WASHOE COUNTY
INVESTMENT MANAGEMENT PLAN

Effective
2022

WASHOE COUNTY
INVESTMENT MANAGEMENT PLAN

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INTRODUCTION

In September 2019, the Washoe County Board of County Commissioners adopted the updated **Washoe County Investment Policies**, a six page document that contains general guidelines for investing the financial assets of Washoe County. This document, the **Investment Management Plan**, was developed by the Treasurer's office and the Investment Committee. It is designed to assist staff in day-to-day investment operations and is the tool to allow for committee direction and input. It is organized to follow the investment policies. Text in italics within this document is taken directly from the investment policies document.

MISSION STATEMENT AND PRIMARY OBJECTIVES

The mission of the Washoe County Investment Committee is to maintain and manage a high-quality, secure portfolio with sufficient liquidity to meet expected and unexpected cash flow needs, while generating an appropriate rate of return that will grow the portfolio over time.

The Primary Investment Objectives are as follows:

- **Safety of Principal:** Safety of principal is the foremost objective of Washoe County's investment program. Investments by the Treasurer shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification of security types, sectors, issuers, and maturities is necessary in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

- **Liquidity:** The investment portfolio shall be structured to timely meet expected cash outflow needs and associated obligations which might be reasonably anticipated. This objective shall be achieved by matching investment maturities with forecasted cash outflows and maintaining an additional liquidity buffer for unexpected liabilities.

- **Investment Income:** The investment portfolio shall be designed to earn a market rate of investment income in relation to prevailing budgetary and economic cycles, while taking into account investment risk constraints and liquidity needs of the portfolio.

PRIMARY INVESTMENT PHILOSOPHY

The primary investment philosophy of the County is to match investment maturities with expected cash outflows. Securities shall generally be held until maturity, with the following exceptions:

- A security with declining credit may be sold prior to maturity to minimize loss of principal.

- Liquidity needs of the portfolio require that a security be sold prior to maturity.
- A security rebalance or swap would improve the quality, yield, or target duration in the portfolio.

SCOPE AND POLICY STATEMENT

This policy applies to all general financial assets of Washoe County, Nevada, those held in the public interest in the County's fiscal capacity, and those held in trust or agency capacity for other governmental entities per approved agreements. These funds are accounted for and audited as part of the County's Annual Comprehensive Financial Report.

This policy does not govern bond proceeds allocable to the County. Such funds are governed by their individual bond documents in accordance with IRS regulations.

General financial assets are funds managed by the Treasurer for all County Departments and Agencies. Separate banking accounts, petty cash or other financial assets may be approved for special Department use and are not covered by this policy.

The Treasurer shall enter into depository agreements with all external entities for whom funds are held and invested. A list of such agreements is hereby attached as Appendix "A" and is regularly updated by the Treasurer.

GOVERNING BODY, DELEGATION, AND AUTHORITY

The Board of County Commissioners has overall responsibility for investment of County funds in accordance with NRS 355.175. The Washoe County Chief Investment Official is the Washoe County Treasurer, under authority delegated by the Board of County Commissioners. The Treasurer may delegate investment responsibilities to treasury staff members. The County Treasurer and delegated staff are the Investment Officers of Washoe County.

The current authorized Investment Officers for Washoe County, determined by title, are:

Washoe County Treasurer
Chief Deputy Treasurer
Assistant Chief Deputy Treasurer
Deputy Treasurer

Additionally, the Board of County Commissioners may enter into an agreement with an external investment advisor for investment management services for all or part of the County's portfolio. Said agreement shall be on file with the Treasurer's office.

INVESTMENT COMMITTEE

The Investment Committee created in Washoe County Code Section 15.220 has been delegated the investment decision making authority in Washoe County and serves also in an advisory capacity to the Treasurer and Board of County Commissioners.
The Investment Committee shall:

> *A) Adopt an investment management plan which addresses the County's administration of its portfolio including investment strategies, benchmarks, practices and procedures.*
>
> *B) Meet at least quarterly to review the investment management plan, general strategies and to monitor results. The committee shall include in its review, but is not limited to, consideration of the portfolio diversification, maturity structure, economic outlook, authorized depositories, and the target rate of return on the portfolio.*
>
> *C) Establish the types of investments considered proper for the County, within the framework of the statutes of the State of Nevada regarding investment media acceptable for counties, and recognizing the conflicting desires for maximum safety and maximum yields. The approved types of investments will be specifically identified in the investment management plan.*
>
> *D) Determine the criteria that must be met by banks, investment houses, brokerage firms and other financial institutions in order to be eligible to participate in the County's investment program. The criteria established will be included in the investment management plan and may include the use of an investment advisor's approved broker/dealer list.*
>
> *E) Review and recommend modifications to this investment policy on an annual or more frequent basis, subject to approval of the Board of County Commissioners.*

PRUDENCE

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio, rather than considering specific investments in isolation. Investment officers acting in accordance with written procedures and 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 any required liquidation or sale of securities is carried out in accordance with the terms of the adopted policies.

The prudent investor rule requires that investors act as a prudent investor would, with care, skill, caution, and diligence under circumstances then prevailing, considering the entire portfolio and overall investment strategy.

ETHICS

Officers and employees designated as investment officers for Washoe County, shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment officers shall disclose to the County Manager any material financial interests in financial institutions that conduct business with Washoe County. Investment officers shall subordinate their personal investment transactions to those of Washoe County, particularly with regard to the timing of purchases and sales.

LIMIT ON RECEIPT OF GIFTS, HONORARIA, AND GRATUITIES

No individual responsible for the management of the County's investment portfolio or any member of the Investment Committee shall accept honoraria, gifts or gratuities from any advisor, broker, dealer, banker or other person with whom the County Treasurer conducts business.

INTERNAL CONTROLS AND EXTERNAL AUDIT

A system of internal controls shall be established by the County Treasurer which shall be reviewed annually by the independent external auditor. The results of that audit shall be furnished to the Investment Committee. *The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions*

SAFEKEEPING AND CUSTODY

Securities purchased by the County shall be delivered against payment (delivery vs. payment) and held in a custodial safekeeping account with the trust department of a third party bank, insured by the Federal Deposit Insurance Corporation, designated by the County Treasurer for this purpose in accordance with Nevada Revised Statutes. A custody agreement between the bank and the County is required before execution of any transactions.

AUTHORIZED DEALERS & FINANCIAL INSTITUTIONS

The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services to the County. The criteria for approving and monitoring a financial institution or broker/dealer is based on industry best practices.

Approving a Broker/Dealer

The Treasurer will identify the important issues of the investment program and the pertinent qualifications of each institution and broker/dealer. To accomplish this task, the "Broker/Dealer Request for Information" form will be sent to a prospective candidate(s) for completion. All information requested must be provided before the Treasurer will evaluate and recommend acceptance or rejection of the Broker/Dealer to the Investment Committee as an authorized Broker/Dealer.

Upon receipt of all required information, the Treasurer will proceed to verify the data submitted, evaluate the results and make the appropriate recommendation to the Investment Committee at the next scheduled meeting.

The evaluation process will include financial statement review, capital adequacy standards, verification of federal and state registrations/licensing, review of staff qualifications, reference checks and satisfactory explanation of any deficiencies identified as a result of this process.

No broker/dealer will be engaged to conduct investment business for Washoe County until qualified by this process.

Upon approval of the Investment Committee, the Broker/Dealer will be sent an Agreement for Securities Service for execution and be required to give a statement that they have read and agree to adhere to the purpose and intent of the Investment Policy and diligently observe the limitations regarding investment types allowed by Nevada state law.

After these documents have been properly executed and returned to the Treasurer, the broker/dealer will be given the opportunity to do business with the county.

Monitoring Broker/Dealer Services

In monitoring the services provided by a broker/dealer, primary consideration should be given to the evaluation of comparative pricing, the frequency of failed transactions and compliance with these procedural investment guidelines, and willingness to provide desired portfolio analysis reports on a periodic basis.

Failure to continue to meet the minimum requirements for selection will result in the immediate removal of the broker/dealer from the approved list pending review by the Investment Committee and/or reapplication for approval.

Dealers shall submit audited financial statements annually, and the Treasurer will conduct a follow-up background inquiry on brokers and dealers on the approved list at least once each year.

Financial Institutions

The Treasurer shall maintain service agreements with all financial institutions with which the Treasurer conducts business.

External Managers

If the County contracts with external investment advisors, the Treasurer may approve and use a list of authorized broker/dealers provided by the investment advisor. The external investment advisor agrees to include the County's approved brokers to solicit bids for the County transactions.

The external management firm's policies and procedures, as accepted by the Investment Committee, shall be on file with the County Treasurer's office. The investment management services shall be performed in accordance with the proposal of services approved by the Investment Committee.

DIVERSIFICATION PARAMETERS

The County will diversify its investments by maturities, security types, and issuers. This diversification will help mitigate the risks of the County's investment portfolio. Diversification parameters are delineated in the Authorized Investment Instruments and other sections of this document. Additionally, no more than 5% will be invested in any one corporate issuer (aggregating corporate notes, commercial paper, and negotiable certificates of deposit).

MATURITY PARAMETERS

The investment program shall follow the following maturity parameters:

- Weighted Average Maturity no greater than 3.5 years (using stated final maturity)
- At least 5% of the investment pool maturing within 90 days
- No single security's maturity shall be longer than 10 years

CALCULATION PARAMETERS

Calculations of percentage allocations shall be done at the time of purchase and formulated on book value. Weighted average maturity is calculated using a security's stated final maturity and using the settlement date.

AUTHORIZED INVESTMENT INSTRUMENTS

The County is initially limited to those instruments authorized by Nevada Revised Statutes. The Treasurer and any external investment advisor is further limited to the following securities having been approved by the Investment Committee as appropriate investments for the County.

- If the credit ratings of an obligation are reduced to a level that would not meet the purchase requirements of that paragraph, the investment advisor must report the reduction in rating to the Treasurer. The Treasurer, in consultation with the investment advisor, will take such action as deemed appropriate to preserve the principal value and integrity of the portfolio as a whole. The Treasurer will report to the Investment Committee any action taken pursuant to this paragraph.

1. a. **U.S. Treasury:** Direct obligations of the U.S. Treasury--Treasury Bills and Notes

Maximum Term	10 years
Maximum Single Purchase	No Limit
Maximum Aggregate Position	No Limit

b. Securities backed by the full faith and credit of the United States government--Government National Mortgage Association (GNMA), Small Business Administration (SBA) loans or pools.

Maximum Term	10 years
Maximum Single Purchase	No Limit
Maximum Aggregate Position	No Limit

2. a. **Federal Agencies:** Securities backed by Federal Agencies--Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Institutions (FHLB), , Federal Farm Credit Institution (FFCB), Federal Agricultural Mortgage Corporation (FAMC)

Maximum Term	10 years
Maximum Single Purchase	No Limit
Maximum Percent Per Issuer	35% of portfolio
Maximum Aggregate Position	No Limit

b. Agency-Issued Mortgage-Backed Securities--FNMA, FHLMC, GNMA

Maximum Term	10 years
Maximum Single Purchase	No Limit
Maximum Percent Per Issuer	15% of portfolio
Maximum Aggregate Position	40% of portfolio

3. **Supranationals:** Bonds, notes or other obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the International Finance Corporation or the Inter-American Development Bank that are denominated in United States dollars and are a senior unsecured unsubordinated obligation. Securities shall be rated at least “AA” or its equivalent by at least one nationally recognized rating service.

Maximum Term	5 years
Maximum Percent Per Issuer	15% of portfolio
Maximum Aggregate Position	15% of total par value of portfolio

4. **Foreign Obligations:** Bonds, notes or other obligations publicly issued in the United States by a foreign financial institution, corporation or government that are denominated in United States dollars and are a senior unsecured unsubordinated obligation. Securities shall be purchased from a registered broker-dealer, publicly traded and be registered with the Securities and Exchange Commission in accordance with the provisions of the Securities Act of 1933, §§ 77a *et seq*., as amended. Securities must be rated “AA” or its equivalent or higherby at least one nationally recognized rating service.

Maximum Term	5 years
Maximum Percent Per Issuer	5% of portfolio
Maximum Aggregate Position	10% of total par value of portfolio

5. **Corporate Obligations:** Notes, bonds and other unconditional obligations for payment of money issued by corporations organized and operating in the United States purchased from a registered broker-dealer and are rated "A" or higher by at least one nationally recognized rating service.

Maximum Term	5 years
Maximum Percent Per Issuer	5% of total par value of portfolio
Maximum Aggregate position	25% of total par value of portfolio

6. **Asset-Backed Securities:** Asset-backed securities that are rated by a nationally recognized rating service as "AAA" or its equivalent.

Maximum Weighted Avg Life	5 years
Maximum Percent Per Issuer	5% of portfolio
Maximum Aggregate position	20% of portfolio

7. a. **Municipal Obligations:** Negotiable medium-term obligations issued by local governments of the State of Nevada. Pursuant to NRS 355.177, the County may not invest in its own securities of any kind. Bonds shall be rated at least A by a nationally recognized statistical rating organization.

b. Obligations of state and local governments if the interest on the obligation is exempt from gross income for federal income tax purposes. Bonds must be rated "A" or higher by one or more nationally recognized bond credit rating agencies.

Combined limits for instruments authorized by 7. a. and b.:

Maximum Term	5 years
Maximum Percent Per Issuer	10% of portfolio
Maximum Aggregate position	20% of portfolio

8. **Repurchase Agreements:** Repurchase Agreements with banks who qualify as counterparties under NRS 355.170(2)(a) and have executed a written master repurchase agreement with the Treasurer. Agreements are limited to the purchase of securities which are otherwise authorized by this Investment Management Plan. Securities, or their sole, fully perfected, first-priority security interest, will be held by the County's designated custodial agent.

Maximum Term	90 days
Maximum Term to Maturity	10 years
Maximum Aggregate Position	50% of portfolio
Must be collateralized at 102%	

9. **Commercial Paper:** Commercial Paper issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States and must be rated "A-1," "P-1" or its equivalent, or better by at least one nationally recognized rating service.

Maximum Term	270 days remaining

Maximum Percent Per Issuer	5% of total par value of portfolio
Maximum Aggregate Position	25% of total par value of portfolio

10. **Negotiable Certificates of Deposit:** Negotiable certificates of deposit issued by commercial banks, insured credit unions or savings and loan associations. If maturity is one year or less, must be rated “A-1,” “P-1” or its equivalent, or better by at least one nationally recognized rating service. If maturity is greater than one year, must be rated “A” or higher by at least one nationally recognized rating service.

Maximum Term	5 years
Maximum Percent Per Issuer	5% of portfolio
Maximum Aggregate Position	20% of portfolio

11. Non-Negotiable **Certificates of Deposit:** Certificate of Deposit (must be federally insured). Individual purchases greater than $250,000 per banking institution must be fully collateralized in excess of insured amounts.

Maximum Term	5 years
Maximum Percent Per Issuer	5% of portfolio
Maximum Aggregate Position	10% of portfolio

12. **Money Market Funds:** Money Market Funds registered with the Securities and Exchange Commission, rated AAA or its equivalent, and invested only in:
    I) Securities issued by the Federal Government or agencies of the Federal Government; or
    (II) Repurchase agreements that are fully collateralized by the obligations described in subparagraph (I)

Terms	Same as cash, available daily pay interest monthly
Maximum Aggregate Position	45% of MM fund assets

13. **Local Government Investment Pool:** Local Government Pooled Investment Fund (LGIP) as created under NRS 355.167 and pursuant to an executed Depository Agreement between the County and the Nevada State Treasurer.

Terms	Same as cash, available daily Pay interest monthly
Maximum Aggregate Position	25% of LGIP fund assets 20% of portfolio

ADDING INVESTMENT OPTIONS TO THE “APPROVED LIST”

Upon recommendation of any committee member, additional investment instruments will be reviewed and analyzed by the Investment Committee. Upon satisfaction that the proposed instrument is a suitable investment for the County, that option will be added to the APPROVED INVESTMENT LIST with appropriate conditions and limitations.

INVESTMENT STRATEGIES

Effective July 1, 2022, Groups A and B were combined to one overall investment portfolio.

- Comprehensive cash flow analyses will be used to determine appropriate maturities to ensure adequate liquidity to cover cash needs of the county and pool participants.
- The portfolio will be laddered to ensure diversification of maturities and prudent matching of assets to liabilities.
- Funds in the portfolio in excess of those needed to meet operational needs will be available for longer investment, and will strive to maximize the County's overall return with active portfolio management strategies.
- The investment of proceeds from debt or other special financings where investment opportunities can be matched to the specific project expenditure/draw schedule for optimum returns will be managed and reported separately from the general portfolio. Each bond issue will be analyzed and, if appropriate, managed separately, ensuring appropriate liquidity to meet project expenditures and compliance with applicable bond documents.

COLLATERALIZATION

The County requires all money deposited with a bank, savings and loan, savings bank, or credit union to be collateralized in excess of the federally insured limit. These deposits in excess of the amount of federal insurance shall be fully collateralized by the State of Nevada Collateral Pool in accordance with NRS 356.360

PERFORMANCE BENCHMARKS

The investment portfolio shall be designed to earn a market rate of investment income in relation to prevailing budgetary and economic cycles, while taking into account investment risk constraints and liquidity needs of the County. Given this strategy, the benchmark for investment considerations shall be a benchmark which reflects the prominent and persistent characteristics of the portfolio overtime. The benchmark may be adjusted periodically as material changes take place in regard to asset allocation and/or weighted average maturity.

To avoid the temptation of allowing yield to become disproportionately more important than safety and liquidity, benchmarks traditionally have been established in a very conservative range. It is considered a standard that should be achieved during the entire cycle of the market volatility.

Investment Group	Benchmark
County Portfolio (0-10 years maturities)	Custom Benchmark: 90% ICE BofAML 0-5 year U.S. Treasury Index and 10% Merrill Lynch 1-10 Year U.S. Treasury Index

C - Bond Proceeds	None. Managed to provide sufficient liquidity while maximizing retainable earnings.

Effective July 1, 2022, for the combined portfolio (formerly Group A and Group B) the above will be replaced by a custom benchmark, weighted as follows:

- 90% 0-5 Year ICE BAML Treasury Index
  10% 5-10 Year ICE BAML Treasury Index

INVESTMENT PROGRAM REPORTING

The County Treasurer (or investment advisor) shall prepare a monthly investment report, which provides an analysis of the investment program. All investments overseen by the County Treasurer are accounted for in the Annual Comprehensive Financial Report.

The investment report will include following information:

- Portfolio Summary: Weighted average maturity, weighted average book yield, asset allocation by type, maturity distribution, and aggregate book and market values
- Individual Investments: Issuer, CUSIP or identifier, purchase date, maturity date, purchase yield, par value, book value, market value, credit rating
- Compliance Matrix: Stating the compliance or non-compliance of investments or parameters
- Investment Income: A listing of investment income for the reporting period
- Performance Information: Yield comparisons, book return, total return
- Transaction Information: A listing of the period's transactions.

ALLOCATION OF INVESTMENT INCOME

The County allocates investment income monthly based upon a portfolio's two month average cash balance and the investment income is calculated on an accrual basis.

Business Continuity

Washoe County has developed a Continuity of Government (Plan) describing the County's anticipated response to a range of events that could significantly disrupt its business. Because the timing and impact of disasters, emergencies and other events is unpredictable, flexibility is necessary when responding to actual disruptions as they occur. With that in mind, the goal of the Plan is to prevent lapses in operations or resume operations as quickly and smoothly as possible.

In addition, The Treasurer's Office has adopted a Continuity of Operations Plan (COOP) to ensure the ability to respond to a significant business disruption. It is a policy of the Treasurer to protect life, information, and property, in that order. To this end, procedures have been developed to support the resumption of time-sensitive business operations and functions in the event of their disruption. The COOP serves as a key tool in assuring continued ability to manage the investment program and transact business.

ONGOING TRAINING AND EDUCATION

Washoe County strives for professionalism and accountability in the investment of its funds. In order to assure the highest possible professional standards, the County will provide opportunities and funding for the personnel involved in the investment function to complete continuing education programs or other training in cash and investment management sufficient to maintain their skills and remain up-to-date on best practices and new regulations.

INVESTMENT STRATEGY

The County's investment strategy is Active. The County will generally purchase instruments with the intent of holding them until maturity. Securities may be sold at either a gain or loss prior to maturity if the Treasurer/external investment advisor deems the sale to be in the best interest of the overall portfolio and it is in accordance with the Washoe County Investment Management Plan.

Criteria for Transactions

Changes in the County's portfolio status and structure will be based upon one or more of the following considerations but not to the detriment of the overall portfolio status.

- Enhance yield position
- Decrease excess liquidity
- Increase liquidity
- Diversify into different instruments
- Fill hole in maturity ladder
- Adjust average maturity
- Reduce maturity concentrations
- Ride short end of yield curve
- Avoid excessive price volatility
- Capture profits due to volatility

The absolute last-resort reason to liquidate an instrument prematurely at a loss is to satisfy immediate operational demands. All efforts will be made to avoid this circumstance through prudent cash flow management.

When paying a premium for an instrument, "total return" calculations shall be used to determine suitability of yield considerations.

Competitive Bidding

The Treasurer, when determining that it will be necessary to directly initiate a transaction and ascertains that a product from the secondary market (previously issued) is to be sold or bought, will seek bids or offerings from at least three brokers from the list of authorized Broker/Dealers. The request for bids/offerings will be rotated among the list of brokers to allow an opportunity for all to participate in securities transactions with the County.

New Issues

When purchasing new issues, the Treasurer will select broker-dealers to purchase from based upon broker service, area of specialization, and diversification of placement.

Securities Sold Prior To Maturity (Swaps)

Securities may only be purchased with the portfolio's capacity to hold to maturity. However, securities may be sold prior to maturity in transactions also known as "swaps." Since sales can result in either gains or losses, depending on market conditions at the time, it is the goal of the policy to limit the adverse impact on earnings from sales that result in losses. Swaps may be executed as long as the cumulative effect of net realized losses in the County's aggregate portfolio, as a result of all swaps, together with the incremental income from securities purchased with proceeds of sold securities (using amortized basis), may not exceed a loss equivalent to 10 basis points (0.10%) in earnings during any fiscal year unless approved by the County Treasurer.

INVESTMENT POLICY REVIEW, REVISIONS, AND ADOPTION

The Investment Management Plan shall be reviewed and adopted at least annually by the Investment Committee to ensure its consistency with the County's overall objectives and its compliance with applicable laws and best practices. However, the County Treasurer may at any time further restrict for investment the types of instruments, issuers, and maturities as may be appropriate from time to time.

INTERNAL PROCEDURES

Daily Cash Determination Process:

Determine daily cash requirements: This act begins with establishing revenues, from all sources, which will be available for any given day or period of time and acquiring the known expenditures which must be covered by those revenues for the same period. Staff also reviews and matches cash with the cash flow plan.

Review current bank statement: The previous day's statement of activity is printed each morning. The document contains all department deposits, wire transfers in and out, checks paid as well as debits and credits affecting the account balance.

Determine excess or shortage in cash availability: Excess available cash can be invested based upon anticipated time until needed. Shortage in cash available can be cured by withholding funds from investment or drawing from the LGIP account, if there is an adequate balance.

Investment Actions:

Cash Liquidity: Various accounts/overnight investment options are analyzed and considered for the investment of cash. The criteria for their use includes cash availability until noon on any given business day to ensure adequate liquidity.

A separate overnight money market fund sweep account with the custodial bank is utilized whereby any cash not used for specific longer term investment is maintained on a day to day basis. This account is in compliance with Investment Management Plan requirements for money market funds.

After the daily cash needs are determined, the excess or shortage is incorporated into the investment decision. Investment officers in the Treasurer's office are authorized to initiate transfers in or out of the custodial accounts. Movement of funds is further restricted, by written direction, between the Treasurer's general account and the custodial accounts.

Longer term investments: Decisions on longer term investments are made by the Investment Advisor, in accordance with the Investment Services Agreement and Investment Management Plan, and are monitored by the Treasurer. At the time of settlement of an investment, cash is provided (by way of transfer) to the third party custodian for the purchase, or in the event of a sale, instructions for the proceeds are provided by the Treasurer's office. The third party custodian provides a delivery versus payment method of purchasing investments.

Once investment decisions are made, any money from a sale is either reinvested or sent to the Treasurer's general account, via transfer, and used for daily cash needs.

Balancing and Reporting:

All interest earnings, realized gains/losses and unrealized gains/losses resulting from trading activity are tracked and used in balancing of the monthly statements and monthly distribution of interest earnings by the Comptroller Department (Comptroller).

Comptroller audits the statements of the Custodian and Investment Advisor, and records purchases, sales, interest receipts, purchased interest, interest earned but not received plus realized and unrealized gains and losses. Interest receipts are allocated to each fund prorated by the prior month interest receivable. Interest earned but not received is prorated by the current month average cash balance. Realized and unrealized gains and losses are also prorated by the current month average cash balance.

Comptroller notifies key management and external agency staff via email of the interest, realized gain/loss, and unrealized gain/loss allocated to their fund/entity with a statement that indicates the financial activity of all participants. County Departments can review their allocations via postings to the financial system which occur on an annual basis.

Checks and Balances:

An online banking system is used for cash movement and requires initiation, approval and release from authorized staff for transfers. Online authority for each step is split between comptroller and treasurer staff to insure segregation of duty protocol.

Any funds from the sale of an investment are either reinvested or transferred *only* into the Treasurer's primary account

Although key personnel have a great deal of responsibility for investments, compensating controls over investments include:

- Securities: An Independent third party has physical control of all marketable securities. These securities are managed, tracked and reported by the Investment Advisor, the Custodial Bank and Comptroller monthly. Transactions are made utilizing delivery versus payment.

- Transfers: The transfer request is submitted by treasurer staff and approved by an Authorized Investment Officer. It is then reviewed, initialed by the Comptroller or accounting manager and given to comptroller staff to initiate the transfer via the online banking system. The transfer is then released by a different member of treasurer staff. An effort is made so that no signatures are duplicated.

- An accountant in the Comptroller's department checks reconciliation of investments per Custodial Bank statements, Investment Advisor statements and the cash account statements monthly.

- All purchases are conducted through the Investment Advisor, who is not a broker, and can be traced to broker confirmations and custody statements. Trade confirmation statements are requested from the broker directly to Washoe County. The Investment Advisor requests bids for trades they initiate in accordance with the investment policy. Support documentation related to the bids can be obtained from the Investment Advisor on request.

Washoe County accounts for investments as follows:

- The Comptroller's department does the monthly investment account reconciliation and recording.

- Securities purchased are recorded at cost. Purchased interest associated with a security purchase is tracked separately and reversed when the interest is received.

- The adjustment between cost and fair market value of the investments is reported monthly and the change in this market value adjustment is recorded as unrealized gain or loss at year end.

- The sale or maturity of a security is recorded as a reduction of the investment balance at cost with any difference between cost and proceeds recorded as realized gain or loss during the month.

- The accounting manager reviews all work on investments that is prepared by comptroller staff.

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APPENDIX "A"

Agencies participating in the Washoe Investment Pool via Interlocal Agreement, as referenced in the Washoe County Investment Management Plan ("Scope", page 2):

NevadaWorks

Regional Transportation Commission (RTC)

Truckee Meadows Fire Protection District (TMFPD)

Truckee River Flood Management Authority (TRFMA)

Washoe County Other Post Employment Benefits (OPEB)

Western Regional Water Commission (WRWC)

WASHOE COUNTY
INVESTMENT MANAGEMENT PLAN

APPENDIX "B"

SUMMARY OF AUTHORIZED INVESTMENTS

AUTHORIZED INVESTMENTS	MAXIMUM % HOLDINGS	PURCHASE RESTRICTIONS	MAXIMUM MATURITY	CREDIT QUALITY
US Treasury Obligations	100%	N/A	10 years	N/A
Federal Agencies	100%	Max issuer 35%	10 years	N/A
Agency MBS	40%	Max issuer 15%, FNMA, FHLMC, GNMA	10 years	N/A
Supranationals	15%	Max 15% issuer, senior unsecured unsubordinated or unconditionally guaranteed by IBRD, IFC, or IADB	5 years	AA equivalent or better by a NRSRO
Foreign Obligations	10%	Max issuer 5%, US dollar denominated	5 years	AA equivalent or better by a NRSRO
Corporate Notes/Bonds	25%	Max issuer 5%, 5% issuer limit combined with CP and CD	5 years	A equivalent or better by a NRSROs
Asset-Backed Securities	20%	Max issuer 5%	5 years	AAA by a NRSRO
State and Local Government Bonds	20%	Max issuer 10%, tax exempt from federal taxes	5 years	A equivalent or better by a NRSRO
Repurchase Agreements	50%	Counter-party restrictions, collateral to be US Government or Federal Agency securities with maximum maturity of 10 years. 102% of funds borrowed and marked-to-market weekly	90 days	N/A
Commercial Paper	25%	Max issuer 5%, 5% issuer limit combined with corporates and CD	270 days	A-1 equivalent or better by a NRSRO
Negotiable CDs (above FDIC limit)	20%	Max issuer 5%, 5% issuer limit combined with corporates and CP	5 years	0-1 year: A-1 equivalent or better; 1-5 year A or better, by a NRSRO
Non-Negotiable CDs (at/below FDIC limit)	20%	FDIC limit (currently $250,000) collateralize if above FDIC limit	5 years	N/A
Money-Market Mutual Funds	45%	Government only, must maintain constant NAV	Daily	AAA rated from a NRSRO
State of NV LGIP	20%	Max of 25% of LGIP's fund assets	Daily	N/A

CREDIT RATINGS INTERPRETATION

LONG TERM DEBT RATINGS			
MOODY'S	**S&P**	**FITCH**	**RATINGS INTERPRETATION FOR CREDIT**
Aaa	AAA	AAA	STRONGEST QUALITY
Aa1	AA+	AA+	STRONG QUALITY
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	GOOD QUALITY
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	MEDIUM QUALITY
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	SPECULATIVE
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	LOW
B2	B	B	
B3	B-	B-	
Caa	CCC+	CCC	POOR
-	CCC	-	HIGHLY SPECULATIVE TO DEFAULT
-	CCC-	-	
Ca	CC	CCC	
C	-	-	
-	-	DDD	
-	-	DD	
-	D	D	

SHORT TERM DEBT RATINGS			
MOODY'S	**S&P**	**FITCH**	**RATINGS INTERPRETATION FOR CREDIT**
P-1	A-1+ A-1	F1+ F1	STRONGEST QUALITY STRONG QUALITY
P-2	A-2	F2	GOOD QUALITY
P-3	A-3	F3	MEDIUM QUALITY

WASHOE COUNTY
INVESTMENT MANAGEMENT PLAN

APPENDIX “C”

Glossary of Terms

The following is a glossary of key terms which appear in the Government Investment Officers Association’s Model Investment Policy.

144A: A Section of the Securities and Exchange Commission (SEC) which restricts trades of privately placed securities so that these investments can be traded among qualified institutional buyers.

Accretion: The increase in the value of a discounted instrument as time passes and as the maturity date gets closer. The value of the instrument will accrete (grow) at the interest rate implied by the discounted issuance price, the value at maturity, and the term to maturity.

Accrued Interest: The interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

Agency: A debt security issued by an agency or instrumentality of the United States. Agencies are backed by each particular agency or instrumentality of the United States with a market perception that there is an implicit government guarantee.

Amortized Cost: The original cost of the principal adjusted for the periodic reduction of any discount or premium from the purchase date until a specific date (also called “Book Value”).

Amortization: The systematic reduction of the amount owed on a debt issue through periodic payments of principal. The decrease in the value of a premium instrument as time passes and as the maturity date gets closer. The value of the instrument will amortize (decrease) at the interest rate implied by the discounted issuance price, the value at maturity, and the term to maturity.

Annual Comprehensive Financial Report (ACFR): The ACFR is the entity’s official annual financial report. It consists of three major sections: introductory, financial, and statistical. The introductory section furnishes general information on the entity’s structure, services, and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. The reported information is in conformity with accounting principles generally accepted in the United States of America (GAAP). The financial section may also include supplementary information not required by GAAP. The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic condition.

Asset-Backed Security: A security backed by notes or receivables against assets other than real estate. Examples are autos, credit cards, and equipment.

Ask/Offer: The price at which securities are offered.

Bankers' Acceptances: A short-term credit instrument created by a non-financial firm and guaranteed by a bank as to payment. Acceptances are traded at discounts from face value in the secondary market on the basis of the credit quality of the guaranteeing banks.

Basis Point: A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield. As an example, the difference between a security yielding 2.00% and 2.25% is 25 basis points.

Benchmark: A comparative base for measuring the performance or risk tolerance of an investment portfolio. A benchmark should represent the persistent and prominent characteristics of a portfolio, taking into account metrics such as duration, investment type, and asset allocation.

Bid: The indicated price at which a buyer is willing to purchase a security or commodity.

Bond: A long-term debt instrument of a government or corporation promising payment of the original investment plus interest by a specified future date.

Book or Effective Return: The sum of all investment income plus realized gains and losses.

Book Value: The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Broker: A broker facilitates security trades on behalf of investors (see Dealer).

Bullet: A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

Callable Bond: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk: The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase: A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Certificate of Deposit: A debt instrument issued by financial institutions that will pay interest, periodically or at maturity, and principal when it reaches maturity. Maturities range from a few weeks to several years.

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

Collateralized (Guaranteed) Investment Contracts (CIC): A CIC is a fixed rate, fixed maturity contract similar to a bond that is typically collateralized by an insurance company. However, unlike a bond, a CIC is always carried or valued at par. CICs are primarily utilized for the investment of bond proceeds.

Commercial Paper: An unsecured short-term promissory note issued by corporations, with maturities typically ranging from 1 to 270 days, and usually transacts at a discount with no coupon payments.

Convexity: A measure of how much a fixed-income instrument's duration changes when interest rates change. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Corporate Security: A debt obligation issued by a corporation.

Coupon or Coupon Rate: The stated interest rate on a debt security that an issuer promises to pay. The origin of the term "coupon" is that bonds were historically issued in the form of bearer certificates. Physical possession of the certificate was proof of ownership. Several coupons, one for each scheduled interest payment, were printed on the certificate.

Credit Quality: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Rating: A credit rating is a quantified assessment of the creditworthiness of a borrower in general terms or with respect to a particular debt or financial obligation. A credit rating can be assigned to any entity that seeks to borrow money—an individual, corporation, state or provincial authority, or sovereign government.

Credit Risk: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return): A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

CUSIP: A unique identifier for a security developed by the Committee on Uniform Security Identification
Procedures (CUSIP). The identifier is a nine-digit alphanumeric character. The first six characters identify the issuer, the following two identify the issue, and the final character is a check digit. CUSIPs are correlated to an alphabetical listing of the issuer's name.

Day Count Convention: A day-count convention is the system used to calculate the amount of accrued interest or the present value when the next coupon payment is less than a full coupon period away. Each bond market and financial instrument has its own day-count convention, which varies depending on the type of instrument, whether the interest rate is fixed or floating, and the country of issuance. Among the most common conventions are 30/360 or 365, actual/360 or 365, and actual/actual.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for their own account. (see Broker).

Debenture: A bond secured only by the general credit of the issuer and not by physical assets or collateral of the company.

Delivery (Settlement): There are typically four types of delivery or settlement of securities: cash, which is the same day as the transaction occurred; regular, which trade day plus one; corporate, which is trade day plus two; and forward, which typically occurs three to thirty days after the trade date.

Delivery Versus Payment (DVP): A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Derivative Security: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Discount: The amount by which the par value of a security exceeds the price paid for the security.

Discount Rate: The interest rate member banks pay the Federal Reserve when the banks use securities as collateral.

Discount Securities: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

Diversification: A process of investing assets among a range of security types by sector, maturity, and quality rating.

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

> **Macaulay Duration** was developed in 1938 by Frederic Macaulay, this form of duration measures the number of years required to recover the true cost of a bond, considering the present value of all coupon and principal payments received in the future. Thus, it is the only type of duration quoted in "years." Interest rates are assumed to be continuously compounded.
>
> **Modified Duration** expands or modifies Macaulay duration to measure the responsiveness of a bond's price to interest rate changes. It is defined as the percentage change in price for a 100 basis point change in interest rates. The formula assumes that the cash flows of the bond do not change as interest rates change (which is not the case for most callable bonds).
>
> **Effective Duration** (sometimes called option-adjusted duration) further refines the modified duration calculation and is particularly useful when a portfolio contains callable securities. Effective duration requires the use of a complex model for pricing bonds that adjusts the price of the bond to reflect changes in the value of the bond's "embedded options" (e.g., call options or a sinking fund schedule) based on the probability that the option will be exercised. Effective duration incorporates a bond's yield, coupon, final maturity and call features into one number that indicates how price-sensitive a bond or portfolio is to changes in interest rates.

Earnings Apportionment: The distribution of investment income to investment pool participants.

Environmental, Social, and Governance (ESG): (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine howit manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Fair Value: The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
Federal Agricultural Mortgage Corporation (FAMC/Farmer Mac): Farmer Mac is a stockholder-owned, federally chartered corporation with the mission of providing a secondary market for a variety of loans made to borrowers in rural America. Farmer Mac was established under federal legislation in 1988. Farmer Mac is an instrumentality of the United States and government-sponsored enterprise ("GSE") by virtue of the status conferred by its charter. Farmer Mac is part of the Farm Credit System but is separate from the Federal Farm Credit Banks and Funding Corporation. It is based primarily in Washington, D.C, and also has offices in Iowa, Idaho, and California.

Federal Deposit Insurance Corporation (FDIC): The FDIC preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least $250,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails. An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a failure. The FDIC receives no Congressional appropriations - it is funded by premiums that banks and thrift institutions pay for deposit insurance coverage and from earnings on investments in U.S. Treasury securities. The FDIC insures trillions of dollars of deposits in U.S. banks and thrifts - deposits in virtually every bank and thrift in the country.

Federal Funds (Fed Funds): Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate: Interest rate charged by one institution lending federal funds to the other.

Federal Farm Credit Bank (FFCB/Farm Credit): The Federal Farm Credit Banks Funding Corporation is responsible for issuing and marketing debt securities on behalf of the four Banks of the Farm Credit System: AgFirst FCB, Agribank FCB, FCB of Texas. And CoBank, ACB. These four Banks (located in South Carolina, Minnesota, Texas, and Colorado) are a leading provider of loans, leases and services to rural communities and U.S. agriculture. The Farm Credit System is a government-sponsored enterprise, created in 1916 and dedicated to assuring a steady source of financing to qualified borrowers. The Federal Farm Credit Banks Funding Corporation is based in Jersey City, New Jersey.

Federal Home Loan Banks (FHLB/Home Loan): The Federal Home Loan Banks are 11 U.S. government-sponsored banks that provide reliable liquidity to member financial institutions to support housing finance and community investment. With their members, the FHLB represents the largest collective source of home mortgage and community credit in the United States. FHLB was created by Congress in 1932 by the Federal Home Loan Bank Act and is located in Reston, Virginia.

Federal Home Loan Mortgage Corporation (FHLMC/Freddie Mac): Freddie Mac was created by Congress in 1970 to expand the secondary market for mortgages in the US. Along with the Federal National Mortgage Association, buys mortgages on the secondary market, pools them, and sells them as a mortgage-backed security to investors on the open market. This secondary mortgage market increases the supply of money available for mortgage lending and increases the money available for new home purchases. Freddie Mac, is headquartered in McLean, Virginia.

Federal National Mortgage Association (FNMA/Fannie Mae): Fannie Mae was created Congress in 1938 to provide supplemental liquidity to the mortgage market, similar to the FHLMC. Fannie Mae, is headquartered in Washington, D.C.

Federal Open Market Committee (FOMC): The FOMC is the branch of the Federal Reserve Board that determines the direction of monetary policy. The FOMC meets several times a year to discuss whether to maintain or change current policy.

Federal Reserve Board (FRB): The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 6,000 commercial banks that are members of the system. These member banks hold stock in the Federal Reserve Banks and earn dividends.

Financial Industry Regulatory Authority (FINRA): FINRA is a private corporation, authorized by Congress, that acts as a self-regulatory organization. FINRA is the successor to the National Association of Securities Dealers, Inc. and the member regulation, enforcement, and arbitration operations of the New York Stock Exchange. FINRA also provides BrokerCheck, which is a service to obtain information regarding brokers, brokerage firms, and investment advisors.

Fitch: A credit rating agency that as one of its services, analyzes and rates securities. Fitch Ratings is one of the "Big Three" credit rating agencies, along with Moody's and S&P.

Floating Rate Securities: A bond whose interest rate is adjusted according to the interest rates of other financial instruments. These instruments provide protection against rising interest rates, but pay lower yields than fixed rate notes.

Futures: Futures are derivative financial contracts that obligate the parties to transact an asset at a predetermined future date and price. Here, the buyer must purchase or the seller must sell the underlying asset at the set price, regardless of the current market price at the expiration date.

Generally Accepted Accounting Principles (GAAP): GAAP refer to a common set of accepted accounting principles, standards, and procedures that companies and their accountants must follow when they compile their financial statements. GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP improves the clarity of the communication of financial information.

Governmental Account Standards Board (GASB): GASB is a non-profit entity that was organized in 1984 by the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities.

Government National Mortgage Association (GNMA/Ginnie Mae): Ginnie Mae is a U.S. government corporation that guarantees the timely payment of principal and interest on mortgage-backed securities issued by approved GNMA lenders. That assurance allows the mortgage lenders to obtain a better price for these offerings in the capital markets. Those improved proceeds, in turn, allow the lenders to make additional mortgage loans, and at lower costs to finance. GNMA was created by Congress in 1968 and is headquartered in Washington D.C.

Government Securities: An obligation backed by the full faith and credit of the U.S. government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Government Sponsored Enterprises (GSEs): Federally-chartered agency or instrumentality of the United States Government

IDC Ranking: IDC Financial Publishing, Inc. compiles financial data on all banks, thrifts, and credit unions reporting to the federal government, and publishes a ranking based on 24 key indicators.

Interest Rate: See "Coupon Rate."

Interest Rate Risk: The risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value. Duration is a measure of interest rate risk.

Interest Rate Swap: An interest rate swap is a forward contract in which one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps usually involve the exchange of a fixed interest rate for a floating rate, or vice versa, to reduce or increase exposure to fluctuations in interest rates or to obtain a marginally lower interest rate than would have been possible without the swap.

Inter-American Development Bank (IADB): An international financial institution that supports Latin American and Caribbean economic development, social development and regional integration by lending to governments and government agencies, including State corporations. The IADB is headquartered in Washington, D.C. IADB is a supranational organization and was established in 1959.

International Bank for Reconstruction and Development (IBRD): An international financial institution that offers loans to middle-income developing countries. The IBRD is the first of five member institutions that compose the World Bank Group, and is headquartered in Washington, D.C. IBRD is a supranational organization and was established in 1944.

International Finance Corporation (IFC): An international financial institution that offers investment, advisory, and asset-management services to encourage private-sector development in less developed countries. The IFC is a member of the World Bank Group and is headquartered in Washington, D.C. IFC is a supranational organization and was established in 1956.

Inverse Floater: An inverse floater is a bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate. An inverse floater adjusts its coupon payment as the interest rate changes.

Inverted Yield Curve: A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of (or anticipation of) high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940: Federal legislation, which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy: A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.
Investment-Grade Obligations: Obligations that are rated BBB or higher by a rating agency

Leverage: The use of financial leverage to control a greater amount of assets (by borrowing money) will cause the returns on the owner's cash investment to be amplified.

Liquidity: The amount of a portfolio or an asset that can be converted easily and quickly into cash.

Local Government Investment Pool (LGIP): An investment by local governments in which their money is pooled as a method for managing local funds.

Make Whole Call: A make whole call provision is a type of call provision on a bond allowing the issuer to pay off remaining debt early. The issuer typically has to make a lump sum payment to the investor derived from a formula based on the net present value (NPV) of future coupon payments that will not be paid incrementally because of the call combined with the principal payment the investor would have received at maturity.

Mark-to-Market: The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk: The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value: Current market price of a security.

Master Repurchase Agreement (MRA): A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes 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. SIFMA's MRA is the industry standard agreement.

Maturity: The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity".

Maximum Issuer Concentration: Maximum allowable allocation to any one issuer.

Maximum Term: Maximum allowable maturity of an investment.

Maximum Type Allocation: Maximum allowable allocation to a specific investment type or category, such as treasuries, federal agencies, or corporate bonds.

Medium Term Notes: Debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

Minimum Issuer Rating: Minimum allowable rating by a NRSRO.

Monetary Policy: The way in which the money supply is managed by the Federal Reserve Board. The FRB manipulates the money supply either through open market transactions, member bank reserve requirements, or through changing the Fed Funds Rate or the Discount Rate.

Money Market: Typically refers to short-term debt instruments (bills, commercial paper, discount notes, etc.).

Money Market Fund: Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos, and federal funds).

Moody's Investors Service: A company that as one of its services, analyzes and rates securities (similar to Fitch and Standard and Poor's).

Mortgage-Backed Security: A security that is backed by a pool of mortgages. Generally, the security is issued or guaranteed by the United States or its agencies or instrumentalities, but also may be issued by financial institutions such as banks.

Municipal Bond: A municipal bond is a debt security issued by a local government, such as county, state, city, special improvement district, to finance its capital expenditures, including the construction of highways, bridges or schools. Municipal bonds can issue taxable or tax-exempt from federal, state, and local taxes.

Mutual Fund: A mutual fund is a professionally managed investment fund that pools money from many investors to purchase securities. These investors may be retail or institutional in nature. Mutual funds have advantages and disadvantages compared to direct investing in individual securities.

Nationally Recognized Statistical Rating Organization (NRSRO): A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. The most recognized NRSROs are Fitch, Moody's, and Standard and Poor's.

National Association of Securities Dealers (NASD): A self-regulatory organization of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Nominal Yield: The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Offer: An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

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.

Option Adjusted Spread (OAS): Option-adjusted spread is the yield spread which has to be added to a benchmark yield curve to discount a security's payments to match its market price, using a dynamic pricing model that accounts for embedded options. OAS is hence model-dependent.

Overnight Indexed Swap (OIS): OIS is an interest rate swap where the periodic floating payment is generally based on a return calculated from a daily compound interest investment The LIBOR–OIS spread is the difference between LIBOR and the OIS rates.

Par: Face value or principal value of a bond, typically $1,000 per bond.

Pass-Thorough Securities: A debt instrument that reflects an interest in a mortgage pool, consumer
receivables pool and equipment lease-backed pool that serves as collateral for a bond.

Portfolio: Collection of securities held by an investor.

Positive (Normal) Yield Curve - A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium: The amount by which the price paid for a security exceeds the security's par value.

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 and banks.

Prime Rate - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal - The face value or par value of a debt instrument. Also may refer to 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 SEC. This can include 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.

Prudent Person/Investor Standard: An investment standard that outlines the fiduciary responsibilities of public funds investors relating to investment practices.

Range Notes: Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

Real Adjustment: When a specific metric or economic indicator is adjusted for inflation.

Regional Dealer: Non-Primary broker-dealers and banks, which transact in the fixed-income markets.

Regular Settlement: Securities settlement that calls for delivery and payment on the next business day following the trade day for government securities and the second business day following the trade date for corporate and municipal securities. Money market funds and money market instruments are settled on a same day basis.

Reinvestment Risk: The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (Repo or RP): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo): An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13- month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

Safekeeping: The holding of assets (e.g., securities) by a financial institution.

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

Securities and Exchange Commission (SEC): The government agency that regulates and supervises the securities industry. The commission administers federal law, formulates and enforces rules to protect against malpractice, and seeks to ensure that companies provide the fullest possible disclosure to investors. All of the national exchanges and virtually all institutions in the securities industry fall under its jurisdiction.

SEC RULE l5(C))3-1: See Uniform Net Capital Rule.

Securities Lending: Securities lending is when entities transfer or "loan" their securities to broker-dealers in return for cash collateral and simultaneously agree to return the collateral in exchange for the same securities in the future. Entities then invest the cash received as collateral in allowable investments, such as commercial paper, at a rate that exceeds the "rebate" or loan rate paid to the broker-dealer for the cash collateral. These transactions are structured to result in earning an incremental income on a portion of the investment portfolio. The amount of securities loaned from the portfolio and the income generated is dependent upon market conditions.

Security Swap: Selling one asset and buying another.

Securities Industry and Financial Markets Association (SIFMA): SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets.
SIFMA was formed in 2006, from the merger of the Bond Market Association and the Securities Industry Association. SIFMA also provides a recommended holiday schedule for the U.S. financial markets.

Standard and Poor's (S&P): A company that as one of its services, analyzes and rates securities (similar to Moody's Investors Service).

Standard of Prudence: An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices. Generally, the Prudent Person and Prudent Investor are used, with the Prudent Investor being more relevant to state and local governments.

Stated Final Maturity: The date when the final principal amount of a note, draft, or other debt instrument becomes due and is repaid to the investor.

Straight Line Amortization: A common method of calculating accretion or amortization of a discount or premium security to par or 100 from the purchase date to the maturity date. It is calculated by dividing the discount/premium amount by the number of days to maturity, without regard to a security's day count convention.

Structured Notes: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, etc.) and corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Structured Overnight Financing Rate (SOFR): SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The SOFR includes all trades in the Broad General Collateral Rate plus bilateral Treasury repurchase agreement (repo) transactions cleared through the Delivery-versus-Payment (DVP) service offered by the Fixed Income Clearing Corporation (FICC), which is filtered to remove a portion of transactions considered "specials".
The SOFR is calculated as a volume-weighted median of transaction-level tri-party repo data collected from the Bank of New York Mellon as well as GCF Repo transaction data and data on bilateral Treasury repo transactions cleared through FICC's DVP service, which are obtained from DTCC Solutions LLC, an affiliate of the Depository Trust & Clearing Corporation. Each business day, the New York Fed publishes the SOFR on the New York Fed website at approximately 8:00 a.m.

Supranational: A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. The three U.S. based supranationals are International Bank for Reconstruction and Development, the International Finance Corporation, and the Inter-American Development Bank.

Tennessee Valley Authority (TVA): The TVA is a corporate agency of the United States that provides electricity for business customers and local power companies serving 10 million people in parts of seven southeastern states.

Total Return: The sum of all investment income plus realized and unrealized gain and losses.

Trade Reporting and Compliance Engine (TRACE): TRACE is the FINRA-developed vehicle that facilitates the mandatory reporting of over-the-counter secondary market transactions in eligible fixed income securities. All broker-dealers who are FINRA member firms have an obligation to report transactions in corporate bonds to TRACE under an SEC-approved set of rules.

Treasury Bills: Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes: Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

Treasury Bonds: Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of $1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule: SEC Rule 15C3-1 outlining capital requirements for broker/dealers who must maintain a maximum ratio of indebtedness to liquid capital of 15 to 1. Indebtedness covers all money owed to a firm, including margin loans, and commitments to purchase securities (one reason new issues are spread among members of underwriting syndicates). Liquid capital includes cash and assets easily converted to cash.

Volatility: A degree of fluctuation in the price and valuation of securities.

Volatility Risk Rating: A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns to those that are highly sensitive with currently identifiable market volatility risk.

Warrant: In finance, a warrant is a security that entitles the holder to buy the underlying stock of the issuing company at a fixed price called exercise price until the expiry date. Warrants and options are similar in that the two contractual financial instruments allow the holder special rights to buy securities. In accounting, a warrant sometimes similar to a check or an instrument to present for payment.

Weighted Average Life (WAL): The average number of years that each dollar of unpaid principal due on loan, asset-backed security, or mortgage-backed security remains outstanding. WAL delineates how many years it will take to pay half of the outstanding principal.

Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio, weighted by the individual securities.

When Issued: A transaction that is made conditionally because a security has been authorized but not yet issued. Treasury securities, stock splits, and new issues of stocks and bonds are traded on a when-issued basis.

World Bank: The World Bank is an international financial institution that provides loans and grants to the governments of poorer countries for the purpose of pursuing capital projects. It comprises two institutions: the International Bank for Reconstruction and Development, and the International Development Association.

Yield: The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield-to-Call (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield Curve: A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-Maturity (YTM): The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Yield-to-Worst (YTW): The YTW is the lowest potential yield that can be received on a bond without the issuer actually defaulting. The YTW is calculated by making worst-case scenario assumptions on the issue by calculating the return that would be received if the issuer uses provisions, including prepayments or calls.

Zero-Coupon Securities: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.