



FIRST 5 ALAMEDA COUNTY EXECUTIVE COMMITTEE MEETING AGENDA

Thursday, February 10, 2022

Members of the public may access this meeting via:

Zoom Meeting: <https://zoom.us/j/93426191744>

Meeting ID: 934 2619 1744

9:15 AM – 10:30 AM

Commissioners:

Chair: Renee Herzfeld, *Vice Chair:* Cecilia Oregón, Scott Coffin

1. Public Comment

2. Staff Announcements

- a. General Staff Announcements
- b. CEO Contract Authorizations

3. Minutes from December 9, 2021

Recommended Action: Approve Minutes from December 9, 2021.

4. FY 2021-22 Mid-Year Financial Report and Proposed Budget Modifications

Recommended Action: Committee recommends to the Commission the approval of the FY 2021-22 Mid-Year Budget Update and Proposed Modifications.

5. FY 2021-22 Mid-Year Investment Report

Recommended Action: Committee recommends to the Commission the approval of the FY 2021-22 Mid-Year Investment Update.

6. First 5 Alameda County Governance Policies

Recommended Actions:

- a. Approve the Media Policy.
- b. Approve updates to the Investment Policy.

7. Adjournment

Information about access:

Please contact Julia Otani at julia.otani@first5alameda.org or (510) 227- 6987 3 business days in advance if you need special assistance or translation/interpretation support so we can make reasonable arrangements to ensure accessibility. We will swiftly resolve any requests for accommodation to resolve any doubt whatsoever in favor of accessibility.



Staff Announcements

February 10, 2022



GENERAL AGENCY ANNOUNCEMENTS

- Staff
 - Recruitment open for Director of Operations, Finance, and Technology.
 - Recruitment open for Public Information and Communications Officer.
- Equity
 - Starting a three-part Equity 101 training series with staff on February 17, 2022.
- Strategic Plan
 - All staff and the Executive and Senior Leadership Teams have provided multiple reviews of the Strategic Plan, and it is being prepared for first review by the Commission in April.
- Reviewing proposals received in response to a Request for Qualifications for a new financial auditor.



PLACE

We partner with communities to build relationships, services, and infrastructure that support neighborhood conditions for family and child well-being.

PLACE

- ALL IN Alameda County
 - Presenting at the All IN Committee on February 16, both the Neighborhoods Ready for School (NRFS) model and evaluation findings.
- Oakland Thrives/Joint Powers Authority
 - Oakland Thrives /Joint Powers Authority was awarded \$1.3 million by Blue Meridian to support technical assistance for place-based poverty remediation, and First 5 Alameda County was appointed to Executive Committee.
- NRFS
 - Meeting with Executive Directors of NRFS partner grantees to assess approach and priorities regarding community needs and organizational capacity.
 - Distributed 3,000 test kits (6,000 tests) to sites in collaboration with Alameda County Public Health and Alameda County Office of Education.

A photograph of three people standing in a parking lot, each holding a large blue and white box. They are all wearing face masks. The background shows a building with a grid-like facade and some parked cars. The image has a blue tint.

PEOPLE

We partner with stakeholders to support parents, caregivers, and children and ensure that families and providers have the resources they need for children to thrive.

PEOPLE

- **Alameda County Fathers Corps** secured funding from Health Care Services Agency, Department of Child Support Services, Social Services Agency (SSA), and Probation Department, \$100,000 each.
- **Communications Department** partnered on Earned Income Tax Credit outreach to families with young children. Print materials mailed to community organizations and households and digital materials shared online.
- **Care Coordination Expansion**
 - **First 5 submitted a quarterly report for Help Me Grow (HMG) pilot** Of the families we've successfully reached, 69% have scheduled or completed a well-child visit. Through HMG's care coordination services, 70% of families so far have been connected to at least one health plan or early intervention service to address an identified need.
 - **Alameda Alliance for Health** received a new proposal from First 5 at the end of January to continue and expand the partnership to reach families in pediatric care through HMG.
- **Resettlement Support**
 - **Partnering with The California Wellness Foundation and District 1** to award two grants to support Afghan families' resettling.
 - **Working with First 5 Contra Costa County** to submit a joint county proposal to First 5 California for funding Afghan resettlement efforts.



POLICY

We advocate for policy and systems change that centers the needs of families, young children, and caregivers and supports community and family conditions for children and families to thrive. We also support community-led efforts, including parent leadership.

POLICY

- **Kindergarten Readiness Assessment (KRA)**
 - **Completed surveys of teachers and families** Applied Survey Research currently analyzing responses. Final survey responses:
 - **2,096** parent/caregiver (158% of target)
 - **693** early care and education (ECE) professionals (426 center, 267 FCC) (73% of target)
 - **284** transitional kindergarten and kindergarten teachers (95% of target)
 - KRA Research Advisory Group reconvenes in March and April to review findings and develop recommendations.
- **Evaluation**
 - **Completed evaluation** of Help A Mother Out Diaper Bank program in Alameda County to inform policy advocacy and public investment.
 - **Beginning to scope out process evaluation** for apprenticeship program in partnership with SSA, Tipping Point, and East Bay YMCA.
- **Data**
 - **Letter to Census** to advocate for disaggregated demographic data for Asian and Asian American/Native Hawaiian and Pacific Islander families.



FY 2021-22 CEO-Approved Contracts List

CEO Contract Authorizations and Amendments (\$50,000 to \$250,000 per contract/action - see light blue columns)

Original Award, approved by Commission (June 24, 2021)							New Contracts or Augmentations, approved by CEO (12/10/21 - 2/10/2022)			
Strategy	Award Number	Contractor	Contract Start Date	Contract End Date	Original Description of Scope of Work	Amount	New, Amendment or Ancillary Amount	New Total Contract Amount	Funding to support COVID-19 activities	Description of New Contract or Added Scope of Work
Quality Early Childhood Education	PI-ECE-2122-636	California School-Age Consortium	7/1/2021	6/30/2022	Funding to manage the Quality Counts' process for distributing Quality Improvement grants. Funds will be used to make facility and environment improvements, enhance training and staff release time, support technology needs, and support professional development activities.	\$ 402,000.00	\$ 180,000.00	\$ 582,000.00	No	Funding to coordinate and distribute professional development stipends to Quality Counts providers and Dual Language Learner (DLL) trainers and participants.
Admin, Info & Technology	CS-AIT-2022-401	Olson Remcho LLP	7/1/2020	6/30/2022	Funding to provide legal services and consultation on an as-needed basis.	\$ 30,000.00	\$ 100,000.00	\$ 245,000.00	No	Funding to provide legal services and consultation on an as-needed basis.
Policy, Planning, and Evaluation	CS-PEV-2122-618	Applied Survey Research	7/1/2021	6/30/2022	Funding to provide a Community-Based Participatory Research (CBPR) Kindergarten Readiness Assessment of children in Alameda County, with a generalizable sample of approximately 105 teachers and approximately 2,666 children.	\$ 64,275.00	\$ 74,450.00	\$ 138,725.00	No	Funding to provide a Community-Based Participatory Research (CBPR) Kindergarten Readiness Assessment of children in Alameda County, with a generalizable sample of approximately 305 teachers and approximately 2,666 children.
						\$ 496,275.00	\$ 354,450.00	\$ 965,725.00		CEO Authorizations 10/15/2021-12/9/21



**First 5 Alameda County Executive Committee Meeting
December 9, 2021, 9:00 AM – 10:30 AM
Zoom Webinar Meeting ID: 929 7705 1188**

Commissioners Present: Chair: Renee Herzfeld, Vice Chair: Cecilia Oregón, Scott Coffin
 First 5 Staff Present: Kristin Spanos, Tyson Jue, Christine Hom, Julia Otani
 Guest Presenter: Jessica Pascual

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
CALL TO ORDER			
R. Herzfeld	The meeting was called to order by Chair Herzfeld who gaveled in at 9:00 AM and stated that the meeting was being recorded.	None	None
1. PUBLIC COMMENT			
R. Herzfeld	There was no Public Comment.	None	None
2. STAFF ANNOUNCEMENTS			
K. Spanos	[Attachment] Ms. Spanos presented the General Staff Announcements and CEO Contract Authorizations A. General Staff Announcements <ul style="list-style-type: none"> Ms. Spanos provided an overview of the Staff Update slides. B. CEO Contract Authorizations <ul style="list-style-type: none"> There were 2 contracts approved by the CEO that were less than or equal to \$250,000 per contract action since the last Commission meeting; the summary is located in the meeting packet. 	None	None
3. 2022 EXECUTIVE COMMITTEE FINAL CALENDAR			
K. Spanos	[Attachment] Ms. Spanos presented the 2022 Executive Committee Draft Calendar and asked the Commissioners to communicate any conflicts with the meeting dates. Chair Herzfeld asked if there was any public comment before taking a vote. Chair Herzfeld facilitated the vote to approve the 2022 Executive Committee Final Calendar.	Motion: C. Oregón Second: S. Coffin No Abstentions. Motion passed.	None
4. APPROVAL OF MINUTES FROM OCTOBER 7, 2021			
R. Herzfeld	[Attachment] Chair Herzfeld asked if there was any public comment before taking a vote to approve the minutes. Chair Herzfeld facilitated the vote to approve the October 7, 2021 Executive Committee Meeting minutes.	Motion: C. Oregón Second: S. Coffin No Abstentions. Motion passed.	None

AGENDA ITEM SPEAKER	DISCUSSION HIGHLIGHTS	ACTION	FOLLOW UP
5. INTRODUCTION TO CLASS AND COMPENSATION STUDY (CPS HR)			
J. Pasqual	[Attachment] Ms. Pasqual presented the Introduction to Class and Compensation Study (CPS HR).	None	None
6. FIRST 5 RETURN TO WORK PLAN UPDATE			
T. Jue	[Attachment] Mr. Jue presented the First 5 Return to Work Plan Update.	None	None
7. COST OF LIVING ADJUSTMENT RECOMMENDATION			
C. Hom	[Attachment] Ms. Hom presented the Cost of Living Adjustment Recommendation. Chair Herzfeld asked if there was any public comment before taking a vote. Chair Herzfeld facilitated the vote to recommend the Cost of Living Adjustment Recommendation be brought to the full Commission for final review and approval.	Motion: S. Coffin Second: C. Oregón No Abstentions. Motion passed.	The Cost of Living Adjustment Recommendation will be brought to the full Commission for approval.
8. ADJOURNMENT			
R. Herzfeld	Chair Herzfeld gavelled out and adjourned the meeting at 9:58 AM.		

Respectfully Submitted By: Julia Otani, Executive Assistant



To: First 5 Alameda County Executive Committee

From: Kristin Spanos, Chief Executive Officer
Christine Hom, Finance Officer
Maria Canteros, Finance Administrator

Date: February 10, 2022

Subject: FY 2021-22 Mid-Year Financial Report and Proposed Budget Modifications

REQUESTED ACTION

To review and provide guidance on the FY 2021-22 Mid-Year Financial Report and Proposed Budget Modifications in preparation for presentation to the Commission.

BACKGROUND: FY 2021-22 MID-YEAR FINANCIAL REPORT, JULY 1, 2021-DECEMBER 31, 2021

This narrative, and the attached statements, report Revenues and Expenses for the period July 1 – December 31, 2021. At the end of December, 50% of the fiscal year was complete. A detailed description of revenue and expenses is listed below.

Revenue

As of December 31st, total revenue received was \$6.9 million, or 29% of the revenue projection for the current fiscal year compared to 45% last year. Of this amount:

- Tobacco Tax receipts of approximately \$4.6m (of \$11.8m budgeted) or 39% was received for the first six months of the fiscal year. Proposition 10 revenues are typically received 2 months in arrears consistent with prior year's trends.
- Other First 5 income includes \$41,438 (of \$1.2m budgeted) or 3% of funding received. Funding consists of grant reimbursements from First 5 California IMPACT 2020, First 5 California IMPACT Incentive Layer and Children's Council of San Francisco (First 5 San Francisco/Hub) reimbursements based on expenses incurred during the period.
- As of December 31st, \$1.3m (of \$2.6m budgeted) or 51% of Interagency Income had been received from contract reimbursements from Alameda County Public Health Department (CHDP Help Me Grow Linkage Line contract), Alameda County Health Care Services Agency (Fathers Corp program support), Alameda County Social Services Agency (Workforce Pilot program & HMG program support), Alameda County Office of Education (QRIS Block Grant 8, Inclusive ELC grant), California Department of Social Services (QCC QRIS Block Grant 4) and California Department of Education (Preschool Development Grant).

- Grant funding of \$559,813 (of \$1.1m budgeted) or 49% was received from Sunlight Giving for general support, from Alameda Alliance for Health to support the Integrated Pediatric Care Management project and from Aurrera Health Group to support provider engagement and training activities of the “ACES Aware” program.
- MAA invoicing for FY 2020-21 expenditures is in process and reimbursements are expected later this calendar year. MAA revenue is budgeted at \$1.8m for FY 2021-22.

Expenses

At \$7.4m, total Expenditures for the first six months were 31% of the budgeted amount of \$23.8m. Personnel costs are at 40% of the budgeted amount and include budgeted hiring to support program work in the remaining fiscal year. Contracts and grants expenses are at \$2.1m or 21% of budget. Invoicing for first and second quarter contract payments are currently underway and will be reflected in third quarter expenditures. Consistent with prior year practice, the majority of contracts and professional services contract expenses are paid in the second half of the fiscal year due to the timing of when reporting and invoices are received.

Program operating costs are at 12% of budget; expenses are incurred at different times of the year based on various program factors. Administrative costs for the 6-month period are at 6.04%. We anticipate experiencing a greater rate of budgeted spending through the end of the fiscal year. Infrastructure cost spending is closely in line with the budget for the 6-month mark and is comprised primarily of agency wide administrative expenses including insurance premium payments and office operating costs.

Summary

Total receipt of revenues is on the lower end at the mid-year primarily due to the timing of monies to be received from the State Controller’s Office for Proposition 10 and Proposition 56 revenue payments and revenues due to be received from other First 5 Income. Expenses incurred are also lower at the mid-year mark as has always been the case in previous years and will change as the year progresses and expense line items are expected to trend closer to budget projections by year-end.

Background: Proposed FY 2021-22 Budget Modifications

The operating budget for FY 2021-22 was adopted by the Commission in June 2021. As in prior years, First 5 Alameda County staff submit mid-year proposals to modify the adopted budget to address material changes in revenue, seek approval for unanticipated expenses that may have occurred and make necessary transfers and adjustments to reflect changes to program goals since the adoption of the original budget.

Revenue and Available Funds

The FY 2021-22 adopted budget projects revenue and available funding totaling \$23,837,080. The proposed budget modification changes this amount to \$24,318,458, a net increase of \$481,378.

The primary changes in revenue for this fiscal year are the addition of First 5 IMPACT Incentive Layer, increase in Interagency income from Alameda County Health Care Services Agency and Alameda County Office of Education, California Department of Social Services and private funding from Sunlight Giving, Stupski Foundation and Kaiser Permanente/Foundation.

Expenditures

The FY 2021-22 adopted budget projects expenses totaling \$23,837,080. The proposed budget modification changes this amount to \$24,318,458, a net increase of \$481,378. Please refer to the following summary of major changes and the attached worksheet detailing proposed revised revenue.

New Revenue Received/Budgeted Since Adoption of Original Budget:

	Funder/Source	Strategy/Project	Amount (\$)	Description/Purpose
1	First 5 California - IMPACT Incentive Layer	Quality Early Childhood Education	\$201,613	Revenue received in the prior period (FY19-20) to support current year program activities in the QECE strategy, including professional development for the ECE workforce and coaching for QRIS sites.
2	Alameda County Health Care Services Agency	Fatherhood	\$10,000	Additional revenue represents carryover from June 30, 2021. The funding supports the Fatherhood Partnership Grants.
3	Alameda County Office of Education	Quality Early Childhood Education - CSPP QRIS Block Grant 8	\$3,088	Additional revenue represents an increase in the award amount for the grant term July 2021 to June 2022. The grant supports local QRIS consortia to provide training, technical assistance, and resources to help early learning and care (ELC) providers meet a higher tier of quality for infant/toddler and non-CSSP sites.
4	California Department of Social Services	Quality Early Childhood Education - Quality Counts CA QRIS Block Grant 4	\$3,227	Additional revenue represents an increase in the award amount for the grant term July 2021 to June 2022. The grant supports local QRIS consortia to provide training, technical assistance, and resources to help early learning and care (ELC) providers meet a higher tier of quality for infant/toddler and non-CSSP sites.
5	Sunlight Giving	Administration, Information & Technology	\$120,000	New funding awards from Sunlight Giving for FY 2021-22 for general operating support.

	Funder/Source	Strategy/Project	Amount (\$)	Description/Purpose
6	Stupski Foundation	Early Identification	\$100,000	New grant award (term November 2021-October 2022) from Stupski Foundation to support the Integrated Pediatric Care Management project.
7	Kaiser Permanente Foundation Hospitals	Fatherhood	\$23,450	New 2-year grant award (term January 2020-December 2022) to support Fatherhood training and technical assistance for the Northern California Family Justice Collaborative.
8	Kaiser Permanente Foundation Hospitals	Fatherhood	\$10,000	One time award for Fatherhood backpack distribution and to support Fatherhood Partnership grants.
9	Miscellaneous Revenue	Fatherhood	\$10,000	Revenue to support Fatherhood activities, including the Fatherhood Summit, from the Kresge Foundation \$5,000 and Supervisor Valle \$5,000.

Fiscal Impact

The fiscal impact of the budget modification is a net increase of \$481,378 in revenues and expenses, funded by grants and reimbursements, bringing the total budget to \$24,318,458.

Recommendation

That the Executive Committee recommend the FY 2021-22 Mid-Year Financial Report and Proposed Budget Modifications be approved by the Commission at their meeting on February 17, 2022.


Submitted by:

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Christine Hom
 Finance Officer

Reviewed by:

DocuSigned by:

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Kristin Spanos
 Chief Executive Officer

DocuSigned by:

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Maria Canteros
 Finance Administrator

**First 5 Alameda County
Revenue
For the Period July 1, 2021 - December 31, 2021**

Revenues	footnote	Original Budget FY2021-22	Actual	% Received in first half this year	% Received in first half last year	Proposed Revised Budget FY2021-22	% Received in first half this year	Proposed Revised Budget Balance Remaining
Proposition 10 Tobacco Tax Revenue		11,765,441	4,645,814	39%	36%	11,765,441	39%	7,119,627
Other First 5 Income								
First 5 California (IMPACT 2020)		1,049,218	40,663	4%	8%	1,049,218	4%	1,008,555
First 5 California (IMPACT Incentive Layer)	1	108,000	-	n/a	n/a	309,613	0%	309,613
Children's Council of San Francisco (First 5 San Francisco/Hub)		110,000	775	1%	64%	110,000	1%	109,225
Total Other First 5 Income		1,267,218	41,438	3%	30%	1,468,831	3%	1,427,393
Interagency Income								
Alameda County Health Care Services Agency (Fathers Corp)	3	128,000	61,500	48%	48%	138,000	45%	76,500
Alameda County Office of Education (QRIS 8)	3	444,204	180,555	41%	20%	447,292	40%	266,737
Alameda County Office of Education (Inclusive ELC Grant)		134,626	73,133	54%	88%	134,626	54%	61,493
Alameda County Public Health Dept. (shared Technology costs)		114,000	-	0%	109%	114,000	0%	114,000
Federal Pass-through Grants:								
Alameda County Public Health Dept. CHDP (Linkage Line)		449,344	195,943	44%	41%	449,344	44%	253,401
Alameda County Social Services Agency (Workforce Pilot & HMG support)		717,507	400,946	56%	33%	717,507	56%	316,561
California Dept. of Social Services (QCC QRIS Block Grant #4)	3	539,625	387,997	72%	66%	542,852	71%	154,855
California Dept. of Education (Preschool Development Grant)		78,700	32,963	42%	n/a	78,700	42%	45,737
Total Interagency Income		2,606,006	1,333,038	51%	147%	2,622,321	51%	1,289,283
Grants								
Sunlight Giving	2	475,852	320,000	67%	>100%	595,852	54%	275,852
Alameda Alliance for Health		572,473	190,824	33%	65%	572,473	33%	381,649
Aurrera Health Group		50,517	48,989	97%	14%	50,517	97%	1,528
Stupski Foundation	3	-	-		n/a	100,000	0%	100,000
Kaiser Permanente Foundation Hospitals	3	-	-		n/a	33,450	0%	33,450
Cal Wellness Foundation	1	45,000	-	0%	n/a	45,000	0%	45,000
Total Grants		1,143,842	559,813	49%	103%	1,397,292	40%	837,479
Fiscal Leveraging - MediCal Administrative Activities		1,850,000	-	0%	0%	1,850,000	0%	1,850,000
Other Income								
Investment Revenue		450,000	247,779	55%	82%	450,000	55%	202,221
Miscellaneous Revenue - Fatherhood Summit	2	179,999	5,000	n/a	26%	189,999	3%	184,999
Miscellaneous Revenue - Other	3	38,750	32,725	84%	59%	38,750	84%	6,025
TOTAL REVENUE		19,301,256	6,865,606			19,782,634		12,917,028
RESERVES								
Proposition 10 - Sustainability Funds		3,857,433	-	0%	0%	3,857,433	0%	3,857,433
Proposition 10 - Prior year budget savings for Community Resilience Fund		678,391	-	0%	n/a	678,391	0%	678,391
Interagency and Grants Revenues - received in prior years		-	-			-		
TOTAL REVENUES & AVAILABLE FUNDS		23,837,080	6,865,606	29%	45%	24,318,458	28%	17,452,852
	1	Budgeted revenue was received in the prior period to support current year activities						

**First 5 Alameda County
Budget vs. Actual Expenditures by Category
Proposed Revisions
For the Period July 1, 2021
- December 31, 2021**

Expenditures	Original Budget FY2021-22	Actuals	% Spent in first half this year	% Spent in first half last year	Proposed Revised Budget FY2021-22	% Spent in first half this year	Proposed Revised Budget Balance Remaining
Personnel Costs	12,010,614	4,809,431	40%	41%	12,024,063	40%	7,214,632
Program Contracts and Grants*	10,303,406	2,135,906	21%	50%	10,727,634	20%	8,591,728
Program Operating Costs**	467,863	56,697	12%	49%	511,563	11%	454,866
Infrastructure Costs	1,055,197	411,535	39%	42%	1,055,197	39%	643,662
TOTAL EXPENDITURES	23,837,080	7,413,569	31%	46%	24,318,458	30%	16,904,888

* Program Contracts and Grants also include stipends and professional services contracts with individuals or vendors for time limited services that support program work (e.g. consultants, web design, etc.)

** Program Operating costs: Costs that support agency program implementation (e.g. supplies, travel, meeting costs, etc.)

Notes: Proposed revisions reflect changes in planned Expenditure Category costs for FY 2021-22

FY 2021-22 proposed increase in expenditure categories for personnel, contracts, grants, stipends, professional services and program operating costs are due to: the expansion in externally funded activities supporting Early Identification and Fatherhood program activities; adjustments to externally funded amounts to support activities in the QECE strategy budget; and new general operating support for the Administration, Information and Technology strategy.

**First 5 Alameda County
Proposed Revised Operating Expenditure Budget By Strategy
July 1, 2021 - June 30, 2022**

	Parent Engagement & Support	Early ID	Quality Early Childhood Education	Fatherhood	Neighborhoods Ready for School	Innovation	Policy, Planning & Evaluation	Training & Capacity Building	Communications	Administration, Information and Technology	COVID-19 Community Resilience Fund	TOTAL ORIGINAL BUDGET
ORIGINAL BUDGET												
	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22
Personnel Costs												
Salaries & Benefits	1,060,004	2,253,687	2,024,036	227,394	528,070	0	1,918,937	379,153	499,096	3,120,237	0	12,010,614
Program Contracts/Grants												
Contracts	1,926,496	578,696	1,497,365	234,000	2,991,930	200,000	247,800	256,847	95,000	760,731	678,391	9,467,256
Grants & Stipends	0	0	544,545	60,000	0	0	0	0	0	0	0	604,545
Professional Services*	0	60,000	15,000	26,605	10,000	0	0	45,000	0	75,000	0	231,605
Total Contracts/Grants	1,926,496	638,696	2,056,910	320,605	3,001,930	200,000	247,800	301,847	95,000	835,731	678,391	10,303,406
Program Operating Costs**	61,500	64,674	88,932	55,000	20,000	0	20,000	19,000	10,000	128,757	0	467,863
Infrastructure Costs	0	0	0	0	0	0	0	0	0	1,055,197	0	1,055,197
Total Direct Program Costs	3,048,000	2,957,057	4,169,878	602,999	3,550,000	200,000	2,186,737	700,000	604,096	5,139,922	678,391	23,837,080

	Parent Engagement & Support	Early ID	Quality Early Childhood Education	Fatherhood	Neighborhoods Ready for School	Innovation	Policy, Planning & Evaluation	Training & Capacity Building	Communications	Administration, Information and Technology	COVID-19 Community Resilience Fund	TOTAL REVISED BUDGET
PROPOSED REVISED BUDGET												
	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22
Personnel Costs												
Salaries & Benefits	1,060,004	2,253,686	2,024,036	240,844	528,070	0	1,918,937	379,153	499,096	3,120,237	0	12,024,063
Program Contracts/Grants												
Contracts	1,926,496	724,996	1,651,156	214,000	2,995,616	200,000	247,800	256,847	95,000	951,339	678,391	9,941,641
Grants & Stipends	0	0	565,478	80,000	0	0	0	0	0	0	0	645,478
Professional Services*	0	10,000	47,596	26,605	6,314	0	0	45,000	0	5,000	0	140,515
Total Contracts/Grants	1,926,496	734,996	2,264,230	320,605	3,001,930	200,000	247,800	301,847	95,000	956,339	678,391	10,727,634
Program Operating Costs**	61,500	68,374	88,932	95,000	20,000	0	20,000	19,000	10,000	128,757	0	511,563
Infrastructure Costs	0	0	0	0	0	0	0	0	0	1,055,197	0	1,055,197
Total Direct Program Costs	3,048,000	3,057,056	4,377,198	656,449	3,550,000	200,000	2,186,737	700,000	604,096	5,260,530	678,391	24,318,458

* Professional Services Contracts : Contracts with individuals or vendors for time limited services that support program work (e.g. consultants, web design, etc.)

** Program Operating costs: Costs that support agency program implementation (e.g. supplies, travel, meeting costs, etc.)

	Parent Engagement & Support	Early ID	Quality Early Childhood Education	Fatherhood	Neighborhoods Ready for School	Innovation	Policy, Planning & Evaluation	Training & Capacity Building	Communications	Administration, Information and Technology	COVID-19 Community Resilience Fund	BUDGET CHANGES
NET CHANGES BY STRATEGY FY 2021-22												
	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22	FY 2021-22
Total Direct Program Costs	0	99,999	207,320	53,450	0	0	0	0	0	120,608	0	481,378



To: First 5 Alameda County Executive Committee

From: Christine Hom, Finance Officer

Date: February 10, 2022

Subject: FY 2021-22 Mid-Year Investment Report, July 1, 2021 – December 31, 2021

REQUESTED ACTION

To review the FY 2021-22 Mid-Year Investment Report covering the period July 1, 2021 – December 31, 2021.

BACKGROUND OF ACTIVITIES

As required by California Government Code, the investment objectives of First 5 Alameda County are first, to provide safety of principal to ensure the preservation of capital in the overall portfolio; second, to provide sufficient liquidity to meet all requirements that may be reasonably anticipated; and third, to earn a commensurate rate of return consistent with the constraints imposed by the safety and liquidity objectives.

The performance objective of the First 5 Alameda County investment portfolio is to earn a total rate of return that exceeds the total rate of return on identified benchmarks.

First 5 Alameda County maintains the majority of its funds invested in a portfolio of high quality, very liquid, fixed-income securities, which are professionally managed by the Commission's investment advisor, Chandler Asset Management. The remaining funds continue to be invested with the Alameda County Treasurer's pool. This report summarizes the activity and status of the investment portfolio as of December 31, 2021.

PORTFOLIO HIGHLIGHTS

The Investment Report shows the performance of funds that are invested in the portfolio with Chandler Asset Management. At the end of the last fiscal year (June 30, 2021), the total market value of the portfolio was \$30,073,900. The market value of the Chandler portfolio as of December 31, 2021 was \$29,880,603 at a cost of \$29,787,812.

INVESTMENT REPORT**Investment Activity**

The Investment Activity shows all transactions affecting our portfolio as of December 31, 2021. Purchases of securities are conducted when a maturity occurs, or when the investment advisor sells a security before maturity to rebalance the portfolio. Rebalancing is conducted to manage the risk profile of the portfolio, diversify portfolio maturities and sectors, protect market value, and enhance overall return.

Investment Income

Investment income is primarily derived from interest or yield payments on securities held in the investment portfolio. Typically, interest income from each security is received semi-annually. The Commission's investment advisor buys, sells and exchanges securities consistent with the First 5 Alameda County Investment Policy in order to optimize overall yields.

Total investment earnings for the period ending December 31, 2021 was \$247,762. For the same period last fiscal year, the total investment earnings for the period ending December 31, 2020 was \$305,803.

Market Value and Unrealized Gains and Losses

The market value of the portfolio securities changes as a result of market supply and demand, shifts in interest rates, and other factors. There was an unrealized gain position of \$92,791 at the end of December 2021. This is determined by comparing the Cost and the Market Value of the portfolio on that date. This is a gain on paper only, implying that a gain would have been realized, had the portfolio been liquidated on December 31st. Since the portfolio was not liquidated, this section is for informational purposes only. Per the Governmental Accounting Standards Board (GASB), government entities must report unrealized gains and losses on investments (GASB 31).

Investment Fees

Fees include those levied by the portfolio manager and the fees levied by the account custodian Union Bank (for July 2021) and new account custodian US Bank (August 2021 moving forward). The total fees paid during this period were \$17,518.

Yield Benchmarks

Investment yields are compared to the Local Agency Investment Fund (LAIF) and the Alameda County Treasury Investment Pool yields in order to benchmark investment manager performance. Chandler's average portfolio yield for the 6-month period of 1.47% is ahead of the LAIF yield of .22% and Alameda County Treasury Investment Pool yield of 1.09% (through October 2021) for the year.


FISCAL IMPACT

The total realized investment earnings and interest received (net of fees) for July 1, 2021 – December 31, 2021 was \$232,042. Investment revenue for FY 2021-22 is budgeted at \$450,000.

REQUESTED ACTION

To review the FY 2021-22 July 1, 2021 – December 31, 2021 investment report and recommend it be approved by the Commission at their meeting on February 17, 2022.

Submitted by:

DocuSigned by:

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Christine Hom
Finance Officer

Reviewed by:

DocuSigned by:

ED639B4561544E4...
Kristin Spanos
Chief Executive Officer

**First 5 Alameda County
Investment Report - Chandler Asset Management
For the Period July 1, 2021 - December 31, 2021**

INVESTMENT INCOME:

<i>Interest Received</i>	\$ 247,762
Total Investment Earnings	\$ 247,762
<i>Less:</i>	
Investment Fees (Chandler)	(15,720)
Union Bank/US Bank Custodial Fees	(1,798)
<i>Net Investment Income</i>	<u>\$ 232,042</u>

INVESTMENT ACTIVITY:

Portfolios - Cost Basis at 6/30/21	\$ 29,520,577
Purchases	\$ 7,205,662
Maturities	\$ (830,000)
Sales	\$ (5,507,848)
Principal Pay Downs	\$ (335,035)
Calls	\$ (285,000)
Capital Gains/Losses	\$ 36,975
Withdrawals	\$ (18,319)
Contributions	\$ 800
Portfolios - Cost Basis at 12/31/21	\$ 29,787,812

COST VS. MARKET VALUE:

Portfolios at Market 12/31/21	\$ 29,880,603
Portfolios at Cost 12/31/21	29,787,812
<i>Unrealized Gain (Loss) at 12/31/21</i>	<u>\$ 92,791</u>

APPROXIMATE YIELD AND BENCHMARKS (Annualized) for FY 2021-22:

Chandler Asset Management	1.47%
Local Agency Investment Fund (LAIF)	0.22%
Alameda County Treasurer's Pool (through October 2021)	1.09%



First 5 Alameda County

Holdings Report

Account #10022

As of December 31, 2021

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
ABS									
43815NAC8	Honda Auto Receivables Trust 2019-3 A3 1.78% Due 8/15/2023	107,477.55	08/20/2019 1.79%	107,476.65 107,476.65	100.57 0.35%	108,090.92 85.03	0.36% 614.27	Aaa / AAA NR	1.62 0.40
58769EAC2	Mercedes-Benz Auto Lease Trust 2020- B A3 0.4% Due 11/15/2023	95,000.00	09/15/2020 0.40%	94,995.18 94,995.18	99.88 0.54%	94,885.91 16.89	0.32% (109.27)	NR / AAA AAA	1.87 0.86
477870AC3	John Deere Owner Trust 2019-B A3 2.21% Due 12/15/2023	45,537.46	07/16/2019 2.23%	45,527.79 45,527.79	100.66 0.63%	45,837.42 44.73	0.15% 309.63	Aaa / NR AAA	1.96 0.42
92348AAA3	Verizon Owner Trust 2019-C A1A 1.94% Due 4/22/2024	109,674.51	10/01/2019 1.95%	109,666.05 109,666.05	100.69 0.48%	110,426.00 65.01	0.37% 759.95	NR / AAA AAA	2.31 0.47
65479JAD5	Nissan Auto Receivables Owner 2019-C A3 1.93% Due 7/15/2024	143,245.61	10/16/2019 1.94%	143,238.05 143,238.05	100.81 0.38%	144,401.89 122.87	0.48% 1,163.84	Aaa / AAA NR	2.54 0.52
43813DAC2	Honda Auto Receivables 2020-2 A3 0.82% Due 7/15/2024	90,030.02	05/18/2020 0.83%	90,022.93 90,022.93	100.18 0.57%	90,190.90 32.81	0.30% 167.97	Aaa / AAA NR	2.54 0.71
47789KAC7	John Deere Owner Trust 2020-A A3 1.1% Due 8/15/2024	265,363.89	Various 0.88%	266,579.15 266,579.15	100.35 0.58%	266,297.44 129.73	0.89% (281.71)	Aaa / NR AAA	2.62 0.68
43813KAC6	Honda Auto Receivables Trust 2020-3 A3 0.37% Due 10/18/2024	155,000.00	09/22/2020 0.38%	154,977.23 154,977.23	99.72 0.65%	154,566.78 20.71	0.52% (410.45)	NR / AAA AAA	2.80 0.99
36262XAC8	GM Financial Auto Lease Trust 2021-3 A2 0.39% Due 10/21/2024	205,000.00	08/10/2021 0.39%	204,997.21 204,997.21	99.04 0.91%	203,035.08 24.43	0.68% (1,962.13)	NR / AAA AAA	2.81 1.84
47787NAC3	John Deere Owner Trust 2020-B A3 0.51% Due 11/15/2024	70,000.00	07/14/2020 0.52%	69,989.33 69,989.33	99.85 0.69%	69,892.83 15.87	0.23% (96.50)	Aaa / NR AAA	2.88 0.83
09690AAC7	BMW Vehicle Lease Trust 2021-2 A3 0.33% Due 12/26/2024	90,000.00	09/08/2021 0.34%	89,990.71 89,990.71	99.24 0.80%	89,313.03 4.95	0.30% (677.68)	Aaa / NR AAA	2.99 1.64
89236XAC0	Toyota Auto Receivables 2020-D A3 0.35% Due 1/15/2025	125,000.00	10/06/2020 0.36%	124,976.71 124,976.71	99.74 0.64%	124,678.25 19.44	0.42% (298.46)	NR / AAA AAA	3.04 0.90
92290BAA9	Verizon Owner Trust 2020-B A 0.47% Due 2/20/2025	220,000.00	08/04/2020 0.48%	219,953.80 219,953.80	99.73 0.71%	219,415.90 31.59	0.73% (537.90)	Aaa / NR AAA	3.14 1.11
43813GAC5	Honda Auto Receivables Trust 2021-1 A3 0.27% Due 4/21/2025	75,000.00	02/17/2021 0.27%	74,998.63 74,998.63	99.47 0.71%	74,599.88 5.63	0.25% (398.75)	Aaa / NR AAA	3.31 1.21

Holdings Report

As of December 31, 2021



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
ABS									
44891RAC4	Hyundai Auto Receivables Trust 2020-C A3 0.38% Due 5/15/2025	160,000.00	10/20/2020 0.39%	159,963.15 159,963.15	99.57 0.73%	159,313.44 27.02	0.53% (649.71)	NR / AAA AAA	3.37 1.21
89240BAC2	Toyota Auto Receivables Owners 2021-A A3 0.26% Due 5/15/2025	270,000.00	02/02/2021 0.27%	269,949.89 269,949.89	99.50 0.67%	268,643.25 31.20	0.90% (1,306.64)	Aaa / NR AAA	3.37 1.23
43815GAC3	Honda Auto Receivables Trust 2021-4 A3 0.88% Due 1/21/2026	100,000.00	11/16/2021 0.89%	99,978.92 99,978.92	99.76 0.99%	99,758.70 24.44	0.33% (220.22)	Aaa / NR AAA	4.06 2.13
47789QAC4	John Deere Owner Trust 2021-B A3 0.52% Due 3/16/2026	125,000.00	07/13/2021 0.52%	124,988.85 124,988.85	98.86 1.02%	123,575.63 28.89	0.41% (1,413.22)	Aaa / NR AAA	4.21 2.30
89238JAC9	Toyota Auto Receivables Trust 2021-D A3 0.71% Due 4/15/2026	90,000.00	11/09/2021 0.71%	89,998.08 89,998.08	99.39 1.37%	89,446.77 28.40	0.30% (551.31)	NR / AAA AAA	4.29 0.94
44935FAD6	Hyundai Auto Receivables Trust 2021-C A3 0.74% Due 5/15/2026	70,000.00	11/09/2021 0.75%	69,984.38 69,984.38	99.31 1.05%	69,520.08 23.02	0.23% (464.30)	NR / AAA AAA	4.37 2.19
362554AC1	GM Financial Securitized Term 2021-4 A3 0.68% Due 9/16/2026	75,000.00	10/13/2021 0.68%	74,998.09 74,998.09	99.25 1.06%	74,436.68 21.25	0.25% (561.41)	Aaa / AAA NR	4.71 1.98
Total ABS		2,686,329.04	0.73%	2,687,250.78 2,687,250.78	0.72%	2,680,326.78 803.91	8.94% (6,924.00)	Aaa / AAA AAA	3.05 1.16

AGENCY									
3135G0T94	FNMA Note 2.375% Due 1/19/2023	425,000.00	Various 2.72%	418,473.00 418,473.00	102.05 0.41%	433,729.08 4,542.19	1.46% 15,256.08	Aaa / AA+ AAA	1.05 1.03
3137EAER6	FHLMC Note 0.375% Due 5/5/2023	560,000.00	05/05/2020 0.39%	559,764.80 559,764.80	99.78 0.54%	558,789.28 326.67	1.86% (975.52)	Aaa / AA+ AAA	1.34 1.34
3137EAEN5	FHLMC Note 2.75% Due 6/19/2023	350,000.00	07/20/2018 2.86%	348,243.00 348,243.00	103.15 0.59%	361,011.70 320.83	1.21% 12,768.70	Aaa / AA+ AAA	1.47 1.44
3135G05G4	FNMA Note 0.25% Due 7/10/2023	200,000.00	07/08/2020 0.32%	199,570.00 199,570.00	99.46 0.60%	198,928.00 237.50	0.66% (642.00)	Aaa / AA+ AAA	1.52 1.52
313383YJ4	FHLB Note 3.375% Due 9/8/2023	100,000.00	10/29/2018 3.08%	101,313.00 101,313.00	104.57 0.65%	104,569.40 1,059.38	0.35% 3,256.40	Aaa / AA+ NR	1.69 1.63

Holdings Report

As of December 31, 2021



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
3135G0U43	FNMA Note 2.875% Due 9/12/2023	540,000.00	09/12/2018 2.96%	537,786.00 537,786.00	103.70 0.68%	559,968.12 4,700.63	1.88% 22,182.12	Aaa / AA+ AAA	1.70 1.65
3130A0F70	FHLB Note 3.375% Due 12/8/2023	490,000.00	Various 2.74%	504,102.90 504,102.90	105.07 0.73%	514,859.66 1,056.57	1.72% 10,756.76	Aaa / AA+ AAA	1.94 1.88
3130AB3H7	FHLB Note 2.375% Due 3/8/2024	550,000.00	04/29/2019 2.37%	550,038.50 550,038.50	103.34 0.83%	568,387.60 4,100.17	1.91% 18,349.10	Aaa / AA+ NR	2.19 2.12
3130A1XJ2	FHLB Note 2.875% Due 6/14/2024	550,000.00	06/18/2019 1.96%	573,792.90 573,792.90	104.87 0.87%	576,766.30 746.71	1.93% 2,973.40	Aaa / AA+ NR	2.45 2.37
3130A2UW4	FHLB Note 2.875% Due 9/13/2024	475,000.00	09/13/2019 1.79%	499,600.25 499,600.25	105.11 0.95%	499,249.23 4,096.88	1.68% (351.02)	Aaa / AA+ AAA	2.70 2.59
3135G0W66	FNMA Note 1.625% Due 10/15/2024	410,000.00	Various 1.27%	416,324.90 416,324.90	101.88 0.94%	417,717.84 1,406.53	1.40% 1,392.94	Aaa / AA+ AAA	2.79 2.72
3135G0X24	FNMA Note 1.625% Due 1/7/2025	520,000.00	Various 1.22%	529,792.20 529,792.20	101.83 1.01%	529,502.48 4,084.17	1.78% (289.72)	Aaa / AA+ AAA	3.02 2.92
3137EAEP0	FHLMC Note 1.5% Due 2/12/2025	645,000.00	02/13/2020 1.52%	644,503.35 644,503.35	101.46 1.02%	654,444.09 3,735.63	2.20% 9,940.74	Aaa / AA+ AAA	3.12 3.02
3135G03U5	FNMA Note 0.625% Due 4/22/2025	510,000.00	04/22/2020 0.67%	508,949.40 508,949.40	98.64 1.04%	503,059.92 610.94	1.68% (5,889.48)	Aaa / AA+ AAA	3.31 3.26
3135G04Z3	FNMA Note 0.5% Due 6/17/2025	600,000.00	Various 0.47%	600,600.40 600,600.40	98.03 1.08%	588,160.20 116.66	1.96% (12,440.20)	Aaa / AA+ AAA	3.46 3.42
3137EAEU9	FHLMC Note 0.375% Due 7/21/2025	340,000.00	07/21/2020 0.48%	338,306.80 338,306.80	97.48 1.10%	331,430.30 566.67	1.11% (6,876.50)	Aaa / AA+ AAA	3.56 3.51
3135G05X7	FNMA Note 0.375% Due 8/25/2025	640,000.00	Various 0.46%	637,215.80 637,215.80	97.29 1.14%	622,650.24 840.00	2.08% (14,565.56)	Aaa / AA+ AAA	3.65 3.60
3137EAEX3	FHLMC Note 0.375% Due 9/23/2025	645,000.00	Various 0.44%	643,091.55 643,091.55	97.32 1.11%	627,681.75 658.44	2.10% (15,409.80)	Aaa / AA+ AAA	3.73 3.68
3135G06G3	FNMA Note 0.5% Due 11/7/2025	630,000.00	Various 0.55%	628,448.60 628,448.60	97.59 1.14%	614,827.08 472.50	2.05% (13,621.52)	Aaa / AA+ AAA	3.85 3.79
Total Agency		9,180,000.00	1.39%	9,239,917.35	0.90%	9,265,732.27 33,679.07	31.02% 25,814.92	Aaa / AA+ AAA	2.68 2.62

Holdings Report

As of December 31, 2021



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
CORPORATE									
532457BQ0	Eli Lilly & Co Note 2.35% Due 5/15/2022	350,000.00	08/24/2017 2.15%	353,052.00 353,052.00	100.76 0.30%	352,667.35 1,050.97	1.18% (384.65)	A2 / A+ NR	0.37 0.37
05531FBG7	Truist Financial Corporation Callable Note Cont 5/20/2022 3.05% Due 6/20/2022	300,000.00	07/26/2021 0.43%	307,032.00 307,032.00	100.98 0.50%	302,941.80 279.58	1.01% (4,090.20)	A3 / A- A	0.47 0.39
69353RFE3	PNC Bank Callable Note Cont 6/28/2022 2.45% Due 7/28/2022	380,000.00	07/25/2017 2.45%	379,965.80 379,965.80	100.97 0.48%	383,672.70 3,956.75	1.29% 3,706.90	A2 / A A+	0.57 0.49
24422ETG4	John Deere Capital Corp Note 2.8% Due 3/6/2023	150,000.00	05/21/2018 3.48%	145,521.00 145,521.00	102.47 0.69%	153,709.35 1,341.67	0.52% 8,188.35	A2 / A A	1.18 1.16
084670BR8	Berkshire Hathaway Callable Note Cont 1/15/2023 2.75% Due 3/15/2023	250,000.00	11/26/2018 3.51%	242,522.50 242,522.50	102.11 0.71%	255,275.50 2,024.31	0.86% 12,753.00	Aa2 / AA A+	1.20 1.02
037833AK6	Apple Inc Note 2.4% Due 5/3/2023	255,000.00	11/28/2018 3.54%	243,216.45 243,216.45	102.39 0.60%	261,102.15 986.00	0.87% 17,885.70	Aaa / AA+ NR	1.34 1.32
02665WCJ8	American Honda Finance Note 3.45% Due 7/14/2023	110,000.00	07/11/2018 3.49%	109,809.70 109,809.70	104.09 0.76%	114,503.40 1,760.46	0.39% 4,693.70	A3 / A- NR	1.53 1.48
69371RP59	Paccar Financial Corp Note 3.4% Due 8/9/2023	270,000.00	08/06/2018 3.41%	269,889.30 269,889.30	104.03 0.87%	280,871.01 3,621.00	0.95% 10,981.71	A1 / A+ NR	1.61 1.55
06406RAJ6	Bank of NY Mellon Corp Note 3.45% Due 8/11/2023	350,000.00	05/16/2019 2.79%	359,205.00 359,205.00	104.20 0.82%	364,704.20 4,695.83	1.23% 5,499.20	A1 / A AA-	1.61 1.56
02665WCQ2	American Honda Finance Note 3.625% Due 10/10/2023	260,000.00	10/03/2018 3.64%	259,786.80 259,786.80	104.84 0.87%	272,593.10 2,120.63	0.92% 12,806.30	A3 / A- NR	1.78 1.72
24422EVN6	John Deere Capital Corp Note 0.45% Due 1/17/2024	205,000.00	03/01/2021 0.47%	204,854.45 204,854.45	99.05 0.92%	203,050.66 420.25	0.68% (1,803.79)	A2 / A A	2.05 2.02
06051GHF9	Bank of America Corp Callable Note 1X 3/5/2023 3.55% Due 3/5/2024	250,000.00	03/06/2019 3.01%	251,017.50 251,017.50	102.98 1.00%	257,449.00 2,859.72	0.87% 6,431.50	A2 / A- AA-	2.18 1.15
89114QCB2	Toronto Dominion Bank Note 3.25% Due 3/11/2024	350,000.00	03/26/2019 2.97%	354,431.00 354,431.00	104.52 1.16%	365,812.30 3,475.69	1.23% 11,381.30	A1 / A AA-	2.19 2.11
808513BN4	Charles Schwab Corp Callable Note Cont 2/18/2024 0.75% Due 3/18/2024	170,000.00	03/16/2021 0.77%	169,915.00 169,915.00	99.57 0.95%	169,270.53 364.79	0.57% (644.47)	A2 / A A	2.21 2.18

Holdings Report

As of December 31, 2021



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
CORPORATE									
79466LAG9	Salesforce.com Inc Callable Note Cont 7/15/2022 0.625% Due 7/15/2024	310,000.00	Various 0.96%	307,334.40 307,334.40	99.09 0.99%	307,176.21 909.55	1.03% (158.19)	A2 / A+ NR	2.54 2.50
69371RQ25	Paccar Financial Corp Note 2.15% Due 8/15/2024	75,000.00	08/08/2019 2.20%	74,834.25 74,834.25	102.43 1.20%	76,826.18 609.17	0.26% 1,991.93	A1 / A+ NR	2.62 2.53
78015K7C2	Royal Bank of Canada Note 2.25% Due 11/1/2024	355,000.00	12/05/2019 2.26%	354,815.40 354,815.40	102.74 1.26%	364,729.84 1,331.25	1.22% 9,914.44	A2 / A AA-	2.84 2.74
14913Q3B3	Caterpillar Finl Service Note 2.15% Due 11/8/2024	325,000.00	02/19/2020 1.83%	329,628.00 329,628.00	102.92 1.11%	334,497.15 1,028.72	1.12% 4,869.15	A2 / A A	2.86 2.76
90331HPL1	US Bank NA Callable Note Cont 12/21/2024 2.05% Due 1/21/2025	365,000.00	01/16/2020 2.10%	364,222.55 364,222.55	102.31 1.25%	373,438.44 3,325.56	1.26% 9,215.89	A1 / AA- AA-	3.06 2.86
06367WB85	Bank of Montreal Note 1.85% Due 5/1/2025	266,000.00	07/23/2021 0.85%	275,794.12 275,794.12	101.52 1.38%	270,042.14 820.17	0.90% (5,751.98)	A2 / A- AA-	3.33 3.22
46647PCH7	JP Morgan Chase & Co Callable Note Cont 6/1/2024 0.824% Due 6/1/2025	320,000.00	05/24/2021 0.74%	320,413.10 320,413.10	98.85 1.10%	316,324.48 219.73	1.06% (4,088.62)	A2 / A- AA-	3.42 3.36
46647PCK0	JP Morgan Chase & Co Callable Note Cont 6/23/2024 0.969% Due 6/23/2025	150,000.00	Various 0.87%	150,092.70 150,092.70	99.05 1.16%	148,569.00 32.30	0.50% (1,523.70)	A2 / A- AA-	3.48 3.41
46647PBK1	JP Morgan Chase & Co Callable Note Cont 4/22/2025 2.083% Due 4/22/2026	101,000.00	05/20/2021 1.27%	104,770.33 104,770.33	101.54 1.60%	102,554.79 403.23	0.34% (2,215.54)	A2 / A- AA-	4.31 3.18
023135BX3	Amazon.com Inc Callable Note Cont 4/12/2026 1% Due 5/12/2026	470,000.00	05/10/2021 1.09%	467,969.60 467,969.60	99.07 1.22%	465,644.04 639.72	1.56% (2,325.56)	A1 / AA AA-	4.36 4.25
808513BR5	Charles Schwab Corp Callable Note Cont 4/13/2026 1.15% Due 5/13/2026	270,000.00	12/14/2021 1.48%	266,233.50 266,233.50	98.71 1.46%	266,509.71 414.00	0.89% 276.21	A2 / A A	4.37 4.23
91324PEC2	United Health Group Inc Callable Note Cont 4/15/2026 1.15% Due 5/15/2026	375,000.00	Various 1.09%	375,977.75 375,977.75	98.97 1.39%	371,150.63 551.04	1.24% (4,827.12)	A3 / A+ A	4.37 4.24
89236TJK2	Toyota Motor Credit Corp Note 1.125% Due 6/18/2026	440,000.00	Various 1.23%	437,932.00 437,932.00	98.54 1.46%	433,568.08 178.75	1.45% (4,363.92)	A1 / A+ A+	4.47 4.33

Holdings Report

As of December 31, 2021



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
CORPORATE									
06051GJD2	Bank of America Corp Callable Note Cont 6/19/2025 1.319% Due 6/19/2026	300,000.00	Various 1.24%	300,792.00 300,792.00	98.98 1.53%	296,945.10 131.90	0.99% (3,846.90)	A2 / A- AA-	4.47 4.32
037833DN7	Apple Inc Callable Note Cont 7/11/2026 2.05% Due 9/11/2026	180,000.00	12/14/2021 1.53%	184,291.20 184,291.20	102.78 1.41%	185,011.74 1,127.50	0.62% 720.54	Aaa / AA+ NR	4.70 4.30
06368FAC3	Bank of Montreal Note 1.25% Due 9/15/2026	150,000.00	09/13/2021 1.28%	149,818.50 149,818.50	97.92 1.71%	146,880.00 552.08	0.49% (2,938.50)	A2 / A- AA-	4.71 4.53
Total Corporate		8,102,000.00	1.90%	8,115,137.90	1.05%	8,197,490.58 41,232.32	27.48% 82,352.68	A1 / A+ A+	2.67 2.52
MONEY MARKET FUND									
60934N104	Federated Investors Government Obligations Fund	97,103.18	Various 0.03%	97,103.18 97,103.18	1.00 0.03%	97,103.18 0.00	0.32% 0.00	Aaa / AAA AAA	0.00 0.00
Total Money Market Fund		97,103.18	0.03%	97,103.18	0.03%	97,103.18 0.00	0.32% 0.00	Aaa / AAA AAA	0.00 0.00
MUNICIPAL BONDS									
13063DRK6	California State Taxable GO 2.4% Due 10/1/2024	345,000.00	10/16/2019 1.91%	352,924.65 352,924.65	103.86 0.97%	358,317.00 2,070.00	1.20% 5,392.35	Aa2 / AA- AA	2.75 2.65
Total Municipal Bonds		345,000.00	1.91%	352,924.65	0.97%	358,317.00 2,070.00	1.20% 5,392.35	Aa2 / AA- AA	2.75 2.65
SUPRANATIONAL									
4581X0CZ9	Inter-American Dev Bank Note 1.75% Due 9/14/2022	250,000.00	09/26/2017 2.01%	246,912.50 246,912.50	100.95 0.40%	252,365.50 1,300.35	0.85% 5,453.00	Aaa / AAA AAA	0.70 0.70
459058JL8	Intl. Bank Recon & Development Note 0.5% Due 10/28/2025	280,000.00	10/21/2020 0.52%	279,683.60 279,683.60	97.46 1.18%	272,893.32 245.00	0.91% (6,790.28)	Aaa / AAA AAA	3.83 3.77
4581X0DV7	Inter-American Dev Bank Note 0.875% Due 4/20/2026	615,000.00	04/13/2021 0.97%	612,183.30 612,183.30	98.44 1.25%	605,377.10 1,061.30	2.02% (6,806.20)	Aaa / AAA AAA	4.30 4.20
Total Supranational		1,145,000.00	1.09%	1,138,779.40	1.04%	1,130,635.92 2,606.65	3.78% (8,143.48)	Aaa / AAA AAA	3.38 3.31

Holdings Report

As of December 31, 2021



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US TREASURY									
912828L57	US Treasury Note 1.75% Due 9/30/2022	320,000.00	10/17/2017 1.99%	316,450.00 316,450.00	101.07 0.32%	323,412.48 1,430.77	1.08% 6,962.48	Aaa / AA+ AAA	0.75 0.74
912828N30	US Treasury Note 2.125% Due 12/31/2022	450,000.00	01/25/2018 2.46%	443,003.91 443,003.91	101.66 0.46%	457,470.90 26.42	1.53% 14,466.99	Aaa / AA+ AAA	1.00 0.99
912828V23	US Treasury Note 2.25% Due 12/31/2023	425,000.00	06/26/2019 1.78%	433,533.20 433,533.20	103.01 0.73%	437,799.73 26.42	1.46% 4,266.53	Aaa / AA+ AAA	2.00 1.96
912828B66	US Treasury Note 2.75% Due 2/15/2024	600,000.00	04/29/2019 2.31%	611,859.38 611,859.38	104.17 0.77%	625,008.00 6,232.34	2.11% 13,148.62	Aaa / AA+ AAA	2.13 2.05
91282CBR1	US Treasury Note 0.25% Due 3/15/2024	390,000.00	03/30/2021 0.33%	389,055.47 389,055.47	98.82 0.79%	385,399.17 290.88	1.29% (3,656.30)	Aaa / AA+ AAA	2.21 2.19
912828X70	US Treasury Note 2% Due 4/30/2024	110,000.00	06/10/2019 1.92%	110,386.72 110,386.72	102.73 0.82%	113,003.55 376.80	0.38% 2,616.83	Aaa / AA+ AAA	2.33 2.27
912828XX3	US Treasury Note 2% Due 6/30/2024	600,000.00	12/12/2019 1.74%	606,867.19 606,867.19	102.81 0.86%	616,875.00 33.15	2.06% 10,007.81	Aaa / AA+ AAA	2.50 2.44
912828D56	US Treasury Note 2.375% Due 8/15/2024	600,000.00	08/29/2019 1.45%	626,601.56 626,601.56	103.86 0.89%	623,133.00 5,382.47	2.10% (3,468.56)	Aaa / AA+ AAA	2.62 2.53
9128283D0	US Treasury Note 2.25% Due 10/31/2024	450,000.00	11/07/2019 1.77%	460,177.73 460,177.73	103.68 0.93%	466,558.65 1,734.12	1.56% 6,380.92	Aaa / AA+ AAA	2.84 2.74
912828ZC7	US Treasury Note 1.125% Due 2/28/2025	525,000.00	03/18/2020 0.81%	533,100.59 533,100.59	100.38 1.00%	527,009.70 2,006.82	1.76% (6,090.89)	Aaa / AA+ AAA	3.16 3.09
912828ZF0	US Treasury Note 0.5% Due 3/31/2025	560,000.00	Various 0.46%	560,940.63 560,940.63	98.37 1.01%	550,878.16 715.38	1.84% (10,062.47)	Aaa / AA+ AAA	3.25 3.20
91282CAM3	US Treasury Note 0.25% Due 9/30/2025	600,000.00	02/19/2021 0.51%	592,851.56 592,851.56	96.88 1.10%	581,250.00 383.24	1.94% (11,601.56)	Aaa / AA+ AAA	3.75 3.71
91282CAT8	US Treasury Note 0.25% Due 10/31/2025	600,000.00	Various 0.49%	593,328.13 593,328.13	96.69 1.13%	580,148.40 256.91	1.94% (13,179.73)	Aaa / AA+ AAA	3.84 3.79
91282CAZ4	US Treasury Note 0.375% Due 11/30/2025	550,000.00	03/26/2021 0.77%	540,138.67 540,138.67	97.02 1.15%	533,628.70 181.32	1.78% (6,509.97)	Aaa / AA+ AAA	3.92 3.87
91282CCW9	US Treasury Note 0.75% Due 8/31/2026	150,000.00	09/17/2021 0.86%	149,185.55 149,185.55	97.82 1.23%	146,730.45 382.25	0.49% (2,455.10)	Aaa / AA+ AAA	4.67 4.55
91282CCZ2	US Treasury Note 0.875% Due 9/30/2026	900,000.00	Various 1.08%	891,046.88 891,046.88	98.28 1.25%	884,495.70 2,012.01	2.96% (6,551.18)	Aaa / AA+ AAA	4.75 4.62

Holdings Report

As of December 31, 2021



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US TREASURY									
91282CDG3	US Treasury Note 1.125% Due 10/31/2026	300,000.00	11/15/2021 1.25%	298,171.88 298,171.88	99.40 1.25%	298,195.20 578.04	1.00% 23.32	Aaa / AA+ AAA	4.84 4.68
Total US Treasury		8,130,000.00	1.25%	8,156,699.05	0.94%	8,150,996.79 22,049.34	27.26% (5,702.26)	Aaa / AA+ AAA	3.04 2.98
TOTAL PORTFOLIO		29,685,432.22	1.42%	29,787,812.31	0.94%	29,880,602.52 102,441.29	100.00% 92,790.21	Aa2 / AA AAA	2.83 2.58
TOTAL MARKET VALUE PLUS ACCRUED						29,983,043.81			



To: First 5 Alameda County Executive Committee

From: Kristin Spanos, CEO
Tyson Jue, Chief of Staff
Christine Hom, Finance Officer

Date: February 10, 2022

Subject: First 5 Alameda County Governance Policies

ACTION REQUESTED

To approve First 5 Alameda County's Media Policy and updates to the Investment Policy.

BACKGROUND

First 5 Alameda County contracted with VIVA Social Impact Partners to review First 5's governance policies. On October 7, 2021, VIVA presented their recommendations for the modification or creation of the following policies to the Executive Committee:

Policy	To be considered by Executive Committee on:
Media Policy	February 10, 2022
Investment Policy	February 10, 2022
First 5 Alameda County Bylaws	April 21, 2022
Conflict of Interest Policy, Declaration of Interests	April 21, 2022
Financial Policies: Procurement, Purchasing and Contracting; Administrative Costs; Accounting, Financial Reporting, Auditing; Financial Reserves & Goals; Budget Adoption & Amendments	April 21, 2022
Conference & Event Funding Policy	April 21, 2022

Media Policy: First 5 Alameda County staff is recommending the adoption of a Media Policy. Effective communications with the media are critical to First 5's ability to carry out its mission and promote continued public support. The policy designates the Public Information and Communications Officer (PICO) as the official spokesperson for the agency. Under the procedures outlined in the policy, all media inquiries inclusive of press releases and media solicitations will be referred to and coordinated by the PICO.

Investment Policy: First 5 Alameda County originally adopted an Investment Policy in May 2005. The policy is reviewed by staff on an annual basis and revisions are brought to the Executive Committee and Commission for consideration and approval as necessary. Each year, prior to such review, F5AC Finance staff works with the investment manager, Chandler Asset Management to ensure compliance with California Government Code Sections 16429.1, 53600 – 53609, and 53630 – 53686, which guides the investment of public funds and to incorporate industry best practices. Kevin Harper, CPA, has also reviewed the policy to ensure compliance with current GASB accounting standards.

The following revisions are proposed to the investment policy that was last approved by the Commission in June 2020. The following changes are shown in “track changes” for easy identification. The significant changes identified in the Investment Policy are as follows:

1. *VI. Eligible Investments; A. Authorized Investments; 3. Negotiable Certificates of Deposit:* Adopt language pursuant to California Government Code updating credit quality requirements for negotiable certificates of deposit, specifically, removing the credit quality requirement for amounts insured by the Federal Deposit Insurance Corporation (FDIC). Language specifies that the minimum credit rating is based on rating categories regardless of modifiers.
2. *VI. Eligible Investments; A. Authorized Investments; 7. Corporate Medium-Term Notes, 8. Mortgage Pass-through Securities and Asset-backed Securities, 10. Local Agency Obligations and Municipal Securities, 11. Supranationals:* Adopt language consistent with California Government Code specifying that the minimum credit rating is based on rating categories regardless of modifiers.
3. *VI. Eligible Investments; A. Authorized Investments; 12. Federally Insured Time Deposits, 13. Collateralized Time Deposits:* Adopt language referencing non-negotiable Certificates of Deposit and the treatment and parameters of those investments.
4. *VI. Eligible Investments; B. Prohibited Investment Vehicles and Practices; 3:* Adopt language pursuant to SB998 that allows for the purchase of government-issued securities that could result in a zero- or negative-accrual if held to maturity. The provision of the law sunsets on January 1, 2026.
5. *VI. Eligible Investments; C. Mitigating Credit Risk in the Portfolio; 2:* The Commission’s policy currently places a concentration limit of 5% per issuer except for obligations of the United States government, its agencies, and instrumentalities. In order to agree with 10% issuer concentration limit placed on supranational securities, the recommend is to add supranationals to this list.

FISCAL IMPACT

There is no fiscal impact.

RECOMMENDATION


On June 24, 2021, the First 5 Alameda County Commission authorized the expansion of the charge of the Executive Committee until June 30, 2022 to include review, discussion and decision making on governance-related matters due to the uncertainty associated with the ongoing pandemic and our preparations for returning to the office in 2022.

The Commission expanded “the charge of the Executive Committee to include review, discussion and decision making on governance related matters. Historically, the Executive Committee has acted in the capacity of reviewing agency operational issues including finance, human resources and administrative items and policies to support business processes. The additional function of reviewing governance related policies and procedures including but not limited to the governing ordinance and Commission bylaws will allow the Executive Committee to efficiently support necessary updates to agency practices. Any formal action taken by the Executive Committee in this area will be reported back to the Commission. In addition, the Executive Committee may make final recommendations to the Commission to consider.”

First 5 Alameda County staff recommend that the Executive Committee approve the following recommendations:

1. Approve the adoption of the Media Policy.
2. Approve the updates to the Investment Policy.

Submitted by:

DocuSigned by:

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Tyson Jue
Chief of Staff

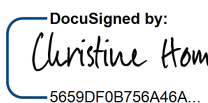
Approved by:

DocuSigned by:

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Kristin Spanos
Chief Executive Officer

Reviewed by:

DocuSigned by:

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Christine Hom
Finance Officer



FIRST 5 ALAMEDA COUNTY MEDIA POLICY

FEBRUARY 10, 2022

I. Purpose

To establish a uniform media relations policy for First 5 Alameda County (First 5).

II. Background

Effective communications with the media are critical to First 5's ability to carry out its mission and promote continued public support. Effective media relations best serve First 5 by:

- informing the public of what we can do for them
- promoting the First 5's achievements, activities and events of significance
- expanding the general visibility of First 5
- supporting sustainability
- ensuring that accurate information is conveyed to the public regarding incidents and issues of a controversial and/or sensitive nature.

III. Policy

The Public Information and Communications Officer serves as an official spokesperson and conveys the official position on issues of general agency-wide impact or significance or situations that are of a particularly controversial or sensitive nature in consultation with the CEO and appropriate agency leadership and staff. Inquiries from the media about such issues should be referred to the PICO.

In the event of a crisis or emergency situation, the Public Information and Communications Officer will handle all contacts with the media and will coordinate the information flow from the agency to the public.

IV. Procedures

All media inquiries (i.e., print, electronic, social media) should be referred to the PICO. The Public Information and Communications Officer should be notified as soon as possible to inform them of any contact from the media. Such notification can be particularly important if follow-up inquiries are made with other First 5 staff to ensure a coordinated, consistent agency response.

All press releases intended for external audiences should be routed through the PICO.

Since positive media solicitation is an integral element of First 5's communications program, any ideas for articles or pieces should be directed to Public Information and Communications Officer. In a similar manner the PICO should be notified about negative occurrences that are likely to rise to the level of a news story.

In the event of a major crisis, it is essential that an effective communications plan be put into effect to disseminate timely, accurate information and to ensure that inquiries are routed to the appropriate sources.

The Public Information and Communications Officer is responsible for the development and dissemination of all agency communications in the event of an emergency. This includes internal communications with staff, as well as communications with the media. The priority will be on maintaining timely and open communications with the media, providing complete and accurate information that has been confirmed about the emergency situation and the agency's response to the crisis at hand. Communications with the media will be frequent throughout the duration of the emergency situation.

FIRST 5 ALAMEDA COUNTY INVESTMENT POLICY

AMENDED MAY 2005; AMENDED DEC. 2005, MAY 2006, JUNE 2007, JUNE 2008, JUNE 2009, JUNE 2010 JUNE 2011, JUNE 2012, MAY 2013, DECEMBER 2014, OCTOBER 2015, JUNE 2017, ~~AND JUNE 2020~~ AND FEBRUARY 2022

I. APPLICABILITY

The Investment Policy (the “Policy”) of First 5 Alameda County (“F5AC”) is intended to cover all funds and investment activities under the direction of F5AC. All funds shall be invested in accordance with this Policy and California Government Code Section 53601 et seq. related to the investment of public funds.

The primary funds available for investment are maintained in F5AC’s Sustainability Fund. The Long Range Financial Plan guides F5AC’s use of the Sustainability Fund with the goal of sustaining program spending at a high level as the tobacco tax declines. It is anticipated that the Sustainability Fund will be used by F5AC for program services over the course of the next 8-10 years.

The Sustainability Fund (the “Fund”) was accumulated in several ways: First, the Fund developed through the initial reserve that occurred when tax dollars were accumulated but funds could not be spent until a Strategic Plan was passed (Jan. 1999 - Jan. 2000). In addition, contributions to the Sustainability Fund were budgeted over a number of years (2001 - 2004). Finally, budgeted funds that remained unspent were directed to the Sustainability Fund rather than rolling to the subsequent year’s budget (2001-present).

The Executive Committee shall assure that F5AC operates its investing activities in accordance with this Policy. To carry out this charge, the Executive Committee’s responsibilities include the following:

1. Review the overall investment philosophy of F5AC, determine whether the investment practices follow that philosophy and this Policy, and recommend appropriate changes to the Commission.
2. Establish benchmarks and strategies for the investment portfolio. Monitor the investment performance of F5AC’s portfolio for compliance with established benchmarks.
3. Monitor the cash flow requirements of F5AC and assure investments mature to provide the amounts needed. Periodically review the appropriateness of the model and assumptions used to estimate these requirements.
4. Ensure F5AC’s compliance with applicable laws and regulations.
5. Monitor and direct the selection, evaluation, and retention of each broker/dealer, investment manager, custodian or other agent utilized by F5AC to implement the

investment function. Negotiate compensation with them and monitor expenses paid and services received.

6. Prepare semi-annual investment reports and present to the Commission. Also communicate to the Commission actions taken by the Committee in meeting the responsibilities described herein.

II. OBJECTIVES

F5AC's funds shall be invested in accordance with all applicable F5AC policies and codes, State statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. **SAFETY.** Safety of principal is the foremost objective of the investment program. The objective shall be to mitigate credit risk and interest rate risk.
 - a. *Credit Risk.* F5AC shall minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
 - Limiting investments to the types of securities listed in Section VI of this Policy.
 - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which F5AC will do business in accordance with Section IV.
 - Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer shall be minimized as described in Section VI of the policy.
 - b. *Interest Rate Risk.* F5AC shall minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:
 - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity to meet liquidity needs.
 - Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with Section VI of this Policy.
2. **LIQUIDITY.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale

markets (dynamic liquidity). In addition, F5AC shall maintain a minimum of three months of operating expenditures in the Alameda County Treasury.

3. **RETURN.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities generally shall be held until maturity, with the following exceptions:
 - A security with declining credit may be sold early to minimize loss of principal.
 - A security swap would improve the quality, yield, or target duration in the portfolio.
 - Liquidity needs of the portfolio require that the security be sold.

III. STANDARDS OF CARE

1. **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. The "prudent investor" standard states that all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent investor acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

F5AC's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. F5AC~~s~~ recognizes that no investment is totally without risk and that the investment activities of F5AC are a matter of public record. Accordingly, F5AC recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of F5AC.

The Finance Officer and authorized investment personnel acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion to the Executive Committee and appropriate action is taken to control adverse developments.

2. **ETHICS AND CONFLICTS OF INTEREST.** Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose in writing to the Executive Committee any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Portfolio managers who are dealers should not buy securities from their own or related companies. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of F5AC. Individuals acting on behalf of F5AC in accordance with this Policy and related written procedures and exercising due diligence shall be relieved of personal liability for any individual security's risk or market changes.
3. **DELEGATION OF AUTHORITY.** The management responsibility for the investment program is hereby delegated to the Chief Executive Officer (the CEO) who has further delegated the authority to conduct investment transactions and to manage the operation of the investment portfolio to the Finance Officer. The Finance Officer shall maintain a list of persons authorized to transact securities business for F5AC and no person may engage in an investment transaction except as expressly provided under the terms of this Policy.

The Finance Officer shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of F5AC's investment program. Such procedures shall be designed to prevent losses arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees.

F5AC's Finance Officer may engage the support services of outside investment advisors in regard to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the F5AC's financial resources. The advisor(s) shall follow this Policy and such other written instructions as are provided.

IV. SELECTION OF FINANCIAL INSTITUTIONS, DEPOSITORIES AND BROKER/DEALERS

1. SELECTION OF FINANCIAL INSTITUTIONS AND DEPOSITORIES

The Finance Officer shall maintain a list of FDIC insured banks approved to provide depository and other banking services for F5AC. To be eligible, a bank shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC insurance coverage in accordance with California Government Code Section 53652.

2. **SELECTION OF BROKER/DEALERS.** The Finance Officer shall maintain a list of broker/dealers authorized to provide investment services. All broker/dealers who desire to become qualified for investment transactions must meet the following criteria:

- Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure; or
- Report voluntarily to the Federal Reserve Bank of New York; or
- Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

Each authorized broker/dealer shall maintain a minimum capital requirement of \$10,000,000 and have been in operation at least five years. In addition, authorized broker/dealers shall submit and annually update a F5AC approved Broker/Dealer Information Request form which includes the following information:

- The firm's most recent financial statements;
- Proof of Financial Industry Regulatory Authority (FINRA) certification; and
- Evidence of adequate insurance coverage.

Furthermore, authorized broker/dealers must be licensed by the State of California as a broker/dealer as defined in Section 25004 of the California Corporations Code.

In the event that an external investment advisor is not used in the process of recommending a particular transaction in F5AC's portfolio, authorized broker/dealers shall attest in writing that they have received and reviewed a copy of this Policy.

An annual review of the financial condition and registration of all qualified broker/dealers shall be conducted by the Finance Officer and the Executive Committee.

3. **MINORITY AND COMMUNITY FINANCIAL INSTITUTIONS.** From time to time, the Finance Officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to certain parts of the criteria under Paragraph 2 may be granted by the Executive Committee. All terms and relationships shall be fully disclosed to the Executive Committee prior to purchase.
4. **WORKING WITH INVESTMENT ADVISORS/PORTFOLIO MANAGERS.** Investment advisors and portfolio managers shall be selected by the Executive Committee or their designee after an initial screening and an interview process. Among the criteria for selection shall be the stability of the institution, track record, customer service, ability to comply with these investment policies, and typical return on investment.

Portfolio managers shall maintain detailed accounting records related to investment transactions and balances. They shall prepare and submit the following reports and records to F5AC:

- Monthly, a list of investments owned, including type of security, CUSIP number, number of shares, date purchased, maturity date, interest rate, accrued interest, purchase cost and market value.

- Investment advice within five business days of any trade.
- Documentation supporting three bids or offers obtained for each security purchased or sold.
- Quarterly, a report demonstrating compliance with this Policy.
- Notice of noncompliance, within five business days of the transaction, when the rating of an individual security declines below that allowed by this Policy, or the percentage of the portfolio in an investment type exceeds the maximum allowed by this Policy, or the amount allowed to be invested in one issuer exceeds the percentage allowed by this Policy.

V. SAFEKEEPING AND CUSTODY

The Finance Officer shall select one or more financial institutions to provide safekeeping and custodial services for F5AC. A Safekeeping Agreement shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. Custodian banks shall be selected on the basis of their ability to provide services for F5AC's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of F5AC. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except non-negotiable Certificates of Deposit, Money Market Funds and LAIF, purchased by F5AC shall be delivered by either book entry or physical delivery and shall be held in third-party safekeeping by a F5AC approved custodian bank, its correspondent bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by F5AC shall be held in the Federal Reserve System in a customer account for the custodian bank which shall name F5AC as "customer."

All DTC eligible securities shall be held in the custodian bank's DTC participant account and the custodian bank shall provide evidence that the securities are held for F5AC as "customer."

All non-book entry (physical delivery) securities shall be held by the custodian bank or its correspondent bank and the custodian bank shall provide evidence that the securities are held by the bank for F5AC as "customer."

VI. ELIGIBLE INVESTMENTS

A. Authorized Investments

All investments shall be made in accordance with Sections 16429.1, 53600 – 53609, and 53630 – 53686 of the Government Code of California and as described within this Policy. Minimum credit quality and concentration limits shall apply at time of purchase. Permitted investments under this Policy shall include:

1. U.S. Treasury Obligations: Treasury bills, Treasury notes, Treasury bonds and Treasury STRIPS with maturities not exceeding six years from the date of trade settlement. There is no limit on the percentage of the portfolio that may be invested in these obligations.
2. Federal Instrumentality Securities: Debentures, discount notes, callable securities, step-up securities and stripped principal or coupons with maturities not exceeding five years from the date of trade settlement. Federal Instrumentality securities shall be rated at least AAA or the equivalent by a nationally recognized statistical-rating organization (NRSRO) at the time of purchase. There is no limit on the percentage of the portfolio that may be invested in instrumentalities. The maximum percent of agency callable securities in the portfolio will be 20%.
3. Negotiable Certificates of Deposit: Negotiable Certificates of Deposit with a maturity not exceeding five years and issued by institutions which have long-term debt rated at least in a rating category of A or the equivalent or better by a NRSRO and/or have short-term debt rated at least A-1 or the equivalent by a NRSRO. Negotiable CDs in amounts up to the FDIC limit does not require any credit ratings. No more than 30% of the total portfolio may be invested in CDsNegotiable Certificates of Deposit.
4. Repurchase agreements: Repurchase Agreements with a final maturity date not exceeding 1 year, collateralized by U.S. Treasury obligations or Federal Instrumentality securities listed in items 1 and 2. For the purpose of this section, the term collateral shall mean purchased securities under the terms of F5AC's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in safekeeping in F5AC's name by its custodian bank and the market value of the collateral securities shall be marked-to-the-market daily. There is no limit on the amount to be invested in repurchase agreements.
5. Prime Commercial paper: Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:

A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of \$500,000,000 and (3) have debt other than commercial paper, if any, that is rated A or higher by a NRSRO.

B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program-wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated A-1 or higher, or the equivalent, by a NRSRO.

No more than 25% of the total portfolio shall be invested in commercial paper. F5AC may purchase no more than 10% of the outstanding commercial paper of any single issuer.

6. State of California's Local Agency Investment Fund (LAIF): LAIF, in accordance with California Government Code Section 16429.1. LAIF investments are limited to statutory limits.
7. Corporate Medium-term Notes: Corporate medium-term notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement, and rated ~~at least~~ in a rating category of A or the equivalent or better by a NRSRO. The aggregate investment in medium-term notes shall not exceed 30% of the total portfolio.
8. Mortgage Pass-through Securities and Asset-backed Securities from issuers not defined in sections 1 and 2 of the Authorized Investments section of this policy : Mortgage pass-through securities and asset-backed securities shall have a maximum legal final maturity of five years and shall be rated ~~at least~~ in a rating category of "AA" or the equivalent or better by a NRSRO. No more than 20% percent of the portfolio may be invested in such securities, and no more than 5% of the portfolio may be invested in any single issuer.
9. Money Market Mutual Funds: Money market mutual funds which are registered under the Investment Act of 1940; are "no-load" (meaning no commission or fee shall be charged on purchases or sales or shares); have a constant net asset value of \$1.00; invest only in the securities and obligations authorized in California statutes; and have attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs. The aggregate investment in money market funds shall not exceed 20% of the portfolio.
10. Local Agency Obligations and Municipal Securities: Obligations of the State of California, California local agency obligations, as well as registered treasury notes or bonds of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California, ~~whose long term rating is at least~~ rated in a rating category of A or the equivalent or better by at least one NRSRO. No more than 5% of the portfolio may be

invested in any single issuer, and no more than 30% of the portfolio may be in Municipal Securities. The maximum maturity shall not exceed five (5) years.

11. Supranationals: Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. The securities shall be rated in a rating category of "AA" or the equivalent or higher by a NRSRO. No more than 30% of the total portfolio may be invested in these securities, with no more than 10% of the portfolio invested in any single issuer. The maximum maturity shall not exceed five (5) years.

12. Federally Insured Time Deposits (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:

- The amount per institution is limited to the maximum covered under federal insurance.
- No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
- The maximum maturity does not exceed five (5) years.

13. Collateralized Time Deposits (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

- No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
- The maximum maturity does not exceed five (5) years.

B. Prohibited investment vehicles and practices

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to, mutual funds (other than government money market funds as described in Section VI A(9), unregulated and/or unrated investment pools or trusts, collateralized mortgage obligations and futures and options.
2. Investing in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited, per Government Code Section 53601.6.
3. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited. Under a provision sunseting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted.
4. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.

5. Purchasing or selling securities on margin is prohibited.
6. Using reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
7. Purchasing securities issued by company in the tobacco business, including parent companies and their controlled subsidiaries, is prohibited.
8. Purchasing foreign currency denominated securities.

Prohibited investments held in the portfolio at the time of adoption of this Policy may be held until maturity at the discretion of the Finance Officer.

C. Mitigating credit risk in the portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. F5AC shall mitigate credit risk in the following ways:

1. Abiding by the diversification requirements included in Section VI (A);
2. Limiting 5% of the total portfolio to securities of any single issuer, other than the US Government, its agencies and instrumentalities, [and supranational obligations](#);
3. Electing to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or F5AC's risk preferences; and
4. Reviewing securities owned by F5AC which are downgraded to a level below the quality required by this Policy. ~~In~~ such cases it shall be F5AC's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
 - If a security is downgraded two grades below the level required by F5AC, the security shall be sold immediately.
 - If a security is downgraded one grade below the level required by this Policy, the F5AC Finance Director shall use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.

- If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio shall be monitored and reported monthly to the Executive Committee and the Commission of F5AC.

D. Mitigating market risk in the portfolio

Market risk is the risk that the portfolio will decline in value (or will not optimize its value) due to changes in the general level of interest rates. F5AC recognizes that, over time, longer-term portfolios achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. F5AC shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making some longer-term investments only with funds that are not needed for current cashflow purposes. F5AC further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. Therefore, the following strategies shall be adopted to control and mitigate exposure to market risk:

- F5AC shall attempt to match its investments with anticipated cash flow requirements.
- Maximum final maturity of investments in the Treasury and Agency securities shall not exceed six years. All other investments shall have a final maturity as stated in Section VI, Eligible Investments.
- The weighted average maturity of the portfolio shall not exceed three years.
- Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding six years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds.

VII. PERFORMANCE OBJECTIVES AND EXPECTATIONS

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of F5AC's investments shall be compared relative to the chosen market benchmark(s), which will be included in the monthly report. An appropriate, readily available index to use as a market benchmark will be selected. When comparing the performance of F5AC's portfolio, its rate of return shall be computed net of all fees and expenses.

VIII. SOCIAL AND ENVIRONMENTAL CONCERNS

In the event all general objectives mandated by state law and set forth in Section II above are met and created equal, investments in corporate securities and depository institutions will be evaluated for social and environmental concerns. Investments are encouraged in entities that support equality of rights regardless of sex, race, religion,

creed, age, disability, or sexual orientation, as well as those entities that practice environmentally sound and fair labor practices. Investments are discouraged in entities that receive a significant portion of their revenues from the manufacturer of firearms, or weapons not used in our national defense. Investments that receive any revenues from the manufacturer of tobacco products is prohibited.

IX. REPORTING

Semi-annually, the Finance Officer shall submit to the Executive Committee a report of the investment earnings and performance results of F5AC's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the F5AC;
2. A description of the funds, investments and programs;
3. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;
4. A statement of compliance with this Policy or an explanation for non-compliance; and
5. A statement of F5AC's ability to meet expenditure requirements for six months, and an explanation of why money will not be available if that is the case.

MONTHLY REPORTS

Monthly investment reports will be submitted or made available upon request to the Executive Committee within 30 days of the end of the reporting period. These reports will disclose, at a minimum, the following information about the characteristics of First 5 Alameda County's portfolio:

1. An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date and interest rate.
2. Monthly transactions for the period.
3. A one-page summary report that shows:
 - a. Average maturity of the portfolio and modified duration of the portfolio;
 - b. Maturity distribution of the portfolio;
 - c. Average portfolio credit quality; and,
 - d. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to the First 5 Alameda's market benchmark returns for the same periods;
4. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution.

5. A statement that First 5 Alameda County has adequate funds to meet its cash flow requirements for the next six months.

ANNUAL REPORTS

A comprehensive annual report will be presented to the Commission. This report will include comparisons of the portfolio return to the market benchmark return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

X. POLICY REVIEW

This Investment Policy shall be adopted as needed and no less frequently than bi-annually by ~~action resolution~~ of the Executive Committee. It shall be reviewed by F5AC at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends. Amendments to this Investment Policy shall be approved by ~~action resolution~~ of the Executive Committee.

Glossary of Investment Terms

AGENCIES. Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called “FreddieMac” issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER’S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which “accepts” the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

- CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS).** A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.
- COLLATERAL.** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.
- COLLATERALIZED MORTGAGE OBLIGATIONS (CMO).** Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.
- COMMERCIAL PAPER.** The short-term unsecured debt of corporations.
- COST YIELD.** The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.
- COUPON.** The rate of return at which interest is paid on a bond.
- CREDIT RISK.** The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.
- CURRENT YIELD.** The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.
- DEALER.** A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.
- DEBENTURE.** A bond secured only by the general credit of the issuer.
- DELIVERY VS. PAYMENT (DVP).** A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.
- DERIVATIVE.** Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.
- DISCOUNT.** The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.
- DIVERSIFICATION.** Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.
- DURATION.** The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large,

institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO). Examples include S&P, Moodys, and Fitch ratings.

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

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

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

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

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

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.