

INVESTMENT POLICY (ADOPTED FEBRUARY 6, 2023)

Policy Statement

This policy establishes standards and guidelines for the direction, management, and oversight for all of Alderwood Water & Wastewater District's ("District") investable funds. These funds include cash for liquidity purposes, intermediate investments for ongoing operations and long-term investments for dedicated accounts. Funds must be invested prudently to assure preservation of principal, provide needed liquidity for daily cash requirements, and provide a market rate of return. For purposes of the District's Investment Policy, safety and liquidity are higher priorities than return on investment. All investments must conform to federal, state, and local statutes governing the investment of the State of Washington public funds.

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1.0 INTRODUCTION

This Investment Policy defines the parameters within which funds are to be invested by Alderwood Water & Wastewater District (District). This policy also formalizes the framework, of the District's Policy and Procedures to provide the investment authority and constraints for the District to maintain an effective and judicious management of funds within the scope of this policy.

These policies are intended to be broad enough to allow the Finance Director or authorized designee to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

- Sets out guidelines for the prudent management of District funds;
- Describe realistic parameters and goals for safely investing those funds;
- Established expectations for generally acceptable returns at a suitable level of risk that matches the purpose of the District's funds;
- Provides the framework within which the Finance Director will operate by setting out objectives, guidelines, and structure that include details on the universe of permitted investments and any restrictions of their use.

The Board reserves the right to amend this policy as deemed necessary.

3.0 GOVERNING AUTHORITY

The Alderwood Water & Wastewater District investment authority is derived from RCW Chapters 35, 39 and 43. The investment program shall be operated in conformance with the Revised Code of Washington and applicable Federal Law. All funds within the scope of this policy are subject to regulations established by the State of Washington.

The Board of Directors has the direct authority to provide for the Finance Director or his/her designee, the responsibility for the daily operations of the District's Program and activities.

3.0 SCOPE OR IDENTIFICATION OF FUNDS

This policy applies to activities of the Alderwood Water & Wastewater District with regard to investing the financial assets of both Water and Wastewater fund balances. The amount of funds expected to fall within the scope in this policy is \$90MM to \$120MM, which include operating, capital improvement, and restricted funds.

This investment policy applies to all investment transactions involving the financial assets and related activity of all the previous funds.

4.0 OBJECTIVES

All funds will be invested in a manner that is in conformance with federal, state and other legal requirements. Also, the objectives, in order of priority, of the investment activities will be as follows:

4.1 Safety: Safety of principal is the primary objective of the District. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, funds will be diversified, utilizing highly rated securities, by investing in a variety of securities and financial institutions. The investment portfolio will be invested in a manner that meets RCW statutes and all legal requirements of the District.

4.2 Liquidity: The investment portfolio will provide liquidity sufficient to enable the District to meet all cash requirements that might reasonably be anticipated. Therefore, the investments shall be managed to maintain a minimum balance to meet daily obligations.

4.3 Return on Investment: The investment portfolio will be structured with the objective of attaining a market rate of return throughout economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the portfolio. Nevertheless, return on investment is a lesser objective than safety or liquidity.

5.0 STANDARDS OF CARE

5.1 Delegation of Authority:

Governing Body: The ultimate responsibility and authority for the investment of District funds resides with the Board of Commissioners who have the authority to direct the management of the District investment program.

Authority: Pursuant to Resolution 2656-2015, the overall management responsibility for the investment program is hereby delegated to the Finance Director, or designee, who shall establish written procedures for the operation of the investment program, consistent with this investment policy. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Investment Advisor: The District may contract with an external investment advisor to assist with the management of the District's investment portfolio in a manner that is consistent with the District's objectives and this policy. Such advisors shall provide recommendation and advice regarding the District investment program including but not limited to advice related to the purchase and sale of investments by this Investment Policy.

5.2 Prudence:

The standard of prudence to be used by the Finance Director or any designees in the context of managing the overall portfolio is the prudent person rule which states: *Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital.*

The Finance Director and authorized investment officers and employees who act in accordance with the Finance Director's written procedures and the District's Investment Policy, and who exercise due diligence, shall be relieved of personal responsibility for the credit risk or market price change of an investment, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

5.4 Ethics:

5.4.1 Employees Involved in the District Investment Program Must Avoid Conflicts of Interest.

Association with the investment program in any capacity is considered employee involvement. Employees must avoid personal business activity that may:

- Conflict with the proper execution of the investment program.
- Impair their ability to make impartial investment decisions.

5.4.2 Employees Associated with the District Investment Program Must Disclose Certain Personal Information to the Finance Director or his/her delegate. The disclosure should list:

- Any material interests in financial institutions that conduct business with the District.
- Any personal financial or investment positions that could influence the performance of District's investment portfolio, particularly with regard to the timing of purchases and sales.

8.0 SAFEKEEPING, CUSTODY, AND CONTROLS

8.1 Delivery vs. Payment:

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the District's safekeeping institution prior to the release of funds.

8.2 Third Party Safekeeping:

Prudent treasury management requires that all purchased securities be bought on a delivery versus payment (DVP) basis and be held in safekeeping by the District, an independent third-party financial institution, or the District's designated depository.

The Finance Director shall designate all safekeeping arrangements and an agreement of the terms executed in writing. The third-party custodian shall be required to provide a statement to the District listing at a minimum each specific security, book yield, description, maturity date, market value, par value, purchase date, and CUSIP number.

All collateral securities pledged to the District for certificates of deposit or demand deposits shall be held in accordance with the State of Washington's Public Deposit Protection Commission (PDPC).

8.3 Internal Controls:

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse. Specifics for the internal controls shall be documented in an investment procedures manual.

The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points at a minimum:

- Control of collusion;
- Separation of transaction authority from accounting and recordkeeping;
- Custodial safekeeping;
- Avoidance of physical delivery of marketable securities;
- Clear delegation of authority to subordinate staff members;
- Written confirmation of transactions for investments and wire transfers;
- Dual authorizations of wire transfers;
- Staff training; and
- Review, maintenance and monitoring of security procedures both manual and automated.

9.0 AUTHORIZED FINANCIAL DEALERS

7.1 Broker/Dealers:

The Finance Director shall maintain and review annually a list of all authorized financial institutions and broker/dealers that are approved to transact with the District for investment purposes. The District shall follow GFOA best practices for evaluating and selecting financial institutions and broker/dealers.

The Finance Director or designee may utilize the investment advisor's approved broker/dealer list in lieu of the District's own approved list. The advisor must submit the approved list to the District annually and provide updates throughout the year as they occur. The advisor must maintain documentation of appropriate license and professional credentials of broker/dealers on the list. The annual investment advisor broker/dealer review procedures include:

- c. FINRA Certification check:
 - vi. Firm profile
 - vii. Firm history
 - viii. Firm operations
 - ix. Disclosures of arbitration awards, disciplinary and regulatory events
 - x. State Registration Verification
- d. Financial review of acceptable FINRA capital or letter of credit for clearing settlements.

The Advisor may be authorized through the contracted agreement to open accounts on behalf of the District with the broker/dealers on the approved broker dealer list. The District will receive documentation directly from the brokers for account verification and regulatory requirements.

7.3 Investment Advisors:

Advisors must be registered under the Investment Advisers Act of 1940 and must act in a non-discretionary capacity, requiring approval from the District prior to all transactions.

7.5 Bank Institutions:

The District will only place funds, exceeding the current FDIC insurance limits, with banks who are currently participating in the Washington State PDPC program. Compliance/listing with the PDPC will be verified by the Adviser or designated investment officer utilizing the Washington State Treasurer’s website at www.tre.wa.gov/government/pdpc

7.6 Competitive Transactions:

Transactions must be executed on a competitive basis and documented. Competitive prices should be provided from at least three separate brokers, financial institutions or through a national electronic trading platform. If the purchased security is only offered by one broker then other securities with similar structure may be used for documentation purposes. When an Advisor handles trade executions they must provide the competitive documentation as requested.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

8.1 Authorized Investments:

Eligible investments are only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.250, and 43.84.080):

Among the authorized investments are U.S. Treasury and agency securities (i.e., obligations of any government sponsored enterprise eligible for collateral purposes at the Federal Reserve), municipal debt of this state, certificates of deposit with qualified public depositories within statutory limits as promulgated by the Washington State PDPC at the time of investment, foreign and domestic Bankers Acceptances, Supranationals, Corporates Notes, Commercial Paper and the Washington State Local Government Investment Pool.

The State of Washington Local Government Investment Pool is the only government-sponsored Pool approved for investment of funds.

8.2 Suitable Investments:

- This policy recognizes S&P, Moody’s and Fitch as the major Nationally Recognized Statistical Ratings Organizations (NRSRO).
- Minimum credit ratings and percentage limits apply to the time of purchase.
- All securities must be purchased on the secondary market and may not be purchased directly from the issuer.

- Securities rated in the broad single-A category with a negative outlook may not be purchased. Portfolio holdings of corporate notes downgraded to below single-A and portfolio holdings of securities rated single A with their outlooks changed to negative may continue to be held. No additional purchases are permitted.

The District is empowered to invest in the following types of securities:

U.S. Treasury Obligation: Direct obligations of the United States Treasury

US Agency Obligations: US Government Agency Obligations and US Government Sponsored Enterprises (GSEs) which may include, but are not limited to Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHLB), Federal Farm Credit Banks Funding Corporation (FFCB), and Tennessee Valley Authority (TVA).

Supranational Bonds: The institution must have the U.S. government as its largest shareholder. International Bank for Reconstruction and Development (IBRD or World Bank); the International Finance Corporation (IFC); the Asian Development Bank (ADB) and the Inter-American Development Bank (IADB).

Municipal Debt Obligations: Bonds of the State of Washington, any local government in the State of Washington, General Obligation bonds outside the State of Washington; at the time of investment the bonds must have a A- from S&P, A3 from Moody's or A- from Fitch.

Corporate Notes: Unsecured debt obligations purchased in accordance with the investment policies and procedures adopted by the State Investment Board. Corporate notes must be rated at least weak single-A or better by all of the major rating agencies that rate the note at the time of purchase. The maturity must not exceed 5.5 years and the maximum duration of the corporate note portfolio cannot exceed 3 years. The percentage of corporate notes that may be purchased from any single issuer rated AA- or better by all major rating agencies that rate the note is 3% of the total portfolio. The percentage of corporate notes that may be purchased from any single issuer rated in the broad single-A category from all major rating agencies that rate the note is 2% of the assets of the total portfolio. Corporate notes must be purchased on the secondary market and not directly through the issuer. The individual country limit of non-U.S. and non-Canadian exposure is 2% of the total portfolio. The exposure is determined by the country of domicile of the issuers of portfolio securities.

Commercial Paper: Commercial paper must be rated with the highest short-term credit rating category of any two major Nationally Recognized Statistical Ratings Organizations (NRSROs) at the time of purchase. If the commercial paper is rated by more than two NRSROs, it must have the highest rating from all of them. Commercial paper holdings may not have maturities exceeding 270 days. Any commercial paper purchased with a maturity longer than 100 days must also have an underlying long-term senior unsecured credit rating at the time of purchase in one of the three highest rating categories of an NRSRO. The percentage of commercial paper that may be purchased from any one issuer is 3% of the market value of the total portfolio. Issuer constraints will apply to the combined holdings of corporate notes and commercial paper holdings.

Certificates of Deposit: Non-negotiable Certificates of Deposit of financial institutions that are qualified public depositories as defined in RCW 39.58.010(2) and by the restrictions within.

Bank Time Deposits and Savings Accounts: Deposits in PDPC approved banks.

Banker's Acceptance: Bankers' acceptances generally are created based on a letter of credit issued in a foreign trade transaction. They are used to finance the shipment of some specific goods within the United States. They are issued by qualified financial institutions.

Local Government Investment Pool: Investment Pool managed by the Washington State Treasury office.

8.3 Bank Collateralization:

The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. Under RCW 39.58.240, all public treasurers and other custodians of public funds are relieved of the responsibility of executing tri-party agreements, reviewing pledged securities, and authorizing additions, withdrawals, and exchanges of collateral.

9.0 INVESTMENT PARAMETERS

9.1 Diversification:

The District will diversify the investment of all funds by adhering to the constraints by issuer type in accordance with the following table:

Table of Constraints on the Portfolio

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's, or Equivalent NRSRO	Maximum Maturity
US Treasury Obligations	100%	None	N/A	5.5 years
US Agency Obligations	100%	35%	N/A	5.5 years
Supranational Agency Notes	10%	5%	AA- / Aa3	5.5 years
Municipal Bonds (GO Only outside WA)	30%	5%	A- / A3	5.5 years
			Short Term **	
Corporate Notes	25%*	3%* for AA- 2% for A-, A, A+	A- / A3	5.5 years
Commercial Paper		3%*	A1 / P1 Long Term A- / A3	270 days
Bank Time Deposits/Savings	20%	10%	Deposits in PDPC approved banks	N/A
Certificates of Deposit	20%	10%	Deposits in PDPC approved banks	5.5 years
Banker's Acceptance	20%	5%	N/A	180 days
State LGIP	100%	None	N/A	N/A
*Issuer constraints apply to the combined issues in corporate and commercial paper holdings.				
**Short Term Ratings: Moody's - P1/MIG1/VMIG1, S&P - A-1/SP-1, Fitch – F1				

9.2 Investment Maturity:

The District will not directly invest in securities maturing more than five and a half (5.5) years from the date of purchase.

- The maximum weighted maturity of the total portfolio shall not exceed 2 years. This maximum is established to limit the portfolio to excessive price change exposure.
- Liquidity funds will be held in the State Pool or in money market instruments maturing six-months and shorter. The liquidity portfolio shall, at a minimum, represent six-month budgeted outflows.
- Investment funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between 1 day and 5.5 years and will be only invested in high quality and liquid securities.

- Total Portfolio Maturity Constraints:

Maturity Constraints	Minimum % of Total Portfolio
Under 30 days	10%
Under 1 year	25%
Under 5.5 years	100%
Maturity Constraints	Maximum of Total Portfolio in Years
Weighted Average Maturity	2 years
Duration of Corporate Note Portfolio	3 years
Security Structure Constraint	Maximum % of Total Portfolio
Callable Agency Securities	25%

- Exception to 5.5 year maturity maximum: Reserve or Capital Improvement Project monies may be invested in securities exceeding five and a half (5.5) if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

9.3 Strategic Allocations:

9.3.1 Funds and their Allocation

- c. Liquidity fund for the operating account will be allocated to LGIP, CD's, Bank Deposits, Bankers Acceptances, and Commercial Paper.
- d. The structure of the Investment Core Fund will be targeted to a selected market benchmark based on the risk and return objectives of the portfolio.

Monitoring and Portfolio Adjustment: As a general practice, securities will be purchased with the intent to hold to maturity. However, it is acceptable for securities to be sold under the following circumstances:

- f. A security with a declining credit may be sold early to protect the principal value of the portfolio.
- g. The portfolio duration or maturity buckets should be adjusted to reflect better the structure of the underlying benchmark portfolio.
- h. A security exchange that would improve the quality, yield and target maturity of the portfolio based on market conditions.
- i. A sell of a security to provide for unforeseen liquidity needs.
- j. To manage the core investment portfolio in alignment to the target strategy.

9.4 Prohibited Investments:

9.4.1 The District shall not lend securities nor directly participate in a securities lending or reverse repurchase program.

- 9.4.3 The District shall not invest in:
- g. Mortgage-backed securities
 - h. Derivative Products
 - i. Securities that leverage the portfolio or are used for speculation of interest rates
 - j. Mutual Funds
 - k. Repurchase Agreements
 - l. Reverse Agreements

10.0 REPORTING REQUIREMENTS

10.1 Reporting:

The Finance Director shall be responsible for investment reporting. At a minimum, quarterly reporting shall be made to the Board of Commissioners including but not limited to securities holdings, cash balances, and market values in the investment portfolio will be provided on the month-end reports.

Specific Requirements:

- Book Yield
- Holdings Report including mark-to-market and security description
- Transactions Report
- Weighted Average Maturity

10.2 Performance Standards:

The portfolio shall be managed to obtain a fair rate of return and earnings rate that incorporates the primary objectives of protecting the District's capital and assuring adequate liquidity to meet cash flow needs.

The investment portfolio will be invested into a predetermined structure that will be measured against a selected benchmark portfolio. The structure will be based upon a chosen minimum and maximum duration (average maturity) and will have the objective to achieve market rates of returns over long investment horizons. The purpose of a benchmark is to appropriately manage the risk in the portfolio through interest rate cycles. The investment portfolio is expected to provide similar returns to the benchmark over interest rate cycles but may underperform or outperform in certain periods. The portfolio will be positioned to first protect principal and then achieve market rates of return. The benchmark used will be the US treasury 0-3 year index or US treasury 0-5 year index and comparisons will be calculated monthly and reported quarterly.

The liquidity component yield will be compared quarterly to the LGIP average yield.

10.3 Guideline Measurement and Adherence

A compliance report will be generated quarterly comparing the portfolio positions to this investment policy.

Guideline compliance shall consist of the following policies:

- iv. If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the Finance Director shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.
- v. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the Board.
- vi. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

10.4 Accounting Method

The District shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to the Governmental Accounting Standards Board (GASB)

Pooling of Funds: Except for cash in certain restricted and special funds, the District will consolidate balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

11.0 INVESTMENT POLICY ADOPTION

The District's Investment Policy shall be adopted by the Board of Commissioners.

12.0 GLOSSARY OF TERMS

Agency Securities: Government sponsored enterprises of the US Government.

Bankers Acceptances: A time draft accepted (endorsed) by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. BAs are short-term non-interest-bearing notes sold at a discount and redeemed by the accepting bank at maturity for full face value.

Bond: An interest-bearing security issued by a corporation, government, governmental agency, or other body. It is a form of debt with an interest rate, maturity, and face value, and specific assets sometimes secure it. Most bonds have a maturity of greater than one year and generally pay interest semiannually. See Debenture.

Broker: An intermediary who brings buyers and sellers together and handles their orders, generally charging a commission for this service. In contrast to a principal or a dealer, the broker does not own or take a position in securities.

Collateral: Securities or other property that a borrower pledges as security for the repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper: Short-term, unsecured, negotiable promissory notes issued by corporations.

Current Maturity: The amount of time left until an obligation matures. For example, a one-year bill issued nine months ago has a current maturity of three months.

CUSIP: A CUSIP number identifies securities. CUSIP stands for Committee on Uniform Security Identification Procedures, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities.

Dealer: An individual or firm that ordinarily acts as a principal in security transactions. Typically, dealers buy for their account and sell to a customer from their inventory. The dealer's profit is determined by the difference between the price paid and the price received.

Debenture: Unsecured debt backed only by the integrity of the borrower, not by collateral, and documented by an agreement called an indenture.

Delivery: Either of two methods of delivering securities: delivery vs. payment and delivery vs. receipt (also called "free"). Delivery vs. payment is the delivery of securities with an exchange of money for the securities.

Duration: A measure used to calculate the price sensitivity of a bond or portfolio of bonds to changes in interest rates. This equals the sum of the present value of future cash flows.

Full Faith and Credit: Indicator that the unconditional guarantee of the United States government backs the repayment of debt.

General Obligation Bonds (GOs): Bonds secured by the pledge of the municipal issuer's full faith and credit, which usually includes unlimited taxing power.

Government Bonds: Securities issued by the federal government; they are obligations of the U.S. Treasury; also known as “governments.”

Interest: Compensation paid or to be paid for the use of money. The rate of interest is generally expressed as an annual percentage.

Investment Core Funds: Core funds are defined as operating fund balance and other fund balances that exceeds the District’s daily liquidity needs. Core funds are invested out the yield curve to diversify maturity structure in the overall portfolio. Having longer term investments in a portfolio will stabilize the overall portfolio interest earnings over interest rate cycles.

Investment Securities: Securities purchased for an investment portfolio, as opposed to those purchased for resale to customers.

Liquidity: The ease at which a security can be bought or sold (converted to cash) in the market. A large number of buyers and sellers and a high volume of trading activity are important components of liquidity.

Liquidity Component: A percentage of the total portfolio that is dedicated to providing liquidity needs for the District.

LGIP: Local Government Investment Pool run by the State of Washington Treasurer’s office established to help cities with short-term investments.

Mark to Market: Adjustment of an account or portfolio to reflect actual market value rather than book price, purchase price or some other valuation.

Market Value: The market value of a security is the price at which can be sold on that date.

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

Municipals: Securities, usually bonds, issued by a state, its agencies, by cities or other municipal entities. The interest on “munis” is usually exempt from federal income taxes and state and local income taxes in the state of issuance. Municipal securities may or may not be backed by the issuing agency’s taxation powers.

Non-Discretionary Investment Advisor: Non-discretionary investment advisor services may include investment management oversight, investment research, portfolio analysis, portfolio reporting and portfolio recommendations based upon the specific investment policy and investment objectives of each client. Clients must approve any such recommendations before the securities are purchased or sold in their accounts.

Par Value: The value of a security expressed as a specific dollar amount marked on the face of the security or the amount of money due at maturity. Par value should not be confused with market value.

Portfolio: A collection of securities held by an individual or institution.

Prudent Person Rule: A long-standing common-law rule that requires a trustee who is investing for another to behave in the same way as a prudent individual of reasonable discretion and intelligence who is seeking a reasonable income and preservation of capital.

Quotation or Quote: A bid to buy or the lowest offer to sell a security in any market at a particular time.

Repurchase Agreement: Range in maturity from overnight to fixed time to open end. Repos involve a simultaneous sale of securities by a bank or government securities dealer to an investor with an agreement for the bank or government securities dealer to repurchase the securities at a fixed date at a specified rate of interest.

Treasury Bill (T-Bill): An obligation of the U.S. government with a maturity of one year or less. T-bills bear no interest but are sold at a discount.

Treasury Bonds and Notes: Obligations of the U.S. government that bear interest. Notes have maturities of one to ten years; bonds have longer maturities.

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. Net yield, or yield to maturity, is the current income yield minus any premium above par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Yield to Maturity: The average annual yield on a security, assuming it is held to maturity; equals to the rate at which all principal and interest payments would be discounted to produce a present value equal to the purchase price of the bond.

Ratings Table – Long-Term

Three Highest Rating	S&P	Moody's	Fitch	Definition
	AAA	Aaa	AAA	Highest credit quality
	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-	Very high credit quality
	A+, A, A-	A1, A2, A3	A+, A, A-	High credit quality
	BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	Good credit quality
	BB+, BB, BB-	Ba1, Ba2, Ba3	BB+, BB, BB-	Non-investment grade

Ratings Table – Short-Term

Highest Rating Category	S&P	Moody's	Fitch	Definition
	A1+, A1	P1+, P1	F1+, F1	Highest credit quality
	Municipal Commercial Paper			
A-1, A-1+, SP-1+, SP-1	P1, MIG1, VMIG1	F1+, F1	Highest credit quality	