



EAST BAY DISCHARGERS AUTHORITY
2651 Grant Avenue
San Lorenzo, CA 94580-1841
(510) 278-5910
FAX (510) 278-6547

A Joint Powers Public Agency

NOTICE: In compliance with AB 361 (2021), the Financial Management Committee meeting scheduled below will be accessible via Zoom video conferencing. Members of the public may participate in the meeting through the Zoom link or phone number below.

- Zoom link: <https://us02web.zoom.us/j/82261534447>
- Telephone dial-in: 1(669) 900-6833, meeting ID #822 6153 4447

ITEM NO. 12

FINANCIAL MANAGEMENT COMMITTEE AGENDA

Monday, December 13, 2021

10:00 A.M.

**East Bay Dischargers Authority
2651 Grant Avenue, San Lorenzo, CA 94580**

Committee Members: Duncan (Chair); Andrews

FM1. Call to Order

FM2. Roll Call

FM3. Public Forum

FM4. List of Disbursements for November 2021
(The Committee will review the List of Disbursements.)

FM5. Treasurer's Report for November 2021
(The Committee will review the Treasurer's Report.)

FM6. Motion to Accept the Audited Basic Financial Statements for Fiscal Year Ending June 30, 2021
(The Committee will consider the motion.)

FM7. Resolution Approving Revisions to the Authority's Investment Policy
(The Committee will consider the resolution.)

FM8. Review of the Authority's Investment Strategy
(The Committee will discuss whether changes are warranted to the Authority's Investment Strategy.)

FM9. Adjournment

Any member of the public may address the Committee at the commencement of the meeting on any matter within the jurisdiction of the Committee. This should not relate to any item on the agenda. Each person

Agenda Explanation
East Bay Dischargers Authority
Financial Management Committee
December 13, 2021

addressing the Committee should limit their presentation to three minutes. Non-English speakers using a translator will have a time limit of six minutes. Any member of the public desiring to provide comments to the Committee on any agenda item should do so at the time the item is considered. Oral comments should be limited to three minutes per individual or ten minutes for an organization. Speaker's cards will be available and are to be completed prior to speaking.

In compliance with the Americans with Disabilities Act of 1990, if you need special assistance to participate in an Authority meeting, or you need a copy of the agenda, or the agenda packet, in an appropriate alternative format, please contact the Juanita Villasenor at juanita@ebda.org or (510) 278-5910. Notification of at least 48 hours prior to the meeting or time when services are needed will assist the Authority staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

In compliance with SB 343, related writings of open session items are available for public inspection at East Bay Dischargers Authority, 2651 Grant Avenue, San Lorenzo, CA 94580. For your convenience, agenda items are also posted on the East Bay Dischargers Authority website located at <http://www.ebda.org>.

**The next Financial Management Committee meeting is scheduled on
Monday, January 24, 2022 at 10:00 a.m.**

ITEM NO. FM4 LIST OF DISBURSEMENTS FOR NOVEMBER 2021

The itemized List of Disbursements for the month of November 2021 totaled \$339,569.94.

Reviewed and Approved by:

Rita Duncan, Chair	Date
Financial Management Committee	

Jacqueline T. Zipkin	Date
Treasurer	

EAST BAY DISCHARGERS AUTHORITY
List of Disbursements
November 2021

CHECKS (SORTED BY AMOUNT)

Check #	Payment Date	Invoice #	Vendor Name	Description	Invoice Amount	Disbursement Amount
25418	11/15/2021	384690	CITY OF SAN LEANDRO	O&M - SEP	35,501.08	35,501.08
25438	11/30/2021	002807	UNION SANITARY DISTRICT	O&M - OCT	34,746.29	34,746.29
25445	11/30/2021	169636	ENVIRONMENTAL SCIENCE ASSOCIATES	FIRST MILE PROJECT WORK ORDER NO. 1	31,924.29	33,384.15
25445	11/30/2021	167124	ENVIRONMENTAL SCIENCE ASSOCIATES	FIRST MILE PROJECT WORK ORDER NO. 1	1,154.50	
25445	11/30/2021	196937	ENVIRONMENTAL SCIENCE ASSOCIATES	HAYWARD FEASIBILITY STUDY WORK ORDER NO. 2	305.36	
25419	11/15/2021	6514	ORO LOMA SANITARY DISTRICT	O&M - SEP	25,334.07	25,334.07
25444	11/30/2021	184910	MEYERS NAVE	LEGAL SERVICES - BRINE PROJECT	13,975.00	23,572.00
25444	11/30/2021	183313	MEYERS NAVE	LEGAL SERVICES - BRINE PROJECT	6,352.50	
25444	11/30/2021	Apr-06	MEYERS NAVE	LEGAL SERVICES - GENERAL COUNSEL & SPECIAL SERVICES	1,637.70	
25444	11/30/2021	183312	MEYERS NAVE	LEGAL SERVICES - GENERAL COUNSEL & SPECIAL SERVICES	1,606.80	
25437	11/30/2021	6524	ORO LOMA SANITARY DISTRICT	O&M - OCT	16,533.95	16,533.95
25431	11/15/2021	49577746	UNIVAR	SODIUM BISULFITE - DELIVERED 10/29/2021	6,700.42	13,109.05
25431	11/15/2021	49607229	UNIVAR	SODIUM BISULFITE - DELIVERED 11/10/2021	6,408.63	
25430	11/15/2021	EA06-0921	EOA, INC	NPDES PERMIT REISSUANCE ASSISTANCE	12,926.45	12,926.45
25429	11/15/2021	183313	MEYERS NAVE	LEGAL SERVICES - BRINE PROJECT	6,352.50	8,144.70
25429	11/15/2021	183312	MEYERS NAVE	LEGAL SERVICES - GENERAL COUNSEL & SPECIAL SERVICES	1,792.20	
25449	11/30/2021	2185	CROPPER ACCOUNTANCY	AUDITING SERVICES	7,500.00	7,500.00
25423	11/15/2021	44439	DEBORAH QUINN	ACCOUNTING SERVICES - AUG	6,517.50	6,517.50
25426	11/15/2021	FB16351	CAROLLO ENGINEERS	ENGINEERING SERVICES - WORK ORDER NO. 1	5,938.50	5,938.50
25435	11/15/2021	20210105.01-4	ASCENT ENVIRONMENTAL, INC	CONSULTING SERVICES - CARGILL CEQA	5,101.25	5,101.25
25442	11/30/2021	FB16624	CAROLLO ENGINEERS	ENGINEERING SERVICES - WORK ORDER NO. 3	4,040.50	4,040.50
25440	11/30/2021	50011	CALCON	OLEPS HYDRO TANK AND COMMUNICATION REPAIR	1,887.20	2,104.01
25440	11/30/2021	49997	CALCON	OLEPS VFD HMI (X2)	216.81	
25417	11/15/2021	639248	VANTAGEPOINT	ICMA DEFERRED COMPENSATION FOR PAY PERIOD ENDED 11/15/	1,951.42	1,951.42
25436	11/30/2021	645706	VANTAGEPOINT	ICMA DEFERRED COMPENSATION FOR PAY PERIOD ENDED 11/30/	1,951.42	1,951.42
25446	11/30/2021	626751	CALTEST	LAB TESTING SERVICES	1,753.10	1,753.10
25443	11/30/2021	6483	CSDA	MEMBERSHIP RENEWAL	1,556.00	1,556.00
25432	11/15/2021	118967984-0001	SUNBELT RENTALS INC	56 KW DIESEL GENERATOR RENTAL	1,135.57	1,501.05
25432	11/15/2021	119164537-0001	SUNBELT RENTALS INC	#2 BANDED 5 WIRE MALE TAIL	365.48	
25420	11/15/2021	52205705	CITY OF HAYWARD	BENEFIT PREMIUMS - NOV	1,345.92	1,345.92
25433	11/15/2021	034	CURRIE ENGINEERS, INC	PROJECT / CONSTRUCTION MANAGER SERVICES - WORK ORDER	1,335.75	1,335.75
25425	11/15/2021	9098443709	GRAINGER	1HP SEWAGE EJECTOR PUMP, 240VAC	1,212.88	1,212.88
25448	11/30/2021	1305742	HANSON BRIDGETT	LEGAL SERVICES	1,030.00	1,190.00

EAST BAY DISCHARGERS AUTHORITY
List of Disbursements
November 2021

Check #	Payment Date	Invoice #	Vendor Name	Description	Invoice Amount	Disbursement Amount
25448	11/30/2021	1305744	HANSON BRIDGETT	LEGAL SERVICES	160.00	
25428	11/15/2021	4246044555687627	US BANK	PURCHASING CARD EXPENSES	1,044.50	1,044.50
25422	11/15/2021	1746192-21	SCIF	WORKERS COMPENSATION PREMIUM - OCT	679.25	679.25
25427	11/15/2021	08313	CAYUGA INFORMATION SYSTEMS	IT SERVICES	630.00	630.00
25439	11/30/2021	510-483-0439	AT&T	TELEPHONE SERVICE - MDF	196.51	196.51
25447	11/30/2021	3377615	CALTRONICS	COPIER USAGE AND MAINTENANCE	153.86	153.86
25434	11/15/2021	49249	COMPUTER COURAGE	WEBSITE HOSTING - NOV	150.00	150.00
25421	11/15/2021	44777800001	EBMUD	WATER & SEWER, ADMIN SEP-NOV	102.13	102.13
25424	11/15/2021	9891826345	VERIZON WIRELESS	WIRELESS PHONE SERVICES	76.32	76.32
25441	11/30/2021	9892630490	VERIZON WIRELESS	MODEM FOR SCADA	22.02	22.02
25429	11/15/2021		MEYERS NAVE	VOID CHECK	(8,144.70)	(8,144.70)
TOTAL CHECK PAYMENTS					243,160.93	243,160.93
ELECTRONIC PAYMENTS						
	11/02/2021	5105948980-0	PG&E	GAS & ELECTRIC SERVICE	34362.34	34,362.34
	11/15/2021	100000016591394	CALPERS	HEALTH PREMIUMS - NOV	6907.99	6,907.99
	11/08/2021	100000016545464	CALPERS	PENSION CONTRIBUTION, CLASSIC 10/16 - 31/2021	4575.23	4,575.23
	11/18/2021	100000016585126	CALPERS	PENSION CONTRIBUTION, CLASSIC 11/01 - 15/2021	4575.23	4,575.23
	11/18/2021	100000016623807	CALPERS	PENSION CONTRIBUTION, PEPRA 11/01 - 15/2021	157.51	157.51
TOTAL ELECTRONIC PAYMENTS					50,578.30	50,578.30
PAYROLL						
			ADP, LLC	PAYROLL PERIOD: 11/16-30/2021	24,370.76	24,370.76
			ADP, LLC	PAYROLL PERIOD: 11/01-15/2021	21,299.35	21,299.35
	11/05/2021	591477233	ADP, LLC	PAYROLL FEES, PERIOD: 10/15-31/2021	85.60	85.60
	11/19/2021	592496504	ADP, LLC	PAYROLL FEES, PERIOD: 11/01-15/2021	75.00	75.00
TOTAL PAYROLL					45,830.71	45,830.71
TOTAL DISBURSEMENTS						339,569.94

ITEM NO. FM5 TREASURER'S REPORT FOR NOVEMBER 2021

The beginning cash balance on November 1, 2021 was \$4,970,792.64. The ending cash balance on November 30, 2021 was \$4,632,887.66. Total receipts for the period were \$1,664.96 and disbursements totaled \$339,569.94. EBDA's LAIF balance is \$3,260,119.57.

EBDA currently has a two-pronged investment approach that includes Local Agency Investment Fund (LAIF) and traditional bank accounts.

The Authority's Investment Strategy is discussed in Item No. FM7.

Approval is recommended.

EAST BAY DISCHARGERS AUTHORITY

TREASURER'S REPORT

NOVEMBER 30, 2021

FUND	DESCRIPTION	BEGINNING CASH BALANCE	DEBITS (INCREASE)	CREDITS (DECREASE)	ENDING CASH BALANCE
12	OPERATIONS & MAINTENANCE	1,847,983.53	1,664.96	243,096.30	1,606,552.19
13	PLANNING & SPECIAL STUDIES	444,937.33		51,541.10	393,396.23
14	RECLAMATION O & M (SKYWEST)	59,785.21		1,216.47	58,568.74
15	BRINE ACCEPTANCE	106,385.69		33,730.29	72,655.40
31	RENEWAL & REPLACEMENT	2,511,700.88		9,985.78	2,501,715.10
TOTALS		4,970,792.64	1,664.96	339,569.94	4,632,887.66

Nov-21

12/8/2021

SUPPLEMENTAL TREASURERS REPORT

DATE	TRANSACTION	RECEIPT	DISBURSEMENT CHECKING	DISBURSEMENT PAYROLL	PAYROLL TRANSFER	LAIF TRANSFER	CD TRANSFER	CD INTEREST & EXPENSES	WELLS FARGO CHECKING BALANCE	WELLS FARGO PAYROLL BALANCE	LAIF BALANCE	WELLS FARGO CERTIFICATES OF DEPOSIT	TOTAL CASH
10/31/21	BALANCE								1,687,787.44	22,885.62	3,260,119.57	0.01	4,970,792.64
11/02/21	ELECTRONIC BILL PAY		34,362.34						1,653,425.10	22,885.62	3,260,119.57	0.01	4,936,430.30
11/05/21	PAYROLL FEES			85.60					1,653,425.10	22,800.02	3,260,119.57	0.01	4,936,344.70
11/08/21	PAYROLL TRANSFER				30,000.00				1,623,425.10	52,800.02	3,260,119.57	0.01	4,936,344.70
11/08/21	ELECTRONIC BILL PAY		4,575.23						1,618,849.87	52,800.02	3,260,119.57	0.01	4,931,769.47
11/12/21	DEPOSIT	1,635.55							1,620,485.42	52,800.02	3,260,119.57	0.01	4,933,405.02
11/12/21	PAYROLL			21,299.35					1,620,485.42	31,500.67	3,260,119.57	0.01	4,912,105.67
11/15/21	ELECTRONIC BILL PAY		6,907.99						1,613,577.43	31,500.67	3,260,119.57	0.01	4,905,197.68
11/15/21	DEPOSIT	22.01							1,613,599.44	31,500.67	3,260,119.57	0.01	4,905,219.69
11/15/21	DISBURSEMENT		122,601.82						1,490,997.62	31,500.67	3,260,119.57	0.01	4,782,617.87
11/18/21	ELECTRONIC BILL PAY		4,575.23						1,486,422.39	31,500.67	3,260,119.57	0.01	4,778,042.64
11/18/21	ELECTRONIC BILL PAY		157.51						1,486,264.88	31,500.67	3,260,119.57	0.01	4,777,885.13
11/19/21	PAYROLL FEES			75.00					1,486,264.88	31,425.67	3,260,119.57	0.01	4,777,810.13
11/22/21	PAYROLL TRANSFER				25,000.00				1,461,264.88	56,425.67	3,260,119.57	0.01	4,777,810.13
11/29/21	PAYROLL			24,370.76					1,461,264.88	32,054.91	3,260,119.57	0.01	4,753,439.37
11/30/21	DEPOSIT	7.40							1,461,272.28	32,054.91	3,260,119.57	0.01	4,753,446.77
11/30/21	VOID CHECK		(8,144.70)						1,469,416.98	32,054.91	3,260,119.57	0.01	4,761,591.47
11/30/21	DISBURSEMENT		128,703.81						1,340,713.17	32,054.91	3,260,119.57	0.01	4,632,887.66
TOTAL		1,664.96	293,739.23	45,830.71	55,000.00	-	-	-	1,340,713.17	32,054.91	3,260,119.57	0.01	4,632,887.66
CURRENT BALANCE									1,340,713.17	32,054.91	3,260,119.57	0.01	4,632,887.66
Reconciliation													
①	Per Bank Statement @ 11/30/21	\$ 1,472,728.65											
	Less: Outstanding Checks	132,015.48											
		\$ 1,340,713.17											
②	Per Bank Statement @ 11/30/21	\$ 32,054.91											
③	Per LAIF Statement @ 11/30/21	\$ 3,260,119.57											
④	Per Treasurer's Report @ 11/30/21	\$ 0.01											
	Fair Market Value Increase/Decrease	-											
	Per Investment Statement @ 11/30/21	\$ 0.01											

The Supplemental Treasurer's Report is prepared monthly by the General Manager. It also serves as EBDA's cash and investments reconciliation.

ITEM NO. FM6 MOTION TO ACCEPT THE AUDITED BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING JUNE 30, 2021

Recommendation

Accept, by motion, the audited basic financial statements for fiscal year ending June 30, 2021.

Discussion

The Authority's audited basic financial statements for the fiscal year ending June 30, 2021 are attached as a separate document for the Committee's review and full Commission acceptance. Staff and the Authority's accountant reviewed the report and made changes that were incorporated into the report. No deficiencies in internal controls considered to be material weaknesses were identified during the audit.

In compliance with the Authority's Audit Policy, the Authority changed auditing firms this year for a fresh look at the Authority's finances. Following a Request for Proposals process, staff selected Cropper Accountancy Corporation to perform the Authority's audits for the next several years. The Commission approved Cropper's contract in June 2021.

John Cropper, Managing Shareholder at Cropper Accountancy Corporation, conducted the field work along with his colleagues. Mr. Cropper will participate in the December 13 Financial Management Committee meeting. Mr. Cropper will also present the audited financial statements to the Commission at the Thursday, December 16 meeting.

Acceptance of the basic financial statements authorizes their publication. Copies will be provided to the State Controller's Office, the Alameda County Auditor-Controller, member agencies and other interested parties. The document will also be posted on the EBDA website.

The basic financial statements will be sent under separate cover.

ITEM NO. FM7 RESOLUTION APPROVING REVISIONS TO THE AUTHORITY'S INVESTMENT POLICY

Recommendation

Adopt a resolution approving revisions to the Authority's Investment Policy.

Background

In March 2019, the Commission adopted a new Investment Policy, updating a policy and procedure previously adopted in 2013. The Policy lays out the overall guidelines for the Authority's investments, consistent with relevant government codes. Staff had assistance from PFM Asset Management, LLC in updating the Policy.

The Policy incorporates by reference relevant sections of California Government Code that govern public agency investments. The initially adopted Policy said that those sections were to be attached. In May 2019, the Commission adopted a new version of the Policy that, along with other minor revisions, removed the attachments on the grounds that the references are sufficient, and instead included Figure 1 of the [California Debt and Investment Advisory Commission's Local Agency Investment Guidelines](#), which is a helpful summary of the requirements in the Government Code. The Policy included the 2019 version of the table.

Discussion

Staff has reviewed the existing Investment Policy, along with similar policies recently adopted by Member Agencies, and does not recommend any substantive changes at this time. The Policy remains wide-ranging, setting the boundaries for public agency investment according to state laws and regulations.

Staff does recommend one edit, because Figure 1 of the Local Agency Investment Guidelines, which is included in the Policy, has been updated since the Policy was adopted in 2019. The Guidelines and summary table are updated from time to time to reflect changes in law. The proposed edit to the Authority's Investment Policy allows the Policy to automatically reference the most recent version by linking to the website. The most recent version of the table (now the 2021 version) is still included for easy reference.

The proposed revisions to the Investment Policy are attached in track changes. A clean copy for approval is also attached.

POLICY NUMBER: 1.1

NAME OF POLICY: Finance - Investments

LAST REVISED: ~~5/13/2020~~ 12/16/2021

PREVIOUSLY REVISED: ~~3/21/2019~~ 05/13/2020

PURPOSE: All financial assets, including special revenue funds, capital project funds, internal service funds and other funds that may be created from time to time, shall be administered in accordance with the provisions of this Policy and are accounted for in the Annual Financial Report. This Investment Policy is used to guide Authority staff in investment decisions and transactions.

POLICY: It is the policy of East Bay Dischargers Authority (Authority) to invest public funds in a manner which prioritizes security over investment return, while meeting the daily cash flow demands of the Authority, and conforming to California Government Code Sections 53601 through 53686 and other statutes governing the investment of public funds.

DETAILED DISCUSSION:

A. OBJECTIVES:

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

- 1. Safety:** Safety of principal is the foremost objective of the investment program. Investments of the East Bay Dischargers Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- 2. Liquidity:** The investment portfolio will remain sufficiently liquid to enable the East Bay Dischargers Authority to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. (CGC 53600.5)

B. STANDARD OF CARE:

- **Prudence:** All investments shall be made within the policy framework of liquidity, safety, and investment return, with the judgment and care a person of prudence and intelligence would, under the circumstances then prevailing, exercise in the management of his/her affairs.
- **Ethics and Conflict of Interest:** District officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officers and employee involved in the investment process shall abide by CGC Section 109, et seq. and the California Political Reform Act.
- **Delegation of Authority:** The authority to manage investment programs is granted to the Investment Committee which is comprised of the two members of the Financial Management Committee appointed by the Commission, and the General Manager/Treasurer. The responsibility for the operation and day-to-day maintenance of the investment program is delegated to the Authority's General Manager/Treasurer. The General Manager/Treasurer shall file with the Authority an official bond. The Authority shall pay the cost of said bonds.

C. PROCEDURES:

The General Manager/Treasurer shall establish written procedures and a system of internal controls for the operation of the investment program consistent with this investment policy to be incorporated into the Authority's Financial Management System Policy and Procedures Manual. Procedures should include references to: safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Financial Management Committee. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The General Manager/Treasurer is a trustee and a fiduciary subject to the prudent investor standard. (CGC 53600.3)

D. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS:

The General Manager/Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization that are authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the General Manager/Treasurer shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations and familiar with the Government Code restrictions on public agency investments and have a substantial experience with other public agency investments.

Before engaging in investment transactions with a broker/dealer, the General Manager/Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the Authority's account with that firm has reviewed the Authority's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the Authority that are appropriate under the terms and conditions of the Investment Policy.

E. AUTHORIZED AND SUITABLE INVESTMENTS:

- The allowable investment instruments applicable to all local agencies, including the East Bay Dischargers Authority, are shown in the documents listed below and included by reference in this investment policy. California Government Code Section 5920-5924
- California Government Code Section 16429.1-16429.4
- California Government Code Section 53500-53505
- California Government Code Section 53600-53609
- California Government Code Section 53630-53686

See CGC 53601 for a detailed summary of the limitations and special conditions that apply to each of the above listed investment securities. [A table summarizing allowable investments is included as Figure 1 in the California Debt and Investment Advisory](#)

Commission's Local Agency Investment Guidelines, available at the following website: <https://www.treasurer.ca.gov/cdiac/laig/guideline.pdf>. The Guidelines and table are updated periodically to reflect changes in law. The most recent version at the time of Policy adoption is attached here for reference.

~~The following table summarizes allowable investments, and is attached and included at the end of this Policy:~~

~~Figure 1, Chapter II. Fund Management, Local Agency Investment Guidelines 2019, California Debt and Investment Advisory Commission.~~

F. PROHIBITED INVESTMENTS:

Under the provisions of CGC 53601.6 and 53631.5, the Authority shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

G. COLLATERALIZATION:

All certificates of deposits and repurchase agreements must be collateralized by U. S. Treasury Obligations. Collateral must be held by a third party and valued on a monthly basis. The percentage of collateralization on Repurchase Agreements will adhere to the amount required under CGC 53601(i)(2).

H. DIVERSIFICATIONS:

It is the policy of the Authority to diversify its investment portfolio. With the exception of funds invested in LAIF, United State Treasury Bills, notes, and bonds, the Authority will diversify its investments by security type and, within each type, by institution. Invested assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification shall be determined and revised periodically by the Treasurer in consultation with the Financial Management Committee. In establishing specific diversification strategies, the following guidelines shall apply:

- 1) Portfolio maturities shall be matched against projected liabilities to avoid an over concentration in a specific series of maturities.
- 2) Maturities selected shall provide for stability and liquidity.

3) Disbursement and payroll dates shall be covered by the scheduled maturity of specific investments, marketable U. S. Treasury Bills or Notes or other cash equivalent instruments, such as money market mutual funds.

I. PERFORMANCE STANDARDS:

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the Authority. The Authority shall establish a performance benchmark. Benchmarks may change over time based on changes in market conditions, investment preferences, or cash flow requirements.

J. INTERNAL CONTROLS:

The Authority shall establish a set of internal controls which shall be documented in writing. The internal controls will be reviewed by the Authority and with the independent auditor. The controls shall be designed to prevent employee error, misrepresentations by third parties, and unanticipated changes in financial markets or imprudent actions by officers or employees of the Authority.

K. SAFEKEEPING & CUSTODY:

All security transactions entered into by the Authority shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the Authority by book entry, physical delivery or by third party custodial agreement. (CGC 53601). The Treasurer shall deposit securities in which the Authority holds funds in a safe deposit box in the name of East Bay Dischargers Authority.

L. REPORTING:

The Treasurer shall submit to the Commission a monthly report. The report shall include a complete description of the portfolio, the type of investment, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed by third party contractors. The report will also include the source of the portfolio valuation. In the case of funds invested in The Local Agency Investment Fund (LAIF), FDIC Insured accounts or county investment pools, current statements from those institutions will satisfy the above reporting requirement. The report will also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the Authority will meet its expenditure obligations for the next six months. [CGC 53646(b)]. The Treasurer shall maintain a complete and timely record of all investment transactions.

M. INVESTMENT POLICY ADOPTION:

The Investment Policy shall be adopted by resolution of the East Bay Dischargers Authority. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Commission.

GLOSSARY:

ASK PRICE: The price at which a seller offers to sell a security to a buyer.

ASSET-BACKED SECURITIES: Bonds created from various types of consumer debt.

Returns on these securities come from customer payments on their outstanding loans. The primary types of asset-backed securities are mortgages, home equity loans, auto loans, leases, credit card receivables and student loans.

BANKERS' ACCEPTANCE: A letter of credit issued in a foreign trade transaction which allows exporters to receive payment prior to importation of their goods. Banks provide short-term financing to facilitate the transaction and may sell the obligation to a third party. Bankers' Acceptances are secured by the issuer of the bill, while the underlying goods also serve as collateral.

BANK DEPOSITS: Collateral in the form of currency that may be in the form of demand accounts (checking) or investments in accounts that have a fixed term and negotiated rate of interest.

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 PRICE: The price at which a buyer offers to purchase a security from the seller.

BOND: A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate called a coupon payment. Bonds are used by companies, municipalities, states and the U.S. government to finance a variety of projects and operating activities.

BROKER: A broker aligns buyers and sellers of securities and receives a commission when a sale occurs. Brokers generally do not hold inventory or make a market for securities.

CALIFORNIA LOCAL AGENCY OBLIGATIONS: Bonds that are issued by a California county, Authority, Authority and county, including a chartered Authority or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

CD (CERTIFICATE OF DEPOSIT): Time deposits issued by a bank, savings or federal credit union, or state-licensed branch of a foreign bank. Negotiable Certificates of Deposits rely on the credit rating of the issuing entity.

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

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

COMMERCIAL PAPER: Short-term unsecured promissory note issued by a company or financial institution. Commercial paper is issued at a discount and matures at face value. Usually a maximum maturity of 270 days, and given a short-term debt rating by one or more nationally recognized statistical rating organizations (NRSROs).

COUNTY POOLED INVESTMENT FUNDS: The aggregate of all funds from public agencies placed in the custody of the county treasurer or chief finance officer for investment and reinvestment.

COUPON: The annual rate of interest that a bond's issuer promises to pay the bondholder, expressed as a percentage of the bond's face value.

CREDIT RISK: Credit risk is the likelihood that an issuer will be unable to make scheduled payments of interest or principal on an outstanding obligation.

CUSTODIAN: An agent such as a broker or a bank that stores a customer's investments for safekeeping. The custodian does not have fiduciary responsibilities.

DEALER: A dealer, as opposed to a broker, acts as a principal in security transactions, selling securities from, and buying securities for his/her own position.

DEFAULT: To default is to fail to repay principal or make timely interest payments on a bond or other debt investment security, or failure to fulfill the terms of a note or contract.

DELIVERY VERSUS PAYMENT (DVP): A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: The weighted average time to maturity of a bond where the weights are the present values of future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates.

FIDUCIARY: An individual who holds something in trust for another and bears liability for its safekeeping.

FLOATING RATE INVESTMENTS: Notes whose interest rate is adjusted according to the interest rates of other financial instruments. These instruments provide protection against rising or falling interest rates, but may pay lower yield than fixed rate notes.

FUTURES: Commodities, which are sold in the present time and are to be delivered at a future date.

INTEREST ONLY STRIPS: Securities with cash flow based entirely on the monthly interest payments received from a mortgage, Treasury, or bond payment. No principal is included in these types of securities.

INVERSE FLOATING RATE INVESTMENTS: Variable-rate notes (such as inverse floating rate notes) whose coupon and value increase as interest rates decrease.

INVESTMENT PROGRAM: The process of modern portfolio management. The process includes establishing investment policy, analysis of the economic and capital markets environment, portfolio monitoring and rebalancing, and measuring performance.

LIQUIDITY: The ease with which investments can be converted to cash at their present market value. Liquidity is significantly affected by the number of buyers and sellers trading a given security and the number of units of the security available for trading.

LOCAL AGENCY BONDS: These bonds are issued by a county, Authority, Authority and county, including a chartered Authority or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

LOCAL AGENCY INVESTMENT FUND (LAIF): A voluntary investment fund open to state and local government entities and certain non-profit organizations in California in which organization pools their funds for investment. LAIF is managed by the State Treasurer's Office.

MARKET RISK: Market risk is the risk that investments will change in value based on changes in general market prices.

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

MASTER REPURCHASE AGREEMENT: A written contract which includes provisions specific to the governmental agency that is signed by an authorized officer with each counterparty. A master agreement will often specify details to the nature of transactions, the relationship of the parties to the agreement, parameters pertaining to the ownership and custody of collateral, and remedies in the event of default by either party.

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

MEDIUM TERM NOTES (MTN): Unsecured, investment-grade senior debt securities of major corporations that are sold either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MORTGAGE-BACKED SECURITIES: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the real estate assets are used to pay interest and principal on the bonds.

MORTGAGE PASS-THROUGH SECURITIES: A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUTUAL FUNDS: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. **Money market mutual funds** invest exclusively in short-term (1-day to 1-year) debt obligations such as Treasury bills, certificates of deposit, and commercial paper. The principal objective is the preservation of capital and generation of current income.

OFFER: The price asked by a seller of securities. See Ask Price and Bid Price.

OPTION: A contract that provides the right or obligation, depending on the buyer or seller's position within the contract, to buy or to sell a specific amount of a specific security within a predetermined time period at a specified price. A call option provides the right to buy the underlying security. A put option provides the right to sell the underlying security. The seller of the contracts is called the writer.

PORTFOLIO: A 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.

PRINCIPAL ONLY STRIPS: Securities with cash flow based entirely on the principal payments received from an obligation.

RANGE NOTES: A range note is a bond that pays interest if a specified interest rate remains above or below a certain level and/or remains within a certain range.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price.

REPURCHASE AGREEMENT (RP, Repo): A contractual transaction between an investor and an issuing financial institution (bank or securities dealer). The investor exchanges cash for temporary ownership or control of collateral securities, with an agreement between the parties that on a future date, the financial institution will repurchase the securities.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held by the bank in the customer's name.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION (SEC): A federal government agency comprised of five commissioners appointed by the President and approved by the Senate. The SEC was established to protect the individual investor from fraud and malpractice in the marketplace. The Commission oversees and regulates the activities of registered investment advisers, stock and bond markets, broker/dealers, and mutual funds.

STATE OBLIGATIONS: Registered treasury notes or bonds of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the 50 United States.

STRIPS: Bonds, usually issued by the U.S. Treasury, whose two components, interest and repayment of principal, are separated and sold individually as zero-coupon bonds. Strips are an acronym for Separate Trading of Registered Interest and Principal of Securities.

SUPRANATIONALS: International financial institutions that are generally established by agreements among nations, with member nations contributing capital and participating in management. Supranational bonds finance economic and infrastructure development and support environmental protection, poverty reduction, and renewable energy around the globe.

TRUSTEE: An individual or organization, which holds or manages and invests assets for the benefit of another. The trustee is legally obliged to make all trust-related decisions with the trustee's interests in mind, and may be liable for damages in the event of not doing so.

U.S. AGENCY OBLIGATIONS: Federal agency or United States government-sponsored enterprise obligations (GSEs), participations, or other instruments. The obligations are issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Issuers include: Fannie Mae, Farmer Mac, Federal Farm Credit Banks, Freddie Mac, Federal Home Loan Banks, Financing Corporation, Tennessee Valley Authority, Resolution Trust Funding Corporation, World Bank, Inter-American Development Bank, and PEFCO.

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

Treasury Bills: All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury Bills (T-bills). The Treasury currently issues 3-month and 6-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth cash flows.

Treasury Notes: All securities issued with initial maturities of 2- to 10-years are called Treasury Notes (T-notes), and pay interest semi-annually.

Treasury Bonds: All securities issued with initial maturities greater than 10-years are called Treasury Bonds (T-bonds). Like Treasury Notes, they pay interest semi-annually.

WAL: Weighted Average Life: The average life of all the securities that comprise a portfolio, typically expressed in days or years.

YIELD: The rate of annual income return on an investment, expressed as a percentage. Yield does not include capital gains.

Income Yield is obtained by dividing the current dollar income by the current market price for the security.

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.

ZERO-COUPON BOND: A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount. Zero-coupon bonds are typically issued at a discount and repaid at par upon maturity.

FIGURE 1

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2021)^A APPLICABLE TO ALL LOCAL AGENCIES^B

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY ^c	MAXIMUM SPECIFIED % OF PORTFOLIO ^d	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations— CA And Others	5 years	None	None	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40%	None	53601(g)
Commercial Paper—Non-Pooled Funds (under \$100,000,000 of investments)	270 days or less	25% of the agency's money ^e	Highest letter and number rating by an NRSRO ^e	53601(h)(2)(c)
Commercial Paper—Non-Pooled Funds (min. \$100,000,000 of investments)	270 days or less	40% of the agency's money ^e	Highest letter and number rating by an NRSRO ^e	53601(h)(2)(c)
Commercial Paper— Pooled Funds	270 days or less	40% of the agency's money ^e	Highest letter and number rating by an NRSRO ^e	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30%	None	53601(i)
Non-negotiable Certificates of	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50%	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50%	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^e	20% of the base value of the	None ^e	53601(j)
Medium-Term Notes ^e	5 years or less	30%	"A" rating category or its equivalent or	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple ^e	53601(l) and 53601.6(b)
Collateralized Bank Deposits ^e	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	"AA" rating category or its	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple ^e	53601(p)
Local Agency Investment Fund	N/A	None	None	16429.1
Voluntary Investment Program Fund ^e	N/A	None	None	16340
Supranational Obligations ^e	5 years or less	30%	"AA" rating category or its	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

INVESTMENT TYPE	MAXIMUM REMAINING MATURITY ^c	MAXIMUM SPECIFIED % OF PORTFOLIO ^d	MINIMUM QUALITY REQUIREMENTS	GOVERNMENT CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations: CA and Others	5 years	None	None	53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S. Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40% ^e	None	53601(g)
Commercial Paper: Non-pooled Funds ^f	270 days or less	25% of the agency's money ^g	Highest letter and number rating by an NRSRO ^h	53601(h)(2)(C)
Commercial Paper: Pooled Funds ⁱ	270 days or less	40% of the agency's money ^g	Highest letter and number rating by an NRSRO ^h	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% ^j	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	30% ^k	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	30% ^k	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^l	20% of the base value of the portfolio	None ^m	53601(j)
Medium-term Notes ⁿ	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds and Money Market Mutual Funds	N/A	20% ^o	Multiple ^{p,q}	53601(l) and 53601.6(b)
Collateralized Bank Deposits ^r	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-through and Asset Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple ^s	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund ^t	N/A	None	None	16340
Supranational Obligations ^u	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)

TABLE OF NOTES FOR FIGURE 1

- ^A Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.
- ^B Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- ^C Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- ^D Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- ^E No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.
- ^F Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
- ^G Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper and medium-term notes of any single issuer.
- ^H Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.
- ^I Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).
- ^J No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
- ^K Effective January 1, 2020, no more than 50 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.
- ^L Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- ^M Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- ^N "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."
- ^O No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- ^P A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund 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 Sections 53601 and 53635.
- ^Q A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
- ^R Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.
- ^S A joint powers authority pool 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).
- ^T Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- ^U Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

TABLE OF NOTES FOR FIGURE 1

A	Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, and 53635.8.
B	Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
C	Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant
D	express authority to make investments either specifically or as a part of an investment program approved by the legislative
E	body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to
F	the purchase of any security exceeding the five-year maturity limit.
H	Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
J	No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.
L	Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
	Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.
	Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.
	Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).
	No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
	No more than 30 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service (excludes negotiable certificates of deposit authorized under Section 53601(i)).
	Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or
M	spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
N	Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
R	"Medium term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."
S	No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.
T	A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund 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 Sections 53601 and 53635.
U	A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
	Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.
	A joint powers authority pool 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 (e):
	Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
	Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

POLICY NUMBER: 1.1

NAME OF POLICY: Finance - Investments

LAST REVISED: 12/16/2021

PREVIOUSLY REVISED: 05/13/2020

PURPOSE: All financial assets, including special revenue funds, capital project funds, internal service funds and other funds that may be created from time to time, shall be administered in accordance with the provisions of this Policy and are accounted for in the Annual Financial Report. This Investment Policy is used to guide Authority staff in investment decisions and transactions.

POLICY: It is the policy of East Bay Dischargers Authority (Authority) to invest public funds in a manner which prioritizes security over investment return, while meeting the daily cash flow demands of the Authority, and conforming to California Government Code Sections 53601 through 53686 and other statutes governing the investment of public funds.

DETAILED DISCUSSION:

A. OBJECTIVES:

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the East Bay Dischargers Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. Liquidity: The investment portfolio will remain sufficiently liquid to enable the East Bay Dischargers Authority to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. (CGC 53600.5)

B. STANDARD OF CARE:

- **Prudence:** All investments shall be made within the policy framework of liquidity, safety, and investment return, with the judgment and care a person of prudence and intelligence would, under the circumstances then prevailing, exercise in the management of his/her affairs.
- **Ethics and Conflict of Interest:** District officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officers and employee involved in the investment process shall abide by CGC Section 109, et seq. and the California Political Reform Act.
- **Delegation of Authority:** The authority to manage investment programs is granted to the Investment Committee which is comprised of the two members of the Financial Management Committee appointed by the Commission, and the General Manager/Treasurer. The responsibility for the operation and day-to-day maintenance of the investment program is delegated to the Authority's General Manager/Treasurer. The General Manager/Treasurer shall file with the Authority an official bond. The Authority shall pay the cost of said bonds.

C. PROCEDURES:

The General Manager/Treasurer shall establish written procedures and a system of internal controls for the operation of the investment program consistent with this investment policy to be incorporated into the Authority's Financial Management System Policy and Procedures Manual. Procedures should include references to: safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Financial Management Committee. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The General Manager/Treasurer is a trustee and a fiduciary subject to the prudent investor standard. (CGC 53600.3)

D. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS:

The General Manager/Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization that are authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the General Manager/Treasurer shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations and familiar with the Government Code restrictions on public agency investments and have a substantial experience with other public agency investments.

Before engaging in investment transactions with a broker/dealer, the General Manager/Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the Authority's account with that firm has reviewed the Authority's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the Authority that are appropriate under the terms and conditions of the Investment Policy.

E. AUTHORIZED AND SUITABLE INVESTMENTS:

- The allowable investment instruments applicable to all local agencies, including the East Bay Dischargers Authority, are shown in the documents listed below and included by reference in this investment policy. California Government Code Section 5920-5924
- California Government Code Section 16429.1-16429.4
- California Government Code Section 53500-53505
- California Government Code Section 53600-53609
- California Government Code Section 53630-53686

See CGC 53601 for a detailed summary of the limitations and special conditions that apply to each of the above listed investment securities. A table summarizing allowable investments is included as Figure 1 in the California Debt and Investment Advisory

Commission's Local Agency Investment Guidelines, available at the following website: <https://www.treasurer.ca.gov/cdiac/laig/guideline.pdf>. The Guidelines and table are updated periodically to reflect changes in law. The most recent version at the time of Policy adoption is attached here for reference.

F. PROHIBITED INVESTMENTS:

Under the provisions of CGC 53601.6 and 53631.5, the Authority shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

G. COLLATERALIZATION:

All certificates of deposits and repurchase agreements must be collateralized by U. S. Treasury Obligations. Collateral must be held by a third party and valued on a monthly basis. The percentage of collateralization on Repurchase Agreements will adhere to the amount required under CGC 53601(i)(2).

H. DIVERSIFICATIONS:

It is the policy of the Authority to diversify its investment portfolio. With the exception of funds invested in LAIF, United State Treasury Bills, notes, and bonds, the Authority will diversify its investments by security type and, within each type, by institution. Invested assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification shall be determined and revised periodically by the Treasurer in consultation with the Financial Management Committee. In establishing specific diversification strategies, the following guidelines shall apply:

- 1) Portfolio maturities shall be matched against projected liabilities to avoid an over concentration in a specific series of maturities.
- 2) Maturities selected shall provide for stability and liquidity.
- 3) Disbursement and payroll dates shall be covered by the scheduled maturity of specific investments, marketable U. S. Treasury Bills or Notes or other cash equivalent instruments, such as money market mutual funds.

I. PERFORMANCE STANDARDS:

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the Authority. The Authority shall establish a performance benchmark. Benchmarks may change over time based on changes in market conditions, investment preferences, or cash flow requirements.

J. INTERNAL CONTROLS:

The Authority shall establish a set of internal controls which shall be documented in writing. The internal controls will be reviewed by the Authority and with the independent auditor. The controls shall be designed to prevent employee error, misrepresentations by third parties, and unanticipated changes in financial markets or imprudent actions by officers or employees of the Authority.

K. SAFEKEEPING & CUSTODY:

All security transactions entered into by the Authority shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the Authority by book entry, physical delivery or by third party custodial agreement. (CGC 53601). The Treasurer shall deposit securities in which the Authority holds funds in a safe deposit box in the name of East Bay Dischargers Authority.

L. REPORTING:

The Treasurer shall submit to the Commission a monthly report. The report shall include a complete description of the portfolio, the type of investment, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed by third party contractors. The report will also include the source of the portfolio valuation. In the case of funds invested in The Local Agency Investment Fund (LAIF), FDIC Insured accounts or county investment pools, current statements from those institutions will satisfy the above reporting requirement. The report will also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the Authority will meet its expenditure obligations for the next six months. [CGC 53646(b)]. The Treasurer shall maintain a complete and timely record of all investment transactions.

M. INVESTMENT POLICY ADOPTION:

The Investment Policy shall be adopted by resolution of the East Bay Dischargers Authority. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Commission.

GLOSSARY:

ASK PRICE: The price at which a seller offers to sell a security to a buyer.

ASSET-BACKED SECURITIES: Bonds created from various types of consumer debt.

Returns on these securities come from customer payments on their outstanding loans. The primary types of asset-backed securities are mortgages, home equity loans, auto loans, leases, credit card receivables and student loans.

BANKERS' ACCEPTANCE: A letter of credit issued in a foreign trade transaction which allows exporters to receive payment prior to importation of their goods. Banks provide short-term financing to facilitate the transaction and may sell the obligation to a third party. Bankers' Acceptances are secured by the issuer of the bill, while the underlying goods also serve as collateral.

BANK DEPOSITS: Collateral in the form of currency that may be in the form of demand accounts (checking) or investments in accounts that have a fixed term and negotiated rate of interest.

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 PRICE: The price at which a buyer offers to purchase a security from the seller.

BOND: A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate called a coupon payment. Bonds are used by companies, municipalities, states and the U.S. government to finance a variety of projects and operating activities.

BROKER: A broker aligns buyers and sellers of securities and receives a commission when a sale occurs. Brokers generally do not hold inventory or make a market for securities.

CALIFORNIA LOCAL AGENCY OBLIGATIONS: Bonds that are issued by a California county, Authority, Authority and county, including a chartered Authority or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

CD (CERTIFICATE OF DEPOSIT): Time deposits issued by a bank, savings or federal credit union, or state-licensed branch of a foreign bank. Negotiable Certificates of Deposits rely on the credit rating of the issuing entity.

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

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

COMMERCIAL PAPER: Short-term unsecured promissory note issued by a company or financial institution. Commercial paper is issued at a discount and matures at face value. Usually a maximum maturity of 270 days, and given a short-term debt rating by one or more nationally recognized statistical rating organizations (NRSROs).

COUNTY POOLED INVESTMENT FUNDS: The aggregate of all funds from public agencies placed in the custody of the county treasurer or chief finance officer for investment and reinvestment.

COUPON: The annual rate of interest that a bond's issuer promises to pay the bondholder, expressed as a percentage of the bond's face value.

CREDIT RISK: Credit risk is the likelihood that an issuer will be unable to make scheduled payments of interest or principal on an outstanding obligation.

CUSTODIAN: An agent such as a broker or a bank that stores a customer's investments for safekeeping. The custodian does not have fiduciary responsibilities.

DEALER: A dealer, as opposed to a broker, acts as a principal in security transactions, selling securities from, and buying securities for his/her own position.

DEFAULT: To default is to fail to repay principal or make timely interest payments on a bond or other debt investment security, or failure to fulfill the terms of a note or contract.

DELIVERY VERSUS PAYMENT (DVP): A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: The weighted average time to maturity of a bond where the weights are the present values of future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates.

FIDUCIARY: An individual who holds something in trust for another and bears liability for its safekeeping.

FLOATING RATE INVESTMENTS: Notes whose interest rate is adjusted according to the interest rates of other financial instruments. These instruments provide protection against rising or falling interest rates, but may pay lower yield than fixed rate notes.

FUTURES: Commodities, which are sold in the present time and are to be delivered at a future date.

INTEREST ONLY STRIPs: Securities with cash flow based entirely on the monthly interest payments received from a mortgage, Treasury, or bond payment. No principal is included in these types of securities.

INVERSE FLOATING RATE INVESTMENTS: Variable-rate notes (such as inverse floating rate notes) whose coupon and value increase as interest rates decrease.

INVESTMENT PROGRAM: The process of modern portfolio management. The process includes establishing investment policy, analysis of the economic and capital markets environment, portfolio monitoring and rebalancing, and measuring performance.

LIQUIDITY: The ease with which investments can be converted to cash at their present market value. Liquidity is significantly affected by the number of buyers and sellers trading a given security and the number of units of the security available for trading.

LOCAL AGENCY BONDS: These bonds are issued by a county, Authority, Authority and county, including a chartered Authority or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

LOCAL AGENCY INVESTMENT FUND (LAIF): A voluntary investment fund open to state and local government entities and certain non-profit organizations in California in which organization pools their funds for investment. LAIF is managed by the State Treasurer's Office.

MARKET RISK: Market risk is the risk that investments will change in value based on changes in general market prices.

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

MASTER REPURCHASE AGREEMENT: A written contract which includes provisions specific to the governmental agency that is signed by an authorized officer with each counterparty. A master agreement will often specify details to the nature of transactions, the relationship of the parties to the agreement, parameters pertaining to the ownership and custody of collateral, and remedies in the event of default by either party.

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

MEDIUM TERM NOTES (MTN): Unsecured, investment-grade senior debt securities of major corporations that are sold either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MORTGAGE-BACKED SECURITIES: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the real estate assets are used to pay interest and principal on the bonds.

MORTGAGE PASS-THROUGH SECURITIES: A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUTUAL FUNDS: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. **Money market mutual funds** invest exclusively in short-term (1-day to 1-year) debt obligations such as Treasury bills, certificates of deposit, and commercial paper. The principal objective is the preservation of capital and generation of current income.

OFFER: The price asked by a seller of securities. See Ask Price and Bid Price.

OPTION: A contract that provides the right or obligation, depending on the buyer or seller's position within the contract, to buy or to sell a specific amount of a specific security within a predetermined time period at a specified price. A call option provides the right to buy the underlying security. A put option provides the right to sell the underlying security. The seller of the contracts is called the writer.

PORTFOLIO: A 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.

PRINCIPAL ONLY STRIPS: Securities with cash flow based entirely on the principal payments received from an obligation.

RANGE NOTES: A range note is a bond that pays interest if a specified interest rate remains above or below a certain level and/or remains within a certain range.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price.

REPURCHASE AGREEMENT (RP, Repo): A contractual transaction between an investor and an issuing financial institution (bank or securities dealer). The investor exchanges cash for temporary ownership or control of collateral securities, with an agreement between the parties that on a future date, the financial institution will repurchase the securities.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held by the bank in the customer's name.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION (SEC): A federal government agency comprised of five commissioners appointed by the President and approved by the Senate. The SEC was established to protect the individual investor from fraud and malpractice in the marketplace. The Commission oversees and regulates the activities of registered investment advisers, stock and bond markets, broker/dealers, and mutual funds.

STATE OBLIGATIONS: Registered treasury notes or bonds of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the 50 United States.

STRIPS: Bonds, usually issued by the U.S. Treasury, whose two components, interest and repayment of principal, are separated and sold individually as zero-coupon bonds. Strips are an acronym for Separate Trading of Registered Interest and Principal of Securities.

SUPRANATIONALS: International financial institutions that are generally established by agreements among nations, with member nations contributing capital and participating in management. Supranational bonds finance economic and infrastructure development and support environmental protection, poverty reduction, and renewable energy around the globe.

TRUSTEE: An individual or organization, which holds or manages and invests assets for the benefit of another. The trustee is legally obliged to make all trust-related decisions with the trustee's interests in mind, and may be liable for damages in the event of not doing so.

U.S. AGENCY OBLIGATIONS: Federal agency or United States government-sponsored enterprise obligations (GSEs), participations, or other instruments. The obligations are issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Issuers include: Fannie Mae, Farmer Mac, Federal Farm Credit Banks, Freddie Mac, Federal Home Loan Banks, Financing Corporation, Tennessee Valley Authority, Resolution Trust Funding Corporation, World Bank, Inter-American Development Bank, and PEFCO.

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

Treasury Bills: All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury Bills (T-bills). The Treasury currently issues 3-month and 6-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth cash flows.

Treasury Notes: All securities issued with initial maturities of 2- to 10-years are called Treasury Notes (T-notes), and pay interest semi-annually.

Treasury Bonds: All securities issued with initial maturities greater than 10-years are called Treasury Bonds (T-bonds). Like Treasury Notes, they pay interest semi-annually.

WAL: Weighted Average Life: The average life of all the securities that comprise a portfolio, typically expressed in days or years.

YIELD: The rate of annual income return on an investment, expressed as a percentage. Yield does not include capital gains.

Income Yield is obtained by dividing the current dollar income by the current market price for the security.

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.

ZERO-COUPON BOND: A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount. Zero-coupon bonds are typically issued at a discount and repaid at par upon maturity.

FIGURE 1

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2021)^A APPLICABLE TO ALL LOCAL AGENCIES^B

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY ^c	MAXIMUM SPECIFIED % OF PORTFOLIO ^d	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations— CA And Others	5 years	None	None	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40%	None	53601(g)
Commercial Paper—Non-Pooled Funds (under \$100,000,000 of investments)	270 days or less	25% of the agency's money ^e	Highest letter and number rating by an NRSRO ^e	53601(h)(2)(c)
Commercial Paper—Non-Pooled Funds (min. \$100,000,000 of investments)	270 days or less	40% of the agency's money ^e	Highest letter and number rating by an NRSRO ^e	53601(h)(2)(c)
Commercial Paper— Pooled Funds	270 days or less	40% of the agency's money ^e	Highest letter and number rating by an NRSRO ^e	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30%	None	53601(i)
Non-negotiable Certificates of	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50%	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50%	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^e	20% of the base value of the	None ^e	53601(j)
Medium-Term Notes ^e	5 years or less	30%	"A" rating category or its equivalent or	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple ^e	53601(l) and 53601.6(b)
Collateralized Bank Deposits ^e	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	"AA" rating category or its	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple ^e	53601(p)
Local Agency Investment Fund	N/A	None	None	16429.1
Voluntary Investment Program Fund ^e	N/A	None	None	16340
Supranational Obligations ^e	5 years or less	30%	"AA" rating category or its	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

TABLE OF NOTES FOR FIGURE 1

- ^A Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.
- ^B Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- ^C Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- ^D Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- ^E No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.
- ^F Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
- ^G Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper and medium-term notes of any single issuer.
- ^H Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.
- ^I Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).
- ^J No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
- ^K Effective January 1, 2020, no more than 50 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.
- ^L Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- ^M Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- ^N "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."
- ^O No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- ^P A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund 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 Sections 53601 and 53635.
- ^Q A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
- ^R Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.
- ^S A joint powers authority pool 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).
- ^T Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- ^U Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

EAST BAY DISCHARGERS COMMISSION
EAST BAY DISCHARGERS AUTHORITY
ALAMEDA COUNTY, CALIFORNIA

RESOLUTION NO. 21-15

INTRODUCED BY _____

**RESOLUTION APPROVING REVISIONS TO THE AUTHORITY'S
INVESTMENT POLICY**

WHEREAS, the East Bay Dischargers Authority (Authority) is a Joint Powers Agency that has the fiduciary responsibility to manage funds and assets of its member agencies; and

WHEREAS, it is the policy of the Authority to invest public funds in a manner that conforms to California Government Code and other statutes governing the investment of public funds; and

WHEREAS, said Investment Policy shall be reviewed annually and any changes must be approved by the Commission of the East Bay Dischargers Authority (Commission) by resolution; and

WHEREAS, a separate investment strategy has been approved for investment of the funds under Authority control; and

WHEREAS, updates to the Policy have been developed to ensure proper references to state documents; and

WHEREAS, the revised Policy has been reviewed by the Financial Management Committee and recommended for approval by the Commission.

NOW, THEREFORE, BE IT RESOLVED, the Commission of the Authority hereby adopts revisions to the Investment Policy.

SAN LORENZO, CALIFORNIA, DECEMBER 16, 2021, ADOPTED BY THE FOLLOWING VOTE:

AYES:
NOES:
ABSENT:
ABSTAIN:

CHAIR
EAST BAY DISCHARGERS COMMISSION

ATTEST: _____
GENERAL MANAGER
EAST BAY DISCHARGERS AUTHORITY
EX OFFICIO SECRETARY

ITEM NO. FM8 REVIEW OF THE AUTHORITY'S INVESTMENT STRATEGY

Recommendation

Review the Authority's existing Investment Strategy and provide input to staff.

Background

As noted in Item No. FM7, the Authority engaged PFM Asset Management (PFM) in late 2018 to assist in the development of an Authority Investment Policy, in compliance with applicable law regarding public agency investments in California.

As part of the 2018 engagement, PFM also performed detailed cashflow modeling and analysis using five years of EBDA financial data. The purpose of this analysis was to establish EBDA's liquidity needs and inform the Authority's Investment Strategy. The attached Investment Strategy was adopted in March 2019.

Discussion

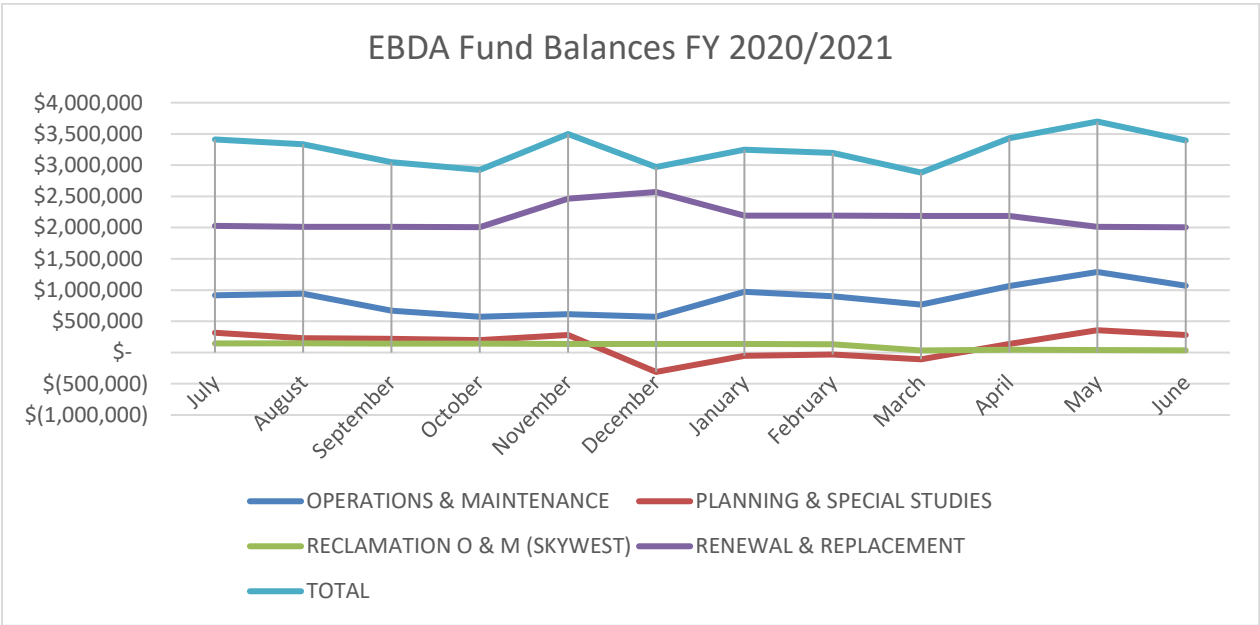
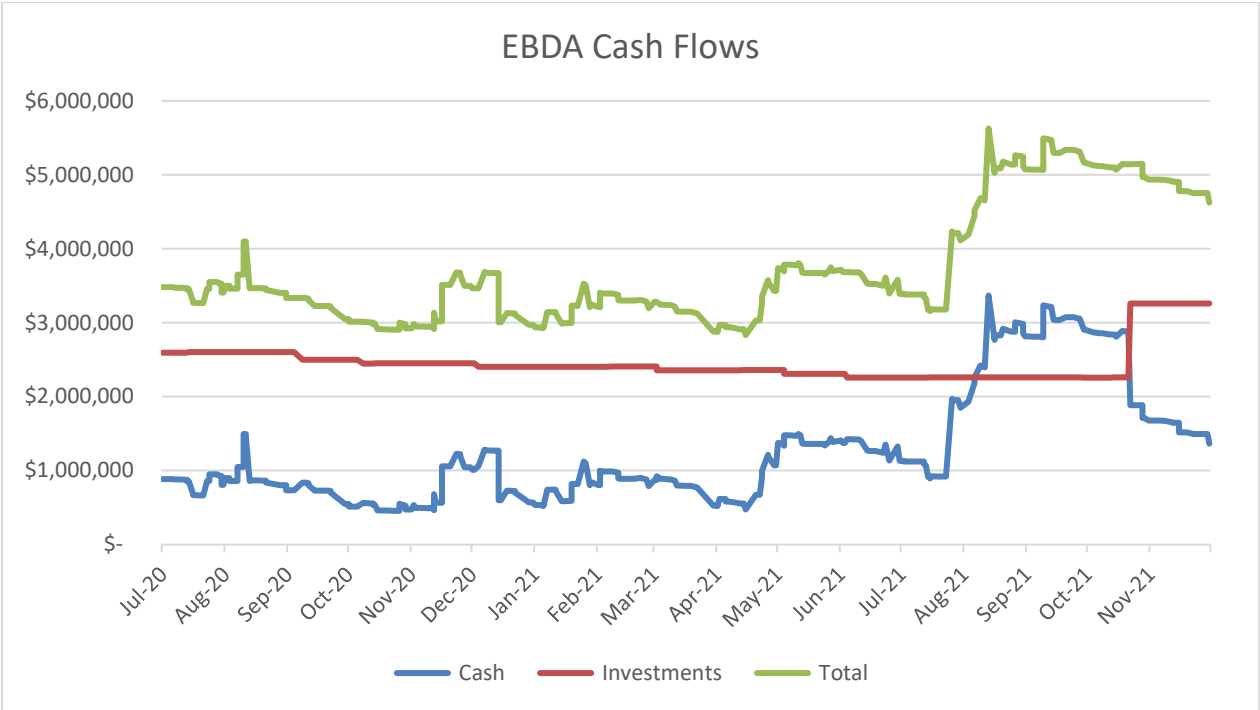
Staff is not recommending changes to the Authority's Investment Strategy at this time. PFM's 2018/2019 analysis concluded that administrative burden of investing EBDA's liquid funds in diversified and/or more volatile financial instruments outweighed the benefits and potential gains. That conclusion, supported by the Financial Management Committee at the time, led to the Authority's strategy of investing its idle long-term funds in certificates of deposit (CDs), California's Local Agency Investment Fund (LAIF), or California Asset Management Program (CAMP).

Staff does not believe that any material changes have occurred that lead to a different conclusion today. In fact, as interest rates have declined, safe and simple options like LAIF have become even more attractive. In addition, EBDA's liquidity needs have slightly increased as the Authority performs reimbursable work under the Cargill and grant-funded Nature-based Solutions projects.

EBDA had a series of laddered CDs through Wells Fargo Advisors that have been moved to the Authority's cash accounts as they have matured. The last CD matured in June 2021. The Authority has not reinvested in CDs because interest rates have been so low. EBDA's advisor with Wells Fargo Advisors indicated that he does not currently have any offerings that are expected to out-perform LAIF. Therefore, all of EBDA's long-term funds are currently invested in LAIF, and staff recommends that approach be continued at least until interest rates increase.

For the Committee's information in assessing staff's recommendations, the following graphs show EBDA's recent cash flows and fund balances.

Agenda Explanation
 East Bay Dischargers Authority
 Financial Management Committee
 December 13, 2021



East Bay Dischargers Authority Investment Strategy

Last Updated: March 21, 2019

In the interest of prudent investment of EBDA's funds, and to preserve the primary investment objectives of safety, liquidity and yield, EBDA adopts the following strategy:

- Within the framework of California Government Code Section 53601-53606 detailing allowable investments, EBDA will invest its idle long-term funds in CDs, California's Local Agency Investment Fund (LAIF), and California Asset Management Program (CAMP).
- Staff may select which of the above instruments in which to invest and in what quantities, as long as there is less than a 50 basis point (0.5%) differential between the instruments. If the differential is higher, staff shall direct funds to the instrument with higher returns.
- Individual securities such as CDs will have a maturity of no longer than three (3) years and be FDIC insured.
- The portfolio mix will be adjusted as needed to react to changes in liquidity requirements, market changes, and legal constraints.

This strategy will be evaluated and reviewed at least annually for cost-effectiveness. Guidance on permissible investment instruments, standards of care for invested funds, and the role of staff in the investment program are located in EBDA's Investment Policy.