standard.
- 3.1.2. Investment officers acting in accordance with this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit or market risk, provided that deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

3.2. Ethics and Conflict of Interest

- 3.2.1.** All personnel responsible for authorizing the purchase of investments shall refrain from personal business activities which could conflict with the proper execution of the District's investment program and/or which could impair an investment officer's ability to make impartial investment decisions.
- 3.2.2.** All responsible investment personnel shall disclose to the Board of Directors any material financial interests in any financial institution which is associated with the District's investment program and shall further disclose any material personal investment or financial position which could compromise impartial investment decision making with respect to the District's investment portfolio.
- 3.2.3.** Investment personnel shall file State Fair Political Practices Commission's Statement of Economic Interests (Form 700) and make all disclosures required by the District's conflict of interest policies.

3.3. Delegation of Authority

- 3.3.1.** Management responsibility for the District's investment program is hereby delegated to the following District personnel:
 - 3.3.1.1.** Fire Chief
 - 3.3.1.2.** Finance Director
 - 3.3.1.3.** Administrative Manager/Clerk of the Board
 - 3.3.1.4.** Human Resources Director
 - 3.3.1.5.** Deputy Chief
- 3.3.2.** For purposes of this policy, personnel delegated authority for management responsibility of the District's investment program shall be referred to as investment officer or investment personnel.
- 3.3.3.** No person may execute investment transactions except as provided under the terms of this investment policy.
- 3.3.4.** Under the direction of the Fire Chief, primary day-to-day responsibility for managing the District's investment program shall rest with the Finance

Director, who shall establish procedures for the operation of the investment program, consistent with this Investment Policy.

3.3.5. Under the direction of the Fire Chief, the Finance Director is hereby delegated authority from the Board of Directors to:

3.3.5.1. Enter into agreements with a District depository in order to enable investment personnel to execute investment transactions that will involve charges and credits to District bank accounts.

3.3.5.2. Enter into banking arrangements with a third-party bank trust department to provide for the safekeeping and custody of District investment securities.

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

3.3.6. Upon approval of the Fire Chief, the District may engage the support services of outside investment advisors with respect to the District's investment program, provided that it can be demonstrated that such outside support services produce a net financial advantage or necessary financial protection of the District's financial resources.

3.3.7. Delegation of authority under this policy shall be reviewed annually by the Board of Directors.

4. AUTHORIZED INVESTMENTS

Code Section 53601 provides legal authorization for the investment of funds of government agencies. All investments of the District shall conform to the requirements of applicable law and District policy, whichever is more restrictive. Except for legally restricted funds governed by separate policy as specified in Section 15 below, the District is authorized by law to invest in the following types of securities:

4.1. United States Treasury Issues. U.S. Treasury Notes, Bonds, Bills or Certificates of Indebtedness, or those for which the faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio which may be invested in this type of investment.

4.2. Federal Agency Obligations. Obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage

Association (FHLMC), and the Federal Agricultural Mortgage Corporation (FAMCA). There is no percentage limitation of the portfolio which may be invested in this type of investment.

4.3. State of California Local Agency Investment Fund. Local Agency Investment Fund (LAIF) pooled money investment account of the State of California. Investment up to amount permitted by LAIF. There is no percentage limitation for the portfolio which may be invested in this type of investment.

4.4. Municipal Debt. Registered state warrants or treasury notes or bonds of the State of California or any of the other 49 states of the United States, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the state or a department, board, agency, or authority of this state or any other state of the United States.

Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Purchases are limited to securities that have a long-term debt rating of at least "A" or its equivalent, by a Nationally Recognized Statistical Rating Organization (NRSRO) and/or have a short-term rating of at least "A-1" or its equivalent, by a NRSRO.

Investments shall be limited to no more than 25% of investment portfolio.

4.5. Bankers' Acceptances. Bankers' acceptances, otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Investment limited to 30% of investment portfolio. Banker's Acceptances purchased may not exceed 180 days to maturity.

4.6. Commercial Paper. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity issuing commercial paper shall meet all criteria as specified in Section 53601 of the California Government Code. Purchases of eligible commercial paper shall have a maximum maturity of 270 days and may not represent more than 10% of the outstanding paper of the issuing corporation, and the aggregate investment in commercial paper shall not exceed 25% of the District's portfolio.

- 4.7. Negotiable Certificates of Deposit.** Negotiable certificates of deposit issued by a nationally or state-chartered bank or state or federal savings association, or a state or federal credit union. Investments shall be limited to no more than 30% of investment portfolio.
- 4.8. Repurchase Agreements.** Repurchase agreements with a maximum maturity of 90 days. Market value of securities used as collateral for the repurchase agreements shall be valued at 102% or greater of the value of the repurchase agreement. A Master Repurchase Agreement must be executed with the bank or dealer prior to investing in a repurchase agreement. Investments of this type shall be limited to no more than 25% of investment portfolio.
- 4.9. Time Deposits.** Time deposits, non-negotiable and collateralized in accordance with California Government Code, may be purchased through banks, savings and loan associations, or credit unions, or a private sector entity that assists in the placement of time deposits, provided that the purchases of time deposits do not represent more than 25% of investment portfolio.
- 4.10. Guaranteed Investment Contracts.** Guaranteed Investment Contracts (GIC), providing that such contract(s) meet the requirements defined under Government Code Section 53601. GIC investments shall be utilized only for short-term investment of bond indenture or debt proceeds.
- 4.11. Money Market Mutual Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). Underlying investments in allowable money market funds shall be consistent with other allowable investments as set forth in this policy, to include: U.S. treasury instruments, federal government agency obligations, and/or repurchase agreements. To be eligible for investment pursuant to this policy these companies shall have either: (1) attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSRO, or, (2) retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). Investments in money market mutual funds are further limited to 15% of investment portfolio.
- 4.12. Medium Term Corporate Notes.** Medium term corporate notes, with a maximum maturity of five years. Securities eligible for investment shall be

rated A or better by a nationally recognized rating agency. Purchase of medium term notes may not exceed 30% of investment portfolio.

4.13. Local Government Investment Pools. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 of the California Government Code that invests in securities and obligations eligible for investment by local agencies directly. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

4.13.1. The adviser is registered or exempt from registration with the Securities and Exchange Commission.

4.13.2. The adviser has not less than five years of experience investing in securities and obligations eligible for local agency investment.

4.13.3. The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

5. PROHIBITED INVESTMENTS

Except for legally restricted funds governed by separate policy as specified in Section 15 below, any security type or structure not specifically approved by this policy is hereby specifically prohibited. Security types which are prohibited include, but are not limited to:

5.1. Inverse floaters

5.2. Range notes

5.3. Mortgage-derived interest only strips

5.4. Any security which could result in zero interest accrual if held to maturity

6. GENERAL DIVERSIFICATION OF INVESTMENT

The District's investment portfolio shall be diversified to avoid incurring unreasonable and avoidable risks with regard to specific investment types. Within investment types, the District shall also maintain a mix of securities to avoid concentrations within individual financial institutions, geographic areas, industry types and maturity dates.

7. MAXIMUM MATURITY

- 7.1. State law requires that the maturity of any given investment instrument not exceed five years unless specifically approved by the Board of Directors.
- 7.2. Investment maturities shall be based on a projection of District cash flows. Subject to the policy provisions outlined in section 7.1, investment maturities shall be scheduled to permit the District to meet all projected obligations.

8. **SALES PRIOR TO MATURITY**

While sales of investments prior to maturity are permitted to achieve certain investment objectives, the District's general investment strategy shall be to hold investments to maturity.

9. **COLLATERALIZATION**

For Certificates of Deposit in excess of the amount federally insured, the general collateralization level shall be 110% of the amount invested. For repurchase agreements, the collateralization level shall be at least 102% of the market value of the agreement.

10. **SAFEKEEPING AND CUSTODY**

- 10.1. All investment transactions entered into by the District shall be conducted on a delivery vs. payment basis. The District shall pay for the securities when they are delivered either to the District or the District's third party custodian, if applicable.
- 10.2. Securities purchased, including collateral for repurchase agreements, shall be held by a third party custodian designated by the District whenever possible. These securities shall be held in the District's name and third party custody shall be evidenced by safekeeping receipts.

11. **QUALIFIED BROKER/DEALERS AND INSTITUTIONS**

- 11.1. A list of qualified broker/dealers and financial institutions shall be maintained by the District.
- 11.2. A copy of this Investment Policy shall be sent to all broker/dealers approved to do business with the District. Broker/dealer(s) shall provide certification of having read, understood and agreeing to comply with the District's Investment Policy, and are free of conflicts of interest.

11.3. An annual review of the financial condition and registrations of qualified broker/dealers shall be conducted by the Finance Director.

11.4. If the District chooses to engage an outside investment adviser to provide investment advisory services, investment advisor may use its own list of approved issuers, broker/dealers and financial institutions to execute investment orders on behalf of the District.

12. INTERNAL CONTROLS

The Finance Director shall be responsible for establishing a set of internal controls related to the investment program. The internal controls will be subject to annual review by independent auditors in conjunction with the District's annual audit.

13. REPORTING REQUIREMENTS

The Finance Director shall be responsible for providing a monthly Treasurer's Report to the Board of Directors which shall include all required elements prescribed by Government Code section 53646.

13.1. Treasurer's Report to the Board of Directors shall include the face amount and cost of investment, type of investment, name of the issuer, coupon rate of interest, maturity date, current market value and accrued interest for all securities, as applicable.

13.2. Treasurer's Report shall also state compliance of portfolio with Investment Policy, or manner in which portfolio is not in compliance, if applicable.

14. ANNUAL POLICY REVIEW

This Investment Policy shall be subject to review by the District's Board of Directors, as needed, but no less than annually.

15. SECTION 115 TRUST

The District maintains an IRS Section 115 irrevocable trust and those funds are legally restricted to provide for funding of retirement obligations. Chino Valley Fire District Section 115 Trust funds are governed by a separate investment policy.

16. GLOSSARY OF TERMS

Bankers' 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.

Broker - A broker brings buyers and sellers together for a commission.

Certificate of Deposit (CD) - A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable. CD's may be eligible for FDIC insurance.

Collateral - Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Commercial Paper - Unsecured promissory note with a fixed maturity of 1 to 270 days. Commercial Paper is a money-market security issued by large banks and corporations to get money to meet short term debt obligations (for example, payroll), backed by an issuing bank or corporation's promise to pay the face amount on the maturity date specified on the note.

Corporate Note – A debt security issued by a corporation, also known as a corporate bond.

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.

Delivery vs. Payment (DVP) - Delivery of securities with a simultaneous exchange of money for the securities.

Depository - Financial institution in United States, such as a savings bank, that is legally allowed to accept monetary deposits.

Diversification - Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Federal Farm Credit System (FFCB) - The Federal Farm Credit System is a nationwide network of borrower-owned lending institutions and affiliated service entities that lends to agricultural and rural America. The System is the oldest Government-sponsored enterprise (GSE) created when Congress established authority for certain predecessor entities in 1916. For more than ninety years, the mission of the System has been to provide sound and dependable credit for agricultural producers, cooperatives, and certain farm related businesses.

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.

Government National Mortgage Association (GNMA) – Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations and other institutions. Security holder is protected by the full faith and credit of the U.S. Government. Ginnie Mae securities, are backed by the FHA, VA, or FmHA mortgages. The term “pass-throughs” is often used to describe Ginnie Maes.

Government Sponsored Enterprises (GSE) - The government-sponsored enterprises (GSEs) are a group of financial services corporations created by the United States Congress. Their function is to enhance the flow of credit to targeted sectors of the economy and to make those segments of the capital market more efficient and transparent. The desired effect of the GSEs is to enhance the availability and reduce the cost of credit to the targeted borrowing sectors: agriculture, home finance and education. Congress created the first GSE in 1916 with the creation of the Farm Credit System; it initiated GSEs in the home finance segment of the economy with the creation of the Federal Home Loan Banks in 1932; and it targeted education when it chartered Sallie Mae in 1972 (although Congress allowed Sallie Mae to relinquish its government sponsorship and become a fully private institution via legislation in 1995). The residential mortgage borrowing segment is by far the largest of the borrowing segments in which the GSEs operate. GSEs hold or pool approximately \$5 trillion worth of mortgages.

Guaranteed Investment Contracts - Fixed rate deposits which are similar to CDs, except purchased from insurance companies.

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

Inverse Floaters - Securities structured to provide a rate of return equal to a fixed rate, less a multiple of a floating rate index," such as the London Interbank Offered Rate (LIBOR). Such securities are backed by collateralized mortgage obligations (CMOs), which in turn are derived from pools of mortgages. The holders of CMO-backed securities receive payments generated by the mortgages in the underlying collateral pool.

Liquidity - Refers to the ability to rapidly convert an investment into cash with minimal risk of losing some portion of principal and/or interest.

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

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

Money Market - The market in which short-term debt instruments (bills, commercial paper, banker's acceptances, etc.) are issued and traded.

Mortgage-Derived Interest Only Strips - A type of fixed-income security where the holder is only entitled to receive regular cash flows that are derived from splitting a mortgage-backed security into its interest and principal payments.

Mutual Fund - is an investment vehicle made up of a pool of money collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and other assets.

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

Portfolio - Collection of securities held by an investor.

Prudent Investor Standard – Defined in California Government Code Section 53600.3, as follows: "When investing, reinvesting, 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.”

Range Notes - Typically pay interest at an above-market rate if LIBOR stays within a specific range, which may change according to a schedule. If LIBOR moves outside of that range, these notes may revert to a lower interest rate or no interest at all.

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 or the current income return.

Registered State Warrants – Interest bearing “IOUs” issued by the State of California, to be paid by the state when they mature or are called. Registered warrants drawn against unexhausted appropriations and otherwise issued in accordance with California law are extensions of credit to the state that constitute state general obligations.

Repurchase Agreement (RP or REPO) - A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on 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. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

Risk - Degree of uncertainty of return on an asset.

Time Deposit - Deposit at a banking institution that cannot be withdrawn for a certain "term" or period of time. When the term is over it can be withdrawn or it can be held for another term. Generally differentiated from a CD by virtue of the fact that the associated interest rate for a time deposit is non-negotiable.

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 Bonds - Long-term coupon-bearing U. S. Treasury securities issued as direct obligations of the U. S. Government and having initial maturities of more than ten years.

Treasury Certificate of Indebtedness - A short-term fixed income security issued by the U. S. Treasury that has a coupon, and typically matures in one year or less.

Treasury Notes - Medium-term coupon-bearing U. S. Treasury securities issued as direct obligations of the U. S. Government and having initial maturities from two to ten years.

Yield - The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity - The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.