Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

INVESTMENT POLICY

2021/2022

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1.0 POLICY

WHEREAS; The Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (California Government Code (CGC) § 53600.6 and 53630.1 (CGC §53600.6 and §53630.1);

WHEREAS; the legislative body of a local agency may invest surplus monies, not required for the immediate necessities of the local agency, in accordance with the provisions of CGC §5922 and CGC §53601 et seq.; and

WHEREAS; the Executive Manager of Finance and Administration/ Assistant General Manager (EMFA/AGM) or the General Manager (GM) of the Inland Empire Utilities Agency (IEUA) shall annually, or whenever there are recommended changes, whichever occurs first, prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting (CGC §53646[a]).

NOW, THEREFORE, BE IT RESOLVED that the policy of IEUA is to invest funds in a manner which will provide: (i) the maximum security; (ii) the funds necessary to meet the daily cash flow demands of the IEUA; and (iii) the highest investment return while conforming to all statutes governing the investment of IEUA funds within the constraints of this Investment Policy.

2.0 SCOPE

This Investment Policy applies to all surplus monies of IEUA, as defined below.

Surplus Monies are defined, for the Investment Policy, as all funds of the IEUA except:

- Monies held in Deferred Compensation Accounts
- Monies held in Capital Capacity Reimbursement Accounts
- Bond funds pursuant to bond documents

Pooling of funds

Except for cash in certain restricted and special funds, IEUA will consolidate cash and reserve balances from all funds to maximize investments earnings and to increase efficiencies with regards to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

3.0 PRUDENCE

The standard of prudence to be used by designated investment signatories shall be the "prudent investor" standard (CGC §53600.3) and shall be applied in the context of managing an overall portfolio. Investments shall be made 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 IEUA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

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

4.0 OBJECTIVES

As specified in CGC §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds; the primary objectives, in priority order, of the investment activities shall be:

A. *Safety:* Safety of principal is the foremost objective of the investment program. Investments made by IEUA shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required to prevent any potential loss on any individual security or depository from exceeding the income generated from the remainder of the portfolio.

B. *Liquidity:* The investment portfolio will remain sufficiently liquid to enable IEUA to meet all operating requirements which might be reasonably anticipated.

C. *Return on Investments:* The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low- risk securities in anticipation of earning a fair return relative to the risk being assumed.

5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from CGC §53600, et seq. Management's responsibility for the investment program is hereby delegated for a one-year period by the Board of Directors, to the Executive Manager of Finance and Administration/ Assistant General Manager (EMFA/AGM) or the General Manager (GM) who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked by the Board of Directors. Subject to review, the Board of Directors may renew the delegation of authority each year. The EMFA/AGM or the GM shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Procedures should include reference to safekeeping, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons/positions responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the procedures established by the EMFA/AGM or the GM and Administration. The EMFA/AGM or GM shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

The EMFA/AGM and/or GM may engage the services of one or more external investment advisors to assist in the management of the IEUA's investment portfolio in a manner consistent with this Investment Policy and the Agency's investment objectives and any written directions provided by the EMFA/AGM or GM. Furthermore, the advisors may not take possession of IEUA's cash or securities. Such investment advisors must be registered under the Investment Advisers Act of 1940.

6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees and financial advisors involved in the placement of investments shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS, BROKERS AND DEALERS

If IEUA plans to initiate investment transactions on its own behalf, excluding bank deposits and investments made directly with an issuer, the EMFA/AGM or the GM shall maintain a list of approved and authorized financial institutions selected based on credit-worthiness, financial strength, experience, and capitalization.

In selecting the *financial institutions* for the deposit or investment of IEUA funds, the EMFA/AGM or the GM's consideration shall include the depository's latest equity/asset ratio data and continue to monitor the financial institutions' credit characteristics and financial history throughout the period during which IEUA funds are deposited or invested.

> The minimum qualifications for Agency approved depository/financial institutions include: (i) that they must be at least three (3) years old; have total assets in excess of ten ($10) billion dollars; a core capital/asset ratio of 5 percent or better; or (ii) have total assets in excess of five hundred million dollars ($500,000,000); and a core capital/asset ratio of 6 percent or better.
>
> For the services of *banks, savings banks, and savings and loan associations,* depository agreements shall be prepared by the EMFA/AGM or the GM and authorized representatives of the respective financial institutions for consideration and execution by the Board of Directors.

If IEUA plans to initiate investment transactions on its own behalf, for *broker/dealer* services utilized to invest in government securities and other investments, the EMFA/AGM or the GM is designated to select only brokers/dealers who are licensed and in good standing with the California Department of Securities (CDS), the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or other applicable self-regulatory organizations. A periodic review of authorized brokers/dealers is essential to serve the IEUA's investment needs.

If IEUA has contracted with an investment advisor to provide investment services, the investment advisor may use their own list of approved issuers, *brokers/dealers and financial institution* to conduct transaction on the IEUA's behalf.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

IEUA's investments are governed by Government Code. Within the investments permitted by the Government Code, IEUA seeks to further restrict eligible investments to the investments listed below. In the event an apparent discrepancy is found between this investment policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the date an investment is purchased. Credit ratings, as shown, specify the minimum credit rating category required at the point of purchase.

A. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

B. 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.

C. State Municipal Securities – Registered treasury notes or bonds issued by any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a state or by a department, board, agency, or authority of any of the 50 states. Securities eligible for investment under this paragraph shall be rated in a rating category of "A" or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO). Short-term municipal securities eligible for investment shall be rated at or above the following credit agencies investment grade ratings; Sp-1 by Standard & Poor's, F-1 by Fitch, and MIG-1 by Moody's. These ratings for short term municipal securities signify the issuer's strong capacity to pay principal and interest. Not more than 10 percent of IEUA's funds shall be invested in state and local municipal securities.

D. California Local Agency Municipal Securities – Bonds, notes, warrants or other evidence of indebtedness of a local agency or municipality located within the State of California, including debt securities issued by the IEUA. Given potential issues with arbitrage regulations, IEUA's legal counsel shall review any potential purchase of IEUA's own debt before the purchase. Securities eligible for investment under this paragraph shall be rated in a rating category of "A" or its equivalent or better by a NRSRO.

E. Bank deposits, including demand deposit accounts, savings account, and market rate accounts, time deposits, and certificates of deposit in financial institutions located in California. Bank deposits are required to be collateralized as specified under Government Code § 53630 et. seq. Agreements allowing for the waiver of the collateral requirement for that amount of deposit covered by the Federal Deposit Insurance Corporation may be implemented provided the remainder of the deposit is secured by collateral as required by the Government Code.

F. Negotiable Certificates of Deposit. Negotiable certificates of deposit (NCD) issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases are limited to securities rated in a rating category of "A" (long-term) and/or "A-1" (short-term) or their equivalents or better by a NRSRO. NCD for which the full amount of the principal and the interest that may be accrued during the maximum term of each certificate is insured by federal deposit insurance are exempt from the rating requirements. A maximum of 30 percent of the portfolio may be invested in this category. The maximum investment maturity will be restricted to five years**.**

G. Placement Service Deposits (PSD). Funds may be placed with a private sector entity that assists in the placement of deposit with eligible financial institutions located in the United States (CGC § 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each PSD shall always be insured by federal deposit insurance. The maximum portfolio exposure to Placement Service Deposits is limited to 30 percent. The maximum investment maturity will be restricted to five years.

H. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria:
(a) Is organized and operating in the United States as a general corporation;
(b) Has total assets more than five hundred million dollars ($500,000,000);
(c) Has debt other than commercial paper, if any, that is rated in category of "A" or its equivalent or better by a NRSRO.

(2) The entity meets the following criteria:

(a) Is organized within the United States as a special purpose corporation, trust, or limited liability company;

(b) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond;

(c) Has commercial paper that is rated in a rating category of "A-1" or better, or the equivalent, by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. A maximum of 25 percent of the portfolio may be invested in this category.

I. Local Agency Investment Fund (LAIF) investment pool is a voluntary program created by statute as an investment alternative for California's local governments and special districts and is under the administration of the State Governor of California. All securities purchased by LAIF are under the authority of Government Code §16429 and §16480.4. As part of the Pooled Money Investment Account (PMIA), LAIF has oversight by the Pooled Money Investment Board (PMIB), and an in- house Investment Committee. LAIF also has oversight by the Local Agency Investment Advisory Board and is audited by the Bureau of State Audits on an annual basis. Investment in California LAIF cannot exceed the maximum deposit per agency limit as set by the Local Agency Investment Fund.

J. Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of CGC § 53601(p).

Whenever the IEUA has any fund invested in a LGIP, the CFO/AGM or the GM shall maintain on file a copy of the pools' current information statement to be reviewed on a periodic basis. Investment in LGIPs cannot exceed the maximum deposit limit as set by each LGIP.

K. Money Market Funds - Investing solely in U.S. Treasury securities and U.S. Government Agency securities, and repurchase agreements relating to the above obligations. To be eligible, these Money Market Funds must have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs. (B) Retained an investment advisor with not less than five years of experience and registered or exempt from registration with the SEC, with assets under management more than five hundred million dollars ($500,000,000). No more than 20 percent of the portfolio may be invested in Money Market Funds with no more than 10 percent invested in any one money market mutual fund.

L. Repurchase Agreements - IEUA may invest in repurchase agreements with banks and dealers with which IEUA has entered into a master repurchase agreement which specifies terms and conditions of repurchase agreements.

1) Transactions shall be limited to the primary dealers and banking institutions rated in a rating category of "A" or its equivalent or better by a NRSRO, or with a financially stable banking institution which the Agency has a substantial banking relationship. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the EMFA/AGM or GM and will not be allowed to fall below 102 percent of the value of the repurchase agreement plus the value of collateral more than the value of the repurchase agreement.

To conform with the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States.

2) Not more than 40 percent of the portfolio may be invested in repurchase agreements and a security interest satisfactory to IEUA shall always be maintained in the securities subject to a repurchase agreement.

M. Medium Term Notes (MTN): MTNs defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases in this category shall not exceed 30 percent of the portfolio and must be rated in a rating category of "A" or its equivalent, or better by a NRSRO.

N. U.S. Instrumentalities (Supranational). 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, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Purchases are limited to securities that are rated in a rating category of "AA" or its equivalent or better by a NRSRO. A maximum of 20 percent of the portfolio may be invested in United States Instrumentalities.

Ineligible Investments: Investments not described herein, including but not limited to, reverse repurchase agreements and common stocks are prohibited from use in this portfolio. This Investment Policy further specifically disallows investments in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity. IEUA may invest in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. IEUA may hold these instruments until their maturity dates.

9.0 AUTHORIZED INVESTMENTS FOR BOND PROCEEDS

Bond proceeds shall be invested in the securities permitted pursuant to Board approved bond documents. If the bond documents are silent as to the permitted investments, bond proceeds will be invested in the securities permitted by this policy. Notwithstanding the other provisions of this Investment Policy, the dollar portfolio, percentage, and term limitations listed elsewhere in the Investment Policy do not apply to bond proceeds. In addition to the securities listed in Section 8.0 above, bond proceeds may be invested in a structured investment product if approved by the EMFA/AGM or GM.

10.0 SAFEKEEPING AND CUSTODY

As required by CGC §53601 all security transactions entered by IEUA shall be conducted on Delivery versus Payment basis. Delivery versus Payment or DVP basis means all securities purchased or acquired shall be delivered to IEUA by book entry, physical delivery, or third-party custodial agreement. Investments in the state pool, local government investment pools, or money market funds are undeliverable, and therefore, not subject to the delivery or third-party safe keeping requirements.

11.0 DIVERSIFICATION

The Board of Directors recognize that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Portfolio diversification is employed to minimize these risks. Investment signatories are expected to display prudence in the selection and/or approval of securities, to minimize the risks present in the investment portfolio. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. To promote diversification, no more than 5 percent of the portfolio may be invested in the securities of any one issuer, regardless of security type; except for U.S. Treasuries, federal agencies, supranational, and pooled investments such as LAIF, money market funds, and local government investment pools.

The Board of Directors acknowledges that from time to time certain situations may arise during which strict adherence to an inflexible investment policy may be overly restrictive. On a case by case basis, the Board of Directors may consider any pertinent information of such situations and may, by minute action, modify or waive, within the constraints of CGC §53601 et seq., any of the provisions and/or restrictions of this Investment Policy.

The EMFA/AGM or the GM shall periodically establish diversification guidelines, within the context of this policy, and strategies to control any risks of default, market price changes, and illiquidity.

12.0 TRADING OF SECURITIES

A trade is the movement from one security to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. The purchase and sale transaction and the sale transaction must each be recorded separately and any losses or gains on the sale must be recorded.

The EMFA/AGM or the GM may obtain competitive bids from at least two brokers or financial institutions on all purchases based on investment analysis recommended by staff about the investment policy guidelines. Competitive bids can be also obtained by other communication channels when necessary.

If the Agency has contracted with an investment advisor to provide investment service, the trading of the funds managed by the investment advisor will be performed by the investment advisor based on their established policies and procedure to evaluate and monitor the firms' credit worthiness, as well as their ability to perform the duties necessary for efficient trade execution. All trading activity conducted by the investment advisor shall be made in accordance with this Investment Policy and any written directions provided by the EMFA/AGM and/or GM.

13.0 MAXIMUM MATURITIES

Where no maturity limit is stated for an investment under Section 8.0, no investment shall be made in any security that at the time of the investment, has a remaining term to maturity of more than five years unless the Board of Directors has granted express authority to make that investment either specifically or as part of a previous investment program, no less than three (3) months prior to the investment. Any investment currently held at the time the investment policy is adopted which does not meet the new policy guidelines will be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation such funds shall be reinvested only as provided in the most current policy.

14.0 PORTFOLIO MATURITY LIMITATION

The weighted average maturity of the entire portfolio shall not exceed three (3) years.

15.0 MONITORING CREDIT RATINGS

The EMFA/AGM or the GM or the investment advisor shall monitor the ratings of all investments in their portfolios on a continuous basis. If an existing investment's rating drops below the minimum credit rating required for new investments made pursuant to this Investment Policy, the EMFA/AGM or the GM shall make a written recommendation to the Board as to whether this security should be held or sold prior to maturity.

16.0 REPORTING

The EMFA/AGM or the GM shall submit to each member of the Board of Directors a monthly investment report. This report will include the elements of the quarterly report as recommended by CGC §53646, to include:

a. Type of investment
b. Name of institution
c. Date of maturity
d. Amount of deposit or cost of the security and the par value
e. Current market value of all securities
f. Rate of interest/earnings (yield)
g. A monthly list of transactions

CGC §53646(b)(2), (3) recommends that the investment report must include a statement that (i) all investment actions executed since the last investment report have been made in full compliance with the Investment Policy or a Board of Directors' minute action (wavier) and, that (ii) IEUA will meet its expenditure obligations for the next six months. The EMFA/AGM or the GM shall maintain a complete and timely record of all investment transactions in support of the above statement.

17.0 INTERNAL CONTROLS

The EMFA/AGM or the GM is responsible for establishing and maintaining a control structure designed to ensure that the assets of the IEUA are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation and benefits require estimates and judgments by management.

An annual independent review, or as needed to address recommended changes, by an external auditor to assure compliance with policies and procedures will be performed as part of the IEUA's annual audit.

18.0 PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. To determine whether market rate of return is being achieved, the EMFA/AGM or the GM shall identify comparable benchmark(s) to the portfolio investment duration, (e.g. 90-day US Treasury Bill, 6-month US Treasury Bill, average LAIF yield rate).

If the Agency has contracted with an investment advisor to provide investment service, the investment performance of the managed funds shall be evaluated and compared to an appropriate benchmark to assess the success of the investment program relative to IEUA's safety, liquidity, return objectives. This comparative analysis is included in the investment report presented to the Board of Directors quarterly.

19.0 POLICY REVIEW

This Investment Policy shall be reviewed regularly to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return and its relevance to current law and financial and economic trends. The Board shall be responsible for maintaining guidance over this Investment Policy to ensure that IEUA can adapt readily to changing market conditions and approve any modification to the Investment Policy prior to implementation.

20.0 STATE LAW

The legislated authority of the IEUA's investments is covered in Sections 53601, 53607, 53635, 53638, 53646, 53652, and 53653 of the Government Code. It is the policy of the IEUA to comply with the State laws governing its investments.

21.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the Board of Directors of IEUA (A Municipal Water District). Moreover, the Policy shall be reviewed whenever there are recommended changes or annually, whichever occurs first, and modifications must be approved by the Board of Directors.

ADOPTED AND APPROVED:

Name:

Title:

Date:

APPENDIX: GLOSSARY OF CASH MANAGEMENT TERMS

BOND PROCEEDS:
The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

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.

CERTIFICATE OF DEPOSIT (CD):
A time deposit with a specific maturity evidenced by a certificate.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS):
A private CD placement service that allows local agencies to purchase more than $250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $250,000 each, so that FDIC coverage is maintained.

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

COMMERCIAL PAPER:
A short-term, unsecured, promissory note with a fixed maturity of no more than 270 days. By statute, these issues are exempt from registration with the U.S. Securities and Exchange Commission.

CREDIT RISK:
The risk to an investor that an issuer will default in the payment of interest and/or principal on a security and a loss will result.

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 a s a principal in all transaction, buying and selling for his own risk and account or inventory.

DELIVERY OF SECURITIES:
There are two methods of delivery of securities; *Delivery versus Payment* and *Delivery versus Receip*t. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of signed receipt for the securities.

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

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

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):
The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States. All told, FINRA oversees over 4,200 brokerage firms, about 162,000 branch offices and approximately 634,000 registered securities representatives.

INTEREST ONLY STRIPS:
The interest portion of a Treasury note or bond that has been stripped of its principal component through the commercial book-entry system.

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.

INVERSE FLOATER:
Fixed income instruments whose coupon or interest rate is periodically reset according to a short-term rate index such as LIBOR, or prime rate. Unlike the traditional floating rate instrument, however, the inverse floater's rate is set equal to a fixed rate minus the short-term rate index.

INVESTMENT POLICY:
A clear and concise statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

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

LIQUIDITY:
The measure of an asset's ability to be converted easily and rapidly into cash with minimum risk on principal.

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

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 NOTES (MTNs):
Corporate notes, having any or of the features of corporate bonds and ranging in maturity from nine months out to thirty years. The difference between corporate bonds and MTNs is that corporate bonds are underwritten.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO):
A rating organization designated by the SEC as being nationally recognized, such as Moody's Investor Service, Inc.(Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch).

NEGOTIABLE CERTIFICATES OF DEPOSIT:
Time deposits issued by Federal Deposit Insurance Corporation (FDIC) insured banks and are underwritten by the Financial Industry Regulatory Authority (FINRA) registered Broker/Dealers. Also known as "DTC Eligible CDs" or "Brokered Deposits", this type of deposit is offered to investors by issuing institutions looking to raise liquidity and funding through the wholesale and institutional markets.

PAR VALUE:
The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in increments of $1,000 per bond.

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

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

PRUDENT INVESTMENT STANDARD:
The way a prudent person of discretion and intelligence would be expected to manage the investment program in seeking a reasonable income and preservation of capital.

RANGE NOTES:
Securities that accrue interest during an interest period at a fixed or variable rate if a specified index is within a specified range during a designated period or at a point in time. A Range Note may not bear interest if the specified index is outside the specified range.

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.

REPURCHASE AGREEMENT (RP OR REPO):
A holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the Agency) with an agreement to repurchase them at a fixed date. The security "buyer" (e.g. the Agency) 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):
A counter party (e.g. investment dealer) buys the securities from the holder of securities (e.g. the Agency) with an agreement to sell them back at a fixed date. The counter party in effect lends the seller (e.g. the Agency) money for the period of the agreement with terms of the agreement structured to compensate buyer.

SAFEKEEPING:
A service 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, if called, on the call date.

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

SECURITIES AND EXCHANGE COMMISSION (SEC):
Agency 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.

SUPRANATIONALS:
International organizations whereby member states transcend national boundaries or interests to share in the decision-making process and vote on issues pertaining to the wider grouping.

TOTAL RETURN:
Total return, when measuring performance, is the actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends and distributions realized over a given period.

TREASURY SECURITIES:
Securities issued as direct obligations of the U.S. Government and backed by the full faith and credit of the federal government.

WEIGHTED AVERAGE MATURITY (WAM):
The average maturity of all the securities that comprise a portfolio, typically expressed in days of years.

YIELD:
The annual rate of return on an investment expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security.

Exhibit A

INLAND EMPIRE UTILITIES AGENCY
OFFICE OF THE EXECUTIVE MANAGER OF FINANCE & ADMINISTRATION/AGM OR GENERAL MANAGER
INVESTMENT ADVISOR

The following investment advisor is authorized to provide investment services to the IEUA, in accordance with the IEUA's Investment Policy:

1. PFM Asset Management LLC – Contract Number 4600002440
   a. Approved 12/20/2017, expiring 1/10/2021.
   b. Contract Extension – Approved 10/27/2020, expiring 1/10/2023

Exhibit B

INLAND EMPIRE UTILITIES AGENCY
OFFICE OF THE EXECUTIVE MANAGER OF FINANCE & ADMINISTRATION/AGM
OR GENERAL MANAGER

Authorized Brokers/Dealers

NONE