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City of Emeryville

INCORPORATED 1896

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t (510) 596-4300 | f (510) 596-4389

Chair Samuel Feldman
Vice Chair Fran Quittel
Member Samuel Feldman
Member David Kritzberg
Member Navarre Oaks
Member Fran Quittel
Member Vacant

Actions taken by Advisory Bodies are not official actions of the City Council, but must be considered and potentially ratified at a regular City Council meeting.

All writings that are public records and relate to an agenda item, which are distributed to a majority of the legislative body less than 72 hours prior to the meeting is noticed, will be made available via email by request to the Committee Secretary. In compliance with the Americans with Disabilities Act, a person requiring an accommodation, auxiliary aid, or service to participate in this meeting should contact the Committee Secretary as far in advance as possible, but no later than 72 hours prior to the scheduled event. The best effort to fulfill the request will be made. Assistive listening devices will be made available for anyone with hearing difficulty and must be returned to the Committee Secretary at the end of the meeting. All documents are available in alternative formats upon request. No animals shall be allowed at, or brought in to, a public meeting by any person except (i) as to members of the public or City staff utilizing the assistance of a service animal, which is defined as a guide dog, signal dog, or other animal individually trained to provide assistance to an individual with a disability; or (ii) as to police officers utilizing the assistance of a dog(s) in law enforcement duties.

BUDGET ADVISORY COMMITTEE

Regular Meeting
Civic Center, Council Chambers
1333 Park Avenue Emeryville, CA 94608
October 9, 2025 – 2:00 PM

AGENDA

1. Call to Order
2. Roll Call
3. Public Comment

   3.1 Submit a written comment card at www.emeryville.org/advisorybodies
4. Approval of September 16, 2025, Special Meeting Action Minutes
5. Action Items

   5.1 Discussion and Recommendations on City Investment Policy
6. Future Agenda Items

   6.1 Pension Trust – Section 115 Update

   6.2 Sewer Fees & Update Plans

   6.3 FY24/25 Preliminary Year-End General Fund Financial Update

   6.4 FY25/26 First Quarter General Fund Financial Update
7. Announcements / Member Comments

   7.1 Next Meeting – November 13, 2025, 2:00 pm
8. Adjournment

Public comment for agenda items can be submitted online via a written comment card at www.emeryville.org/advisorybodies,or submitted by email to the Committee Secretary. If you would like to support, oppose, or otherwise comment on an upcoming agenda item, please send in your comments prior to the meeting.

FURTHER INFORMATION may be obtained by contacting Sharon Friedrichsen, Committee Secretary, at 510-596-4352 or sharon.friedrichsen@emeryville.org. The next regular meeting is scheduled for November 13, 2025, at 2:00PM.

DATED: OCTOBER 1, 2025

Post On: OCTOBER 3, 2025
Post Until: OCTOBER 10, 2025

April Foran, City Clerk

Agenda Item 4

Approval of Special Meeting Minutes

September 16, 2025

City of Emeryville
INCORPORATED 1896
1333 Park Avenue. Emeryville, CA 94608-3517
t (510) 596-4300 | f (510) 596-4389

BUDGET ADVISORY COMMITTEE MINUTES

Special Meeting
Civic Center, Council Chambers
1333 Park Avenue Emeryville, CA 94608
September 16, 2025 – 1:30 PM

1. Call to Order

Member Kritzberg called the meeting to order at 1:34 p.m.

2. Roll Call

Present – Kritzberg, Quittel, Feldman, Oaks

3. Public Comment

0 speakers.

4. Approval of May 8, 2025, Meeting Minutes

Action: M/S/C (Motion/Second/Carried) Quittel/Feldmen

Vote: Ayes – Kritzberg, Quittel, Feldman, Oaks; Noes – None; Abstain – None; Absent – None

5. Action Items

5.1 Election of Budget Advisory Committee Chair and Vice Chair

Action: M/S/C (Motion/Second/Carried) Kritzberg/Oaks

Vote: Ayes – Kritzberg, Quittel, Feldman, Oaks; Noes – None; Abstain – None; Absent – None

Motion to nominate Committee Member Feldman as Chair, Committee Member Quittel as Vice Chair

5.2 Discussion on Research of Revenue Measures for 2026

Action: M/S/C (Motion/Second/Carried) Feldman/Quittel

Vote: Ayes – Kritzberg, Quittel, Feldman, Oaks; Noes – None; Abstain – None; Absent – None

The Committee recommended adoption of Variable Gross Receipt Option 2 with no cap for the Business License Tax, with the contingency that the retail rate remain the same or lower.

The Committee recommended adoption of a Tax by Land Use structure for the Parcel Tax, with an income-based exemption such as the PG&E CARE program. The residential cap to be set at $100 annually, with additional revenue to meet the $5 million goal to be generated by increasing the per–building square foot rate for non-residential buildings.

The Committee recommended no increase to the Local Sales Tax (TUT) and Utility User Tax (UTT).

The Committee recommended an increase to the Transient Occupancy Tax (TOT) up to a maximum of 14 percent, with feedback to be obtained from hotel managers.

(3:28) Motion to extend the meeting to 3:45

Action: M/S/C (Motion/Second/Carried) Oaks/Feldman

Vote: Ayes – Kritzberg, Quittel, Feldman, Oaks; Noes – None; Abstain – None; Absent – None

6. Future Agenda Items

6.1 Investment Policy

6.2 Pension Trust – Section 115 Update

6.3 Sewer Fees & Update Plans

6.4 FY24/25 Preliminary Year-End General Fund Financial Update

6.5 FY25/26 First Quarter General Fun Financial Update

7. Announcements / Member Comments

7.1 Next Meeting – October 9, 2025, 2:00 p.m.

8. Adjournment

The meeting adjourned at 3:45 p.m.

Agenda Item 5.1

Discussion on Investment Policy

STATEMENT OF INVESTMENT POLICY

Table of Contents

CITY OF EMERYVILLE
STATEMENT OF INVESTMENT POLICY
~~July~~ October 2025

POLICY

It is the policy of the City to invest public funds in a manner which will safely preserve portfolio principal, provide adequate liquidity to meet the City's cash flow needs and optimize returns while conforming to all federal, state, and local statues governing the investment of public funds.

SCOPE

This investment policy applies to all cash and financial investments of the various funds of the City of Emeryville as reported in the City's Annual Comprehensive Financial Report, and as set forth in the California Government Code Section 53600 *et seq*., with the exception of those financial assets explicitly excluded from coverage for legal or operational reasons. The provisions of the related bond indentures or resolutions shall govern investments of bond proceeds. City funds to which this policy applies are as follows:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Debt Service Funds
- Internal Service Funds
- Enterprise Funds
- Fiduciary Funds
- Any new fund created by the City Council unless specifically exempted.

PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" and/or "prudent investor" standard in accordance with CA Government Code Section 53600.3, and shall be applied in the context of managing an overall portfolio.

> *53600.3. [. . .all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like*

capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.]

Investment officers acting in accordance with the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

INVESTMENT OBJECTIVES

The criteria for investing and managing public funds and the order of priority are as follows:

Safety of Principal: Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City will diversify its investments by investing funds among a number of financial institutions offering a variety of securities with independent returns.

Liquidity: Liquidity is the ability to change an investment into its cash equivalent on short notice at its prevailing market value. The City's investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrently with anticipated cash needs. Since all possible cash demands cannot be anticipated, the portfolio will maintain a liquidity "buffer" equivalent to six months of expenses and invest in short-term, highly liquid vehicles such as LAIF and/or money market funds.

Rate of Return (Yield): The portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, taking into account safety and liquidity requirements. The benchmark may vary from time to time depending on the economic and budgetary conditions present.

DELEGATION OF AUTHORITY

Authority to manage the City's investment program is derived from the California Government Code Section 53607. Management's responsibility is hereby delegated by the City Council to the Treasurer, who shall establish procedures for the operation of the investment program consistent with this investment policy. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates. The Treasurer can designate a staff person(s) to be responsible for investment transactions. No persons may engage in an investment transaction for the City except as provided under the terms of this policy.

The City may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy. Any and all independent investment managers used by the City must be approved by the City Council.

ETHICS AND CONFLICTS OF INTEREST

The Treasurer and all investment personnel shall refrain from personal business activities that could conflict with proper execution of the investment program and/or which could impair their ability to make impartial investment decisions. The Treasurer and all investment personnel shall disclose to the City Manager and the City Council any material financial interests in financial institutions that conduct business within this jurisdiction and shall disclose any material investment positions which could be related in a conflicting manner to the performance of the City's investment portfolio.

The State of California Fair Political Practices Commission Statement of Economic Interests shall be completed on an annual basis by the Treasurer.

AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience, references and minimal capitalization that are authorized to provide investment capacity. No public deposit shall be made except in a qualified public depository as established by state laws.

As part of a due diligence program, the Treasurer should review the annual financial reports of key counterparty banks as well as summary reports retrieved from each bank's regulator. These summary reports are known as Call Reports and can be viewed on the Federal Financial Institutions Examination Council's (FFIEC) website at https://cdr.ffiec.gov/public/.

Annually and before engaging in investment transactions with a broker/dealer, the firm shall sign a certification form, attesting that the individual responsible for the City's account with that firm has reviewed the investment policy and that the firm understands the policy and intends to present only those investment transactions appropriate under the policy. The Treasurer shall request for the broker/dealer to provide the latest/most available financial statement to the City.

AUTHORIZED AND SUITABLE INVESTMENTS

The City is empowered by California Government Code Section 53601 to invest in the following types of securities. Concentration limits and minimum credit quality apply at time of purchase. Within the investments permitted by the Code, the City seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence.

- United States Treasury bills, notes, bonds, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest with a maximum remaining maturity of five (5) years.

- Obligations issued by agencies or instrumentalities of the U.S. Government, Federal Agencies or United States Government-Sponsored Enterprise (GSE) obligations, with a maximum remaining maturity of five (5) years, per California Code 53601(f). No more than 30% of the portfolio may be invested in any single Agency/GSE issuer. The maximum percentage of agency callable securities in the portfolio will be 20%.

- Asset-Backed (ABS), Mortgage-Backed, Mortgage Passthrough Securities, and Collateralized Mortgage Obligations from issuers not defined in the first and second subparagraphs (U.S. Treasury and Federal Agency) of the Authorized and Suitable Investments sections of this policy, provided that the securities are rated "AA" or its equivalent or better by one nationally recognized statistical rating organization ("NRSRO"). No more than 20% of the total portfolio may be invested in these securities, and the maximum final maturity may not exceed five (5) years per California Government Code 53601(o). No more than 5% of the portfolio may be invested in any single ABS or Commercial Mortgage issuer.

- Bonds, notes, warrants or other evidence of debt issued by a City of Emeryville entity with a maximum remaining maturity of five (5) years.

- The Local Agency Investment Fund (LAIF) maintained by the State of California. The City may invest up to the maximum amount permitted by LAIF. LAIF's investments in instruments prohibited by or not specified in the City's policy do not exclude the investment in LAIF itself from the Agency's list of allowable investments, provided LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.~~Current policies of LAIF set minimum and maximum amounts of monies that may be invested as well as maximum number of transactions that are allowed per month.~~

- Shares of Beneficial Interest Issued by a Joint Powers Authority (JPA) provided that: The JPA is organized pursuant to California Government Code Section 6509.7 and invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA. The JPA has retained 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 (q).

- Local Government Investment Pools including other LGIPs permitted by the City of Emeryville and California Government Code. No more than 20% of the total portfolio may be invested in LGIPs other than LAIF and JPAs.

- Negotiable certificates of deposit issued by federally or state chartered banks or associations or by a state licensed branch of a foreign bank with a maximum remaining maturity of five (5) years. Purchases may not exceed 30% of surplus funds.

- Medium term notes with a maximum remaining maturity of five years or less, by corporations organized and operating in the United States and in a rating category of "AA" or better by one nationally recognized statistical rating organization

("NRSRO"). Pursuant to California Government Code, the "AA" category encompasses "AA-, AA, and AA+". No more than 30% of surplus funds can be invested in this type of security, per California Government Code 53601(k). No more than 5% of the portfolio may be invested in any single issuer.

- Commercial Paper provided that the following specific criteria is met: for securities issued by corporations, the issuer must be a U.S.-based corporation with assets exceeding $500 million, the securities are rated "A-1" or equivalent by at least one nationally recognized statistical rating organization (NRSRO), if the issuer has other debt obligations, they must be in a rating category of "A" or better; for securities issued by other entities such as a special purpose corporation, trust, or limited liability company, the issuer must be U.S.-organized, the securities must have program-wide credit enhancements (e.g., overcollateralization, letters of credit, or a surety bond), and also be rated "A-1" or equivalent by at least one NRSRO. Portfolio limits include a maximum of 25% invested in commercial paper overall *(increasing temporarily to 40% for portfolios over $100 million until January 1, 2026)* and a maximum of 5% in any single issuer. The maximum maturity does not exceed [*270 or 397*] days.

- Money Market Mutual Funds. Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this section. Such funds must carry the highest rating of at least two of the largest national rating agencies. No more than 20% of surplus funds can be invested in such funds. The companies shall retain an investment adviser registered with the Securities and Exchange Commission with not less than five (5) years' experience investing in the securities and obligations as authorized by this section, and with assets under management in excess of $500,000,000. The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that these companies may charge.

- Insured or collateralized time deposits or savings accounts secured in accordance with the provisions of Sections 53651 and 53652 of the California Government Code. If the collateral is government securities, 110% of market value to the face amount and accrued interest of the deposit is required. If secured by first mortgages and first deeds of trust, the market value must be 150% of the face amount and accrued interest of the deposit. The collateral must be held by a third party.

Required ratings will be deemed to be the rating on the date of purchase.

A five (5) year maximum remaining maturity is allowed unless an extension of maturity is granted by the City Council.

PROHIBITED INVESTMENTS

Certain investments allowed by California Government Code will continue to be excluded from the policy. These include: repurchase agreements, reverse repurchase agreements, ~~commercial paper~~, interest only strips, ~~collateralized mortgage obligations,~~ County investment pools, notes and bonds issued by the State of California and local agencies within California. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

SUSTAINABLE AND RESPONSIBLE INVESTING

City funds should be guided by the following provisions when investing in securities of non-governmental entities:

- Priority shall be given to investments in entities that support community well- being through safe and environmentally sound practices and fair labor practices.

- Priority shall be given to investments in entities that promote equality of rights regardless of race, religion, color, ancestry, age, national origin, gender, marital status, sexual orientation, disability or place of birth.

- Priority shall be given to investments in entities that promote community economic development

In addition, the direct investment of City funds is restricted as follows. These are investments made by City staff directly and funds are not part of a pool or other similar investment accounts (e.g., LAIF and investments for bond funds and trust).

- No investments are to be made in tobacco or tobacco-related products.
- No investments are to be made to support the production of weapons or military systems.
- No investments are to be made to support the production or distribution of fossil fuels.

The City Treasurer shall periodically verify compliance with the guidelines either through direct contact with company or through the use of a third-party resource.

COLLATERALIZATION

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

SAFEKEEPING AND CUSTODY

In accordance with California Government Code Section 53601, all securities owned by the City shall be held in safekeeping by the City's custodial bank or a third-party bank trust department, acting as an agent for the city under terms of the custody agreement.

All securities will be received and delivered using a delivery vs. payment (DVP) basis, which ensures that securities are deposited with the third-party custodian prior to the release of funds. Securities held by the third-party custodian will be evidenced by safekeeping receipts and/or bank statements. Investments in the State Local Agency Investment Fund (LAIF) or money market mutual funds are undeliverable and are not subject to delivery or third-party safekeeping.

Investment trades shall be verified against bank transactions and broker confirmation tickets. On a monthly basis, the custodial asset statement shall be reconciled with the month-end portfolio holdings.

The City shall consider divesting in custodial banks or third-party banks that do not align with the sustainable and responsible investing requirements of this policy. Such decisions should be made in the best interest to the City.

FAIR VALUE MEASUREMENT AND APPLICATION

Governmental Accounting Standards Board (GASB) passed GASB statement 72 effective fiscal year 2016 which addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Determination can be obtained by the fiscal agent statements in which the City's cash and investments are held.

DIVERSIFICATION AND OTHER GUIDELINES

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk will be mitigated by limiting investments to the types of securities authorized by this policy, using pre-qualified financial institutions, and diversifying the investment portfolio.

The City will diversify its investments by security type, except for securities issued by the U.S. Government and its agencies, and by institution to reduce or eliminate risk of loss. The following guidelines shall apply:

- Maturities shall be matched against projected liabilities to avoid an over-concentration in a specific series of maturities.
- Maturities selected shall provide for stability and liquidity.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the City based on the City's investment objectives, constraints and risk tolerances.
- Every transaction will be reviewed by the Treasurer and City Manager.
- Expenditures and revenues will be carefully monitored and forecast to allow as much money to be invested as possible.
- In general, securities will be bought with the intent to maturity, but may be sold to rebalance the city's investments, generate liquidity, or to improve credit quality.
- The City's cash should be pooled.
- The Local Agency Investment Fund should be used to provide daily liquidity to the portfolio. The portfolio will be diversified to balance yield with other objectives.

PERFORMANCE STANDARDS

The investment portfolio will be managed in accordance with the standards established within this investment policy and should obtain a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints, cash flow needs and maturities of its investments. The basis to determine whether market yields are being achieved shall be the total return of the portfolio. The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which may be included in the Treasurer's quarterly report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark.

REPORTING

The Treasurer shall review City Investments and provide Quarterly Investment Reports to the City Council that include the face amount of cash investments, the classification of the investments, the name of the institution or entity of investments, the rate of interest, the maturity date, the current market value and accrued interest due for all securities, along with transactions for this period.

The report will also include a certification of the following:

- All investments meet the requirements of the City's investment policy.

- Sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

The quarterly reports will be submitted to the City Council within forty-five (45) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code. The quarterly reports shall be placed on the City Council's meeting agenda for its review and approval. If there are no Council meetings within the 45-day period, the quarterly report shall be presented to the Council at the soonest possible meeting thereafter.

ADOPTION

The investment policy shall be adopted annually by resolution of the City Council.

GLOSSARY

The attached Glossary is incorporated as part of the policy.

GLOSSARY

The following technical words are included in the policy because they are common treasury and investment terminology.

Agencies*:* Debt instruments issued by the U.S. government agencies, departments, government-sponsored corporations and related instrumentalities to finance their own programs. Some examples of these agencies are Federal Farm Credit, Federal Home Loan and Student Loan Marketing Association.

Annual Comprehensive Financial Report (ACFR): The official annual report for the City of Emeryville. It includes basic financial statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

Ask: The price at which securities are offered. The offer price is the cost of the security to the buyer.

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

Basis Point: A basis point equals one one-hundredths of 1% (0.01%).

Bid: The price offered by a buyer of securities. This is payment that the seller gets when a security is sold.

Broker: A broker brings a buyer and seller together for a commission.

Callable: Securities subject to payment of the principal amount and accrued interest prior to the stated maturity date, with or without premium.

Certificate of Deposit (CD): A time deposit with a specific maturity evidences by a certificate issued by commercial banks and savings institutions. The first $250,000 is insured by the FDIC. For governmental agency, deposits in excess of $250,000 are required to be collateralized by the financial institutions.

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

Commercial Paper: An unsecured promissory note with a fixed maturity no longer than 270 days. Usually sold in discount form.

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

CUSIP Number: An identifying number developed by the Committee on Uniform Security Identification Procedures, under the auspices of the American Bankers Association to provide a uniform method of identifying municipal, U.S. government, and corporate securities.

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

Debenture: A bond secured only by the general credit of the issuer.

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

Direct Investment: Investment transactions explicitly managed by the delegated authority for the City.

Discount: The difference between the cost of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Discount securities: Non-interest bearing money market instruments that are issued below the face amount and redeemed at maturity at full face value, such as Treasury Bills.

Diversification: Dividing investments of funds among a variety of securities offered independent returns, maturity and market risks.

Duration: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

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

Federal Home Loan Banks (FHLB): Government sponsored wholesale banks (currently 11 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions, and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of members who must purchase stock in their district bank.

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

Federal Home Loan Mortgage Corporation (Freddie Mac): A Government Sponsored Enterprise that provides liquidity to the mortgage markets, much like FNMA and FHLB.

Federal Reserve System: The central bank of the United States created by Congress and has 12 regional banks that are overseen by a seven member Board of Governors in Washington, D.C.

Liquidity: Liquidity is the ability to change an investment into its cash equivalent on short notice at its prevailing market value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Local Agency Investment Fund (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment.

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

Master Repurchase Agreement: A secured contractual obligation between an investor and an issuing financial institution establishing each party's rights in the transactions. It specifies the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower. The investor exchanges cash for temporary ownership of the collateral securities with an understanding the seller-borrower (financial institution) will repurchase the securities. Interest income earned during the term belongs to the investor.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable. An investment's term or remaining maturity is measured from the settlement date to final maturity.

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

Offer: The price asked by a seller of securities. When buying securities the investor asks for an offer.

Portfolio: Collection of securities held by an investor.

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

Prudent Person Rule: A standard followed by a person of discretion and intelligence seeking a reasonable income and preservation of capital.

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

Safekeeping: A service to customers rendered by financial institutions for a fee whereby securities and valuables of all types and descriptions are held in the bank's vault for protection. Other services which are normally provided are marking the portfolio to market value, reporting investments held and investment activities.

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

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

Treasury Bond: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

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

Variable rate note: Securities which pay interest at rates that can fluctuate during the life of the security.

When issued: A conditional transaction that takes place between the time a new issue is offered and the time of physical delivery of the bonds. It is understood between the buyer and the seller that transactions will occur when and if the bonds are issued.

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

Yield to Maturity: The rate of return yielded by a debt security held to maturity when both interest payments and the investor's capital gain or loss on the security are taken into account.