



**DELTA CONVEYANCE FINANCE AUTHORITY
BOARD OF DIRECTORS MEETING**

REGULAR MEETING

Thursday, August 19, 2021
11:00 a.m.

Via Teleconference:
United States: +1 (571) 317-3122
Access Code: 145-286-941

AGENDA

SPECIAL NOTICE REGARDING COVID-19

On March 4, 2020, Governor Newsom proclaimed a State of Emergency in California as a result of the threat of COVID-19. On March 17, 2020, Governor Newsom issued Executive Order N-29-20 (superseding the Brown Act-related provisions of Executive Order N-25-20 issued on March 12, 2020), which allows a local legislative body to hold public meetings via teleconferencing and to make public meetings accessible telephonically or otherwise electronically to all members of the public seeking to observe and to address the local legislative body. Pursuant to Executive Order N-29-20, please be advised that members of the public will participate in meetings telephonically.

PUBLIC PARTICIPATION: Pursuant to Executive N-29-20 and given the current health concerns, members of the public can access meetings via conference call at **United States: +1 (571) 317-3122, Access Code: 145-286-941**. In addition, members of the public can submit comments electronically for consideration by **9:00 a.m. on August 18, 2021** by sending them to **lindastandlee@dcfinanceauthority.org**. To ensure distribution to the members of the DC Finance Authority Board of Directors prior to consideration of the agenda, **please submit comments prior to 9:00 a.m. on August 19, 2021**. Those comments will be distributed to the members of the DC Finance Authority Board and will be made part of the official public record of the meeting. Contact Linda Standlee at 916-812-6400 with any questions.

ACCESSIBILITY: If requested, the agenda and backup materials will be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Any person who requires a disability-related modification or accommodation, in order to observe and/or offer public comment may request such reasonable modification, accommodation, aid, or service by contacting **Linda Standlee** by telephone at **916-812-6400** or via email to **lindastandlee@dcfinanceauthority.org** no later than **5:00 p.m.** on August 18, 2021.

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. PLEDGE OF ALLEGIANCE**
- 4. PUBLIC COMMENT**
- 5. OTHER MATTERS**
 - a. None.

6. CONSENT CALENDAR

Items on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion and one vote. There will be no separate discussion of these items unless a director so requests, in which event the item will be removed from the Consent Calendar and considered separately.

- a. Approval of the minutes from the meeting of April 15, 2021

7. SCHEDULED ACTION ITEMS

- a. Review and approval of the Investment Policy for Fiscal Year 2021/22

8. REPORTS AND ANNOUNCEMENTS

- a. DCA Update
- b. Treasurer's Report
- c. General Counsel's Report
- d. Executive Director's Report

9. FUTURE AGENDA ITEMS

- a. Future agenda items to be considered.

10. CLOSED SESSION

- a. Conference with legal counsel pursuant to Government Code section 54956.9, potential litigation: one case.

11. ADJOURNMENT

BOARD OF DIRECTORS MEETING

MINUTES

REGULAR MEETING
Thursday, April 15, 2021
11:00 am

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER

The regular meeting of the Delta Conveyance Finance Authority (Finance Authority) Board of Directors was called to order by President Kremen via teleconference at 11:00 a.m. Linda Standlee reviewed the process the Board and public would follow for the meeting, noting that all voting would be via roll call vote, as the meeting was being held remotely.

2. ROLL CALL

Board members in attendance were Robert Cheng, Kathy Cortner, Jeff Davis, Mark Krause, Gary Kremen, Valerie Pryor, Cindy Saks, Paul Sethy, and Matt Stone.

Directors Dwayne Chisam and Randy Record were absent.

Staff members in attendance were Brian Thomas, Katano Kasaine, and Steve O'Neill.

3. PLEDGE OF ALLEGIANCE

Valerie Pryor led the Pledge of Allegiance.

4. PUBLIC COMMENT

President Kremen declared public comment open, limiting speaking time to three minutes.

No members of the public requested time to speak, therefore President Kremen closed public comment.

5. OTHER MATTERS

5.a. None.

6. CONSENT CALENDAR:

6.a. Approval of the minutes from the meeting of January 21, 2021.

Motion:	Approve the minutes from the meeting of January 21, 2021
Move to Approve:	Jeff Davis
Second:	Robert Cheng
Yeas:	Robert Cheng, Jeff Davis, Mark Krause, Gary Kremen, Valerie Pryor, Cindy Saks, Paul Sethy, and Matt Stone
Nays:	None
Abstains:	Kathy Cortner

Recusals:	None
Absent:	Dwayne Chisam and Randy Record
Summary:	8 Yeas; 0 Nays; 1 Abstains; 2 Absent. (Motion passed as MO 21-04-01)

7. SCHEDULED ITEMS

7.a. Confirm appointment of Katano Kasaine as Treasurer

President Kremen asked Steve O'Neill, DCFA General Counsel to describe the appointment process for Ms. Kasaine as Treasurer for the DC Finance Authority. Mr. O'Neill noted that the position of Treasurer/Controller is a requirement under the Joint Powers Agreement. The DCFA has utilized MWD for all of its accounting needs, financial reporting, and investment management since its inception Mr. O'Neill explained that Ms. Kasaine is the CFO from the Metropolitan Water District of So. California and has been managing the finances of DCFA. Mr. O'Neill noted that given the Treasurer is an officer of the DCFA, he recommends the Board confirm the appointment of Katano Kasaine as Treasurer/Controller. Director Davis queried whether this was an annual requirement; Mr. O'Neill noted that the joint powers agreement requires that the Treasurer/Controller be appointed annually.

President Kremen queried for public comment; none was provided.

Motion:	Appoint Katano Kasaine as Treasurer
Move to Approve:	Jeff Davis
Second:	Valerie Pryor
Yeas:	Robert Cheng, Kathy Cortner Jeff Davis, Mark Krause, Gary Kremen, Valerie Pryor, Cindy Saks, Paul Sethy, and Matt Stone
Nays:	None
Abstains:	None
Recusals:	None
Absent:	Dwayne Chisam and Randy Record
Summary:	9 Yeas; 0 Nays; 0 Abstains; 2 Absent. (Motion passed as MO 21-04-02)

7.b. Consider and adoption of 2021/22 budget

Director Kremen asked Executive Director Thomas to report on this item. Mr. Thomas provided a presentation to the Board discussing the proposed budget and areas of change from last year's budget. He noted that the draft 2021/22 budget proposed a contingency of \$35,000 and a budget of \$25,000 for outreach to establish a dedicated DCFA website and populating it with pertinent materials. Mr. Thomas noted that the proposed 2021/22 budget is less than the 2020/21 budget, and that with approval of this budget, no member dues would be required for the coming year.

President Kremen queried for public comment; none was provided.

Motion:	Adoption of 2021/22 budget
Move to Approve:	Jeff Davis
Second:	Paul Sethy

Yeas:	Robert Cheng, Kathy Cortner Jeff Davis, Mark Krause, Gary Kremen, Valerie Pryor, Cindy Saks, Paul Sethy, and Matt Stone
Nays:	None
Abstains:	None
Recusals:	None
Absent:	Dwayne Chisam and Randy Record
Summary:	9 Yeas; 0 Nays; 0 Abstains; 2 Absent. (Motion passed as MO 21-04-03)

8. REPORTS AND ANNOUNCEMENTS

8.a. Treasurer's Report

Ms. Kasaine expressed her appreciation to the board for her reappointment as Treasurer/Controller. She then provided the Treasurer's Report for the quarter ending March 31, 2021, noting the ending cash balance at March 31 was \$564,759, interest receipts totaled \$1,738, and disbursements for the quarter totaled \$23,291.

President Kremen queried for public comment; none was provided.

8.b. General Counsel Report

Mr. O'Neill reported on activities which occurred during the last few months. He noted that during the last few months his activities associated with the DCFA have been focused on administrative-type activities.

8.c. Executive Director Report

Mr. Thomas noted his written report and updated actions were included in the Board packet. The last few months activities associated with the DCFA have been focused on administrative activities. Mr. Thomas noted that the DCFA Executive Committee met on March 18 to discuss potential outreach and education activities and that the Committee recommended the DCFA establish its own website to provide materials regarding the financial and economic aspects of the Delta Conveyance Project. The Committee also requested that the Executive Director put together a work plan to identify ways for the DCFA to engage in positive ways to support the project including outreach and other materials regarding the cost and financing for the project and to provide that to the Committee and the DCFA Board in 6 months.

President Kremen queried for public comment; none was provided.

8.d. DCA Update from Graham Bradner

President Kremen introduced Graham Bradner, the Delta Conveyance Design and Construction Authority's (DCA) new Interim Executive Director. Mr. Bradner provided a presentation to the Board that described his qualifications, background, and key responsibilities with the DCA.

Director Stone asked about Mr. Bradner's thoughts on how things might proceed differently under his leadership. Mr. Bradner noted that over the past couple of years the DCA has been focusing on the preparation of the concept designs for the Central and Eastern Corridors and the Bethany Reservoir alternative and that these concepts

have now been largely delivered to DWR. He noted that DCA will have a different focus over the next couple of years, which will require maintaining the close working relationship with DWR as well participating water agencies.

Director Sethy asked Mr. Bradner to expand on the Bethany Reservoir proposal and what it entails. Mr. Bradner discussed the differences between the configurations, noting that the Bethany Reservoir proposal differed from the other configurations in that it would take a more southwest trajectory to a position adjacent to the federal pumping plant facilities, terminating at the Bethany reservoir pumping plant and surge basin. From there the pumping plant would lift the water out of the tunnel and push it up a series of pipeline aqueducts to the Bethany Reservoir, discharging project water directly into Bethany Reservoir. The key differences are it is a different alignment downstream and the configuration of the terminus of the tunnel is different and it doesn't rely on SWP pumping plant facilities to get the water to Bethany Reservoir.

President Kremen queried for public comment; none was provided.

9. FUTURE AGENDA ITEMS

There were no future agenda items.

10. CLOSED SESSION

- 10.a. Conference with legal counsel pursuant to Government Code section 54956.9, potential litigation: one case.

Mr. O'Neill reported that the Board met pursuant to Government Code section 54956.9, to discuss one item of potential litigation. A report was given to the Board, with no formal action taken by the Board.

11. ADJOURNMENT:

President Kremen adjourned the meeting at 12:15 p.m.

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: August 19, 2021

Item No. 7.a

Subject: Investment Policy

Executive Summary

Staff seeks board approval of the Authority's Statement of Investment Policy (Policy) for fiscal year (FY) 2021/22. Staff also seeks board approval for the delegation of authority to the Treasurer to invest the Authority's funds for FY 2021/22, pursuant to the Government Code of the State of California (California Government Code). The Authority's funds are invested with those of the Metropolitan Water District, and the proposed revisions are consistent with the California Government Code and Metropolitan's Investment Policy.

Detailed Report

Each year the Finance Authority reviews its Investment Policy to ensure it complies with the California Government Code and meets the objectives of the Authority. Since the Authority's funds are invested by Metropolitan, it is also important that the Authority's policy is consistent with that of Metropolitan. In addition, California Government Code Section 53607 permits the board to delegate authority to invest funds to the Treasurer on an annual basis.

The Authority's Policy for FY 2021/22 (included in Attachment 1) requires the Treasurer to adhere to the following three criteria:

1. Safety of Principal. Investments shall first seek to ensure preservation of principal in the portfolio. The Treasurer shall evaluate each investment transaction to ensure both the quality of the issuer and the underlying security or collateral meet the credit criteria outlined in the Investment Policy. The Treasurer shall utilize a diverse portfolio of investments to reduce exposure to principal loss.
2. Liquidity. The Treasurer shall make investments whose maturity is compatible with cash flow requirements.
3. Return on Investment. Investments will be made to produce an acceptable rate of return, after first considering safety of principal and liquidity and the prudent investor standard.

The changes to the Policy for FY 2021/22 are shown in the redline in Attachment 3 and are changes to increase flexibility for short-term investments in the liquidity portfolio:

1. Increase the maximum amount of Commercial Paper in the portfolio from a single issuer from 5% to 10%, while still retaining the overall limit on Commercial Paper to 25% of the portfolio.

2. Limiting the amount Commercial Paper held in the portfolio to no more than 10% the issuer's outstanding Commercial Paper and Medium Term Notes.
3. Increasing the maximum amount permitted to be invested in the California Asset Management Program (CAMP) from 30% of the portfolio to 40% of the portfolio. CAMP is a short-term liquidity fund, similar to LAIF.

Funding

n/a

Recommended Action

Environmental Impact: This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3, Section 15378.

Approve Resolution 21-01 approving the Investment Policy for FY 2020/21 and approve Resolution 21-02 delegating authority to the Treasurer to invest the Authority's funds for FY 2021/22, pursuant to California Government Code.

ATTACHMENTS:

Attachment 1: Resolution 21-01 Adopting the Delta Conveyance Finance Authority Investment Policy for Fiscal Year 2021/22

Attachment 2: Resolution 21-02 Pursuant to Government Code Section 53607 Delegating Investment Authority of the Delta Conveyance Finance Authority to the Treasurer for Fiscal Year 2021/22

Attachment 3: Investment Policy for FY 2021/22 (redline from FY 2020/21)

Investment Policy FY2021/22

- Delta Conveyance Financing Authority

Investment Policy and Authority to Invest

Pursuant to Government Code Section 53607, a legislative body of a local agency has the authority to delegate for a one-year period investment authority to the treasurer and that such delegation may be renewed each year.

Statement of Investment Policy – Key Changes

§ 10	FY2020/21	FY2021/22	Rationale
#4 & #5	10% limit on outstanding CP per issuer	5% limit per issuer & Combined 10% limit per issuer for CP & medium-term notes	Clarify the per issuer limit according to the current Code
#6	Issued by commercial banks and thrifts, and foreign banks (Yankee CD's)	Issued by nationally or state-chartered banks, savings association or federal association, state or federal credit union, or federally licensed or state licensed branch of a foreign bank	Clarify issuers permitted by Code
#12	Max allocation to CAMP 30%	Max allocation to CAMP 40%	Provide additional flexibility for short-term funds investment

DELTA CONVEYANCE FINANCE AUTHORITY

**RESOLUTION ADOPTING THE DELTA CONVEYANCE FINANCE AUTHORITY
INVESTMENT POLICY FOR FISCAL YEAR 2021-22**

RESOLUTION No. 21-01

WHEREAS, the Delta Conveyance Finance Authority (DCFA) may annually render to the DCFA's legislative body a statement of its investment policy; and

WHEREAS, as part of best practice and sound financial management the DCFA will continue to submit its annual investment policy to the DCFA's legislative body; and

WHEREAS, last year, the DCFA revised and adopted an Investment Policy for fiscal year 2020-2021; and

WHEREAS, a proposed DCFA Investment Policy for fiscal year 2021-22 is presented herewith, to be in effect until a subsequent policy is adopted; now therefore be it

RESOLVED, that the proposed DCFA Investment Policy for fiscal year 2021-22 attached hereto is adopted

FURTHER RESOLVED, that this Resolution shall take effect immediately upon its passage.

DATED: August __, 2021

Gary Kremen, President

I hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of the Delta Conveyance Finance Authority at its meeting held on August __, 2021.

ATTEST:

DCFA Secretary

DELTA CONVEYANCE FINANCE AUTHORITY

Investment Policy

This Statement of Investment Policy (Policy) outlines the guidelines and practices to be used to manage the Delta Conveyance Finance Authority's (Authority) available cash and investment portfolio. Authority funds not required for immediate cash requirements will be invested in compliance with the California Government Code and this Policy.

1.0 POLICY

It is the policy of the Board of Directors of the Authority to invest public funds in a manner which conforms to the three fundamental criteria in order of importance, as listed:

- Safety of Principal
- Liquidity
- Return on Investment, or Yield

2.0 INVESTMENT AUTHORITY

In accordance with Section 53600, et seq., of the Government Code of the State of California, the authority to invest Authority public funds has been delegated to the Authority's Treasurer.

3.0 DELEGATION OF AUTHORITY

Responsibility for the investment program is specifically delegated by the Board to the Board-appointed Treasurer or, if no such appointment has been made, to the Executive Director, hereafter referred to as Treasurer who will establish procedures for 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, including procedures to execute investment transactions in the absence of the Treasurer. The Treasurer may delegate the day-to-day investment activities to their designee(s) but not the responsibility for the overall investment program.

The Treasurer may also delegate the day-to-day execution of investments to registered investment managers through written agreements. The investment manager(s), in coordination with the Treasurer, will manage on a daily basis the Authority's investment portfolio pursuant to the specific and stated investment objectives of the Authority. The investment manager(s) shall follow this Policy and such other written instructions provided by the Treasurer or their designee(s). The investment manager(s) may be given discretion to acquire and dispose of assets in their designated account, but the investment manager(s) shall not be permitted to have custodial control over the Authority's investment portfolio.

4.0 STATEMENT OF OBJECTIVES

Per Section 53600.5 of the California Government Code, the primary objective of the Treasurer shall be to safeguard the principal of the funds under his or her control when investing public funds. The secondary objective will be to maintain liquidity as required by the Authority and the third objective is to obtain a return on investment of these funds.

In order of priority, the three fundamental criteria shall be followed in the investment of funds:

- 4.1 Safety of Principal** - Investments shall be undertaken in a manner which first seeks to ensure the preservation of principal in the portfolio. Each investment transaction shall be entered only after taking into consideration the quality of the issuer, the underlying security or collateral, and diversification of the portfolio. Cash flow analysis will be conducted and utilized to avoid the need to sell securities prior to maturity. The Authority shall seek to preserve principal by mitigating both credit and market risk.
- 4.2 Liquidity** - Every effort shall be made to ensure that the Authority's portfolio is sufficiently liquid to meet current and anticipated operating requirements. Cash flow analysis should be performed on an ongoing basis. Investments shall be made to ensure maturities are compatible with anticipated cash flow requirements.
- 4.3 Return on Investment, or Yield** - Investments shall be undertaken to produce an investment return consistent with the primary objectives of Safety of Principal and Liquidity, and the Prudent Investor Standard.

The investment portfolio shall be managed 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. The Authority will employ an active management approach that allows for the sale of securities prior to their scheduled maturity dates. Securities may be sold for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. In no instance shall an exchange be used for purely speculative purposes. This Policy recognizes that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

Because the composition of the portfolio fluctuates, depending on market and credit conditions, various appropriate indices selected by the Treasurer will be used to monitor performance.

5.0 SCOPE

The Investment Policy applies to all available funds of the Authority with the exception of proceeds of notes, bonds or similar external financings which would be invested pursuant to bond indentures or State of California Government Code Section 53600, et seq., as applicable.

6.0 PRUDENT INVESTOR STANDARD

All investments and evaluation of such investments shall be made with the Prudent Investor Standard as set forth in the California Government Code, Sections 53600.3 and 27000.3, which is defined as a standard of conduct whereby any person authorized to make investment decisions on behalf of the Authority acts 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 Authority with the aim to safeguard principal and meet the liquidity needs of the Authority.

7.0 PORTFOLIO ADJUSTMENTS

Portfolio percentage limitations for each category of investment are applicable only at the date of purchase. Should an investment percentage be exceeded due to instances such as the fluctuation in overall portfolio size, or market valuation changes, the Treasurer is not required to sell the affected securities.

Should a security held in the portfolio be downgraded below the minimum rating criteria specified in this Policy, the Treasurer shall determine a course of action to be taken on a case-by-case basis considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security. The Treasurer shall note in the monthly report any securities which have been downgraded below Policy requirements and the recommended course of action

8.0 SAFEKEEPING AND CUSTODY

All securities transactions entered into by the Authority shall be conducted on a delivery-versus-payment (DVP) basis pursuant to a custodial safekeeping agreement. All deliverable securities owned by the Authority shall be held in safekeeping by an independent custodian designated by the Treasurer. Financial institutions providing safekeeping services shall provide reports or receipts which verify securities held in safekeeping. The Treasurer shall also maintain evidence of the Authority ownership in non-deliverable securities (e.g. LAIF, CAMP, and Time CDs).

9.0 REPORTING

The Treasurer shall submit a quarterly report within 30 days following the end of the quarter covered by the report to the Authority Board of Directors pursuant to California Government Code Section 53646 (b)(1). The report shall at a minimum provide information on compliance to this policy and on the composition of the portfolio for each fund with:

- Types of investment
- Issuer
- Maturity dates
- Par and dollar amount
- Market values including source of the valuation
- Rates of Interest
- Expected yields to maturity

In addition, the quarterly report shall also include a statement denoting the ability to meet the Authority's expenditure requirements for the next six (6) months.

10.0 INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

Section 53600, et seq., of the Government Code of the State of California prescribes the statutory requirement relating to investments by local treasurers, providing guidance on:

- i) Allowable investments
- ii) Portfolio diversification requirements including proportional limits on investment types, maximum maturity, and minimum credit rating criteria.

The maximum maturity of any investment in the portfolios shall not exceed five (5) years except when specifically authorized by the Authority Board of Directors through resolution. When practical, the Treasurer shall solicit more than one quotation on each trade for the purpose of awarding investment trades on a competitive basis. The Authority will conform to the legal provisions set forth in the Government Code with further and more specific requirements about allowable investments and restrictions as detailed below:

10.1 US Treasury Obligations

Bills, notes and bonds issued by the U.S. Treasury which are direct obligations of the federal government.

- Maximum limit: 100% of the portfolio
- Maximum maturity of five (5) years
- Credit Requirement: N.A.

10.2 Federal Agency Obligations

Notes and bonds of federal agencies, government-sponsored enterprises and international institutions. Not all are direct obligations of the U.S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

- Maximum limit: 100% of the portfolio
- Maximum maturity of five (5) years
- Credit Requirement: N.A.

10.3 Banker's Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum limit: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Issued by banks with total deposits of over one billion dollars (\$1,000,000,000)
- Maximum maturity of one-hundred eighty (180) days
- Credit requirement: A-1 or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO)
- Issued by banks from offices in the USA.

10.4 Commercial Paper

Commercial paper is defined as short-term, unsecured promissory notes issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum limit: Twenty five percent (25%) of the portfolio; Ten percent (10%) with any one issuer
- Maximum Maturity of two hundred seventy (270) days
- Limited to 10 percent of the outstanding commercial paper and medium-term notes of any single issuer
- Credit requirement: Highest ranking or highest letter and number rating as provided by an NRSRO
- Entity issuing the commercial paper must meet the conditions of California Government Code Section 53601(h)(1) or (2)

10.5 Medium Term Corporate Notes

Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These debt obligations are generally unsecured.

- Maximum limit: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity of five (5) years
- Credit Requirement: A or its equivalent or better by an NRSRO
- Eligibility: Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any State and operating within the United States.

10.6 Negotiable Certificates of Deposit

Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

- Maximum limit: Thirty percent (30%) of the portfolio, with five percent (5%) per issuer
- Maximum maturity of five (5) years
- Credit Requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more

10.7 Bank Deposit

Insured or collateralized time certificates of deposits, saving accounts, market rate accounts, or other bank deposits.

- Maximum limit: Thirty percent (30%) of the portfolio for all deposits
- Maximum maturity of five (5) years
- Credit Requirement: All deposits must be collateralized as required by California Government Code Sections 53630 et seq. The Treasurer may waive collateral for the portion of any deposits that is insured pursuant to federal law.
- Deposits are limited to a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, located in California
- Deposit must meet the conditions of California Government Code Sections 53630 et Seq.

Pursuant to Government Code 53637, the Authority is prohibited from investing in deposits of a state or federal credit union if a member of the legislative body or decision-making authority serves on the board of directors or committee.

10.8 Money Market Mutual Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC.

- Maximum maturity: N/A
- Maximum limit: Twenty percent (20%) of the portfolio
- Credit Requirement: Highest ranking by not less than two NRSROs or must retain an investment advisor that meets specified requirements
- The use of money market funds is limited to Government money market funds that provide daily liquidity and seek to maintain a stable Net Asset Value (NAV)
- Funds must be invested in securities and obligations permitted under the California Government Code

10.9 State of California, Local Agency Investment Fund (LAIF).

LAIF is a pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. The maximum investment amount authorized by the Local Agency Investment Fund (LAIF) is set by the State Treasurer's Office. The LAIF is held in trust in the custody of the State of California Treasurer. The Authority's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum limit: The current limit set by LAIF for operating accounts
- Maximum Maturity: N/A
- Credit Requirement: N/A

10.10 Municipal Bonds and Notes

Municipal obligations issued by a municipality within the State of California and any other of the states in the union. This may include bonds, notes, warrants, or other evidences of indebtedness of a local agency within the state.

- Maximum limit: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity of five (5) years
- Must be issued by State of California, any of the other 49 states, or a California local agency
- Credit Requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO

10.11 Repurchase Agreement

A repurchase agreement is a purchase of authorized securities with terms including a written agreement by the seller to repurchase the securities on a future date and price.

- Maximum limit: Twenty percent (20%) of the portfolio
- Maximum maturity of two hundred seventy (270) days
- Master Repurchase Agreement must be onfile
- Limited to primary dealers or financial institutions rated A or its equivalent or higher by an NRSRO
- Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

10.12 California Asset Management Program (CAMP)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7.

- Maximum limit: Forty percent (40%) of the portfolio
- Maximum maturity: N/A
- Credit Requirement: AAAM or its equivalent or better by an NRSRO.
- Joint powers authority has retained an investment adviser that is registered or exempt from registration with the Securities and Exchange Commission, has five or more years of experience investing in the securities and obligations authorized under California Government Code Section 53601, and has assets under management in excess of five hundred million dollars (\$500,000,000).

10.13 Supranationals

Securities issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) and eligible for purchase and sale within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

10.14 Asset-Backed Securities

A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond.

- Maximum allocation: Twenty percent (20%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

11.0 CREDIT RATING

Credit rating requirements for eligible securities in this Policy specify the minimum credit rating category required at purchase without regard to +, -, or 1, 2, 3 modifiers, if any. The security, at the time of purchase, may not be rated below the minimum credit requirement by any of the NRSROs that rate the security.

12.0 MONITORING SAFETY AND LIQUIDITY

The Treasurer shall monitor on an ongoing basis investments for exposure to risk and credit deterioration to ensure primary objectives of safety of principal and liquidity are adhered to. Such matters shall be reported to the Authority Board of Directors as part of the Treasurer's quarterly and/or annual report.

13.0 ADMINISTRATION

The Treasurer may, at any time, establish more restrictive requirements for securities approved for investment as deemed appropriate in this Investment Policy. These restrictions may include,

but are not limited to, higher credit ratings, lower percentage limits by security type or issuer, shorter maturities and additional collateral requirements for collateralized investments.

14.0 PURCHASING ENTITIES

For investments not purchased directly from the issuer, the Treasurer shall select only brokers/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA) or other applicable self-regulatory organizations. Before engaging in investment transactions with a broker/dealer, the Treasurer shall obtain a signed verification form that attests the individual has reviewed the Authority's Policy, and intends to present only those investment recommendations and transactions to the Authority that is appropriate under the terms and conditions of the Policy.

The Authority's external investment manager(s) may be granted discretion to purchase and sell investment securities in accordance with this Policy. Investment managers may also use their own list of internally-approved issuers, broker-dealers and other financial firms, so long as such managers are registered under the Investment Advisers Act of 1940.

15.0 INVESTMENT SECURITY

To ensure a high degree of internal control, the Authority shall comply with the following:

- All securities purchased from dealers and brokers shall be held in safekeeping by the Authority's custodial bank, a national bank, a State chartered bank or trust company, established for this purpose as someone other than the selling party of the security. Securities purchased will be covered by a trust or safekeeping receipt in a manner that establishes the Authority's ownership. All transactions completed on a delivery versus pay basis (DVP).
- All trade confirmation shall be received directly and reviewed for conformity to the original transaction by an individual other than the person originating the transaction. All trade confirmation must be an original; copies of confirmations are not allowed. Any discrepancies will be brought to the attention of the Treasurer.

16.0 PERFORMANCE REVIEW AND INTERNAL CONTROL

The Treasurer or designee shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, and misrepresentations by third parties or unanticipated changes in financial markets. The internal control includes the activities of any subordinate officials acting on behalf of the Authority. Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. As part of the annual audit, the Authority's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

17.0 ETHICS AND CONFLICT OF INTEREST

All officers and employees involved in the investment process shall refrain from engaging in any personal business activity which could conflict with proper execution of investments subject to this Policy. Any material financial interests in financial institutions which do business with the Authority should be disclosed to the Executive Director of the Authority. All individuals involved in the investment process are required to report all gifts and income in accordance with California State Law.

EXHIBIT A GLOSSARY

ACCRETION: Adjustment of the difference between the prices of a bond bought at an original discount and the par value of the bond.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises (GSEs), also known as U.S. Government instrumentalities. Securities issued by Government National Mortgage Association (GNMA) are considered true agency securities, backed by the full faith and credit of the U.S. Government. GSEs are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, for example homeowners, farmers and students and are privately owned corporations with a public purpose. The most common GSEs are Federal Farm Credit System Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Association, and Federal National Mortgage Association.

AMORTIZATION: Accounting procedure that gradually reduces the cost value of a limited life or intangible asset through periodic charges to income. For fixed assets, the term used is "depreciation". It is common practice to amortize any premium over par value paid in the purchase of preferred stock or bond investments.

APPRECIATION: Increase in the value of an asset such as a stock bond, commodity or real estate.

ASKED PRICE: The price a broker/dealer offers to sell securities.

ASSET BACKED: Securities whose income payments and hence value is derived from and collateralized (or "backed") by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt.

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. This money market instrument is used to finance international trade.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

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 investment.

BID PRICE: The price a broker/dealer offers to purchase securities.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CASH EQUIVALENTS (CE): Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large- denomination CD's are typically negotiable.

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

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass- through securities are used to retire the bonds in the order specified by the bonds' prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these

CREDIT RISK: The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system-owned by the American Bankers Association and operated by Standard & Poor's-facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

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

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling

for his/her own risk and account or inventory.

DEBENTURES: A bond secured only by the general credit of the issuers.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVES: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

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

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. Duration measures the price sensitivity of a bond to changes in interest rates.

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently \$250,000.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored enterprise that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored enterprise (currently made up of 12

regional banks) that regulates and lends funds and provides correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U.S. Government.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Government sponsored enterprise that helps maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. government guarantees.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): Government sponsored enterprise that is the largest single provider of residential mortgage funds in the United States. FNMA 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.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee of the Federal Reserve Board, which establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

FEDERAL RESERVE SYSTEM: The central bank of the U.S. which consists of a seven member Board of Governors, 12 regional banks and about 5,700 commercial banks that are members.

FED WIRE: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

FREDDIE MAC: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. government sponsored enterprise.

GINNIE MAE: Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution which agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high quality ratings for long term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A-

(Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government Authority for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF): An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

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

MATURITY: The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM CORPORATE NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts 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.

MODIFIED DURATION: The percent change in price for a 100 basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities, counties, government retirement plans, school agencies, state universities, sewer agencies, municipally owned utilities and authorities running bridges, airports and other transportation facilities.

MUTUAL FUND: An entity that pools money and can invest in a variety of securities which are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit which can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earnings during the period divided by the sum of all Average Daily Portfolio Balances.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): is a credit rating agency that issues credit ratings that the U.S Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit: Sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

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. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

PRIME (SHORT TERM RATING): High quality ratings for short term debt such as commercial paper. Prime ratings are as follows: PI (Moody's), AI (S&P), and FI (Fitch).

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRIVATE PLACEMENTS: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR STANDARD: A standard of conduct for fiduciaries. Investments shall be made with judgment and care--under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the 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.

PUBLIC DEPOSIT: A bank that is qualified under California law to accept a deposit of public funds.

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date. Also known as the "trade date".

RATE OF RETURN: 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REALIZED GAIN (OR LOSS): Gain or loss resulting from the sale or disposal of a security.

REGIONAL DEALER: A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT (RP or REPO): A transaction in which a counterparty or the holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the Authority) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the Authority) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the "buyer" for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): The opposite of a repurchase agreement. A reverse repo is a transaction in which the Authority sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the Authority) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

RISK: Degree of uncertainty of return on an asset.

SAFEKEEPING: A service which banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or on the call date, if called.

SECURITIES AND EXCHANGE COMMISSION (SEC): Authority created by Congress to protect investors in securities transactions by administering securities legislation.

SECONDARY MARKET: A market for the repurchase and resale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness or equity.

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to

sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

STRUCTURED NOTE: A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include "inverse floating rate" notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising and "dual index floaters", which pay interest based on the relationship between two other interest rates, for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONALS: are international institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through sustainable economic growth. The Government Code allows local agencies to purchase the United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

TIME DEPOSIT: A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to \$250,000 are insured by FDIC. Deposits over \$250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return which equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity.

TRUSTEE OR TRUST COMPANY OR TRUST DEPARTMENT OF A BANK: A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer which purchases a new issue of municipal securities for resale.

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

U.S. GOVERNMENT AGENCY SECURITIES: Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

TREASURY BILLS: Securities issued at a discount with initial maturities of one year or less. The

Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES: Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

TREASURY BOND: Long-term coupon-bearing securities with initial maturities of ten years or longer.

UNREALIZED GAIN (OR LOSS): Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See REALIZED GAIN (OR LOSS).

VOLATILITY: Characteristic of a security, commodity or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY: The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. See CURRENT YIELD; YIELD TO MATURITY.

YIELD CURVE: Graph showing the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

YIELD TO MATURITY: Concept used to determine the rate of return if an investment is held to maturity. It takes into account purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

DELTA CONVEYANCE FINANCE AUTHORITY

**RESOLUTION PURSUANT TO GOVERNMENT CODE SECTION 53607 DELEGATING
INVESTMENT AUTHORITY OF THE DELTA CONVEYANCE FINANCE AUTHORITY
TO THE TREASURER FOR FISCAL YEAR 2021-2022**

RESOLUTION NO. 21-02

WHEREAS, pursuant to Government Code Section 53607, a legislative body of a local agency has the authority to delegate for a one-year period investment authority to the treasurer and that such delegation may be renewed each year; and

WHEREAS, it is the intent of the Delta Conveyance Finance Authority (DCFA) to delegate to the DCFA's Treasurer for Fiscal Year 2021-2022 the authority to invest or to reinvest funds of the Agency, or to sell or exchange securities so purchased pursuant to Government Code Section 53607; and

WHEREAS, in compliance with the laws of the State of California and as part of best practice and sound financial management the DCFA's Treasurer shall invest only in permitted investments pursuant to Government Code Section 53601 et. seq. and make regular reports of those transactions to the DCFA; now therefore be it

RESOLVED, that the DCFA hereby determines that the preceding recitals are true and correct and hereby adopts and incorporates them into this Resolution; and be it

FURTHER RESOLVED, that the DCFA hereby delegates to the DCFA's Treasurer the authority to invest or to reinvest funds of the DCFA, or to sell or exchange securities so purchased for Fiscal Year 2021-22; and be it

FURTHER RESOLVED, that the DCFA's Treasurer shall assume full responsibility for these transactions until the delegation of authority is revoked or expires; and be it

FURTHER RESOLVED, that this Resolution shall take effect immediately upon its passage.

DATED: August __, 2021

Gary Kremen, President

I hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of the Delta Conveyance Finance Authority at its meeting held on August __, 2021.

ATTEST:

DCFA Secretary

DELTA CONVEYANCE FINANCE AUTHORITY

Investment Policy

This Statement of Investment Policy (Policy) outlines the guidelines and practices to be used to manage the Delta Conveyance Finance Authority's (Authority) available cash and investment portfolio. Authority funds not required for immediate cash requirements will be invested in compliance with the California Government Code and this Policy.

1.0 POLICY

It is the policy of the Board of Directors of the Authority to invest public funds in a manner which conforms to the three fundamental criteria in order of importance, as listed:

- Safety of Principal
- Liquidity
- Return on Investment, or Yield

2.0 INVESTMENT AUTHORITY

In accordance with Section 53600, et seq., of the Government Code of the State of California, the authority to invest Authority public funds has been delegated to the Authority's Treasurer.

3.0 DELEGATION OF AUTHORITY

Responsibility for the investment program is specifically delegated by the Board to the Board-appointed Treasurer or, if no such appointment has been made, to the Executive Director, hereafter referred to as Treasurer who will establish procedures for 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, including procedures to execute investment transactions in the absence of the Treasurer. The Treasurer may delegate the day-to-day investment activities to their designee(s) but not the responsibility for the overall investment program.

The Treasurer may also delegate the day-to-day execution of investments to registered investment managers through written agreements. The investment manager(s), in coordination with the Treasurer, will manage on a daily basis the Authority's investment portfolio pursuant to the specific and stated investment objectives of the Authority. The investment manager(s) shall follow this Policy and such other written instructions provided by the Treasurer or their designee(s). The investment manager(s) may be given discretion to acquire and dispose of assets in their designated account, but the investment manager(s) shall not be permitted to have custodial control over the Authority's investment portfolio.

4.0 STATEMENT OF OBJECTIVES

Per Section 53600.5 of the California Government Code, the primary objective of the Treasurer shall be to safeguard the principal of the funds under his or her control when investing public funds. The secondary objective will be to maintain liquidity as required by the Authority and the third objective is to obtain a return on investment of these funds.

In order of priority, the three fundamental criteria shall be followed in the investment of funds:

- 4.1 Safety of Principal** - Investments shall be undertaken in a manner which first seeks to ensure the preservation of principal in the portfolio. Each investment transaction shall be entered only after taking into consideration the quality of the issuer, the underlying security or collateral, and diversification of the portfolio. Cash flow analysis will be conducted and utilized to avoid the need to sell securities prior to maturity. The Authority shall seek to preserve principal by mitigating both credit and market risk.
- 4.2 Liquidity** - Every effort shall be made to ensure that the Authority's portfolio is sufficiently liquid to meet current and anticipated operating requirements. Cash flow analysis should be performed on an ongoing basis. Investments shall be made to ensure maturities are compatible with anticipated cash flow requirements.
- 4.3 Return on Investment, or Yield** - Investments shall be undertaken to produce an investment return consistent with the primary objectives of Safety of Principal and Liquidity, and the Prudent Investor Standard.

The investment portfolio shall be managed 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. The Authority will employ an active management approach that allows for the sale of securities prior to their scheduled maturity dates. Securities may be sold for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. In no instance shall an exchange be used for purely speculative purposes. This Policy recognizes that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

Because the composition of the portfolio fluctuates, depending on market and credit conditions, various appropriate indices selected by the Treasurer will be used to monitor performance.

5.0 SCOPE

The Investment Policy applies to all available funds of the Authority with the exception of proceeds of notes, bonds or similar external financings which would be invested pursuant to bond indentures or State of California Government Code Section 53600, et seq., as applicable.

6.0 PRUDENT INVESTOR STANDARD

All investments and evaluation of such investments shall be made with the Prudent Investor Standard as set forth in the California Government Code, Sections 53600.3 and 27000.3, which is defined as a standard of conduct whereby any person authorized to make investment decisions on behalf of the Authority acts 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 Authority with the aim to safeguard principal and meet the liquidity needs of the Authority.

7.0 PORTFOLIO ADJUSTMENTS

Portfolio percentage limitations for each category of investment are applicable only at the date of purchase. Should an investment percentage be exceeded due to instances such as the fluctuation in overall portfolio size, or market valuation changes, the Treasurer is not required to sell the affected securities.

Should a security held in the portfolio be downgraded below the minimum rating criteria specified in this Policy, the Treasurer shall determine a course of action to be taken on a case-by-case basis considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security. The Treasurer shall note in the monthly report any securities which have been downgraded below Policy requirements and the recommended course of action

8.0 SAFEKEEPING AND CUSTODY

All securities transactions entered into by the Authority shall be conducted on a delivery-versus-payment (DVP) basis pursuant to a custodial safekeeping agreement. All deliverable securities owned by the Authority shall be held in safekeeping by an independent custodian designated by the Treasurer. Financial institutions providing safekeeping services shall provide reports or receipts which verify securities held in safekeeping. The Treasurer shall also maintain evidence of the Authority ownership in non-deliverable securities (e.g. LAIF, CAMP, and Time CDs).

9.0 REPORTING

The Treasurer shall submit a quarterly report within 30 days following the end of the quarter covered by the report to the Authority Board of Directors pursuant to California Government Code Section 53646 (b)(1). The report shall at a minimum provide information on compliance to this policy and on the composition of the portfolio for each fund with:

- Types of investment
- Issuer
- Maturity dates
- Par and dollar amount
- Market values including source of the valuation
- Rates of Interest
- Expected yields to maturity

In addition, the quarterly report shall also include a statement denoting the ability to meet the Authority's expenditure requirements for the next six (6) months.

10.0 INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

Section 53600, et seq., of the Government Code of the State of California prescribes the statutory requirement relating to investments by local treasurers, providing guidance on:

- i) Allowable investments
- ii) Portfolio diversification requirements including proportional limits on investment types, maximum maturity, and minimum credit rating criteria.

The maximum maturity of any investment in the portfolios shall not exceed five (5) years except when specifically authorized by the Authority Board of Directors through resolution. When practical, the Treasurer shall solicit more than one quotation on each trade for the purpose of awarding investment trades on a competitive basis. The Authority will conform to the legal provisions set forth in the Government Code with further and more specific requirements about allowable investments and restrictions as detailed below:

10.1 US Treasury Obligations

Bills, notes and bonds issued by the U.S. Treasury which are direct obligations of the federal government.

- Maximum limit: 100% of the portfolio
- Maximum maturity of five (5) years
- Credit Requirement: N.A.

10.2 Federal Agency Obligations

Notes and bonds of federal agencies, government-sponsored enterprises and international institutions. Not all are direct obligations of the U.S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

- Maximum limit: 100% of the portfolio
- Maximum maturity of five (5) years
- Credit Requirement: N.A.

10.3 Banker's Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum limit: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Issued by banks with total deposits of over one billion dollars (\$1,000,000,000)
- Maximum maturity of one-hundred eighty (180) days
- Credit requirement: A-1 or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO)
- Issued by banks from offices in the USA.

10.4 Commercial Paper

Commercial paper is defined as short-term, unsecured promissory notes issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum limit: Twenty-five percent (25%) of the portfolio; ~~five percent~~ Ten percent (510%) with any one issuer
- Maximum Maturity of two hundred seventy (270) days
- Limited to 10 percent of the outstanding commercial paper and ~~medium-term notes~~ of any single issuer
- Credit requirement: Highest ranking or highest letter and number rating as provided by an NRSRO
- Entity issuing the commercial paper must meet the conditions of California Government Code Section 53601(h)(1) or (2)

10.5 Medium Term Corporate Notes

Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These debt obligations are generally unsecured.

- Maximum limit: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity of five (5) years
- Credit Requirement: A or its equivalent or better by an NRSRO
- Eligibility: Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any State and operating within the United States.

10.6 Negotiable Certificates of Deposit

Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

- Maximum limit: Thirty percent (30%) of the portfolio, with five percent (5%) per issuer
- Maximum maturity of five (5) years
- Credit Requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more

10.7 Bank Deposit

Insured or collateralized time certificates of deposits, saving accounts, market rate accounts, or other bank deposits.

- Maximum limit: Thirty percent (30%) of the portfolio for all deposits
- Maximum maturity of five (5) years
- Credit Requirement: All deposits must be collateralized as required by California Government Code Sections 53630 et seq. The Treasurer may waive collateral for the portion of any deposits that is insured pursuant to federal law.
- Deposits are limited to a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, located in California
- Deposit must meet the conditions of California Government Code Sections 53630 et Seq.

Pursuant to Government Code 53637, the Authority is prohibited from investing in deposits of a state or federal credit union if a member of the legislative body or decision-making authority serves on the board of directors or committee.

10.8 Money Market Mutual Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC.

- Maximum maturity: N/A
- Maximum limit: Twenty percent (20%) of the portfolio
- Credit Requirement: Highest ranking by not less than two NRSROs or must retain an investment advisor that meets specified requirements
- The use of money market funds is limited to Government money market funds that provide daily liquidity and seek to maintain a stable Net Asset Value (NAV)
- Funds must be invested in securities and obligations permitted under the California Government Code

10.9 State of California, Local Agency Investment Fund (LAIF).

LAIF is a pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. The maximum investment amount authorized by the Local Agency Investment Fund (LAIF) is set by the State Treasurer's Office. The LAIF is held in trust in the custody of the State of California Treasurer. The Authority's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum limit: The current limit set by LAIF for operating accounts
- Maximum Maturity: N/A
- Credit Requirement: N/A

10.10 Municipal Bonds and Notes

Municipal obligations issued by a municipality within the State of California and any other of the states in the union. This may include bonds, notes, warrants, or other evidences of indebtedness of a local agency within the state.

- Maximum limit: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity of five (5) years
- Must be issued by State of California, any of the other 49 states, or a California local agency
- Credit Requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO

10.11 Repurchase Agreement

A repurchase agreement is a purchase of authorized securities with terms including a written agreement by the seller to repurchase the securities on a future date and price.

- Maximum limit: Twenty percent (20%) of the portfolio
- Maximum maturity of two hundred seventy (270) days
- Master Repurchase Agreement must be onfile
- Limited to primary dealers or financial institutions rated A or its equivalent or higher by an NRSRO
- Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

10.12 California Asset Management Program (CAMP)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7.

- Maximum limit: ~~Thirty~~Forty percent (~~34~~40%) of the portfolio
- Maximum maturity: N/A
- Credit Requirement: AAAM or its equivalent or better by an NRSRO.
- Joint powers authority has retained an investment adviser that is registered or exempt from registration with the Securities and Exchange Commission, has five or more years of experience investing in the securities and obligations authorized under California Government Code Section 53601, and has assets under management in excess of five hundred million dollars (\$500,000,000).

10.13 Supranationals

Securities issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) and eligible for purchase and sale within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

10.14 Asset-Backed Securities

A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond.

- Maximum allocation: Twenty percent (20%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

11.0 CREDIT RATING

Credit rating requirements for eligible securities in this Policy specify the minimum credit rating category required at purchase without regard to +, -, or 1, 2, 3 modifiers, if any. The security, at the time of purchase, may not be rated below the minimum credit requirement by any of the NRSROs that rate the security.

12.0 MONITORING SAFETY AND LIQUIDITY

The Treasurer shall monitor on an ongoing basis investments for exposure to risk and credit deterioration to ensure primary objectives of safety of principal and liquidity are adhered to. Such matters shall be reported to the Authority Board of Directors as part of the Treasurer's quarterly and/or annual report.

13.0 ADMINISTRATION

The Treasurer may, at any time, establish more restrictive requirements for securities approved for investment as deemed appropriate in this Investment Policy. These restrictions may include,

but are not limited to, higher credit ratings, lower percentage limits by security type or issuer, shorter maturities and additional collateral requirements for collateralized investments.

14.0 PURCHASING ENTITIES

For investments not purchased directly from the issuer, the Treasurer shall select only brokers/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA) or other applicable self-regulatory organizations. Before engaging in investment transactions with a broker/dealer, the Treasurer shall obtain a signed verification form that attests the individual has reviewed the Authority's Policy, and intends to present only those investment recommendations and transactions to the Authority that is appropriate under the terms and conditions of the Policy.

The Authority's external investment manager(s) may be granted discretion to purchase and sell investment securities in accordance with this Policy. Investment managers may also use their own list of internally-approved issuers, broker-dealers and other financial firms, so long as such managers are registered under the Investment Advisers Act of 1940.

15.0 INVESTMENT SECURITY

To ensure a high degree of internal control, the Authority shall comply with the following:

- All securities purchased from dealers and brokers shall be held in safekeeping by the Authority's custodial bank, a national bank, a State chartered bank or trust company, established for this purpose as someone other than the selling party of the security. Securities purchased will be covered by a trust or safekeeping receipt in a manner that establishes the Authority's ownership. All transactions completed on a delivery versus pay basis (DVP).
- All trade confirmation shall be received directly and reviewed for conformity to the original transaction by an individual other than the person originating the transaction. All trade confirmation must be an original; copies of confirmations are not allowed. Any discrepancies will be brought to the attention of the Treasurer.

16.0 PERFORMANCE REVIEW AND INTERNAL CONTROL

The Treasurer or designee shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, and misrepresentations by third parties or unanticipated changes in financial markets. The internal control includes the activities of any subordinate officials acting on behalf of the Authority. Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. As part of the annual audit, the Authority's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

17.0 ETHICS AND CONFLICT OF INTEREST

All officers and employees involved in the investment process shall refrain from engaging in any personal business activity which could conflict with proper execution of investments subject to this Policy. Any material financial interests in financial institutions which do business with the Authority should be disclosed to the Executive Director of the Authority. All individuals involved in the investment process are required to report all gifts and income in accordance with California State Law.

EXHIBIT A GLOSSARY

ACCRETION: Adjustment of the difference between the prices of a bond bought at an original discount and the par value of the bond.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises (GSEs), also known as U.S. Government instrumentalities. Securities issued by Government National Mortgage Association (GNMA) are considered true agency securities, backed by the full faith and credit of the U.S. Government. GSEs are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, for example homeowners, farmers and students and are privately owned corporations with a public purpose. The most common GSEs are Federal Farm Credit System Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Association, and Federal National Mortgage Association.

AMORTIZATION: Accounting procedure that gradually reduces the cost value of a limited life or intangible asset through periodic charges to income. For fixed assets, the term used is "depreciation". It is common practice to amortize any premium over par value paid in the purchase of preferred stock or bond investments.

APPRECIATION: Increase in the value of an asset such as a stock bond, commodity or real estate.

ASKED PRICE: The price a broker/dealer offers to sell securities.

ASSET BACKED: Securities whose income payments and hence value is derived from and collateralized (or "backed") by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt.

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. This money market instrument is used to finance international trade.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

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 investment.

BID PRICE: The price a broker/dealer offers to purchase securities.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CASH EQUIVALENTS (CE): Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large- denomination CD's are typically negotiable.

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

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass- through securities are used to retire the bonds in the order specified by the bonds' prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these

CREDIT RISK: The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system-owned by the American Bankers Association and operated by Standard & Poor's-facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

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

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling

for his/her own risk and account or inventory.

DEBENTURES: A bond secured only by the general credit of the issuers.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVES: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

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

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. Duration measures the price sensitivity of a bond to changes in interest rates.

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently \$250,000.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored enterprise that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored enterprise (currently made up of 12

regional banks) that regulates and lends funds and provides correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U.S. Government.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Government sponsored enterprise that helps maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. government guarantees.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): Government sponsored enterprise that is the largest single provider of residential mortgage funds in the United States. FNMA 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.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee of the Federal Reserve Board, which establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

FEDERAL RESERVE SYSTEM: The central bank of the U.S. which consists of a seven member Board of Governors, 12 regional banks and about 5,700 commercial banks that are members.

FED WIRE: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

FREDDIE MAC: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. government sponsored enterprise.

GINNIE MAE: Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution which agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high quality ratings for long term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A-

(Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government Authority for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF): An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

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

MATURITY: The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM CORPORATE NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts 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.

MODIFIED DURATION: The percent change in price for a 100 basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities, counties, government retirement plans, school agencies, state universities, sewer agencies, municipally owned utilities and authorities running bridges, airports and other transportation facilities.

MUTUAL FUND: An entity that pools money and can invest in a variety of securities which are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit which can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earnings during the period divided by the sum of all Average Daily Portfolio Balances.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): is a credit rating agency that issues credit ratings that the U.S Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit: Sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

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. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

PRIME (SHORT TERM RATING): High quality ratings for short term debt such as commercial paper. Prime ratings are as follows: PI (Moody's), AI (S&P), and FI (Fitch).

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRIVATE PLACEMENTS: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR STANDARD: A standard of conduct for fiduciaries. Investments shall be made with judgment and care--under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the 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.

PUBLIC DEPOSIT: A bank that is qualified under California law to accept a deposit of public funds.

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date. Also known as the "trade date".

RATE OF RETURN: 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REALIZED GAIN (OR LOSS): Gain or loss resulting from the sale or disposal of a security.

REGIONAL DEALER: A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT (RP or REPO): A transaction in which a counterparty or the holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the Authority) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the Authority) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the "buyer" for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): The opposite of a repurchase agreement. A reverse repo is a transaction in which the Authority sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the Authority) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

RISK: Degree of uncertainty of return on an asset.

SAFEKEEPING: A service which banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or on the call date, if called.

SECURITIES AND EXCHANGE COMMISSION (SEC): Authority created by Congress to protect investors in securities transactions by administering securities legislation.

SECONDARY MARKET: A market for the repurchase and resale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness or equity.

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to

sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

STRUCTURED NOTE: A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include "inverse floating rate" notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising and "dual index floaters", which pay interest based on the relationship between two other interest rates, for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONALS: are international institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through sustainable economic growth. The Government Code allows local agencies to purchase the United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

TIME DEPOSIT: A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to \$250,000 are insured by FDIC. Deposits over \$250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return which equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity.

TRUSTEE OR TRUST COMPANY OR TRUST DEPARTMENT OF A BANK: A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer which purchases a new issue of municipal securities for resale.

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

U.S. GOVERNMENT AGENCY SECURITIES: Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

TREASURY BILLS: Securities issued at a discount with initial maturities of one year or less. The

Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES: Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

TREASURY BOND: Long-term coupon-bearing securities with initial maturities of ten years or longer.

UNREALIZED GAIN (OR LOSS): Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See **REALIZED GAIN (OR LOSS)**.

VOLATILITY: Characteristic of a security, commodity or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY: The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. See **CURRENT YIELD**; **YIELD TO MATURITY**.

YIELD CURVE: Graph showing the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

YIELD TO MATURITY: Concept used to determine the rate of return if an investment is held to maturity. It takes into account purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.



Board Memo

Contact: Katano Kasaine, Treasurer

AGENDA DATE: August 19, 2021

Item No. 8.b

Subject: Treasurer's Report, Quarter Ended June 30, 2021

Executive Summary

The beginning cash balance in the DCFA Trust at April 1, 2021 was \$564,759. Total receipts for the three months ended June 2021 was \$829, consisting of interest income. Disbursements totaled \$6,343 during the three months ended June 2021. The ending cash balance at June 30, 2021 was \$559,245.

Attached is a schedule of Budget versus Actual through June 30, 2021. Year-to-date actual expenses were \$133,995 lower than budget due to limited opportunities to assist in financing, as well as the impacts of the pandemic on travel and meetings, the activities of the DCFA have been limited.

Detailed Report

See attached Statements

Recommended Action

For information only

ATTACHMENTS:

Attachment 1: DCFA Quarter Ended June 30, 2021 Financial Statements and Budget versus Actual



DELTA CONVEYANCE FINANCE AUTHORITY

Statement of Net Position

As of June 30, 2021

Assets:

Cash	\$ 559,245
Interest receivable	<u>179</u>
Total assets	<u>\$ 559,424</u>

Liabilities:

Accounts payable	<u>\$ 7,063</u>
Total liabilities	7,063

Net position

	<u>552,361</u>
Total liabilities and net position	<u>\$ 559,424</u>



DELTA CONVEYANCE FINANCE AUTHORITY
Statement of Cash Receipts and Disbursements

	Three Months Ended Jun '21	Year to Date Jul '20-Jun '21
Receipts:		
Interest receipts	\$ 829	\$ 7,181
Total receipts	<u>829</u>	<u>7,181</u>
Disbursements:		
Executive director	5,363	15,764
Insurance premiums	—	8,635
Treasury and accounting	—	30,000
Professional services	980	15,008
Total disbursements	<u>6,343</u>	<u>69,407</u>
Net change in cash	(5,514)	(62,226)
Cash at July 1, 2020	—	621,471
Cash at April 1, 2021	<u>564,759</u>	<u>—</u>
Cash at June 30, 2021	<u><u>\$ 559,245</u></u>	<u><u>\$ 559,245</u></u>



DELTA CONVEYANCE FINANCE AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position

	Three Months Ended Jun '21	Year to Date Jul '20-Jun '21
Revenues:		
Interest income	\$ 686	\$ 6,554
Total revenues	<u>686</u>	<u>6,554</u>
Expenses:		
Executive director	9,426	17,551
Insurance premiums	3,143	12,421
Treasury and accounting	—	30,000
Professional services	2,030	15,533
Total expenses	<u>14,599</u>	<u>75,505</u>
Changes in net position	(13,913)	(68,951)
Net position at June 30, 2020	—	621,312
Net position at March 31, 2021	<u>566,274</u>	<u>—</u>
Net position at June 30, 2021	<u>\$ 552,361</u>	<u>\$ 552,361</u>

* Balances may include prior month accruals that were not previously captured due to timing.



DELTA CONVEYANCE FINANCE AUTHORITY

Schedule of Invoices Paid
for the Twelve Months Ended June 30, 2021

Vendor	Invoice #	Invoice Date	Payment Date	Period of Expense	Amount	Disbursement Category
1 Michael Bell Management Consulting	518	06/24/20	07/01/20	05/01/20-05/31/20	\$ 4,225	Executive director
2 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	11271	06/30/20	08/03/20	06/01/20-06/30/20	525	Professional services
3 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	11409	07/31/20	08/14/20	07/01/20-07/31/20	805	Professional services
4 Michael Bell Management Consulting	524	07/31/20	08/14/20	06/01/20-06/30/20	1,138	Executive director
5 Michael Bell Management Consulting	532	09/30/20	10/14/20	09/01/20-09/30/20	1,950	Executive director
6 Metropolitan Water District of So. Ca	46989	09/30/20	10/14/20	03/01/20-10/31/20	15,000	Treasury and accounting
7 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	11718	08/31/20	10/23/20	08/01/20-08/31/20	70	Professional services
8 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	12127	09/30/20	10/23/20	09/01/20-09/30/20	140	Professional services
9 Richardson & Company LLP	111175	10/20/20	11/02/20	06/10/20-10/20/20	4,475	Professional services
10 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	12541	10/31/20	11/24/20	10/01/20-10/31/20	2,610	Professional services
11 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	12684	11/30/20	12/22/20	11/01/20-11/30/20	200	Professional services
12 Alliant Insurance Services, Inc.	1483617	10/21/20	12/22/20	10/24/20-07/01/21	8,635	Insurance premiums
13 Matthew Ian Keogh	INV011021DCFA	01/10/21	02/03/21	05/31/20-12/31/20	113	Professional services
14 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	13013	12/31/20	03/01/21	12/01/20-12/31/20	560	Professional services
15 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	13372	01/31/21	03/01/21	01/01/21-01/31/21	4,390	Professional services
16 Metropolitan Water District of So. Ca	47253	02/02/21	03/01/21	11/01/20-02/28/21	15,000	Treasury and accounting
17 Michael Bell Management Consulting	546	02/11/21	03/01/21	11/01/20-01/31/21	2,275	Executive director
18 Michael Bell Management Consulting	552	03/05/21	03/12/21	02/10/21-02/28/21	813	Executive director
19 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	13862	02/28/21	03/22/21	02/01/21-02/28/21	140	Professional services
20 Michael Bell Management Consulting	554	04/05/21	04/13/21	03/01/21-03/31/21	1,950	Executive director
21 Olivarez Madruga Lemieux O'Neill, LLP (OMLO)	14452	03/31/21	04/23/21	03/01/21-03/31/21	980	Professional services
22 Michael Bell Management Consulting	558	05/06/21	05/19/21	04/01/21-04/31/21	3,413	Executive director
					<u>\$ 69,407</u>	

Executive director	\$ 15,764
Insurance premiums	8,635
Treasury and accounting	30,000
Professional services	15,008
	<u>\$ 69,407</u>

*Totals may not foot due to rounding.



DELTA CONVEYANCE FINANCE AUTHORITY

Accounts Payable Aging Schedule

As of June 30, 2021

<u>Payable To:</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>Total</u>
Michael Bell Management Consulting					
Invoice #527	\$ 2,600	\$ —	\$ —	\$ —	\$ 2,600
Invoice #536	2,275	—	—	—	2,275
Invoice #05062021EST	1,138	—	—	—	1,138
Olivarez Madruga Lemieux O'Neill, LLP (OMLO)					
Invoice #14671	1,015	—	—	—	1,015
Invoice #15310	35	—	—	—	35
	<hr/>				
	\$ 7,063	\$ —	\$ —	\$ —	\$ 7,063
	<hr/>				



Delta Conveyance Finance Authority

Budget versus Actual

FY 2020/21

Item	Actual Through June 30, 2021	Budget FY 2020/21	Budget Remaining	Percent of Budget Used
Executive director	\$ 17,551	\$ 60,000	\$ 42,449	29.3%
Professional services	15,533	78,500	62,967	19.8%
Treasury and accounting	30,000	30,000	—	100.0%
Insurance	12,421	13,000	579	95.5%
Travel and meeting	—	2,000	2,000	0.0%
Materials and supplies	—	1,000	1,000	0.0%
Contingency	—	25,000	25,000	0.0%
Total	\$ 75,505	\$ 209,500	\$ 133,995	36.0%

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: August 19, 2021

Item No. 8.d

Subject: Executive Director's Report

Executive Summary

As reported at the last meeting, the DCFA's primary activity continues to be administrative in nature, while monitoring activities regarding the Delta Conveyance Project. We continue to communicate and coordinate with the State Water Contractors, including the Metropolitan Water District, the Department of Water Resources and the Delta Conveyance Design and Construction Authority (DCA) to keep current with activities on the project.

Detailed Report

Activities

Administration. Administrative activities included completing the insurance requirements and binder for the DCFA. This includes Directors and Officers coverage. Current activities include working with Metropolitan and Richardson to prepare for the external audit and complete year-end financial reports.

Meetings/calls. DWR continues to make progress on the environmental documents, and the DCA has continued its outreach through the Stakeholder Engagement process. The DCA has reduced the number of meetings it will be having to every other month, and Stakeholder meetings will be held less frequently, depending on need.

We continue to work with DWR to evaluate potential financing paths, including the idea of financing planning costs, including those previously incurred. There remain many hurdles to any financing. Work on the website was slow, but we intend to make progress during the next quarter, hoping to add materials from prior meetings as well as background information on the finance and economic aspects of the Delta Conveyance Project.

Future Activities

I will continue working with the members, the DCA, DWR and the State Water Project contractors to identify opportunities to support financial analysis and activities.

Recommended Action

Informational.

ATTACHMENTS: Approved Actions

DELTA CONVEYANCE FINANCE AUTHORITY

Completed Actions as of:

July 31, 2021

Action	Date
Adopted the CEQA determination for actions related to California Water Fix – that the Board has reviewed and considered the BDCP/California WaterFix environmental documentation and adopts the lead agency’s Findings of Fact, Statement of Overriding Considerations, Mitigation Monitoring and Reporting Program	7/19/2018
Approved agreement with Metropolitan to provide treasury and accounting services	7/19/2018
Approved submittal of WIFIA Letter of Interest	7/19/2018
Approved execution of agreement with Michael Bell Consulting to retain the services of Brian Thomas as Interim Executive Director	7/19/2018
Approved Fiscal Year 2018/19 Operating Budget	8/16/2018
Approved Debt Management Policy	8/16/2018
Approved Investment Policy	8/16/2018
Approved Bylaws	11/15/2018
Approved extension of contract with Michael Bell Management Consulting for the services of Brian Thomas as Executive Director through December 31, 2019	12/14/2018
Adopted Conflict of Interest Code	12/28/2018
Approved Reimbursement Policy	1/17/2019
Approved execution of agreement with Oliverrez Madruga Lemieux O'Neill to serve as general counsel	1/17/2019
Approved execution of agreement with Norton Rose Fulbright to serve as bond counsel	2/21/2019
Approved execution of agreement with Stradling Yocca Carlson & Rauth to serve as disclosure counsel	2/21/2019
Approved Fiscal Year 2019/20 Operating Budget and annual membership fees	5/16/2019
Approved execution of agreement with Richardson & Co. to provide external audit services	5/16/2019
Approved updated and amended Investment Policy	7/18/2019
Approved amendments to the DCFA bylaws	7/18/2019

DELTA CONVEYANCE FINANCE AUTHORITY

Completed Actions as of:

July 31, 2021

Action	Date
Approved no-cost extension to agreement with Michael Bell Management Consulting Services to provide Executive Director Services through December 2020	10/17/2019
Received and filed audited financial statements for fiscal year 2018/19	10/17/2019
Appointed Board Officers and Executive Committee	1/16/2020
Appointed MWD CFO as the Treasurer for the Authority	1/16/2020
Approved Fiscal Year 2020/21 Budget	5/21/2020
Approved Updated Investment Policy and Delegated authority to the Treasurer to invest funds	7/16/2020
Approved no-cost extension to agreement with Michael Bell Management Consulting Services to provide Executive Director Services through December 2021	10/15/2020
Received and filed audited financial statements for fiscal year 2019/20	10/15/2020
Appointed Board Officers and Executive Committee	1/21/2021
Approved Fiscal Year 2021/22 Budget	4/15/2021