



INVESTMENT ADVISORY COMMITTEE AGENDA

Monday, July 27, 2020, 10:00 AM

Zoom Meeting

<https://us02web.zoom.us/j/82544457502>

Meeting ID: 825 4445 7502

CHAIR: Council Member Christine Marick
ALTERNATE: Council Member Marty Simonoff

This meeting is being conducted consistent with Governor Newsom's Executive Order N-29-20 dated March 17, 2020, regarding the COVID-19 pandemic. The Investment Advisory Committee Meeting will be held on July 27, 2020 at 10:00 AM via Zoom and the public is welcome to participate. To provide comments by teleconferencing platform, please use the following link: <https://us02web.zoom.us/j/82544457502> Meeting ID: 825 4445 7502. Teleconference participants will be muted until recognized at the appropriate time by the Committee.

The agenda can be viewed on the City of Brea's website at <https://www.ci.brea.ca.us/509/Meeting-Agendas-Minutes>. Hard copies of the agenda packet are available via USPS with proper notice by calling (714) 990-7676. Materials related to an item on this agenda submitted to the Investment Advisory Committee after distribution of the agenda packet are available for public inspection in the third floor lobby of the Civic & Cultural Center at 1 Civic Center Circle, Brea, CA during normal business hours. Such documents may also be available on the City's website subject to staff's ability to post documents before the meeting.

CALL TO ORDER / ROLL CALL

1. Matters from the Audience

CONSENT

2. Approval of Action Minutes for April 27, 2020 Meeting - Approve

Attachments

04-27-2020 IAC Minutes

DISCUSSION

3. Review Quarterly Investment Report Period Ending June 30, 2020 from Chandler Asset Management - Presented by Bill Dennehy and Chris McCarry

Attachments

Investment Report

NOTE: This agenda is subject to amendments up to 72 hours prior to the meeting date.

4. Review of PARS Post Employment Benefit Trust Investment Report for Period Ending June 30, 2020 - Presented by PARS and HighMark Capital Management

Attachments

Investment Report

5. Approval of Statement of Investment Policy for the City/Brea Successor Agency to the Brea Redevelopment Agency

Attachments

Current Investment Policy - Adopted 8/20/19

Recommended Changes - REDLINED version

Draft Investment Policy - Clean Version

6. Investment Policy Guidelines for the City of Brea's Employee Benefit Fund Pension Plan

Attachments

Attachment A - Draft Investment Policy Guidelines

7. Investment Policy Guidelines for the City of Brea's Other Post Employment Benefits (OPEB) Trust Fund

Attachments

Attachment A - Draft Investment Policy Guidelines

8. Monthly Report of Investments for the City of Brea for Period Ending June 30, 2020

Attachments

Attachment A

9. Monthly Report of Investments for the Successor Agency to the Brea Redevelopment Agency for Period Ending June 30, 2020

Attachments

Attachment A

NOTE: This agenda is subject to amendments up to 72 hours prior to the meeting date.

10. Annual Update to City Council: August 18, 2020 at 7:00 PM
11. Schedule Next Meeting: October 26, 2020

cc: Mayor Pro Tem Steven Vargas
Council Member Cecilia Hupp
Council Member Glenn Parker

Special Accommodations

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (714) 990-7757. Notification 48 hours prior to the meeting will enable City staff to make reasonable arrangements to ensure accessibility. (28 CFR 35.102.35.104 ADA Title II)

NOTE: This agenda is subject to amendments up to 72 hours prior to the meeting date.

City of Brea

INVESTMENT ADVISORY COMMITTEE COMMUNICATION

TO: Honorable Chair and Committee Members
FROM: Bill Gallardo, City Manager
DATE: 07/27/2020
SUBJECT: Approval of Action Minutes for April 27, 2020 Meeting - Approve

RECOMMENDATION

Approve

RESPECTFULLY SUBMITTED

Respectfully submitted: William Gallardo, City Manager
Prepared By: Alicia Brenner, Senior Fiscal Analyst

Attachments

04-27-2020 IAC Minutes



INVESTMENT ADVISORY COMMITTEE MINUTES

Monday, April 27, 2020, 10:00 AM

Teleconference Dial-in Number: (714) 671-3685

Participant Code: 633-672-10

Direct Dial Extension: 1113

This meeting was conducted consistent with Governor Newsom's Executive Order N-29-20 dated March 17, 2020, regarding the COVID-19 pandemic. The Investment Advisory Committee Meeting was held via a teleconference call at which time the public was welcome to participate.

CALL TO ORDER / ROLL CALL

ATTENDEES: Council Member Christine Marick, City Treasurer Rick Rios, Ho-El Park, David Penn, Gary Terrazas, Cindy Russell, Faith Madrazo, and Alicia Brenner

OTHER ATTENDEES: Chris McCarry (Chandler), Bill Dennehy (Chandler), Mia Corral (Chandler), Jennifer Meza (PARS), Keith Stribling (HighMark)

1. Matters from the Audience – *None*.

CONSENT

2. Approval of Action Minutes for January 27, 2020 Meeting – *Approved*.

DISCUSSION

3. Review Quarterly Investment Report Period Ending March 31, 2020 from Chandler Asset Management - Presented by Chris McCarry and Bill Dennehy – *The Committee reviewed the quarterly report as presented and recommended to receive and file.*
4. Review of PARS Post Employment Benefit Trust Investment Report for Period Ending March 31, 2020 - Presented by PARS and HighMark Capital Management – *The Committee reviewed the quarterly report as presented and recommended to receive and file.*
5. Investment Guidelines for the City's Other Post Employment Benefits (OPEB) Trust Fund with Public Agency Retirement Services (PARS) – *The Committee reviewed the Investment Guidelines as presented and recommended City Council approve. The Committee also recommended that any contribution to address the City's unfunded liability OPEB amount be dollar cost averaged over a 12-month period in an effort to reduce the impact of volatility of the overall contribution. A roll-call vote was conducted and the motion passed (4-1) by the following roll call:*

Ayes: Christine Marick, Ho-El Park, David Penn, Gary Terrazas
Nos: Rick Rios

6. Monthly Report of Investments for the City of Brea for Period Ending March 31, 2020 – *Recommended for City Council to receive and file.*
7. Monthly Report of Investments for the Successor Agency to the Brea Redevelopment Agency for Period Ending March 31, 2020 – *Recommended for City Council to receive and file.*
8. Schedule Next Meeting: July 27, 2020

Meeting Adjourned: 12:00 p.m.

City of Brea

COMMUNICATION

TO: Honorable Chair and Members

FROM: Bill Gallardo

DATE: 07/27/2020

SUBJECT: Review Quarterly Investment Report Period Ending June 30, 2020 from Chandler Asset Management - Presented by Bill Dennehy and Chris McCarry

Attachments

Investment Report

City of Brea

Period Ending June 30, 2020

CHANDLER ASSET MANAGEMENT, INC. | 800.317.4747 | www.chandlerasset.com



SECTION 1	Economic Update
SECTION 2	Account Profile
SECTION 3	Portfolio Holdings
SECTION 4	Transactions

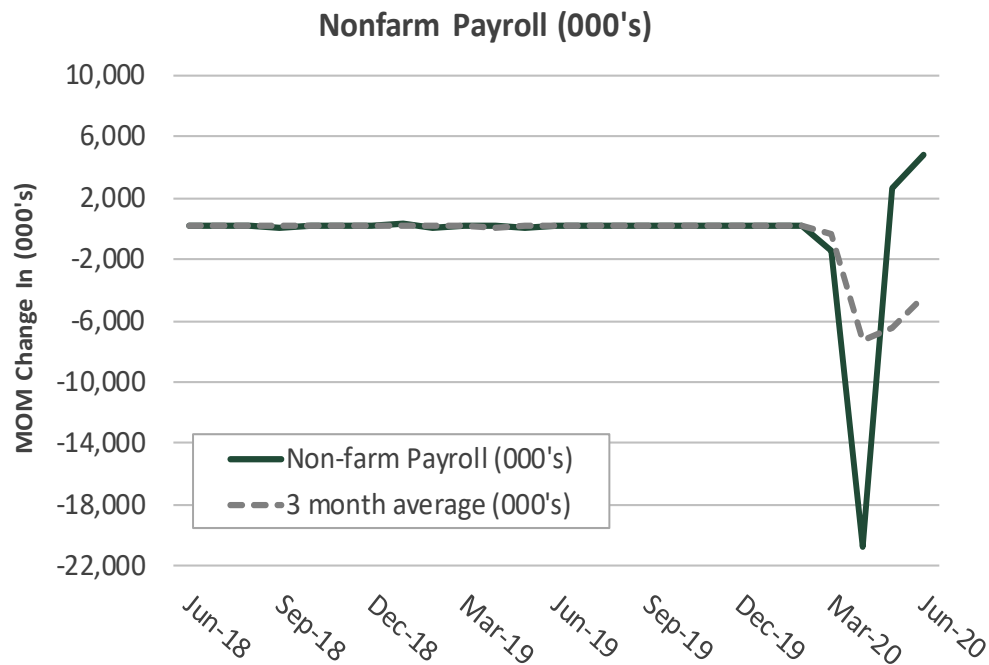


Section 1 | Economic Update

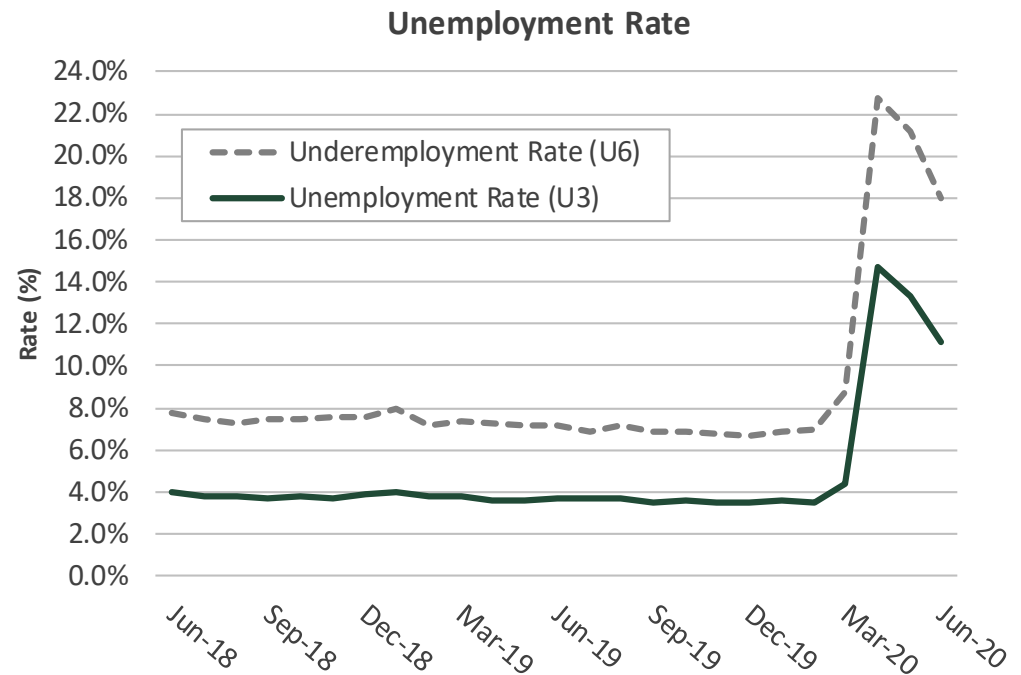
Economic Update

- Economic data remains weak but is showing signs of improvement. We believe financial market participants are looking through the data and expect conditions to recover further in the second half of the year, supported by robust fiscal and monetary relief. First quarter GDP declined 5.0% and the decline in second quarter GDP is expected to be more severe, but economic output is expected to grow in the third quarter. More than 40 million people have filed for unemployment since mid-March, though many of those jobs have already started to return. We believe additional fiscal stimulus, beyond the \$2.7 trillion that has already been announced, may be necessary to foster a strong recovery.
- The Federal Open Market Committee (FOMC) kept monetary policy unchanged at its June 9-10 meeting, as expected, with the fed funds target rate in the range of 0%-0.25%. According the Fed's economic projections, policymakers expect to keep that range unchanged through 2022. The Fed will continue to purchase Treasury and agency mortgage-backed securities as needed to support smooth market functioning and will continue to support the flow of credit to households, businesses, and municipalities through the various lending programs that have already been announced. Although some economic data has recently surprised to the upside, Fed Chair Powell maintained a dovish tone during his press conference and cautioned that unemployment is likely to remain elevated even as the economy recovers. He noted the outlook for the economy remains highly uncertain and depends largely on the path of the pandemic. He also hinted that the Fed is considering the option of yield curve control (i.e. structuring their bond purchases to target a cap on yields across the Treasury yield curve). Overall, the Fed remains highly accommodative.
- Treasury yields were nearly unchanged in June. The yield on 2-year Treasuries declined about one basis points to 0.15% and the yield on 10-year Treasuries was essentially unchanged at 0.66%. Global economic weakness continues to put downward pressure on inflation expectations. An ongoing global demand for safe-haven assets has also kept a lid on Treasury rates.

Employment



Source: US Department of Labor

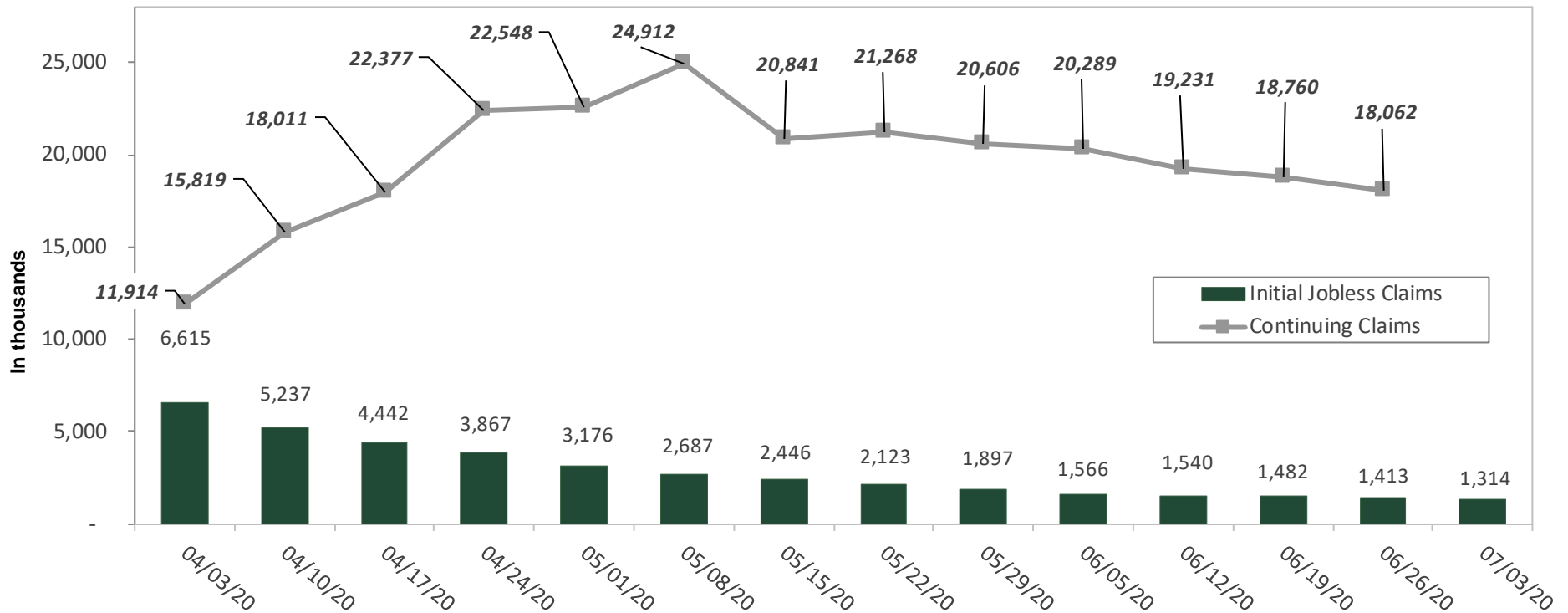


Source: US Department of Labor

U.S. nonfarm payrolls were better than expected in June increasing by 4,800,000 versus expectations of 3,230,000. The unemployment rate declined to 11.1% in June (versus expectations of 12.5%) from 13.3% in May. If the workers who classified themselves as employed but absent from work in the June survey had instead been classified as unemployed on temporary layoff, the total unemployment rate would have been about 1% higher. Job growth was broad-based in June, with particularly strong gains in leisure and hospitality and retail trade, but the improvement was still a long way from recovering the number of jobs lost in those sectors in April. The U-6 underemployment rate, which includes those who are marginally attached to the labor force and employed part time for economic reasons, remained very high but eased to 18.0% in June from 21.2% in May. The labor participation rate increased to 61.5% in June from 60.8% in May.

Initial Claims for Unemployment

Initial Claims For Unemployment April 03, 2020 - July 03, 2020

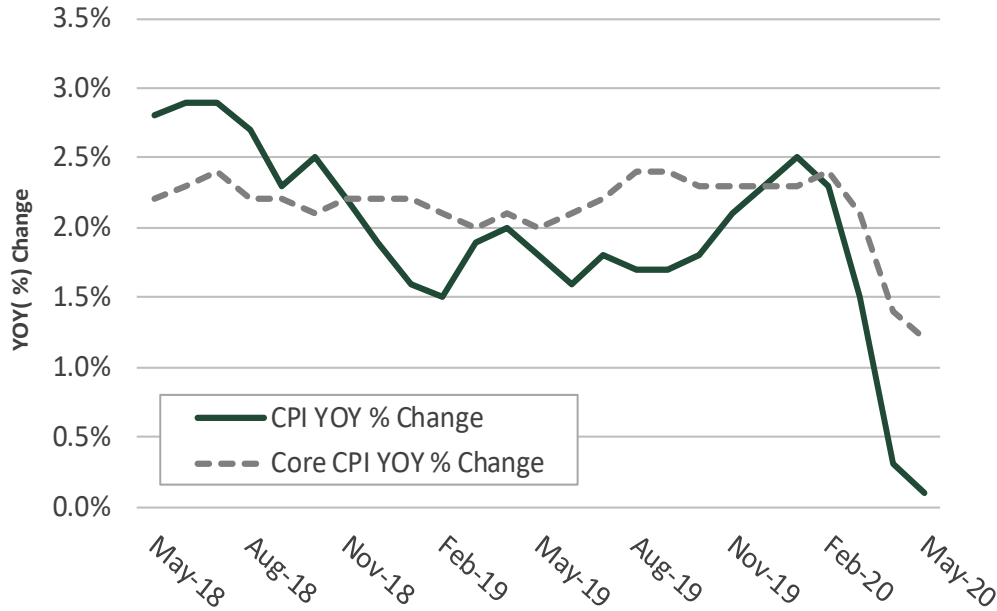


Source: US Department of Labor

In the most recent week of July 4th, more than 1.3 million people filed an initial claim for unemployment. The level of continuing unemployment claims (where the data is lagged by one week) remained very high in the week of June 26th but declined to nearly 18.1 million from the prior week level of about 18.8 million.

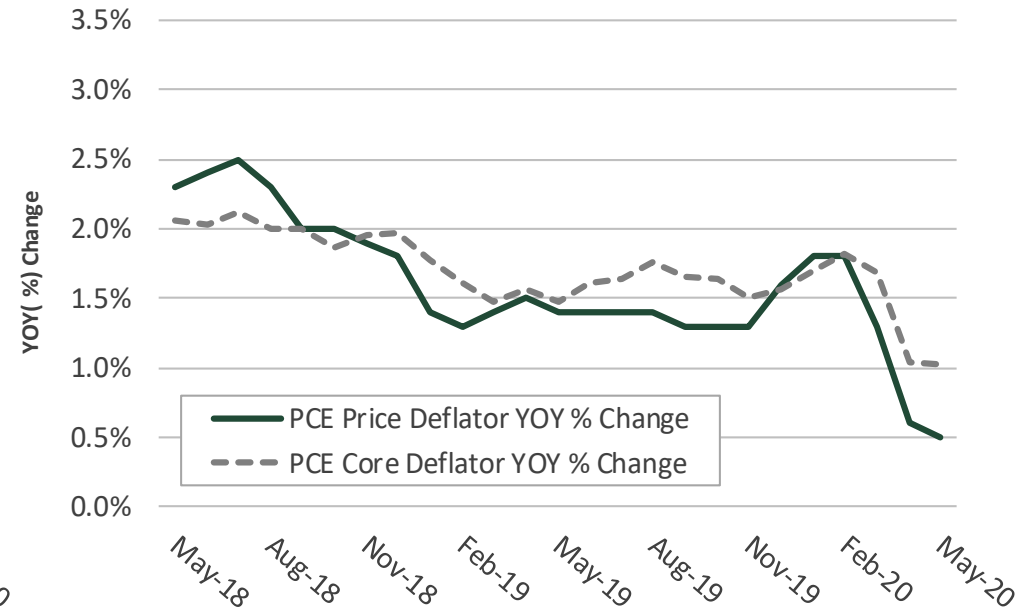
Inflation

Consumer Price Index (CPI)



Source: US Department of Labor

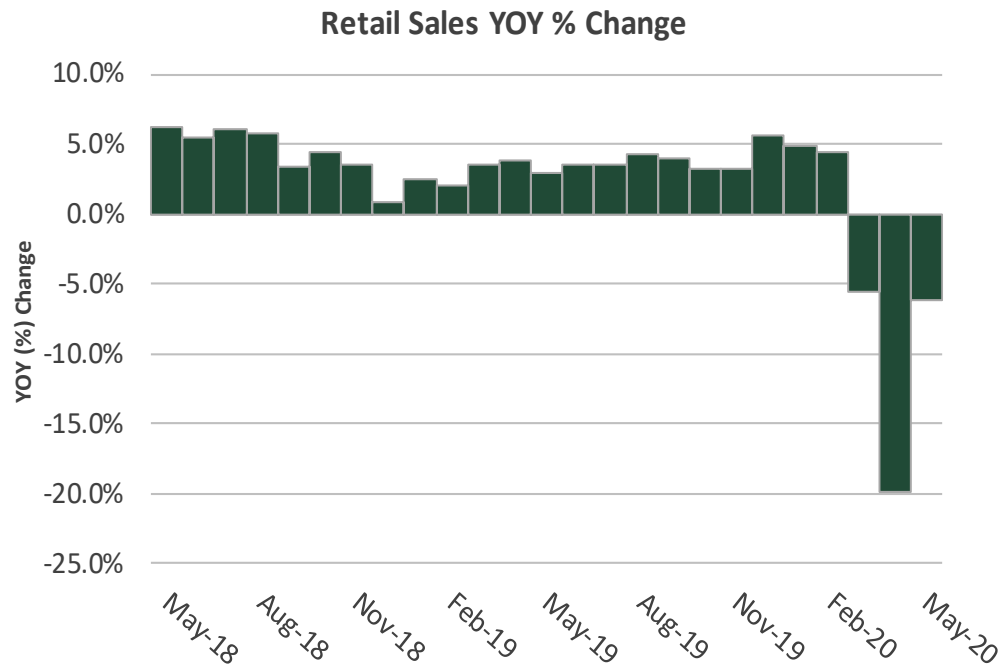
Personal Consumption Expenditures (PCE)



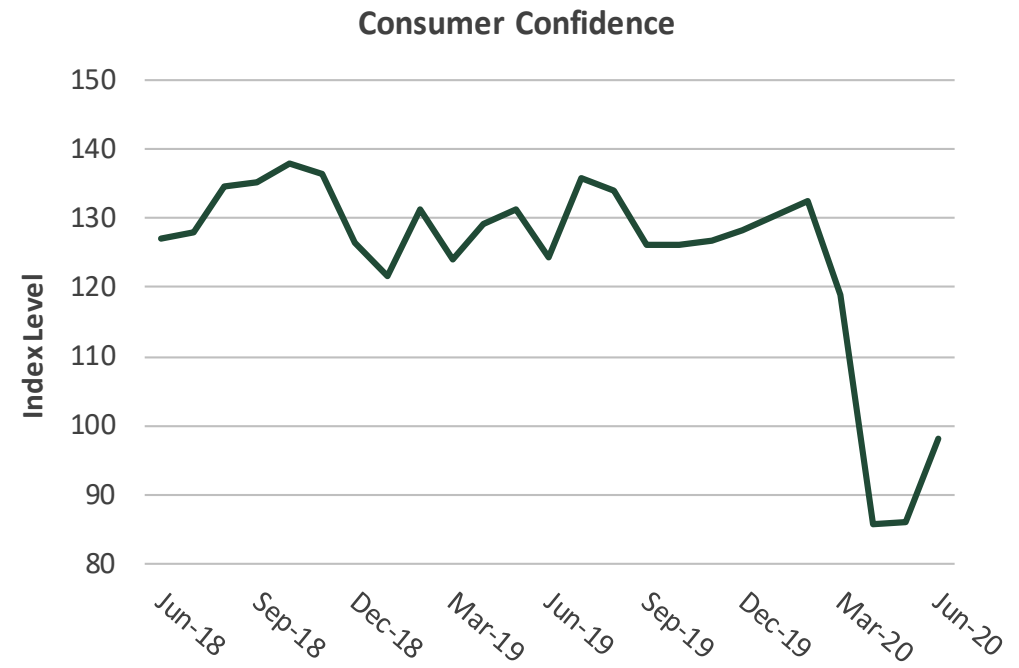
Source: US Department of Commerce

The Consumer Price Index (CPI) was up 0.1% year-over-year in May, down from 0.3% in April. Core CPI (CPI less food and energy) was up just 1.2% year-over-year in May, down from 1.4% in April. The Personal Consumption Expenditures (PCE) index was up just 0.5% year-over-year in May, versus up 0.6% year-over-year in April and 1.3% in March. Core PCE, which is the Fed's primary inflation gauge, was up 1.0% year-over-year in May, versus up 1.0% year-over-year in April and 1.7% in March. Consumer pricing data indicate that the effect of the pandemic has been deflationary.

Consumer



Source: US Department of Commerce



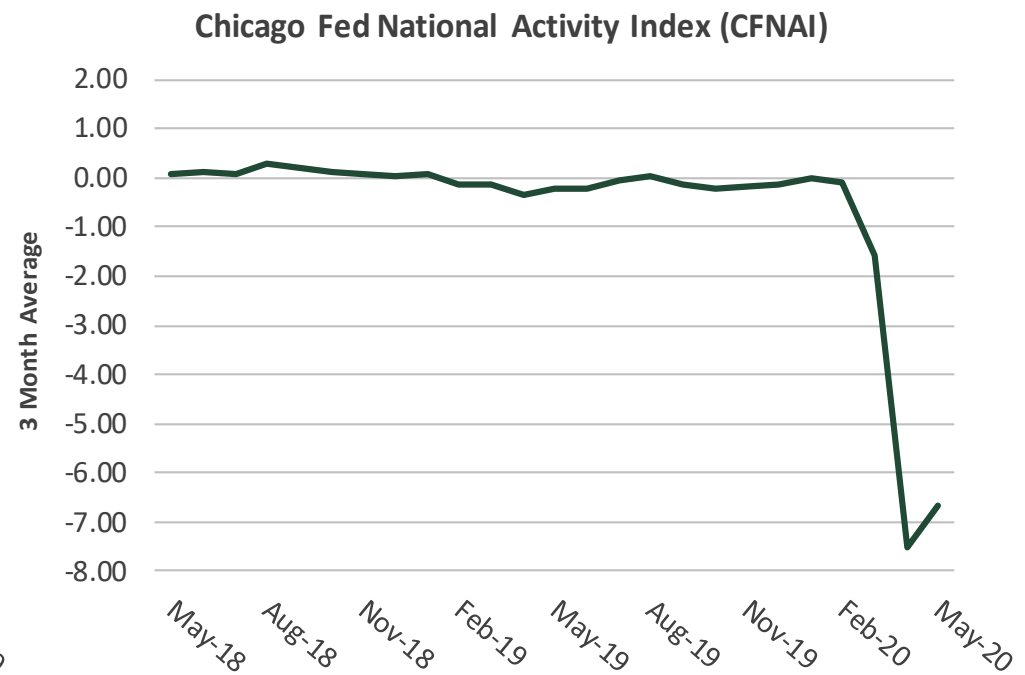
Source: The Conference Board

On a year-over-year basis, retail sales were down 6.1% in May versus down of 19.9% in April. On a month-over-month basis, retail sales jumped 17.7% in May (a much stronger rebound than expected), following a 14.7% decline in April. In May, month-over-month increases were particularly strong for clothing, furniture, sporting goods, electronics, appliances, and auto sales. Consumer confidence continued to recover in June. The Consumer Confidence index rose to 98.1 in June from 85.9 in May. Both the Present Situation index the Expectations index improved.

Economic Activity



Source: The Conference Board

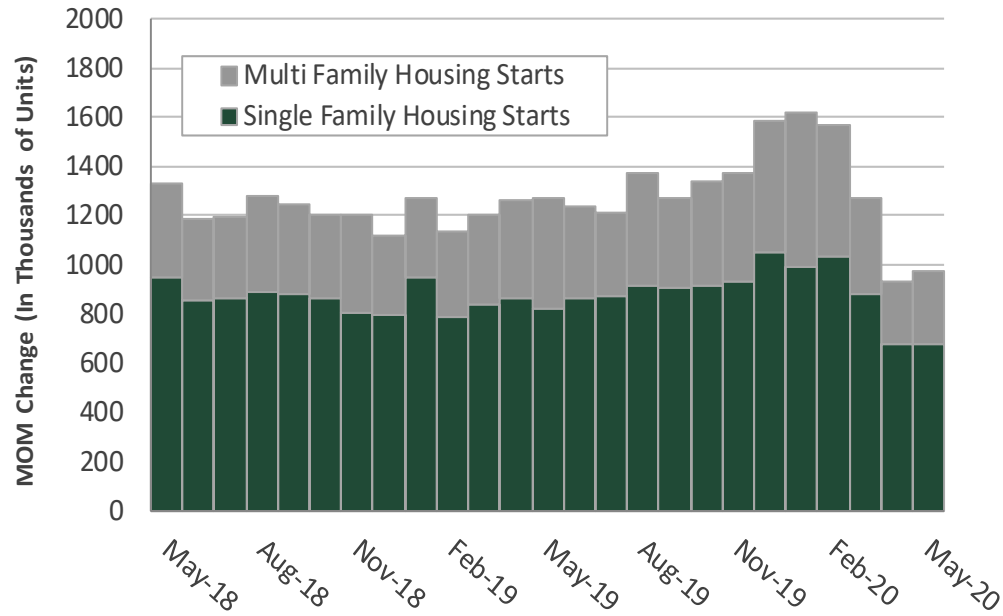


Source: Federal Reserve Bank of Chicago

The Conference Board's Leading Economic Index (LEI) rose 2.8% in May, following a 6.1% decline in April. On a year-over-year basis, the LEI was down 10.6% in May versus down 13.0% in April. According to the Conference Board, the path toward economic recovery remains highly uncertain. The Chicago Fed National Activity Index (CFNAI) increased to 2.61 in May from -17.89 in April. On a 3-month moving average basis, the CFNAI improved to -6.65 in May from -7.50 in April, which remains deeply below the -0.7 recessionary level.

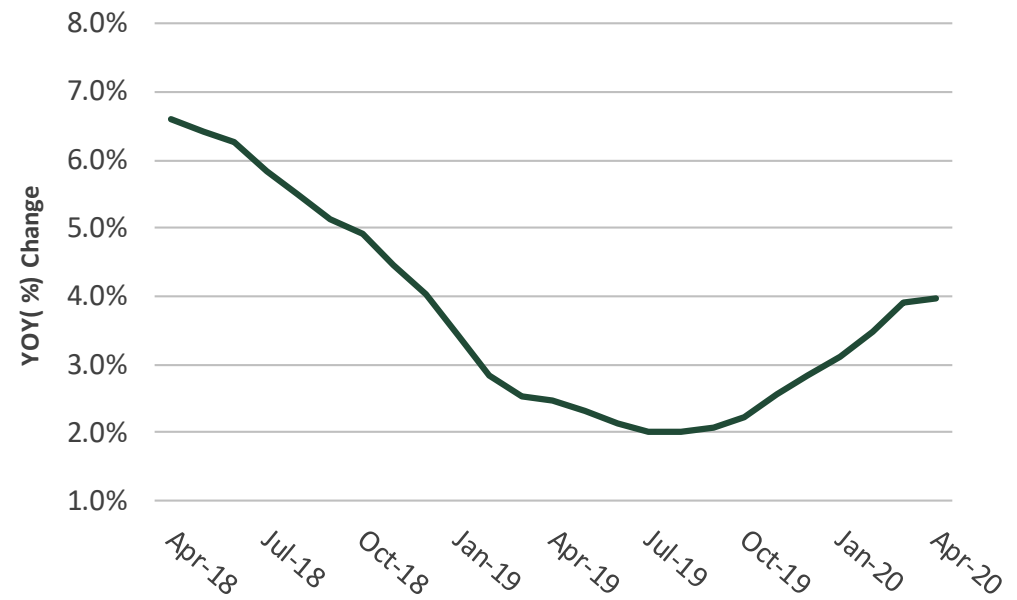
Housing

Housing Starts



Source: US Department of Commerce

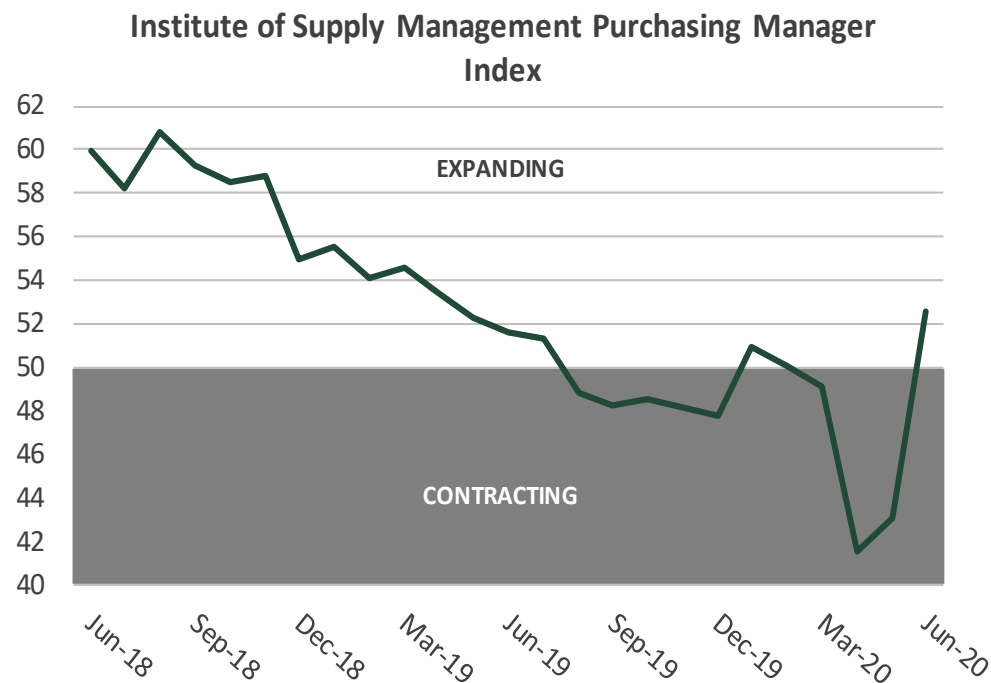
S&P/Case-Shiller 20 City Composite Home Price Index



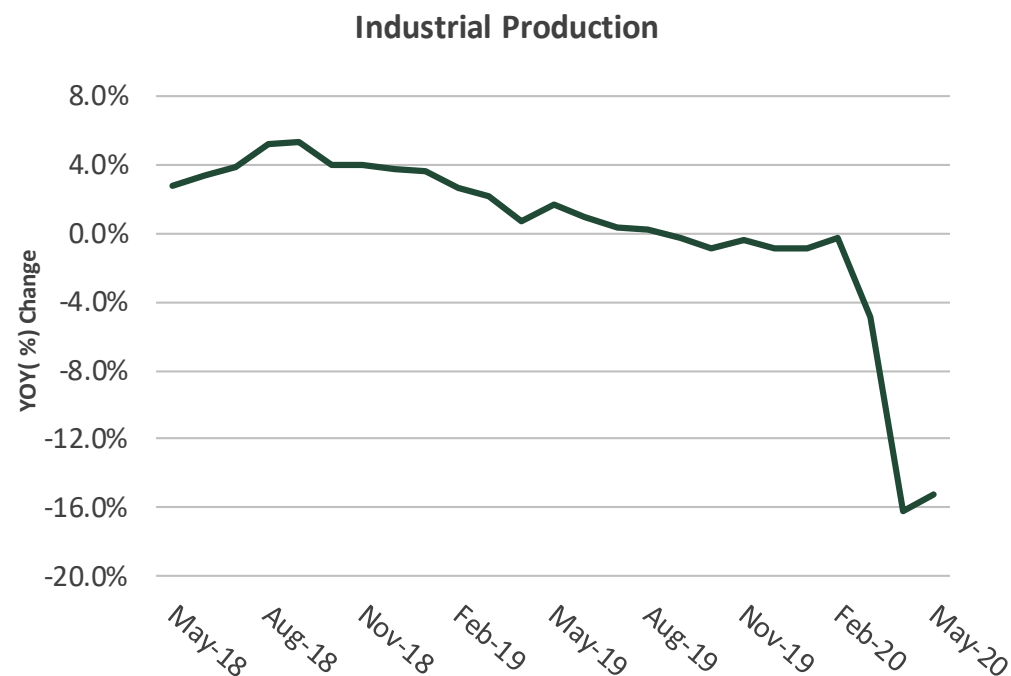
Source: S&P

Housing starts rose 4.3% in May to an annual pace of 974,000. Single family starts were roughly flat at an annualized rate of 675,000, while multi-family starts increased 15.0% to an annualized rate of 299,000. Permits increased 14.4% in May to an annualized rate of 1,220,000. According to the Case-Shiller 20-City home price index, home prices were up 4.0% year-over-year in April versus up 3.9% year-over-year in March. We believe low inventory and low mortgage rates continue to support prices.

Manufacturing



Source: Institute for Supply Management



Source: Federal Reserve

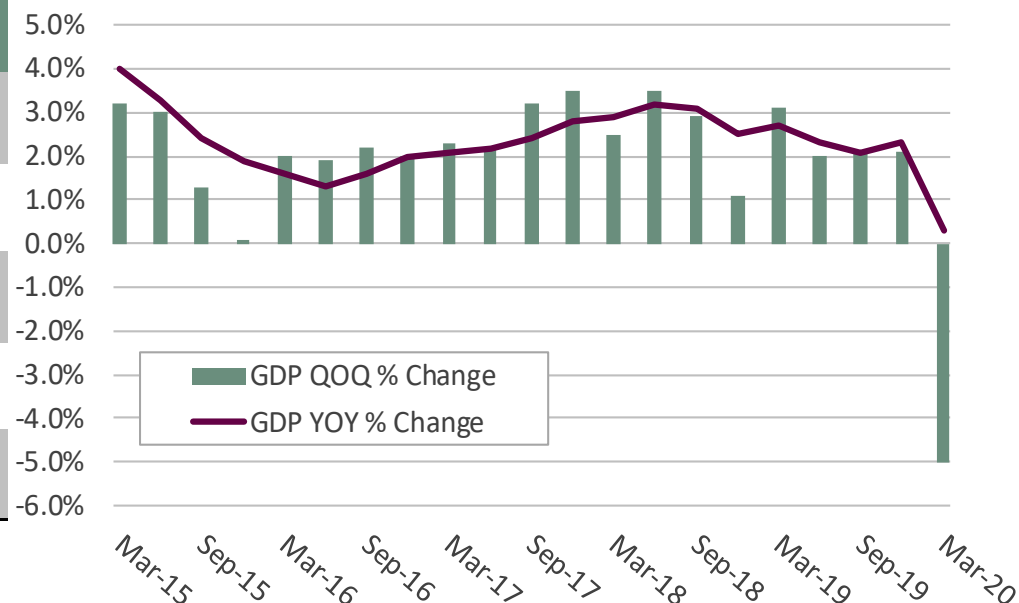
The Institute for Supply Management (ISM) manufacturing index improved meaningfully to 52.6 in June from 43.1 in May. The reading above 50.0 suggests that the manufacturing sector is no longer contracting. The Industrial Production index was down 15.3% year-over-year in May, versus down 16.3% in April. On a month-over-month basis, the Industrial Production index increased 1.4% in May, following a 12.5% decline in April. Capacity Utilization improved to 64.8% in May from 64.0% in April, but remains well below the long-run average of 79.8%. Overall manufacturing conditions remain under pressure but the sector is showing modest improvement from April.

Gross Domestic Product (GDP)

Components of GDP	6/19	9/19	12/19	3/20
Personal Consumption Expenditures	3.0%	2.1%	1.2%	-4.7%
Gross Private Domestic Investment	-1.2%	-0.2%	-1.1%	-1.8%
Net Exports and Imports	-0.7%	-0.1%	1.5%	1.3%
Federal Government Expenditures	0.5%	0.2%	0.2%	0.1%
State and Local (Consumption and Gross Investment)	0.3%	0.1%	0.2%	0.1%
Total	2.0%	2.1%	2.1%	-5.0%

Source: US Department of Commerce

Gross Domestic Product (GDP)

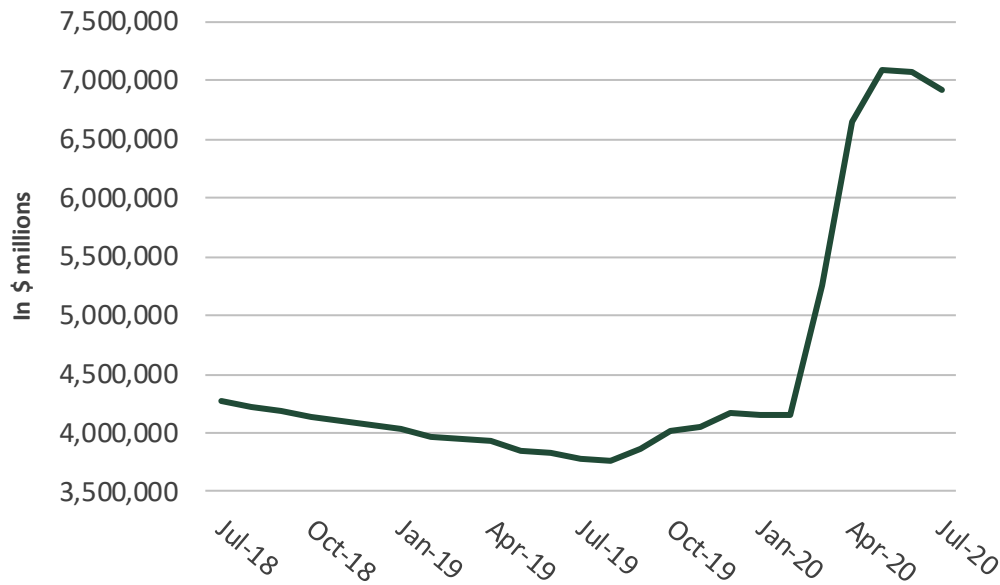


Source: US Department of Commerce

First quarter US gross domestic product (GDP) declined 5.0%, a slightly larger decline than the initial estimate of -4.8%. Consumer spending declined 6.8% in the quarter. Notably, the decline in second quarter 2020 GDP is expected to be much more severe. The Bloomberg median estimate for second quarter GDP is -34.7%, and consumer spending is expected to decline 39.7%. The consensus forecast calls for a return to positive GDP growth in the third quarter. According to the National Bureau of Economic Research, the US economy officially entered a recession in February 2020, following a 128-month economic expansion. Economic data remains weak but is showing early signs of improvement, which suggests that the recession (which is the period between the peak of economic activity and the trough) may technically already be over.

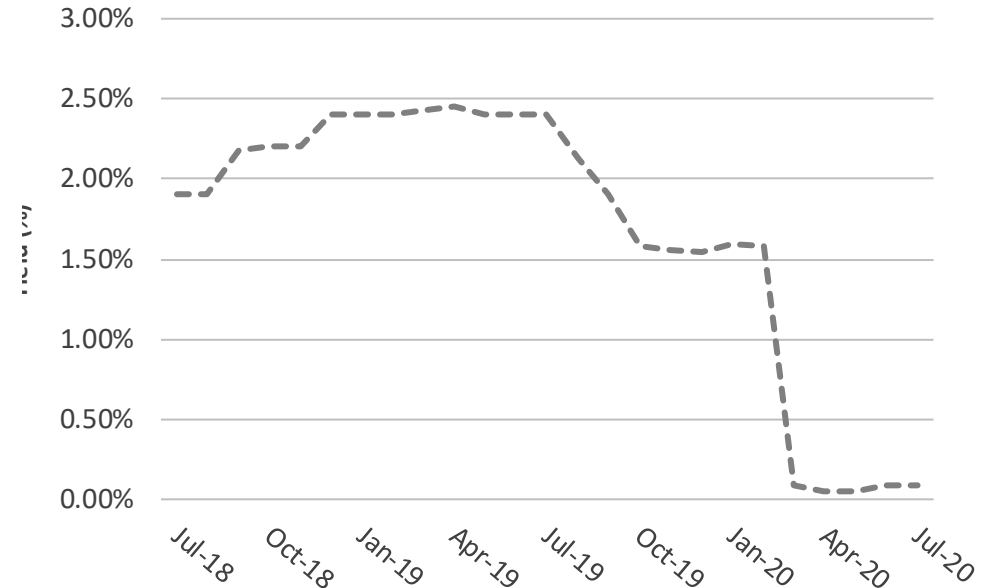
Federal Reserve

Federal Reserve Balance Sheet Assets



Source: Federal Reserve

Effective Federal Funds Rate

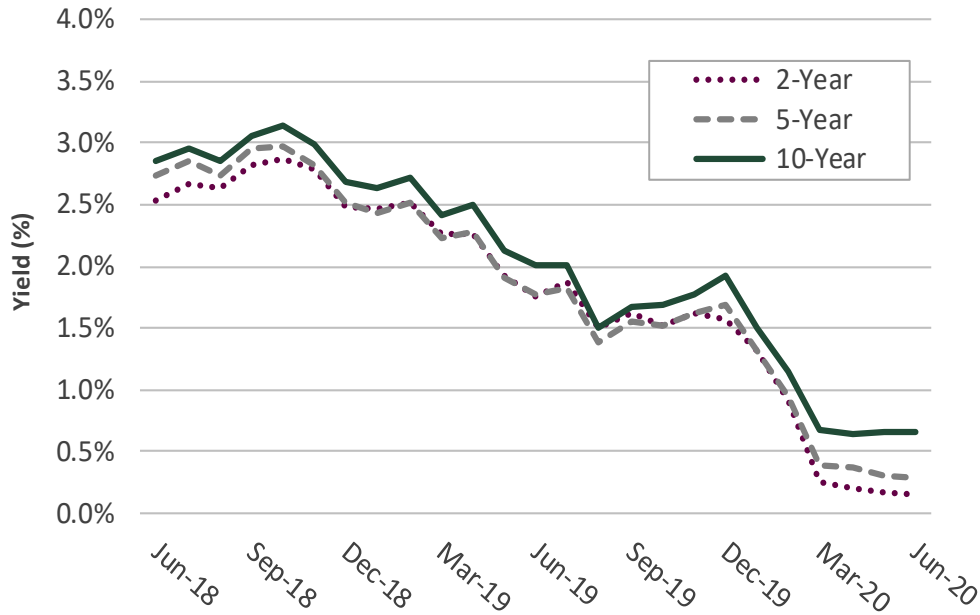


Source: Bloomberg

The Fed has taken a wide range of aggressive actions to help stabilize and provide liquidity to the financial markets. The Fed has lowered the fed funds target rate to a range of 0.0%-0.25% and continues to purchase Treasury and agency mortgage-backed securities to support smooth market functioning. Policymakers reinstated the Commercial Paper Funding Facility and Money Market Mutual Fund Liquidity Facility in order to provide liquidity to the commercial paper, money markets, and the municipal bond markets. The Fed has established the Primary Market Corporate Credit Facility and Secondary Market Corporate Credit Facility to support the corporate bond market. The Term Asset-Backed Securities Loan Facility has been established to enable the issuance of asset-backed securities backed by student loans, auto loans, credit card loans, and loans guaranteed by the Small Business Administration. The Fed has established the Paycheck Protection Program Liquidity Facility and Fed's Main Street Lending Facility to support the flow of credit to businesses. The Fed established the Municipal Liquidity Facility to purchase short-term debt directly from US states, counties, and cities. The Fed has also provided short-term funding through large-scale repo operations and lowered the reserve requirement for depository institutions.

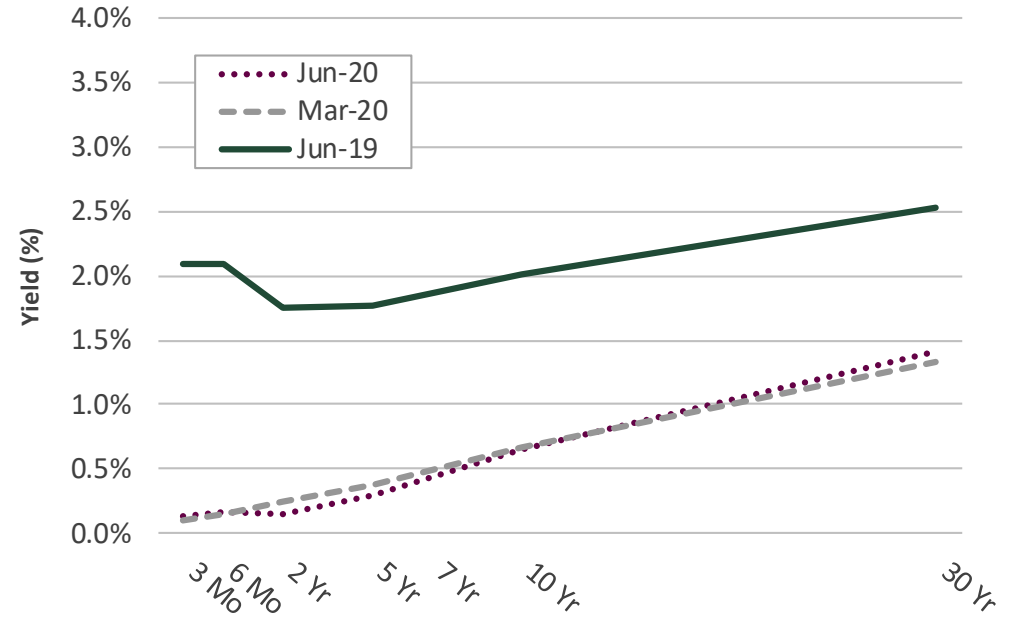
Bond Yields

US Treasury Note Yields



Source: Bloomberg

US Treasury Yield Curve



Source: Bloomberg

At June month-end, Treasury yields were much lower on a year-over-year basis. The 3-month T-bill yield was down 196 basis points, the 2-year Treasury yield was down 161 basis points, and the 10-Year Treasury yield was down 135 basis points, year-over-year. Much of the spread movement was in the month of March 2020, with the Fed cutting rates by a total of 150 basis points and concerns about a global recession and a flight to safe-haven assets driving down yields across the curve.



Section 2 | Account Profile

Investment Objectives

The City of Brea and the Successor Agency to the Brea Redevelopment Agency's investment objectives, in order of priority, are to provide safety to ensure the preservation of capital in the overall portfolio, provide sufficient liquidity for cash needs and a market rate of return consistent with the investment program.

Chandler Asset Management Performance Objective

The performance objective for both accounts is to achieve a rate of return over a market cycle that equals or exceeds the return on a market index of similar duration and sector allocation.

Strategy

In order to achieve these objectives, the portfolio invests in high quality fixed income securities consistent with the investment policy and California Government Code.

City of Brea

Assets managed by Chandler Asset Management are in full compliance with state law and with the Client's investment policy

Category	Standard	Comment
Treasury Issues	No limitations	<i>Complies</i>
US Agencies	25% per issuer	<i>Complies</i>
Supranationals	"AA" rated by a NRSRO; 15% maximum; 5% max per issuer	<i>Complies</i>
Municipal Securities	5% max issuer	<i>Complies</i>
Banker's Acceptances	40% maximum; 5% max issuer; 180 days max maturity	<i>Complies</i>
Commercial Paper	A-1/P-1 by S&P and Moody's; 25% maximum; 5% max per issuer; 270 days max maturity	<i>Complies</i>
Certificates of Deposit(CDs)/ Time Deposits (TDs)	5% max issuer; FDIC Insured and/or Collateralized	<i>Complies</i>
Negotiable CDs	30% maximum; 5% max per issuer	<i>Complies</i>
Medium Term Notes	"A" rated or better by a NRSRO; 30% maximum; 5% max per issuer	<i>Complies</i>
Pass Through Securities, Asset-Backed Securities (ABS), CMOs	"AA" or higher by a NRSRO; "A" rated issuer by a NRSRO; 20% maximum (combined), 10% maximum (ABS); 5% max per issuer; CMOs must pass FFIEC test	<i>Complies</i>
Money Market Funds	Highest rating by two NRSROs; 20% maximum; 5% max per fund	<i>Complies</i>
LAIF	40%;<60%, with OCIP	<i>Complies</i>
OCIP	40%;<60%, with LAIF	<i>Complies</i>
Repurchase Agreements	5% max issuer; 1 year max maturity	<i>Complies</i>
Range notes	Prohibited	<i>Complies</i>
Interest-only strips	Prohibited	<i>Complies</i>
Zero interest accruals	Prohibited	<i>Complies</i>
Agency Callable notes	5% maximum	<i>Complies</i>
Max Per Issuer	5% per issuer for all non government issuers and agencies	<i>Complies</i>
Maximum Maturity	5 years	<i>Complies</i>

Portfolio Characteristics

As of June 30, 2020

City of Brea

	6/30/2020		3/31/2020
	Benchmark*	Portfolio	Portfolio
Average Maturity (yrs)	2.66	2.83	2.80
Average Modified Duration	2.55	2.58	2.56
Average Purchase Yield	n/a	1.95%	2.02%
Average Market Yield	0.20%	0.38%	0.92%
Average Quality**	AAA	AA/Aa1	AA/Aa1
Total Market Value		89,641,301	88,373,921

*ICE BAML 1-5 Year US Treasury/Agency Index

**Benchmark is a blended rating of S&P, Moody's, and Fitch. Portfolio is S&P and Moody's respectively.

Multiple securities were purchased across Agency and Asset Backed Securities sectors to keep the portfolio positioned consistent with Chandler targets for the strategy. The purchased securities ranged in maturity from May 2023 to June 2025. Three securities matured in the Commercial paper and Corporate sectors

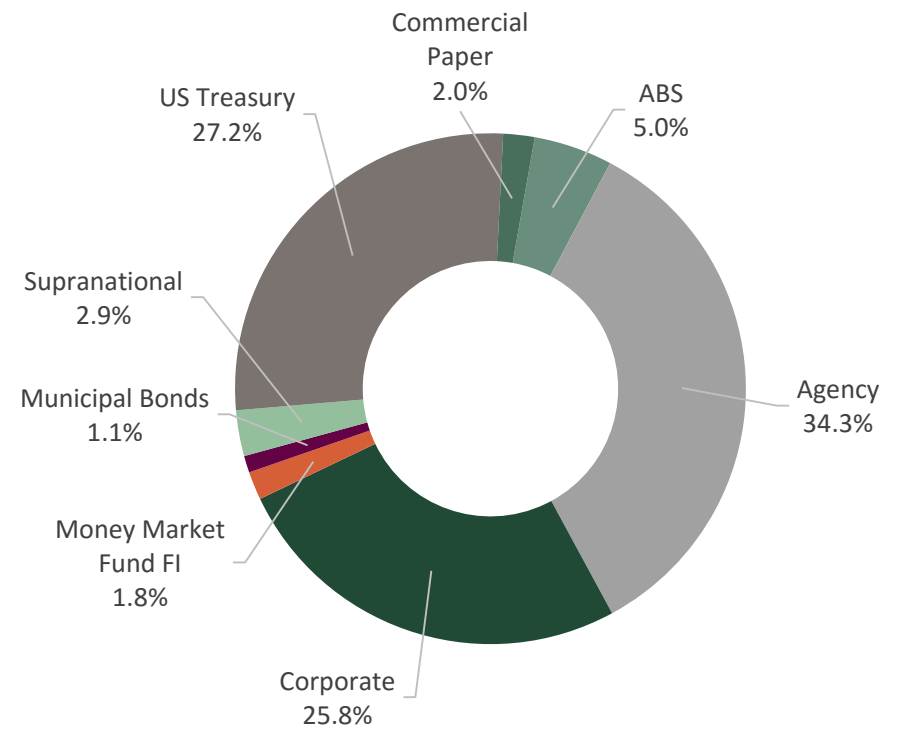
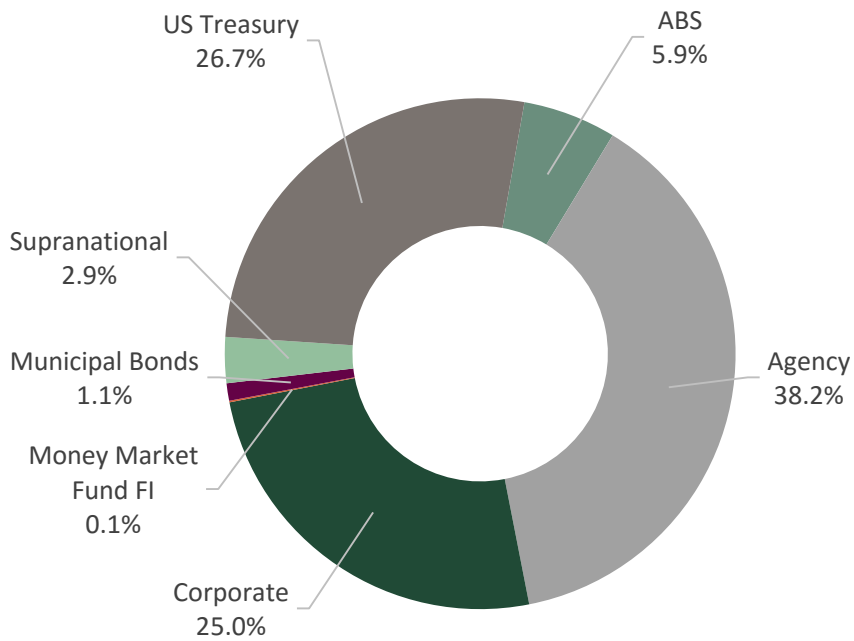
Sector Distribution

As of June 30, 2020

City of Brea

June 30, 2020

March 31, 2020



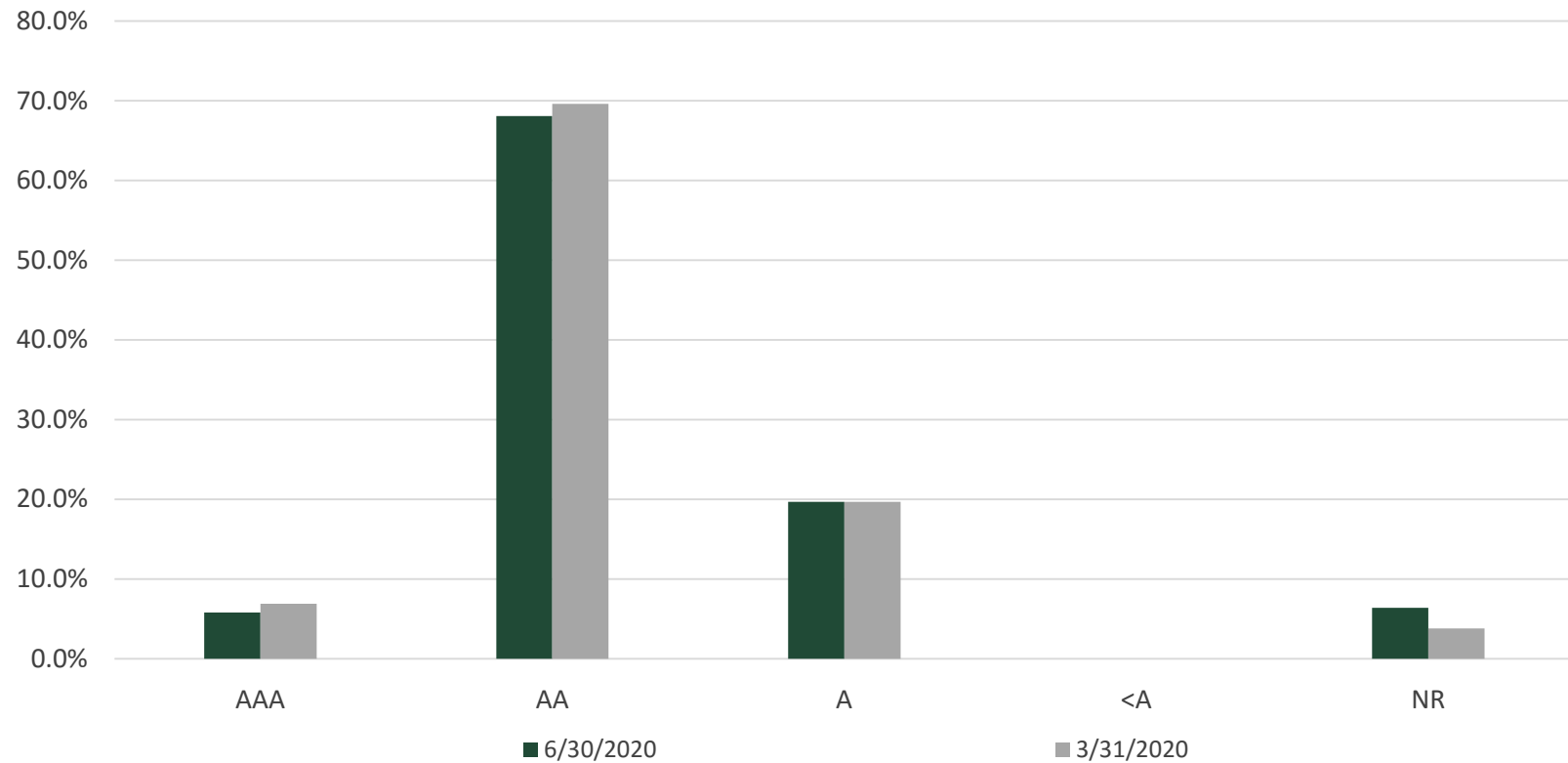
City of Brea – Account #120

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	26.74%
Federal National Mortgage Association	Agency	18.89%
Federal Home Loan Bank	Agency	12.38%
Federal Home Loan Mortgage Corp	Agency	6.97%
Inter-American Dev Bank	Supranational	2.40%
John Deere ABS	ABS	2.20%
Honda ABS	ABS	1.47%
Toronto Dominion Holdings	Corporate	1.35%
Bank of America Corp	Corporate	1.33%
HSBC Holdings PLC	Corporate	1.32%
Caterpillar Inc	Corporate	1.31%
Royal Bank of Canada	Corporate	1.30%
Bank of New York	Corporate	1.28%
Honda Motor Corporation	Corporate	1.19%
Nissan ABS	ABS	1.18%
Paccar Financial	Corporate	1.16%
Deere & Company	Corporate	1.14%
US Bancorp	Corporate	1.14%
IBM Corp	Corporate	1.11%
Wal-Mart Stores	Corporate	1.10%
JP Morgan Chase & Co	Corporate	1.08%
State of California	Municipal Bonds	1.08%
State Street Bank	Corporate	1.07%
Apple Inc	Corporate	1.07%
PNC Financial Services Group	Corporate	1.04%
Microsoft	Corporate	1.04%
Exxon Mobil Corp	Corporate	0.99%
Oracle Corp	Corporate	0.92%
Chubb Corporation	Corporate	0.90%
Charles Schwab Corp/The	Corporate	0.89%
Toyota Motor Corp	Corporate	0.87%
Toyota ABS	ABS	0.67%
General Dynamics Corp	Corporate	0.47%
International Finance Corp	Supranational	0.47%
Verizon Owner Trust	ABS	0.42%
Fidelity Institutional Treasury Portfolio	Money Market Fund FI	0.09%
TOTAL		100.00%

Quality Distribution

As of June 30, 2020

City of Brea
June 30, 2020 vs. March 31, 2020



	AAA	AA	A	<A	NR
06/30/20	5.8%	68.1%	19.7%	0.0%	6.4%
03/31/20	6.9%	69.6%	19.7%	0.0%	3.8%

Source: S&P Ratings

Agency

- Agency spreads tightened in the second half of the quarter.
- Issuance remains robust and new issues are providing attractive entry points in the sector.

Investment Grade Credit

- Investment grade credit spreads tightened during the quarter.
- The Federal reserve continues to be creative in supporting the economy, which this quarter included purchases of ETFs and corporate bonds.
- Volumes in the new issuance market was elevated but is expected to slow down in the coming quarter.

Asset Backed

- Spreads on ABS have tightened during the quarter.
- The Chandler Team continues to closely follow the Asset Back new issue market and is focused on adding securities that are appropriate for the City's strategy.

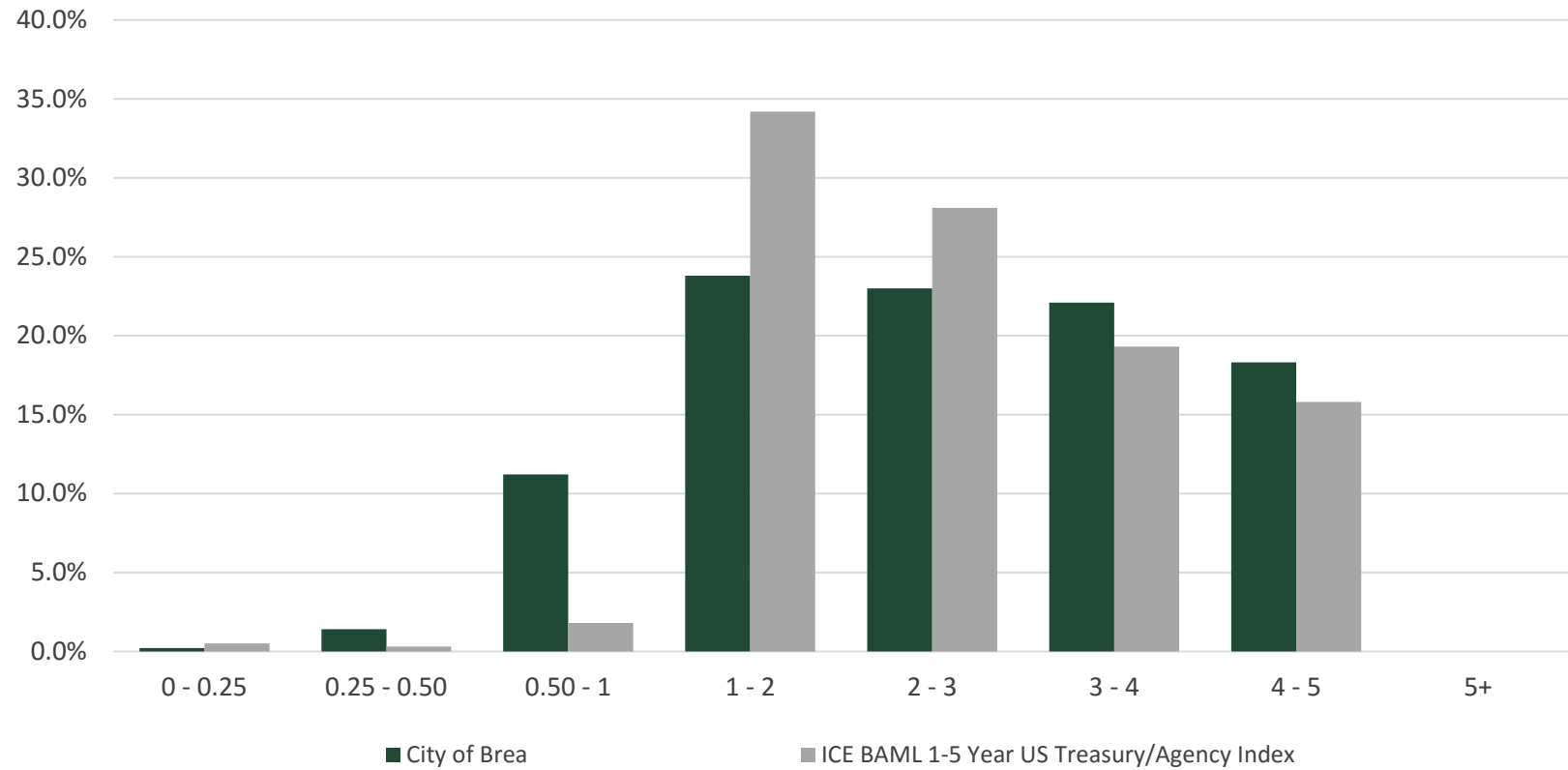
Municipal

- Municipal funds saw inflows in June after two months of outflows.
- The Municipal Sector has benefited from Fed support, but is expected to see additional support from the Federal government during an additional stimulus in the 3rd Quarter.

Duration Distribution

As of June 30, 2020

City of Brea
Portfolio Compared to the Benchmark as of June 30, 2020



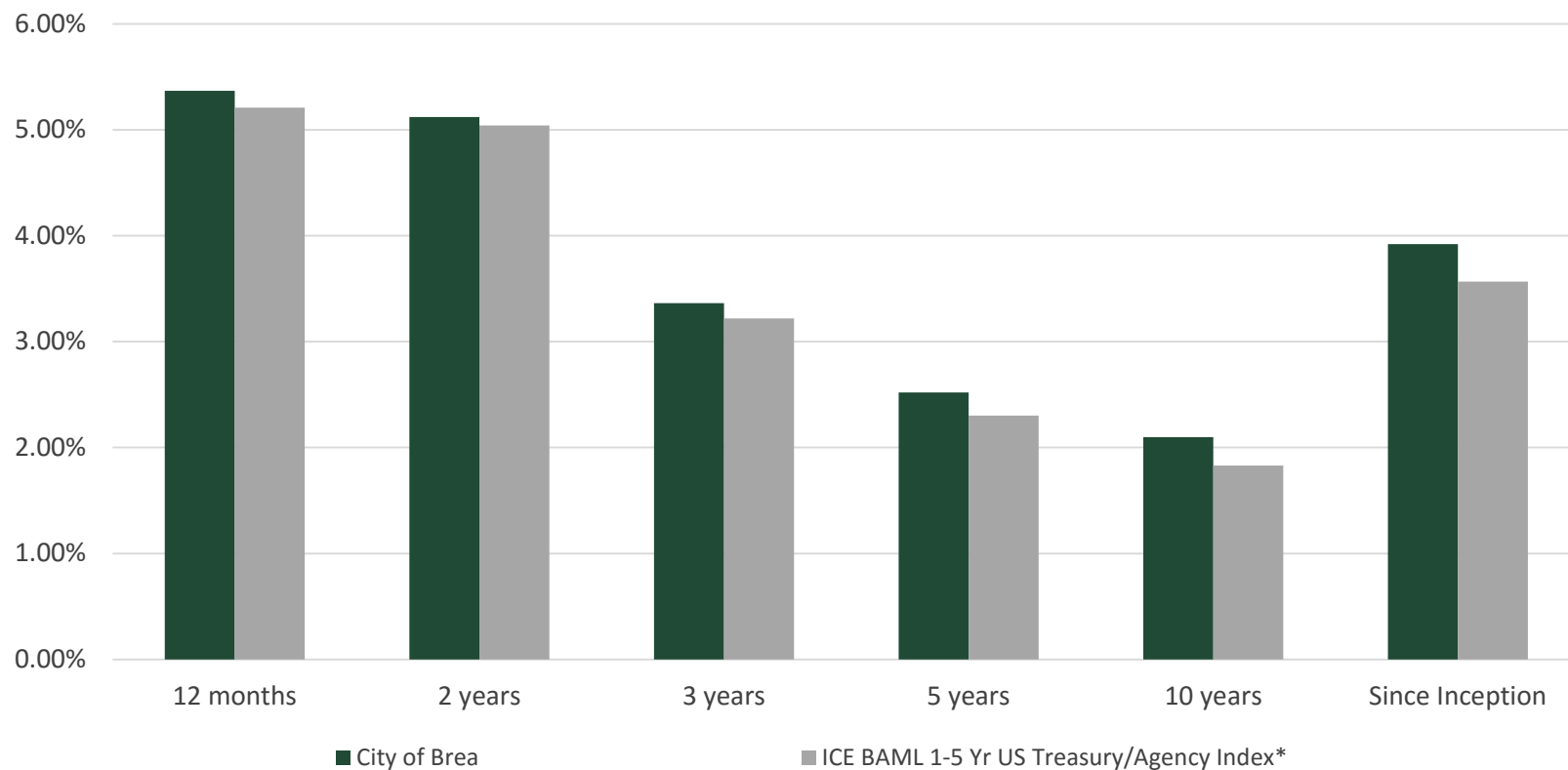
	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
Portfolio	0.2%	1.4%	11.2%	23.8%	23.0%	22.1%	18.3%	0.0%
Benchmark*	0.5%	0.3%	1.8%	34.2%	28.1%	19.3%	15.8%	0.0%

*ICE BAML 1-5 Year US Treasury/Agency Index

Investment Performance

As of June 30, 2020

City of Brea Total Rate of Return Annualized Since Inception 04/30/1996



TOTAL RATE OF RETURN	Annualized						Since Inception
	3 months	12 months	2 years	3 years	5 years	10 years	
City of Brea	1.43%	5.37%	5.12%	3.36%	2.52%	2.10%	3.92%
ICE BAML 1-5 Year US Treasury/Agency Index	0.30%	5.21%	5.04%	3.22%	2.30%	1.83%	3.57%

*ICE BAML 1-Yr US Treasury Bill Index to 9/30/01,

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.

Portfolio Characteristics

As of June 30, 2020

City of Brea Laif

	6/30/2020 Portfolio	3/31/2020 Portfolio
Average Maturity (yrs)	0.00	0.00
Modified Duration	0.00	0.00
Average Purchase Yield	1.15%	1.74%
Average Market Yield	1.15%	1.74%
Average Quality*	NR/NR	NR/NR
Total Market Value	24,955,676	12,896,781

**Portfolio is S&P and Moody's, respectively.*

Portfolio Characteristics

As of June 30, 2020

Successor Agency to the Brea RDA LAIF

	6/30/2020 Portfolio	3/31/2020 Portfolio
Average Maturity (yrs)	0.00	0.00
Modified Duration	0.00	0.00
Average Purchase Yield	1.15%	1.74%
Average Market Yield	1.15%	1.74%
Average Quality*	NR/NR	NR/NR
Total Market Value	18,860	18,789

**Portfolio is S&P and Moody's, respectively.*

City Brea Bond Reserve Funds
Portfolio Characteristics
Summary of Accounts Managed

Name of Account	Average Maturity (Years)	Average Book Yield	Market Value	Average Quality
Brea Lease Revenue Bonds, Reserve Account	1.67	1.68%	275,238	AA+/Aaa
Brea CFD 2008 2 17 Reserve Fund	2.04	2.55%	697,651	AA+/Aaa
Total	1.88	2.30%	\$972,890	



Section 3 | Portfolio Holdings

Holdings Report

As of June 30, 2020

City of Brea - Account #120

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									
654747AD6	Nissan Auto Receivables Trust 2017-A A3 1.740% Due 08/16/2021	50,723.56	12/27/2017 2.10%	50,400.60 50,623.46	100.13 0.27%	50,787.27 36.77	0.06% 163.81	Aaa / NR AAA	1.13 0.09
43811BAC8	Honda Auto Receivables Trust 2017-2 A3 1.680% Due 08/16/2021	76,089.95	04/27/2018 2.62%	74,906.98 75,686.13	100.27 0.29%	76,298.00 56.81	0.09% 611.87	Aaa / AAA NR	1.13 0.20
47788BAD6	John Deere Owner Trust 2017-B A3 1.820% Due 10/15/2021	15,700.69	07/11/2017 1.83%	15,699.54 15,700.34	100.19 0.54%	15,730.46 12.70	0.02% 30.12	Aaa / NR AAA	1.29 0.15
47788CAC6	John Deere Owner Trust 2018-A A3 2.660% Due 04/18/2022	82,463.68	02/21/2018 2.68%	82,457.75 82,461.10	100.68 0.74%	83,021.86 97.49	0.09% 560.76	Aaa / NR AAA	1.80 0.35
43815HAC1	Honda Auto Receivables Trust 2018-3 A3 2.950% Due 08/22/2022	397,062.71	08/21/2018 2.98%	397,008.24 397,033.43	101.75 0.22%	404,025.58 325.37	0.45% 6,992.15	Aaa / NR AAA	2.15 0.64
89238TAD5	Toyota Auto Receivables Trust 2018-B A3 2.960% Due 09/15/2022	591,787.79	07/25/2019 1.48%	598,052.41 596,201.50	101.52 0.31%	600,806.63 778.53	0.67% 4,605.13	Aaa / AAA NR	2.21 0.57
47788EAC2	John Deere Owner Trust 2018-B A3 3.080% Due 11/15/2022	445,316.58	07/18/2018 3.10%	445,282.83 445,297.99	101.60 0.33%	452,444.74 609.59	0.51% 7,146.75	Aaa / NR AAA	2.38 0.58
47789JAD8	John Deere Owner Trust 2019-A A3 2.910% Due 07/17/2023	650,000.00	06/24/2020 1.26%	667,087.89 667,011.33	102.62 0.53%	667,001.40 840.67	0.75% (9.93)	Aaa / NR AAA	3.05 1.08
43815NAC8	Honda Auto Receivables Trust 2019-3 A3 1.780% Due 08/15/2023	545,000.00	08/20/2019 1.79%	544,995.48 544,996.73	102.06 0.55%	556,203.02 431.16	0.62% 11,206.29	Aaa / AAA NR	3.13 1.64
477870AC3	John Deere Owner Trust 2019-B A3 2.210% Due 12/15/2023	280,000.00	07/16/2019 2.23%	279,940.56 279,953.26	101.81 0.88%	285,079.48 275.02	0.32% 5,126.22	Aaa / NR AAA	3.46 1.35
92348AAA3	Verizon Owner Trust 2019-C A1A 1.940% Due 04/22/2024	370,000.00	10/01/2019 1.95%	369,971.47 369,976.06	102.58 0.32%	379,557.84 219.33	0.42% 9,581.78	NR / AAA AAA	3.81 1.73
65479JAD5	Nissan Auto Receivables Owner 2019-C A3 1.930% Due 07/15/2024	980,000.00	Various 1.70%	984,828.76 984,613.06	102.78 0.48%	1,007,261.64 840.62	1.12% 22,648.58	Aaa / AAA NR	4.04 1.89
43813DAC2	Honda Auto Receivables 2020-2 A3 0.820% Due 07/15/2024	280,000.00	05/18/2020 0.83%	279,977.96 279,978.47	100.67 0.52%	281,875.44 102.04	0.31% 1,896.97	Aaa / AAA NR	4.04 2.18
47789KAC7	John Deere Owner Trust 2020-A A3 1.100% Due 08/15/2024	460,000.00	03/04/2020 1.11%	459,971.89 459,973.84	100.85 0.74%	463,893.90 224.89	0.52% 3,920.06	Aaa / NR AAA	4.13 2.32
TOTAL ABS		5,224,144.96	1.83%	5,250,582.36 5,249,506.70	0.47%	5,323,987.26 4,850.99	5.94% 74,480.56	Aaa / AAA Aaa	3.18 1.35
Agency									
3130A7CV5	FHLB Note 1.375% Due 02/18/2021	440,000.00	02/17/2016 1.46%	438,222.40 439,774.27	100.73 0.22%	443,227.84 2,235.14	0.50% 3,453.57	Aaa / AA+ AAA	0.64 0.63

Holdings Report

As of June 30, 2020

City of Brea - Account #120

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
3135G0J20	FNMA Note 1.375% Due 02/26/2021	1,275,000.00	Various 1.46%	1,269,953.70	100.74	1,284,371.25	1.44%	Aaa / AA+ AAA	0.66
				1,274,317.28	0.25%	6,087.24	10,053.97		0.65
3135G0K69	FNMA Note 1.250% Due 05/06/2021	400,000.00	05/27/2016 1.48%	395,724.00	100.90	403,600.40	0.45%	Aaa / AA+ AAA	0.85
				399,266.36	0.19%	763.89	4,334.04		0.85
3135G0U35	FNMA Note 2.750% Due 06/22/2021	500,000.00	06/28/2018 2.70%	500,740.00	102.49	512,426.00	0.57%	Aaa / AA+ AAA	0.98
				500,241.91	0.20%	343.75	12,184.09		0.97
3130A8QS5	FHLB Note 1.125% Due 07/14/2021	1,285,000.00	10/04/2016 1.33%	1,273,126.60	100.98	1,297,532.61	1.45%	Aaa / AA+ AAA	1.04
				1,282,423.57	0.18%	6,706.09	15,109.04		1.03
3137EAEC9	FHLMC Note 1.125% Due 08/12/2021	1,250,000.00	08/30/2016 1.33%	1,237,737.50	101.06	1,263,295.00	1.42%	Aaa / AA+ AAA	1.12
				1,247,238.05	0.17%	5,429.69	16,056.95		1.11
3135G0N82	FNMA Note 1.250% Due 08/17/2021	1,285,000.00	Various 1.29%	1,282,305.71	101.19	1,300,317.20	1.46%	Aaa / AA+ AAA	1.13
				1,284,376.52	0.19%	5,978.82	15,940.68		1.12
3130AF5B9	FHLB Note 3.000% Due 10/12/2021	1,350,000.00	11/29/2018 2.91%	1,353,402.00	103.60	1,398,598.65	1.57%	Aaa / AA+ NR	1.28
				1,351,520.66	0.19%	8,887.50	47,077.99		1.26
3135G0S38	FNMA Note 2.000% Due 01/05/2022	1,350,000.00	04/25/2017 1.92%	1,354,927.50	102.74	1,386,994.05	1.56%	Aaa / AA+ AAA	1.52
				1,351,589.79	0.19%	13,200.00	35,404.26		1.48
3135G0T45	FNMA Note 1.875% Due 04/05/2022	1,315,000.00	06/19/2017 1.88%	1,314,801.44	102.95	1,353,810.91	1.52%	Aaa / AA+ AAA	1.76
				1,314,927.04	0.20%	5,890.10	38,883.87		1.73
3130A3KM5	FHLB Note 2.500% Due 12/09/2022	775,000.00	08/28/2018 2.83%	764,808.75	105.26	815,793.68	0.91%	Aaa / AA+ NR	2.44
				769,190.40	0.33%	1,184.03	46,603.28		2.38
3135G0T94	FNMA Note 2.375% Due 01/19/2023	1,000,000.00	03/14/2018 2.73%	984,140.00	105.64	1,056,425.00	1.19%	Aaa / AA+ AAA	2.56
				991,648.86	0.16%	10,687.50	64,776.14		2.47
3137EAER6	FHLMC Note 0.375% Due 05/05/2023	1,660,000.00	05/05/2020 0.39%	1,659,302.80	100.26	1,664,312.68	1.86%	Aaa / AA+ AAA	2.85
				1,659,337.88	0.28%	933.75	4,974.80		2.83
3135G04Q3	FNMA Note 0.250% Due 05/22/2023	1,645,000.00	05/20/2020 0.35%	1,640,048.55	99.90	1,643,272.75	1.83%	NR / AA+ AAA	2.89
				1,640,229.42	0.29%	445.52	3,043.33		2.88
3137EAEN5	FHLMC Note 2.750% Due 06/19/2023	1,200,000.00	07/20/2018 2.86%	1,193,976.00	107.49	1,289,838.00	1.44%	Aaa / AA+ AAA	2.97
				1,196,359.38	0.22%	1,100.00	93,478.62		2.87
313383YJ4	FHLB Note 3.375% Due 09/08/2023	1,200,000.00	10/29/2018 3.08%	1,215,756.00	109.77	1,317,230.40	1.48%	Aaa / AA+ NR	3.19
				1,210,344.04	0.29%	12,712.50	106,886.36		3.02
3135G0U43	FNMA Note 2.875% Due 09/12/2023	1,500,000.00	06/21/2019 1.89%	1,559,805.00	108.37	1,625,566.50	1.83%	Aaa / AA+ AAA	3.20
				1,545,329.16	0.25%	13,057.29	80,237.34		3.06
3130A0F70	FHLB Note 3.375% Due 12/08/2023	1,075,000.00	Various 2.74%	1,106,057.50	110.37	1,186,508.68	1.33%	Aaa / AA+ AAA	3.44
				1,096,782.33	0.34%	2,317.97	89,726.35		3.27
3130AB3H7	FHLB Note 2.375% Due 03/08/2024	1,500,000.00	04/29/2019 2.37%	1,500,105.00	107.22	1,608,292.50	1.81%	Aaa / AA+ NR	3.69
				1,500,079.67	0.40%	11,182.29	108,212.83		3.53

Holdings Report

As of June 30, 2020

City of Brea - Account #120

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
3130A1XJ2	FHLB Note 2.875% Due 06/14/2024	1,500,000.00	06/18/2019 1.96%	1,564,890.20 1,551,427.80	109.71 0.40%	1,645,687.51 2,036.46	1.84% 94,259.71	Aaa / AA+ NR	3.96 3.77
3130A2UW4	FHLB Note 2.875% Due 09/13/2024	1,200,000.00	09/13/2019 1.79%	1,262,028.00 1,252,200.10	110.42 0.37%	1,324,986.00 10,350.00	1.49% 72,785.90	Aaa / AA+ AAA	4.21 3.96
3135G0W66	FNMA Note 1.625% Due 10/15/2024	1,755,000.00	Various 1.49%	1,765,434.95 1,764,703.70	105.08 0.43%	1,844,068.01 6,020.63	2.06% 79,364.31	Aaa / AA+ AAA	4.30 4.14
3135G0X24	FNMA Note 1.625% Due 01/07/2025	1,875,000.00	Various 1.47%	1,888,349.75 1,887,448.21	105.35 0.43%	1,975,374.38 14,472.66	2.22% 87,926.17	Aaa / AA+ AAA	4.53 4.34
3137EAEP0	FHLMC Note 1.500% Due 02/12/2025	1,920,000.00	02/13/2020 1.52%	1,918,521.60 1,918,633.39	104.78 0.45%	2,011,793.28 10,960.00	2.26% 93,159.89	Aaa / NR AAA	4.62 4.45
3135G03U5	FNMA Note 0.625% Due 04/22/2025	1,510,000.00	04/22/2020 0.67%	1,506,889.40 1,507,005.37	100.81 0.45%	1,522,231.00 1,756.42	1.70% 15,225.63	NR / AA+ AAA	4.81 4.73
3135G04Z3	FNMA Note 0.500% Due 06/17/2025	950,000.00	06/17/2020 0.54%	948,033.50 948,046.44	100.04 0.49%	950,362.90 158.33	1.06% 2,316.46	NR / AA+ AAA	4.97 4.90
TOTAL Agency		32,715,000.00	1.73%	32,899,087.85 32,884,441.60	0.31%	34,125,917.18 154,897.57	38.24% 1,241,475.58	Aaa / AA+ Aaa	2.94 2.84
Corporate									
594918BG8	Microsoft Callable Note Cont. 10/3/2020 2.000% Due 11/03/2020	325,000.00	10/29/2015 2.02%	324,740.00 324,982.21	100.41 0.42%	326,324.05 1,047.22	0.37% 1,341.84	Aaa / AAA AA+	0.35 0.26
00440EAT4	Chubb INA Holdings Inc Callable Note Cont 10/3/2020 2.300% Due 11/03/2020	800,000.00	02/06/2017 2.16%	803,768.00 800,265.91	100.48 0.43%	803,864.80 2,964.44	0.90% 3,598.89	A3 / A A	0.35 0.26
30231GAV4	Exxon Mobil Corp Callable Note Cont 2/1/2021 2.222% Due 03/01/2021	875,000.00	Various 1.97%	884,992.10 876,389.86	101.15 0.50%	885,057.25 6,480.83	0.99% 8,667.39	Aa1 / AA NR	0.67 0.66
24422ESL4	John Deere Capital Corp Note 2.800% Due 03/04/2021	315,000.00	05/24/2017 2.12%	322,663.95 316,372.15	101.67 0.33%	320,260.50 2,866.50	0.36% 3,888.35	A2 / A A	0.68 0.67
369550BE7	General Dynamics Corp Note 3.000% Due 05/11/2021	410,000.00	05/08/2018 3.24%	407,150.50 409,183.63	102.31 0.32%	419,466.08 1,708.33	0.47% 10,282.45	A2 / A NR	0.86 0.86
857477AV5	State Street Bank Note 1.950% Due 05/19/2021	940,000.00	Various 2.32%	932,971.20 937,032.38	101.44 0.33%	953,492.76 2,138.50	1.07% 16,460.38	A1 / A AA-	0.88 0.88
594918BP8	Microsoft Callable Note Cont 7/8/2021 1.550% Due 08/08/2021	590,000.00	Various 1.57%	589,298.90 589,845.27	101.37 0.21%	598,077.10 3,632.60	0.67% 8,231.83	Aaa / AAA AA+	1.11 1.01
68389XBK0	Oracle Corp Callable Note Cont 8/15/2021 1.900% Due 09/15/2021	804,000.00	11/29/2016 2.40%	785,998.44 799,458.42	101.71 0.38%	817,740.36 4,497.93	0.92% 18,281.94	A3 / A A-	1.21 1.11

Holdings Report

As of June 30, 2020

City of Brea - Account #120

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
89236TDP7	Toyota Motor Credit Corp Note 2.600% Due 01/11/2022	750,000.00	Various 3.16%	736,272.75 743,971.74	103.09 0.57%	773,152.50 9,208.33	0.87% 29,180.76	A1 / A+ A+	1.53 1.49
69353RFE3	PNC Bank Callable Note Cont 6/28/2022 2.450% Due 07/28/2022	890,000.00	07/25/2017 2.45%	889,919.90 889,966.79	103.77 0.55%	923,553.89 9,267.13	1.04% 33,587.10	A2 / A A+	2.08 1.93
44932HAC7	IBM Credit Corp Note 2.200% Due 09/08/2022	950,000.00	Various 2.65%	932,933.50 941,101.77	103.63 0.53%	984,503.05 6,560.28	1.11% 43,401.28	A2 / A NR	2.19 2.13
48128BAB7	JP Morgan Chase & Co Callable Note 1X 1/15/2022 2.972% Due 01/15/2023	925,000.00	Various 3.11%	919,202.75 922,018.16	103.55 0.66%	957,807.90 12,676.41	1.08% 35,789.74	A2 / A- AA-	2.55 1.49
808513AT2	Charles Schwab Corp Callable Note Cont 12/25/2022 2.650% Due 01/25/2023	750,000.00	05/20/2019 2.73%	748,027.50 748,623.36	105.16 0.56%	788,730.00 8,612.50	0.89% 40,106.64	A2 / A A	2.57 2.39
24422ETG4	John Deere Capital Corp Note 2.800% Due 03/06/2023	650,000.00	Various 3.23%	637,699.50 643,053.57	106.23 0.46%	690,504.75 5,813.89	0.78% 47,451.18	A2 / A A	2.68 2.58
06406RAG2	Bank of NY Mellon Corp Note 3.500% Due 04/28/2023	800,000.00	05/16/2019 2.78%	821,248.00 815,223.55	108.02 0.63%	864,157.60 4,900.00	0.97% 48,934.05	A1 / A AA-	2.83 2.70
037833AK6	Apple Inc Note 2.400% Due 05/03/2023	900,000.00	Various 3.18%	871,569.25 881,516.71	105.71 0.38%	951,363.00 3,480.00	1.07% 69,846.29	Aa1 / AA+ NR	2.84 2.75
931142EK5	Wal-Mart Stores Callable Note Cont 5/26/2023 3.400% Due 06/26/2023	904,000.00	04/26/2019 2.68%	928,769.60 921,640.22	108.94 0.31%	984,787.77 426.89	1.10% 63,147.55	Aa2 / AA AA	2.99 2.79
02665WCJ8	American Honda Finance Note 3.450% Due 07/14/2023	225,000.00	07/11/2018 3.49%	224,610.75 224,763.55	107.60 0.91%	242,089.65 3,600.94	0.27% 17,326.10	A3 / A- NR	3.04 2.86
69371RP59	Paccar Financial Corp Note 3.400% Due 08/09/2023	760,000.00	Various 3.28%	763,588.40 762,665.20	108.21 0.72%	822,420.32 10,192.44	0.93% 59,755.12	A1 / A+ NR	3.11 2.94
06406RAJ6	Bank of NY Mellon Corp Note 3.450% Due 08/11/2023	250,000.00	05/16/2019 2.79%	256,575.00 254,837.56	108.58 0.66%	271,457.50 3,354.17	0.31% 16,619.94	A1 / A AA-	3.12 2.94
02665WCQ2	American Honda Finance Note 3.625% Due 10/10/2023	750,000.00	Various 3.38%	757,259.00 755,457.04	108.63 0.94%	814,720.50 6,117.19	0.92% 59,263.46	A3 / A- NR	3.28 3.09
06051GHF9	Bank of America Corp Callable Note 1X 3/5/2023 3.550% Due 03/05/2024	1,100,000.00	Various 2.77%	1,114,320.00 1,112,022.71	106.90 0.94%	1,175,858.20 12,582.78	1.33% 63,835.49	A2 / A- A+	3.68 2.55
89114QCB2	Toronto Dominion Bank Note 3.250% Due 03/11/2024	1,100,000.00	Various 2.79%	1,121,362.00 1,117,237.63	108.90 0.80%	1,197,847.20 10,923.61	1.35% 80,609.57	Aa3 / A AA-	3.70 3.48
404280BS7	HSBC Holdings PLC Callable Note 1X 5/18/2023 3.950% Due 05/18/2024	1,100,000.00	Various 2.15%	1,156,826.00 1,147,621.06	107.47 1.30%	1,182,175.50 5,189.86	1.32% 34,554.44	A2 / A- A+	3.88 2.73
69371RQ25	Paccar Financial Corp Note 2.150% Due 08/15/2024	195,000.00	08/08/2019 2.20%	194,569.05 194,644.77	105.30 0.84%	205,326.03 1,583.83	0.23% 10,681.26	A1 / A+ NR	4.13 3.93

Holdings Report

As of June 30, 2020

City of Brea - Account #120

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
78015K7C2	Royal Bank of Canada Note 2.250% Due 11/01/2024	1,100,000.00	Various 2.21%	1,102,086.00 1,101,914.67	105.22 1.02%	1,157,376.00 4,125.00	1.30% 55,461.33	A2 / A AA	4.34 4.13
14913Q3B3	Caterpillar Finl Service Note 2.150% Due 11/08/2024	1,100,000.00	01/28/2020 1.91%	1,111,770.00 1,110,737.43	106.13 0.72%	1,167,412.40 3,481.81	1.31% 56,674.97	A3 / A A	4.36 4.16
90331HPL1	US Bank NA Callable Note Cont 12/21/2024 2.050% Due 01/21/2025	955,000.00	01/16/2020 2.10%	952,965.85 953,146.22	105.64 0.77%	1,008,822.85 8,701.11	1.14% 55,676.63	A1 / AA- AA-	4.56 4.25
TOTAL Corporate		21,213,000.00	2.59%	21,293,157.89 21,295,693.54	0.64%	22,288,349.51 156,134.52	25.04% 992,655.97	A1 / A+ A+	2.67 2.39
Money Market Fund FI									
316175884	Fidelity Institutional Money Market Fund 696	78,281.48	Various 0.01%	78,281.48 78,281.48	1.00 0.01%	78,281.48 0.00	0.09% 0.00	Aaa / AAA NR	0.00 0.00
TOTAL Money Market Fund FI		78,281.48	0.01%	78,281.48 78,281.48	0.01%	78,281.48 0.00	0.09% 0.00	Aaa / AAA NR	0.00 0.00
Municipal Bonds									
13063DRK6	California St Taxable GO 2.400% Due 10/01/2024	900,000.00	10/16/2019 1.91%	920,673.00 917,796.66	106.69 0.80%	960,183.00 5,400.00	1.08% 42,386.34	Aa2 / AA- AA	4.26 4.04
TOTAL Municipal Bonds		900,000.00	1.91%	920,673.00 917,796.66	0.80%	960,183.00 5,400.00	1.08% 42,386.34	Aa2 / AA- AA	4.26 4.04
Supranational									
45950KCM0	International Finance Corp Note 2.250% Due 01/25/2021	410,000.00	01/18/2018 2.35%	408,794.60 409,771.24	101.09 0.34%	414,448.50 3,997.50	0.47% 4,677.26	Aaa / AAA NR	0.57 0.56
4581X0CW6	Inter-American Dev Bank Note 2.125% Due 01/18/2022	1,275,000.00	01/10/2017 2.15%	1,273,431.75 1,274,513.89	102.78 0.32%	1,310,487.08 12,267.45	1.48% 35,973.19	Aaa / NR AAA	1.55 1.52
4581X0CZ9	Inter-American Dev Bank Note 1.750% Due 09/14/2022	800,000.00	Various 2.40%	777,732.00 789,258.14	103.24 0.28%	825,915.20 4,161.12	0.93% 36,657.06	Aaa / AAA AAA	2.21 2.16
TOTAL Supranational		2,485,000.00	2.26%	2,459,958.35 2,473,543.27	0.31%	2,550,850.78 20,426.07	2.87% 77,307.51	Aaa / AAA Aaa	1.61 1.57
US Treasury									
912828N89	US Treasury Note 1.375% Due 01/31/2021	1,285,000.00	03/09/2016 1.40%	1,283,749.42 1,284,850.24	100.69 0.20%	1,293,834.38 7,378.16	1.45% 8,984.14	Aaa / AA+ AAA	0.59 0.58
912828B90	US Treasury Note 2.000% Due 02/28/2021	1,250,000.00	04/26/2016 1.40%	1,285,111.61 1,254,808.72	101.20 0.21%	1,264,941.25 8,355.98	1.42% 10,132.53	Aaa / AA+ AAA	0.67 0.66

Holdings Report

As of June 30, 2020

City of Brea - Account #120

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
912828Q37	US Treasury Note 1.250% Due 03/31/2021	375,000.00	12/13/2016 1.81%	366,314.73 373,487.83	100.80 0.18%	378,017.63 1,178.28	0.42% 4,529.80	Aaa / AA+ AAA	0.75 0.75
912828T34	US Treasury Note 1.125% Due 09/30/2021	1,300,000.00	11/09/2016 1.48%	1,278,016.07 1,294,383.94	101.19 0.17%	1,315,437.50 3,676.23	1.47% 21,053.56	Aaa / AA+ AAA	1.25 1.24
912828F96	US Treasury Note 2.000% Due 10/31/2021	1,025,000.00	01/27/2017 1.94%	1,027,686.05 1,025,753.95	102.44 0.17%	1,049,984.38 3,453.80	1.18% 24,230.43	Aaa / AA+ AAA	1.34 1.32
912828J43	US Treasury Note 1.750% Due 02/28/2022	1,360,000.00	03/13/2017 2.14%	1,335,407.68 1,351,757.30	102.61 0.19%	1,395,434.80 7,954.89	1.57% 43,677.50	Aaa / AA+ AAA	1.67 1.64
912828XG0	US Treasury Note 2.125% Due 06/30/2022	1,100,000.00	08/15/2017 1.82%	1,115,601.34 1,106,396.72	103.91 0.17%	1,142,968.20 63.52	1.28% 36,571.48	Aaa / AA+ AAA	2.00 1.97
912828L24	US Treasury Note 1.875% Due 08/31/2022	1,000,000.00	09/26/2017 1.87%	1,000,433.04 1,000,190.40	103.68 0.17%	1,036,836.00 6,266.98	1.16% 36,645.60	Aaa / AA+ AAA	2.17 2.12
912828L57	US Treasury Note 1.750% Due 09/30/2022	1,240,000.00	10/17/2017 1.99%	1,226,243.75 1,233,753.38	103.54 0.17%	1,283,933.20 5,454.64	1.44% 50,179.82	Aaa / AA+ AAA	2.25 2.21
912828N30	US Treasury Note 2.125% Due 12/31/2022	1,150,000.00	01/25/2018 2.46%	1,132,121.09 1,140,931.42	104.87 0.17%	1,206,017.65 66.41	1.35% 65,086.23	Aaa / AA+ AAA	2.50 2.45
912828T91	US Treasury Note 1.625% Due 10/31/2023	1,500,000.00	05/29/2019 2.05%	1,472,988.28 1,479,645.04	104.77 0.19%	1,571,542.50 4,106.66	1.76% 91,897.46	Aaa / AA+ AAA	3.34 3.25
912828V23	US Treasury Note 2.250% Due 12/31/2023	1,250,000.00	06/21/2019 1.80%	1,274,560.55 1,269,011.74	107.16 0.20%	1,339,452.50 76.43	1.49% 70,440.76	Aaa / AA+ AAA	3.50 3.39
912828B66	US Treasury Note 2.750% Due 02/15/2024	1,500,000.00	04/29/2019 2.31%	1,529,648.44 1,522,405.56	109.18 0.21%	1,637,754.00 15,525.41	1.84% 115,348.44	Aaa / AA+ AAA	3.63 3.45
912828X70	US Treasury Note 2.000% Due 04/30/2024	1,000,000.00	06/10/2019 1.92%	1,003,515.63 1,002,755.39	106.81 0.21%	1,068,125.00 3,369.57	1.20% 65,369.61	Aaa / AA+ AAA	3.84 3.70
912828XX3	US Treasury Note 2.000% Due 06/30/2024	1,450,000.00	12/12/2019 1.74%	1,466,595.70 1,464,587.43	107.07 0.22%	1,552,462.80 78.80	1.73% 87,875.37	Aaa / AA+ AAA	4.00 3.87
912828D56	US Treasury Note 2.375% Due 08/15/2024	1,500,000.00	03/05/2020 0.68%	1,611,093.75 1,603,085.14	108.80 0.23%	1,631,953.50 13,408.31	1.84% 28,868.36	Aaa / AA+ AAA	4.13 3.93
9128283D0	US Treasury Note 2.250% Due 10/31/2024	1,500,000.00	11/07/2019 1.77%	1,533,925.78 1,529,524.19	108.64 0.25%	1,629,550.50 5,686.14	1.82% 100,026.31	Aaa / AA+ AAA	4.34 4.14
912828ZC7	US Treasury Note 1.125% Due 02/28/2025	2,000,000.00	03/18/2020 0.81%	2,030,859.38 2,029,083.30	104.01 0.26%	2,080,156.00 7,520.38	2.33% 51,072.70	Aaa / AA+ AAA	4.67 4.54
TOTAL US Treasury		22,785,000.00	1.70%	22,973,872.29 22,966,411.69	0.20%	23,878,401.79 93,620.59	26.74% 911,990.10	Aaa / AA+ Aaa	2.82 2.73
TOTAL PORTFOLIO		85,400,426.44	1.96%	85,875,613.22 85,865,674.94	0.38%	89,205,971.00 435,329.74	100.00% 3,340,296.06	Aa1 / AA Aaa	2.83 2.58
TOTAL MARKET VALUE PLUS ACCRUALS						89,641,300.74			

Holdings Report

As of June 30, 2020

Brea Lease Revenue Bonds, Reserve Account - Account #10129

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
Money Market Fund FI									
825252109	Invesco Treasury MMFD Private Class	1,845.54	Various 0.01%	1,845.54 1,845.54	1.00 0.01%	1,845.54 0.00	0.67% 0.00	Aaa / AAA AAA	0.00 0.00
TOTAL Money Market Fund FI		1,845.54	0.01%	1,845.54 1,845.54	0.01%	1,845.54 0.00	0.67% 0.00	Aaa / AAA Aaa	0.00 0.00
US Treasury									
912828XM7	US Treasury Note 1.625% Due 07/31/2020	22,000.00	08/24/2016 1.03%	22,506.25 22,010.58	100.12 0.22%	22,026.36 149.29	8.06% 15.78	Aaa / AA+ AAA	0.08 0.09
912828WCO	US Treasury Note 1.750% Due 10/31/2020	22,000.00	Various 1.45%	22,276.59 22,021.01	100.52 0.20%	22,113.68 64.87	8.06% 92.67	Aaa / AA+ AAA	0.34 0.33
912828A83	US Treasury Note 2.375% Due 12/31/2020	22,000.00	08/24/2016 1.08%	23,208.35 22,139.16	101.08 0.22%	22,237.18 1.42	8.08% 98.02	Aaa / AA+ AAA	0.50 0.50
912828B90	US Treasury Note 2.000% Due 02/28/2021	22,000.00	08/24/2016 1.10%	22,868.90 22,127.59	101.20 0.21%	22,262.97 147.07	8.14% 135.38	Aaa / AA+ AAA	0.67 0.66
912828WN6	US Treasury Note 2.000% Due 05/31/2021	20,000.00	07/11/2016 1.01%	20,937.57 20,175.53	101.66 0.19%	20,331.24 33.88	7.40% 155.71	Aaa / AA+ AAA	0.92 0.91
912828F21	US Treasury Note 2.125% Due 09/30/2021	25,000.00	10/27/2016 1.38%	25,879.97 25,223.17	102.42 0.19%	25,605.48 133.54	9.35% 382.31	Aaa / AA+ AAA	1.25 1.23
912828J43	US Treasury Note 1.750% Due 02/28/2022	24,000.00	04/24/2017 1.84%	23,905.39 23,967.54	102.61 0.19%	24,625.32 140.38	9.00% 657.78	Aaa / AA+ AAA	1.67 1.64
912828L24	US Treasury Note 1.875% Due 08/31/2022	23,000.00	09/18/2017 1.84%	23,039.61 23,017.34	103.68 0.17%	23,847.23 144.14	8.72% 829.89	Aaa / AA+ AAA	2.17 2.12
912828N30	US Treasury Note 2.125% Due 12/31/2022	20,000.00	01/09/2018 2.31%	19,825.00 19,912.02	104.87 0.17%	20,974.22 1.15	7.62% 1,062.20	Aaa / AA+ AAA	2.50 2.45
9128284D9	US Treasury Note 2.500% Due 03/31/2023	22,000.00	06/13/2018 2.84%	21,669.14 21,810.48	106.36 0.18%	23,399.93 138.25	8.55% 1,589.45	Aaa / AA+ AAA	2.75 2.66
912828T91	US Treasury Note 1.625% Due 10/31/2023	20,000.00	02/21/2019 2.52%	19,214.84 19,441.86	104.77 0.19%	20,953.90 54.76	7.63% 1,512.04	Aaa / AA+ AAA	3.34 3.25
912828WJ5	US Treasury Note 2.500% Due 05/15/2024	22,000.00	06/18/2019 1.84%	22,676.33 22,533.67	108.80 0.22%	23,936.18 70.24	8.72% 1,402.51	Aaa / AA+ AAA	3.88 3.71
TOTAL US Treasury		264,000.00	1.69%	268,007.94 264,379.95	0.20%	272,313.69 1,078.99	99.33% 7,933.74	Aaa / AA+ Aaa	1.68 1.64
TOTAL PORTFOLIO		265,845.54	1.68%	269,853.48 266,225.49	0.19%	274,159.23 1,078.99	100.00% 7,933.74	Aaa / AA+ Aaa	1.67 1.63
TOTAL MARKET VALUE PLUS ACCRUALS						275,238.22			

Holdings Report

As of June 30, 2020

City of Brea Laif - Account #10164

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
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	24,898,505.50	Various 1.15%	24,898,505.50 24,898,505.50	1.00 1.15%	24,898,505.50 57,170.11	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL LAIF		24,898,505.50	1.15%	24,898,505.50	1.15%	24,898,505.50 57,170.11	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL PORTFOLIO		24,898,505.50	1.15%	24,898,505.50	1.15%	24,898,505.50 57,170.11	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUALS						24,955,675.61			

Holdings Report

As of June 30, 2020

Successor Agency to the Brea RDA LAIF - Account #10166

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
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	18,794.55	Various 1.15%	18,794.55 18,794.55	1.00 1.15%	18,794.55 65.93	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL LAIF		18,794.55	1.15%	18,794.55 18,794.55	1.15%	18,794.55 65.93	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL PORTFOLIO		18,794.55	1.15%	18,794.55 18,794.55	1.15%	18,794.55 65.93	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUALS						18,860.48			

Holdings Report

As of June 30, 2020

Brea CFD 2008 2 17 Reserve Fund - Account #10600

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
Money Market Fund FI									
825252109	Invesco Treasury MMFD Private Class	7,232.89	Various 0.01%	7,232.89 7,232.89	1.00 0.01%	7,232.89 0.00	1.04% 0.00	Aaa / AAA AAA	0.00 0.00
TOTAL Money Market Fund FI		7,232.89	0.01%	7,232.89	0.01%	7,232.89 0.00	1.04% 0.00	Aaa / AAA Aaa	0.00 0.00
US Treasury									
912828A83	US Treasury Note 2.375% Due 12/31/2020	110,000.00	06/28/2018 2.58%	109,467.19 109,893.55	101.08 0.22%	111,185.91 7.10	15.94% 1,292.36	Aaa / AA+ AAA	0.50 0.50
912828F21	US Treasury Note 2.125% Due 09/30/2021	110,000.00	06/28/2018 2.64%	108,242.58 109,326.00	102.42 0.19%	112,664.09 587.57	16.23% 3,338.09	Aaa / AA+ AAA	1.25 1.23
912828J43	US Treasury Note 1.750% Due 02/28/2022	110,000.00	06/13/2018 2.79%	105,986.72 108,202.17	102.61 0.19%	112,866.05 643.41	16.27% 4,663.88	Aaa / AA+ AAA	1.67 1.64
912828L24	US Treasury Note 1.875% Due 08/31/2022	110,000.00	06/13/2018 2.82%	105,887.89 107,886.50	103.68 0.17%	114,051.96 689.37	16.45% 6,165.46	Aaa / AA+ AAA	2.17 2.12
9128284D9	US Treasury Note 2.500% Due 03/31/2023	110,000.00	06/13/2018 2.84%	108,345.70 109,052.39	106.36 0.18%	116,999.63 691.26	16.87% 7,947.24	Aaa / AA+ AAA	2.75 2.66
912828WJ5	US Treasury Note 2.500% Due 05/15/2024	110,000.00	06/18/2019 1.84%	113,381.64 112,668.33	108.80 0.22%	119,680.88 351.22	17.21% 7,012.55	Aaa / AA+ AAA	3.88 3.71
TOTAL US Treasury		660,000.00	2.58%	651,311.72 657,028.94	0.19%	687,448.52 2,969.93	98.96% 30,419.58	Aaa / AA+ Aaa	2.06 2.00
TOTAL PORTFOLIO		667,232.89	2.55%	658,544.61 664,261.83	0.19%	694,681.41 2,969.93	100.00% 30,419.58	Aaa / AA+ Aaa	2.04 1.98
TOTAL MARKET VALUE PLUS ACCRUALS						697,651.34			



Section 4 | Transactions

Transaction Ledger

As of June 30, 2020

City of Brea - Account #120

March 31, 2020 through June 30, 2020

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	04/22/2020	65479JAD5	400,000.00	Nissan Auto Receivables Owner 2019-C A3 1.93% Due: 07/15/2024	101.215	1.37%	404,859.38	150.11	405,009.49	0.00
Purchase	04/24/2020	3135G03U5	1,510,000.00	FNMA Note 0.625% Due: 04/22/2025	99.794	0.67%	1,506,889.40	0.00	1,506,889.40	0.00
Purchase	05/07/2020	3137EAER6	1,660,000.00	FHLMC Note 0.375% Due: 05/05/2023	99.958	0.39%	1,659,302.80	0.00	1,659,302.80	0.00
Purchase	05/22/2020	3135G04Q3	1,645,000.00	FNMA Note 0.25% Due: 05/22/2023	99.699	0.35%	1,640,048.55	0.00	1,640,048.55	0.00
Purchase	05/27/2020	43813DAC2	280,000.00	Honda Auto Receivables 2020-2 A3 0.82% Due: 07/15/2024	99.992	0.83%	279,977.96	0.00	279,977.96	0.00
Purchase	06/19/2020	3135G04Z3	950,000.00	FNMA Note 0.5% Due: 06/17/2025	99.793	0.54%	948,033.50	0.00	948,033.50	0.00
Purchase	06/26/2020	47789JAD8	650,000.00	John Deere Owner Trust 2019-A A3 2.91% Due: 07/17/2023	102.629	1.26%	667,087.89	577.96	667,665.85	0.00
Subtotal			7,095,000.00				7,106,199.48	728.07	7,106,927.55	0.00
TOTAL ACQUISITIONS			7,095,000.00				7,106,199.48	728.07	7,106,927.55	0.00
DISPOSITIONS										
Sale	05/21/2020	3135G0F73	900,000.00	FNMA Note 1.5% Due: 11/30/2020	100.709	1.90%	906,381.00	6,412.50	912,793.50	8,194.77
Sale	06/18/2020	3130A7CV5	30,000.00	FHLB Note 1.375% Due: 02/18/2021	100.781	1.46%	30,234.30	137.50	30,371.80	250.55
Sale	06/18/2020	3135G0F73	325,000.00	FNMA Note 1.5% Due: 11/30/2020	100.595	1.90%	326,933.75	243.75	327,177.50	2,493.70
Sale	06/26/2020	3130A7CV5	600,000.00	FHLB Note 1.375% Due: 02/18/2021	100.762	1.46%	604,572.00	2,933.33	607,505.33	4,886.44
Subtotal			1,855,000.00				1,868,121.05	9,727.08	1,877,848.13	15,825.46

Transaction Ledger

As of June 30, 2020

City of Brea - Account #120

March 31, 2020 through June 30, 2020

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Maturity	04/16/2020	62479LDG7	1,750,000.00	MUFG Bank Ltd Discount CP 1.68% Due: 04/16/2020	99.636		1,743,630.00	6,370.00	1,750,000.00	0.00
Maturity	05/20/2020	747525AD5	750,000.00	Qualcomm Inc Note 2.25% Due: 05/20/2020	100.000		750,000.00	0.00	750,000.00	0.00
Maturity	06/05/2020	437076BQ4	330,000.00	Home Depot Note 1.8% Due: 06/05/2020	100.000		330,000.00	0.00	330,000.00	0.00
Subtotal			2,830,000.00				2,823,630.00	6,370.00	2,830,000.00	0.00
TOTAL DISPOSITIONS			4,685,000.00				4,691,751.05	16,097.08	4,707,848.13	15,825.46

Important Disclosures

As of June 30, 2020

2020 Chandler Asset Management, Inc, An Independent Registered Investment Adviser.

Information contained herein is confidential. Prices are provided by IDC, an independent pricing source. In the event IDC does not provide a price or if the price provided is not reflective of fair market value, Chandler will obtain pricing from an alternative approved third party pricing source in accordance with our written valuation policy and procedures. Our valuation procedures are also disclosed in Item 5 of our Form ADV Part 2A.

Performance results are presented gross-of-advisory fees and represent the client's Total Return. The deduction of advisory fees lowers performance results. These results include the reinvestment of dividends and other earnings. Past performance may not be indicative of future results. Therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Economic factors, market conditions or changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio.

Index returns assume reinvestment of all distributions. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It is not possible to invest directly in an index.

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This report is provided for informational purposes only and should not be construed as a specific investment or legal advice. The information contained herein was obtained from sources believed to be reliable as of the date of publication, but may become outdated or superseded at any time without notice. Any opinions or views expressed are based on current market conditions and are subject to change. This report may contain forecasts and forward-looking statements which are inherently limited and should not be relied upon as indicator of future results. Past performance is not indicative of future results. This report is not intended to constitute an offer, solicitation, recommendation or advice regarding any securities or investment strategy and should not be regarded by recipients as a substitute for the exercise of their own judgment.

Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

Ratings information have been provided by Moody's, S&P and Fitch through data feeds we believe to be reliable as of the date of this statement, however we cannot guarantee its accuracy.

Security level ratings for U.S. Agency issued mortgage-backed securities ("MBS") reflect the issuer rating because the securities themselves are not rated. The issuing U.S. Agency guarantees the full and timely payment of both principal and interest and carries a AA+/Aaa/AAA by S&P, Moody's and Fitch respectively.

ICE BAML 3-Month US Treasury Bill Index

The ICE BAML US 3-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. (Index: G001. Please visit www.mlindex.ml.com for more information)

0-3 yr Treasury*

The ICE BAML 0-3 Year US Treasury Index tracks the performance of US Dollar denominated Sovereign debt publically issued by the US government in its domestic market with maturities less than three years. Qualifying securities must have at least 18 months to maturity at point of issuance, at least one month and less than three years remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 billion. (Index: G1QA. Please visit www.mlindex.ml.com for more information)

The ICE BAML US 1-Year Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. (Index: G003. Please visit www.mlindex.ml.com for more information)

The ICE BAML US 3-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. (Index: G001. Please visit www.mlindex.ml.com for more information)

The ICE BAML US 6-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. (Index: G002. Please visit www.mlindex.ml.com for more information)

The ICE BAML 1-3 Year US Treasury Index tracks the performance of US dollar denominated sovereign debt publicly issued by the US government in its domestic market. Qualifying securities must have at least one year remaining term to final maturity and less than three years remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 billion. Qualifying securities must have at least 18 months to final maturity at the time of issuance. (Index: G102. Please visit www.mlindex.ml.com for more information)

ICE BAML 3-5 Yr US Treasury/Agency Index

The ICE BAML 3-5 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least three years remaining term to final maturity and less than five years remaining term to final maturity, at least three years to maturity at time of issuance, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies. (Index: G2A0. Please visit www.mlindex.ml.com for more information)

ICE BAML 1-5 Yr US Issuers Corp/Govt Rtd AAA-A Idx

The ICE BAML US Issuers 1-5 Year AAA-A US Corporate & Government Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, foreign government, supranational and corporate securities. Qualifying securities must issued from US issuers and be rated AAA through A3 (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to final maturity at point of issuance, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for US Treasuries and \$250 million for all other securities. (Index: GU10. Please visit www.mlindex.ml.com for more information)

ICE BAML 1-5 Yr US Treasury/Agency Index*

The ICE BAML 1-5 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies. (Index: GVA0. Please visit www.mlindex.ml.com for more information)

The ICE BAML US 1-Year Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. (Index: G003. Please visit www.mlindex.ml.com for more information)

City of Brea

COMMUNICATION

TO: Honorable Chair and Members

FROM: Bill Gallardo

DATE: 07/27/2020

SUBJECT: Review of PARS Post Employment Benefit Trust Investment Report for Period
Ending June 30, 2020 - Presented by PARS and HighMark Capital Management

Attachments

Investment Report



PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.

CITY OF BREA

Pension Rate Stabilization Program (PRSP) Client Review

July 27, 2020

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Senior Portfolio Manager



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DENNIS YU

Executive Vice President



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PARS TRUST TEAM

Trust Administrator & Consultant



- Recordkeeping
- Sub-trust accounting
- Monitors plan compliance
- Processes contributions/disbursements
- Hands-on, dedicated support teams
- Coordinates all agency services

36

Years of Experience
(1984-2020)

1,500+

Plans under
Administration

1000+

Public Agency
Clients

500K+

Plan Participants

\$4.2B

Assets under
Administration

Trustee



- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts.
- Safeguard plan assets,
- Oversight protection as plan fiduciary
- Custodian of assets

157

Years of Experience
(1863-2020)

\$5.0T

Assets under
Administration

Investment Manager



- Investment sub-advisor to trustee U.S. Bank
- Investment policy assistance
- Uses open architecture
- Active and passive platform options
- Customized portfolios (with minimum asset level)

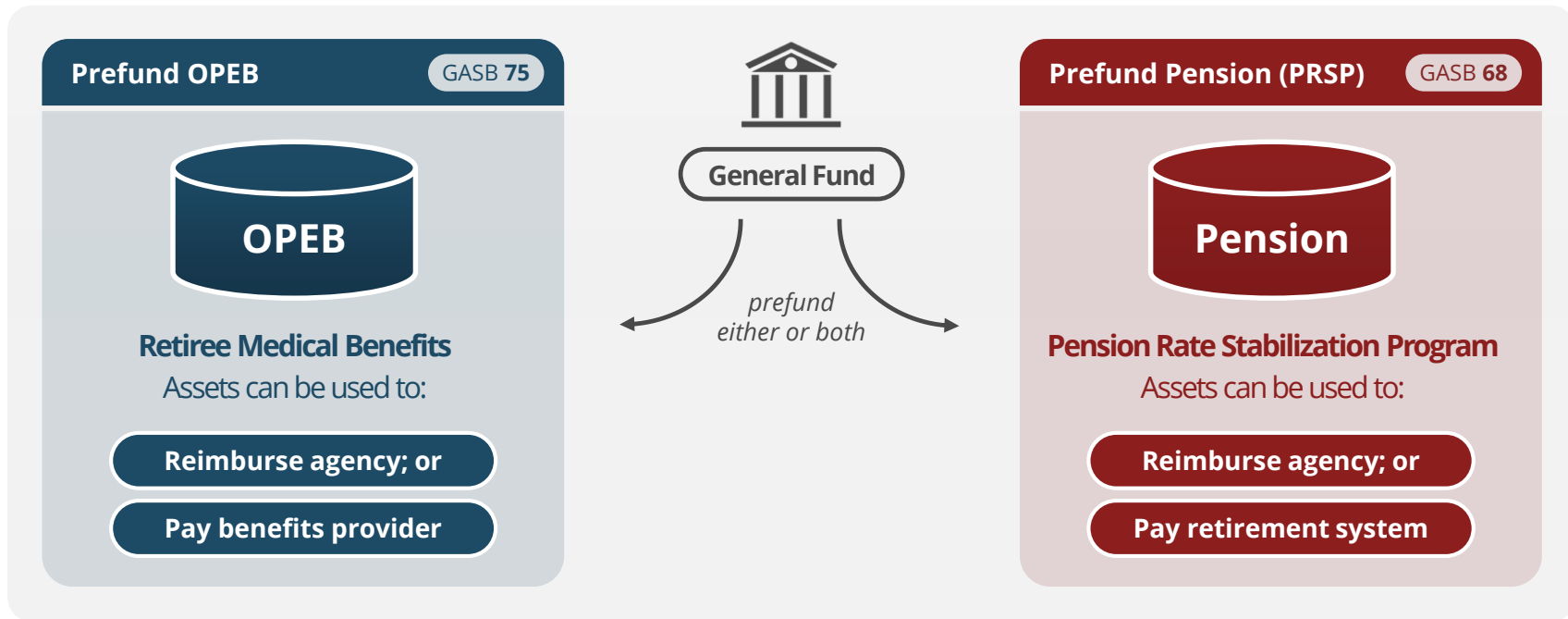
101

Years of Experience
(1919-2020)

\$16.2B

Assets under
Management

PARS 115 TRUST STRUCTURE & BENEFITS



Subaccounts

OPEB and pension assets are individually sub-accounted, and can be divided by dept., bargaining group, or cost center



Financial Stability

Assets in the PARS Section 115 Combination Trust can be used to address unfunded liabilities.



Flexible Investing

Allows separate investment strategies for OPEB and pension subaccounts.



Anytime Access

Trust funds are available anytime; OPEB for OPEB and pension for pension.



Economies-of-Scale

OPEB and pension assets aggregate and reach lower fees on tiered schedule sooner – saving money!



No Set Up Cost or Minimums

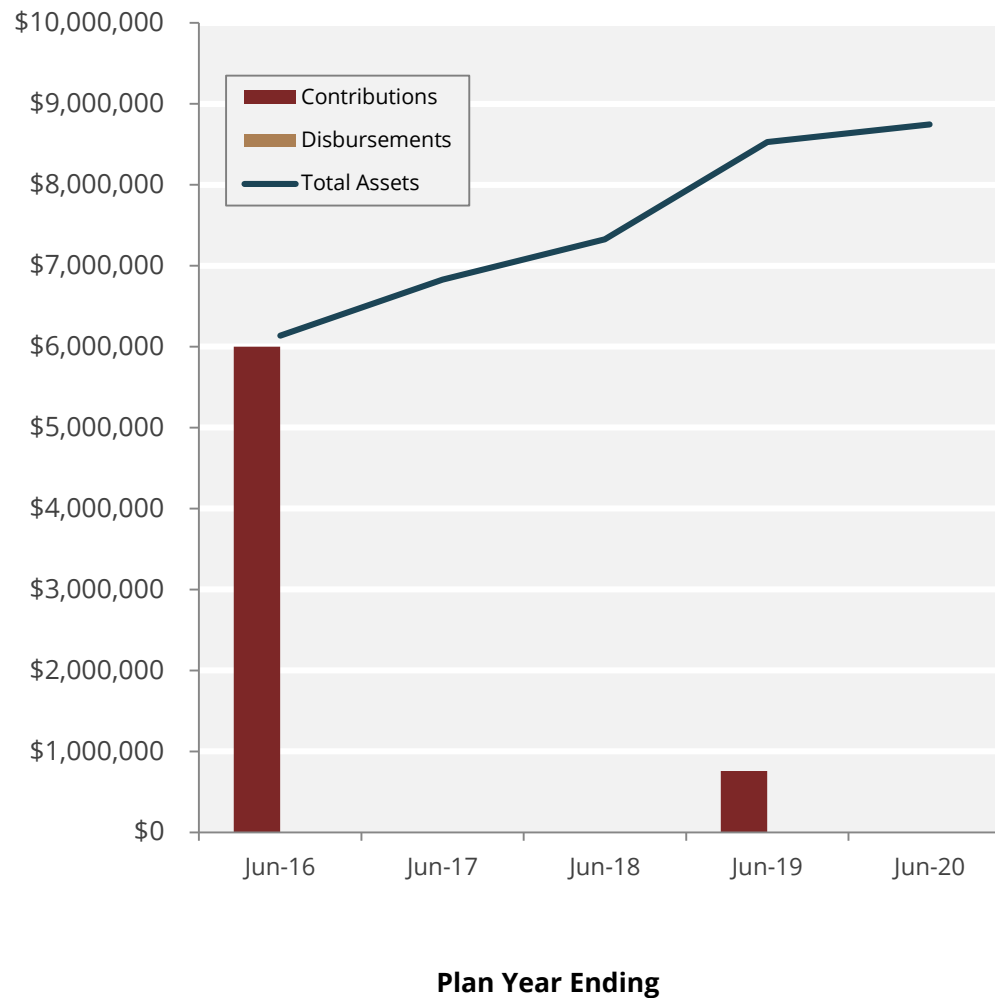
No set-up costs, no minimum annual contribution amounts, and no fees until assets are added.

SUMMARY OF AGENCY'S PRSP PLAN

Type of Plan:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	November 17, 2015
Plan Administrator:	Bill Gallardo - City Manager
Current Investment Strategy:	Balanced HighMark PLUS (Active) – Individual Acct - Selected on 01/20/2016
Initial Contribution:	February 19, 2016 – \$2,000,000
Additional Contributions:	April 22, 2016 - \$2,000,000 June 17, 2016 - \$2,000,000 June 25, 2019 – \$756,800
Net Earnings:	\$1,995,444

SUMMARY OF AGENCY'S PENSION PLAN

CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF JUNE 30, 2020:



Year	Contributions	Disbursements	Total Assets
Jun-16	\$6,000,000	\$0	\$6,136,584
Jun-17	\$0	\$7,802	\$6,827,779
Jun-18	\$0	\$0	\$7,325,249
Jun-19	\$756,800	\$0	\$8,529,618
Jun-20	\$0	\$0	\$8,744,443

PARS Plan: City of Brea

July 27, 2020

**Presented by
Keith Stribling, CFA**

DISCUSSION HIGHLIGHTS – City of Brea

Investment objective – Balanced

Asset Allocation: PARS/Balanced (As of 6/30/2020)

- Allocation Target – 58.35% stocks (50-70% range), 37.64% bonds (30-50% range), 4.01% cash (0-20% range)
- Large cap 36.58%, Mid-cap 4.05%, Small cap 5.61%, International 11.15%; REIT 0.96%

Performance: City of Brea

(as of 6/30/2020) gross of investment management fees, net of fund fees

- 3 Months: 14.09%
- 6 Months (YTD): -2.62%
- 1 Year: 3.04%
- 3 Years: 5.81%
- ITD (2/1/2016): 7.96%

Asset Allocation:

- Took de-risking steps
 - Lowered equity allocation
 - Lowered REIT allocation
 - Lowered small cap allocation

DISCUSSION HIGHLIGHTS – City of Brea

Economic Review

- Coronavirus and it's impact on the global growth
- Unprecedented spike in unemployment claims as economies shut down
- Fed steps up big – creating a “bridge loan” to the capital markets
- Congress acts swiftly to get cash to businesses and consumers impacted
- Uncertain recovery...looking for a medical solution to temper virus symptoms
- Trying to find a path forward to re-open the economy



Account Name: PARS/ CITY OF BREA PRSP
Account ID: xxxxxxx0800

As of: June 30, 2020

Performance Report

	3 Months	Year to Date (6 Months)	1 Year	3 Years	Inception to Date 02/01/2016
Cash Equivalents	.03	.34	1.27	1.53	1.14
Lipper Money Market Funds Index	.07	.39	1.27	1.47	1.08
Total Fixed Income	4.57	3.96	5.82	4.07	
BBG Barclays US Aggregate Bd Index (USD)	2.90	6.14	8.74	5.32	4.41
Total Equities	22.26	-6.80	1.47	6.90	11.48
Large Cap Funds	22.54	-2.77	7.29	10.13	13.56
S&P 500 Composite Index	20.54	-3.08	7.51	10.73	13.49
Mid Cap Funds	24.50	-9.23	-2.27	5.64	10.15
Russell Midcap Index	24.61	-9.13	-2.24	5.79	10.55
Small Cap Funds	28.40	-13.24	-8.23	5.09	10.85
Russell 2000 Index (USD)	25.42	-12.98	-6.63	2.01	9.32
International Equities	17.95	-10.49	-3.05	1.41	7.58
MSCI EAFE Index (Net)	14.88	-11.34	-5.13	.81	5.55
MSCI EM Free Index (Net USD)	18.08	-9.78	-3.39	1.90	9.45
Real Estate - ETFs / Sctr Fds	10.36	-15.14	-8.37	1.62	
Wilshire REIT Index	10.56	-17.77	-12.30	.23	3.11
Total Managed Portfolio	14.09	-2.62	3.04	5.81	7.96

Returns are gross of account level investment advisory fees and net of any fees including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured have no bank guarantee and may lose value.

ASSET ALLOCATION- City of Brea

Current Asset Allocation	Weight	Ticker	Investment Vehicle	Market Value
Equity	58.35%		Range: 50%-70%	\$ 5,084,597.91
Large Cap Core	6.83%	COFYX	Columbia Contrarian Core Cl Y	\$595,092.43
	15.34%	VGIAX	Vanguard Gro & Inc Admiral Shares	\$1,336,635.67
Large Cap Value	5.03%	DODGX	Dodge & Cox International Stock Fund	\$438,262.81
	1.98%	IVE	iShares S&P 500 Value ETF	\$172,270.32
Large Cap Growth	3.75%	HNACX	Harbor CP Appre Rtrmt Cl	\$327,005.24
	3.65%	PRUFX	T. Rowe Price Growth Stock Fund	\$318,454.99
Mid Cap Growth	4.05%	IWR	iShares Russell Mid Cap ETF	\$352,688.00
Small Cap Value	2.72%	UBVFX	Undiscovered Mgrs Behavrl R6	\$237,151.28
Small Cap Growth	2.89%	RSEJX	Victory RS Small Cap Growth	\$251,671.36
International Core	3.09%	DFALX	DFA Large Cap International Port	\$269,084.49
International Value	1.98%	DODFX	Dodge & Cox International Stock Fund	\$172,675.66
International Growth	2.03%	MGRDX	MFS International Growth Fund	\$176,525.44
Emerging Markets	4.05%	HHHFX	Hartford Schrodr Mkts Eq	\$353,288.71
REIT	0.96%	VNQ	Vngrd Index Tr Reit Viper Shs	\$83,791.51
Fixed Income	37.64%		Ranges 30%-50%	\$ 3,279,552.14
Individuals Fixed Incom	30.68%		Corporate Bonds	\$2,673,424.05
Short-Term	6.96%	VFSUX	Vngrd ST Term Invmt Grade	\$606,128.09
Cash	4.01%		Range: 0%-20%	\$ 349,744.05
	4.01%	FGZXX	FIRST AMERN GOVT OBLIG FD CL Z	\$349,744.05
TOTAL	100.00%			\$8,713,894

ASSET ALLOCATION- City of Brea

Current Asset Allocation		Weight	Ticker	Investment Vehicle		Market Value
Fixed Income				Range: 30%-50%		
1-3 yrs	5.83%					
	A+	2.31%	V	Visa Inc	2.200% 12/14/20	\$201,318.00
	AA-	2.34%	CSCO	Cisco Systems	2.900% 3/04/21	\$203,598.00
	A-	1.18%	STI	Suntrust bank	2.700% 1/27/22	\$103,138.00
3-5 yrs	16.92%					
	AA+	1.83%	AAPL	Apple	2.850% 2/23/23	\$159,291.00
	A-	0.91%	JP,	JPMorgan Chase	2.700% 5/18/23	\$79,051.50
	BBB+	2.61%	VZ	Verizon Communications	5.150% 9/15/23	\$227,744.00
	A-	1.25%	PNC	PNC Finl Svc Grp	3.500% 1/23/24	\$109,320.00
	BBB	1.27%	MDLZ	Mondelez Inc	4.000% 2/01/24	\$110,314.00
	A	0.61%	HBAN	Huntington Bancshar	2.625% 8/06/24	\$52,943.00
	AA+	1.26%	WFC	Wells Fargo Corp	3.300% 9/09/24	\$109,555.00
	AA+	1.23%	XOM	Exxon Mobil Sr	2.709% 3/06/25	\$107,324.00
	A+	0.94%	PEP	Pepsico Inc	2.750% 4/30/25	\$81,840.00
	A-	1.28%	SYK	Stryker Corp	3.375% 11/01/25	\$111,866.00
	A	1.23%	ICE	Intercontinental Exchange	3.750% 12/01/25	\$107,580.00
		2.49%	ZBH	Zimmer Biomet	3.550% 4/30/25	\$217,224.00
5-7 yrs	7.93%					
	BBB	0.97%	MDLZ	Mondelez Inc	3.625% 2/13/26	\$84,609.00
	A	1.26%	KMB	Kimberly Clark	2.750% 2/15/26	\$109,600.00
	A+	1.87%	KO	Coca Cola Co	2.250% 9/01/26	\$162,982.50
	AA-	1.87%	NKE	Nike Inc	2.375% 11/01/26	\$163,255.50
	BBB	1.96%	ATT	AT&T Inc	4.250% 3/01/27	\$170,871.00
Total		30.68%				\$2,673,424.50

City of Brea

For Period Ending June 30, 2020

LARGE CAP EQUITY FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Columbia Contrarian Core Inst3	1.31	20.54	-1.39	9.76	9.54	9.71	14.19
Vanguard Growth & Income Adm	2.26	21.42	-3.31	6.79	10.23	10.25	13.90
Dodge & Cox Stock	1.85	20.02	-14.98	-6.21	2.99	5.93	11.71
iShares S&P 500 Value ETF	-0.95	13.12	-15.55	-4.62	3.59	5.83	10.70
Harbor Capital Appreciation Retirement	7.06	34.30	18.45	30.40	22.16	16.69	17.85
T. Rowe Price Growth Stock I	3.92	27.75	9.07	18.69	16.59	14.80	17.08
S&P 500 TR USD	1.99	20.54	-3.08	7.51	10.73	10.73	13.99
MID CAP EQUITY FUNDS							
iShares Russell Mid-Cap ETF	1.78	24.57	-9.18	-2.37	5.66	6.60	12.18
SMALL CAP EQUITY FUNDS							
Undiscovered Managers Behavioral Val R6	4.60	21.12	-28.32	-24.11	-6.11	0.07	9.19
Victory RS Small Cap Growth R6	3.83	35.64	3.05	8.40	14.94	9.81	15.70
Russell 2000 TR USD	3.53	25.42	-12.98	-6.63	2.01	4.29	10.50
REAL ESTATE FUNDS							
Vanguard Real Estate ETF	2.42	13.44	-13.92	-6.98	2.21	5.35	9.70
INTERNATIONAL EQUITY FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Dodge & Cox International Stock	5.05	17.36	-18.44	-11.28	-3.85	-1.22	4.82
DFA Large Cap International I	3.13	17.27	-11.38	-5.22	0.70	2.03	5.61
MFS International Growth R6	4.50	17.03	-4.80	2.58	7.08	7.45	8.28
MSCI EAFE NR USD	3.40	14.88	-11.34	-5.13	0.81	2.05	5.73
Hartford Schoders Emerging Mkts Eq F	6.74	19.40	-8.32	-0.68	3.53	4.60	4.28
MSCI EM NR USD	7.35	18.08	-9.78	-3.39	1.90	2.86	3.27
BOND FUNDS							
DoubleLine Core Fixed Income I	1.44	5.41	1.94	3.78	3.79	3.60	4.94
PGIM Total Return Bond R6	1.72	6.78	3.75	6.90	5.50	5.08	5.32
PIMCO Total Return Instl	1.04	3.88	6.16	8.34	5.21	4.42	4.22
Vanguard Short-Term Investment-Grade Adm	1.03	4.84	3.27	4.95	3.52	3.03	2.78
BBgBarc US Agg Bond TR USD	0.63	2.90	6.14	8.74	5.32	4.30	3.82

Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

City of Brea

COUNCIL COMMUNICATION

TO: Honorable Mayor and City Council Members

FROM: Bill Gallardo, City Manager

DATE: 07/27/2020

SUBJECT: Approval of Statement of Investment Policy for the City/Brea Successor Agency to the Brea Redevelopment Agency

RECOMMENDATION

Approve the City of Brea/Successor Agency to the Brea Redevelopment Agency Statement of Investment Policy.

BACKGROUND/DISCUSSION

State law allows the City Council to annually adopt the Statement of Investment Policy. Thus, per the City's fiscal policies, "The City Council will review and adopt annually an investment policy as recommended by the Investment Advisory Committee." The Investment Policy serves as a guideline for the investment of City and Successor Agency funds. The Brea Investment Advisory Committee annually reviews the Statement of Investment Policy for the City of Brea and the Successor Agency to the Brea Redevelopment Agency.

The below changes and additions have been recommended by Chandler Asset Management for review and approval by the Investment Advisory Committee. Chandler Asset Management, the City's Portfolio Manager, recommends the following to update the document to be consistent with their internal practices for the upcoming year:

1. **Investment Instruments Section (Pass Thru Securities)** – Delete the language related to Collateralized Mortgage Obligations (CMOs) to be in line with recommended best practices: *"Collateralized Mortgage Obligations must pass the Federal Financial Institution Examination Council (FFIEC) liquidity test to be an eligible investment for the City."* This line is recommended to be deleted because the Federal Financial Institution Examination Council (FFIEC) liquidity test is not in line with recognized best practices and limits the City's ability to take advantage of all permissible investments consistent with California Government Code.
2. **Investment Instruments Section (Mitigating Risk in the Portfolio)** – Add language regarding the downgrade of securities to enhance the risk mitigation measure of the policy. The following sentences are recommended to be added:
 - *If a security owned by the City is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken.*

- *Any actions taken related to the downgrade by the investment manager will be communicated to the Treasurer in a timely manner.*
- *If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.*

For ease of reference, the current Investment Policy is attached along with the red-lined version with recommended changes. In addition, a clean version with the recommended changes is also attached.

FISCAL IMPACT/SUMMARY

There is no fiscal impact from the adoption of the Statement of Investment Policy.

RESPECTFULLY SUBMITTED:

William Gallardo, City Manager

Prepared by: Faith Madrazo, Revenue & Budget Manager

Concurrence: Cindy Russell, Administrative Services Director

Attachments

Current Investment Policy - Adopted 8/20/19

Recommended Changes - REDLINED version

Draft Investment Policy - Clean Version

City Of Brea / Successor Agency to the Brea Redevelopment Agency

FINAL

STATEMENT OF INVESTMENT POLICY

August 20, 2019

Purpose: This statement is intended to provide a guideline for the prudent investment of funds and to outline the policies for maximizing the efficiency of the City of Brea and Successor Agency to the Brea Redevelopment Agency ("City") cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled funds. This investment policy has been prepared so as to be in conformance with all pertinent existing laws of the State of California for General Law cities.

Objective: The cash management system of the City is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain a market rate of return without incurring undue risk to principal. The objectives of such investments are: 1) preserve capital, 2) maintain financial flexibility/liquidity, and 3) obtain a competitive rate of return on the City's investments.

Scope: This investment policy applies to the decisions and activities of the City with regard to investing the financial assets of all funds, including the following: General Fund, Special Revenue Funds, Assessment Funds, Enterprise Funds, Internal Service Funds, Capital Projects Funds, Debt Service Funds, Reserve Funds, Trust and Agency Funds, and any other funds that may be created from time to time. This policy does not apply retiree health care savings/trust/plan(s) or deferred compensation plans.

Investment Responsibility: Investment decisions of the City funds are the responsibility of the City Treasurer and/or Administrative Services Director, and shall comply with the Investment Policy of the City. These responsibilities include the authority to open accounts with banks, brokers and dealers, establish safekeeping accounts or other arrangements for the custody of securities and to execute such documents as may be necessary.

Those authorized to execute transactions for the City include the: 1) City Treasurer, 2) Administrative Services Director, 3) Revenue and Budget Manager, and 4) those specifically deputized by the City Treasurer and Administrative Services Director with said authorization to be filed with the City Clerk. The City Treasurer and Administrative Services Director shall insure that an authorized person is available at all times to execute the City's investments. Investment managers, brokers and dealers are to be provided with a list of specified names of those persons authorized to execute transactions. The City Council may authorize the delegation of investments to an outside investment manager.

Reporting: The Administrative Services Director shall be responsible for reporting the status of investments to the City Council and City Manager on a monthly basis. These reports will disclose, at a minimum, the following information about the characteristics of the City's portfolio:

- A. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, and interest rate.
- B. Monthly transactions for the period.
- C. A one-page summary report that shows:

1. Average maturity of the portfolio and modified duration of the portfolio;
 2. Maturity distribution of the portfolio;
 3. Average portfolio credit quality; and,
 4. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months, year to date, and since inception compared to the City's market benchmark returns for the same periods;
- D. 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.
- E. A statement that the City has adequate funds to meet its cash flow requirements for the next six months.

Reports are to be submitted to the City Council and City Manager by the 3rd City Council meeting following the end of the reporting month.

The Investment Advisory Committee will review the status of investments on a quarterly basis. These reports shall include the type of investment, institution, face amount, market value, book value, interest rate, date of maturity, compliance to the investment policy.

If the City has an outside Investment Manager, the Investment Manager shall periodically report on the activity and results of the funds being managed by the Investment Manager. Additionally, the Investment Manager shall notify the Investment Advisory Committee when investment portfolios demonstrate low performance, if any, which occurs between each periodic report.

Prudence: The standard of prudence to be applied by the City Treasurer, Administrative Services Director, Revenue and Budget Manager, and those specifically deputized by the City Treasurer and Administrative Services Director with said authorization to be filed with the City Clerk shall be the "prudent investor" standard, as defined under Government Code Section 53600.3 which states, "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 City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City/Successor Agency to the Brea Redevelopment 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."

Ethics and Conflicts of Interest: Officers and employees involved in the City investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. City employees and investment officials shall disclose any material financial interests in financial institutions that conduct business within the City, and they shall further disclose any personal financial/investment positions that could be related to the performance of the City's portfolio. City employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

Investment Instruments: Funds of the City may be invested in any instrument allowable under current legislation of the State of California (Government Code Section 53600 et sec.)

so long as the investment is appropriate and consistent with this Investment Policy taking into consideration the City's investment objectives. Investment instruments may include:

- U.S. Treasury Obligations (Bills, Notes and Bonds)
- U.S. Government Agency Securities and Instrumentality's of Government Sponsored Corporations, including a maximum of 5% in callable bonds issued by such agencies
- Banker's Acceptances
- Commercial Paper
- Repurchase Agreements (requires a master repurchase agreement to be signed and on file with the bank or broker/dealer)
- Certificates of Deposit
- Negotiable Certificates of Deposit
- Passbook Savings Accounts
- Interest Bearing Checking Accounts
- Medium Term Corporate Notes
- Bank Money Market Accounts
- Local Agency Investment Fund (State Pool)
- County of Orange Investment Fund (County Pool)
- Other investments that are, or may become, legal investments through the State of California Government Code.

Provisions of Government Code Section 53601 shall be adhered to at all times. This includes, but is not limited to, the following restrictions:

- Bankers Acceptances cannot exceed 40% of the portfolio nor exceed 180 days;
- Commercial Paper cannot exceed 25% of the portfolio. Commercial Paper must be rated P-1 (Moody's), A-1 (Standard & Poor's) and cannot exceed 270 days;
- Money Market Funds cannot exceed 20% of the portfolio;
- Medium Term Corporate Notes cannot exceed 30% of the portfolio and must carry a minimum A rating;
- Pass-through securities including Collateralized Mortgage Obligations cannot exceed 20% of the portfolio.
 - Collateralized Mortgage Obligations must pass the Federal Financial Institution Examination Council (FFIEC) liquidity test to be an eligible investment for the City
 - Asset Backed Securities are limited to a maximum of 10% of the portfolio at time of purchase
 - Maximum maturity of 5 years
 - Asset Backed Security must be rated AA or higher
- Supranational Securities must be rated AA or higher, cannot exceed 15% of the portfolio and no more than 5% of portfolio per issuer. The maximum maturity cannot exceed 5 years.
- Additionally, the City will use the guidelines established by the joint committee of the California Municipal Treasurers Association and the California Society of Municipal Finance Officers as the basis for investing in government investment pools.

For purposes of complying with legal investment limitations, the percentage references pertaining to the above refers to the maturity value of the portfolio at the time of purchase.

Prohibited Investments: The City shall not invest any funds in derivatives, inverse floaters, range notes, or interest- only strips that are derived from a pool of mortgages. The City shall

not invest any funds in any security that could result in a zero interest accrual if held to maturity.

Collateralization: Collateralization shall be required on two types of investments: Certificates of deposit and repurchase (and reverse repurchase) agreements. A collateral agreement must be current and on file before any funds can be transferred for collateralized certificates of deposit.

Collateral shall be held by an independent third party with whom the City has a current written custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The right of collateral substitution is granted in accordance with the following requirements:

- A. Certificates of Deposit
 1. Government securities used as collateral require one hundred and ten (110) percent of market value to the face amount of the deposit
 2. Promissory notes secured by first trust deeds used as collateral require one hundred and fifty (150) percent of market value to the face amount of the deposit
 3. Irrevocable letters of Credit issued by the Federal Home Loan Bank of San Francisco require one hundred and five (105) percent of market value to the face amount of the deposit
- B. Repurchase and Reverse Repurchase Agreements
 1. Only U.S. Treasury securities or federal agency securities are acceptable collateral. All securities underlying repurchase agreements must be delivered to the City's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each repurchase agreement must equal or exceed one hundred and two (102) percent of the total dollar value of the money invested by the City for the term of the investment. For any repurchase agreement with a term of more than one (1) day, the value of the underlying securities must be reviewed on an ongoing basis according to market conditions. Market value must be calculated each time there is a substitution of collateral.
 2. The City or its trustee shall have perfected first security interest under the Uniform Commercial Code in all securities subject to a repurchase agreement.

Investment Criteria: Criteria for selecting investments and the order of priority are:

- A. Safety

The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The City only operates in those investments that are considered very safe.
- B. Liquidity

This refers to the ability to convert an investment into cash at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality when there is an occasional need for funds. The potential fluctuations in market value and the expected future availability of reasonable bids in the market are to be important considerations when selecting an investment.
- C. Yield

Yield is the potential dollar earnings an investment can provide and sometimes is described as the rate of return.

Diversification: The City will diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, or individual financial institutions. In no case, without prior notification and approval from the City Council, shall the amount invested in one entity at the time of purchase exceed 5% of the total portfolio, with the following exceptions:

- U.S. Federal Government Agency Obligations of one specific entity cannot exceed 25% of the maturity value of the portfolio at the time of purchase.
- U.S. Treasury Obligations (Treasury Bills, Treasury Strips, Bonds, Notes) directly backed by the full faith and credit of the United States for payment of principal and interest shall not be subject to a maximum percentage of the portfolio.
- Approved State and County investment pools together cannot exceed 60% of the maturity value of the portfolio at the time of purchase, and no more than 40% of the maturity value at the time of purchase can be deposited in any one particular pool.

Investment Pools: The City Treasurer, Administrative Services Director and City Council have determined that use of investment pools is a practical investment option. The City will utilize guidelines established by the California Municipal Treasurers Association and California Society of Municipal Finance Officers to ensure the safety of investment pools which includes a thorough investigation of the pool/fund prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

Maturity Limitations: Every investment instrument purchased must have a term remaining to maturity of less than five years, unless the investment is for the Senior Low Cost Housing Subsidy Program, bond proceeds for the Reserve Fund, funded/capitalized interest fund; or the City Council has granted express authority to make that investment, either specifically or as part of an investment program approved by the City Council no more than three months prior to the investment. When possible, a minimum of 25% of the portfolio should be in maturities of one year or less.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis which ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities shall be held by a third-party custodian designated

by the City and evidenced by safekeeping receipts with a written custodial agreement. The only exception to the foregoing shall be depository accounts and securities purchases made with: LAIF, direct time certificates of deposit and money market mutual funds, since the purchased securities are not deliverable. Settlement instructions sent to the safekeeping agent shall require authorization.

Monthly trust statements are reconciled to the Investment Reports by the City's Accountant. The City's Accountant performs reconciliation of the monthly bank statements. The periodic review of the investment portfolio, including investment types, purchase price, market values, maturity dates, and investment yields as well as conformance to the stated investment policy will be performed by the Investment Advisory Committee.

Qualified Broker/Dealers: For those investments managed directly by the City, the City shall maintain a listing of broker/dealers that are approved by the Investment Advisory Committee for investment purposes. All broker/dealers who desire to bid for investment transactions must supply the City with the following information; a completed broker/dealer questionnaire, audited financial statements, proof of National Association of Security Dealers' certification, trading resolution, proof of California registration, and certification of having read the City of Brea's investment policy.

The Investment Advisory Committee will conduct an annual review of the qualified broker/dealers. The decision to add or subtract from the authorized list of broker/dealers will be based on many factors to include, but not limited to, products offered, service levels, references, etc. No single factor will determine the Committee's final decision. A current audited financial statement is required to be on file for each broker/dealer with which the City of Brea invests. The City's authorized brokers/dealers shall provide written confirmation of having read and understood the City's investment policy and that all investments recommended by them will be suitable for the City of Brea.

Selection of broker/dealers used by an external investment adviser retained by the City will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

Monitoring and Adjusting the Portfolio: The City Treasurer and Administrative Services Director will routinely monitor the contents, performance and risk profile of the investment portfolio, the investment alternatives, and the relative values of competing investment instruments and will adjust the portfolio accordingly based on the approved Statement of Investment Policy on a quarterly basis. The City Council shall also bear a responsibility for monitoring the implementation of this policy and the safeguarding of the City's Treasury.

Performance Standards: The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Administrative Services Director shall monitor and evaluate the portfolio's performance relative to market benchmark, which will be included in the monthly report of investments. The Treasurer and Administrative Services Director shall select an appropriate, readily available index to use as a market benchmark.

Bond Funds/Arbitrage: The U.S. Tax Reform Act of 1986 requires the City to perform annual arbitrage calculations and rebate excess earnings from investments of proceeds of bond issues sold after the effective date of this law to the U.S. Treasury. This arbitrage calculation may be contracted with an outside source to provide the necessary technical assistance to comply with this regulation. Funds subject to the 1986 Tax Reform Act will be kept segregated from other funds and records will be kept in a fashion to facilitate the calculations. The City's investment position relative to the new arbitrage restrictions is to continue pursuing the maximum yield on applicable investments while ensuring the safety of capital and liquidity. It is a fiscally sound position to continue maximization of yield and to rebate excess earnings, if necessary.

Review/or Modification: The Investment Advisory Committee shall be responsible for reviewing and recommending modifications to the Statement of Investment Policy and submitting it to the City Council for approval on an annual basis. However, the City Treasurer and Administrative Services Director may, at any time, further restrict the investments approved for purchase as deemed appropriate.

Internal Controls: The City Treasurer and Administrative Services Director shall organize the investment function so that specific responsibility for the performance of duties is assigned with a clear line of authority and reporting. The functions of authorizing, executing and recording transactions, custody of investments and performing reconciliation's will be handled by separate persons to reduce the risk that anyone person is in a position to conceal errors or fraud in the normal course of duty. While no internal control system, however elaborate, can guarantee absolute assurance that the City's assets are safeguarded, it is the intent of the City's internal control system to provide reasonable assurance that management of the investment function meets the City's objectives. These internal controls shall be reviewed annually by the independent auditor who shall review and comment upon the content of this policy, the effectiveness of its implementation and applicable management controls with regard to its implementation and the safeguarding of the City's Treasury funds.

Investment Advisory Committee: An Investment Advisory Committee ("Committee") is established to review and make recommendations on the Investment Policy and investment strategy of the City of Brea/Successor Agency to the Brea Redevelopment Agency and to strengthen the internal control of the management of the City's funds. The following are the duties and responsibilities of the Committee:

A. Purpose

1. To review and make recommendations on investment policy and investment strategy of the City of Brea/Successor Agency to the Brea Redevelopment Agency.
2. To review the City's investments on a periodic basis and to recommend any exceptions and/or changes to the policy, to the City Council for review and approval.

B. Composition of Committee

1. City Treasurer
2. City Council Member, who serves as the Chair (selected by the City Council)
3. Administrative Services Director

4. Revenue and Budget Manager
5. Three (3) Brea Citizens (selected by the City Council with the City Treasurer as subcommittee members)

C. Functions

1. Annually (or as needed)
 - a. To review and approve Statement of Investment Policy
 - b. To review the financial condition and registrations of qualified broker/dealers
(Only required when investments are managed by the City)
2. Monthly or Quarterly
 - a. To review the City's investments
 - b. To recommend any modifications to the Investment Policy
 - c. To develop and carry out the ongoing investment strategy in accordance with the Investment Policy
 - d. To provide a status report at a study session of the City Council as requested

The function of the Committee is not to inhibit the daily operation of the Administrative Services Department, but to provide policy guidelines within which to work on a day-to-day basis. By this, it is meant that each individual trade need not be approved by the Committee at the time it is transacted provided that it falls within the scope of the Statement of Investment Policy.

Disclosure: Members of the Committee shall be required to comply with the Fair Political Practices Act reporting requirements (Form 700) on an annual basis and submit filings to the City Clerk's Office.

SEGREGATION OF RESPONSIBILITIES
(External)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	Administrative Services Director Revenue and Budget Manager
Recommend modifications to Investment Policy	City Treasurer Administrative Services Director Revenue and Budget Manager
Review formal Statement of Investment Policy and recommend a Council action	City Treasurer Investment Advisory Committee
Adopt formal Statement of Investment Policy	City Council
Select investments	Outside Investment Manager
Execute investment transactions and fax or email completed trade information to City	Outside Investment Manager
Review transactions for compliance with investment policy	City Treasurer Administrative Services Director or Revenue and Budget Manager
Investment verification (match broker confirmation to trade information provided by outside Investment Manager to City investment records)	Administrative Services Director or Revenue and Budget Manager
Record investment transactions into City's accounting records	City Accountant
Reconcile investment records to accounting records and bank statements and report any variances to Administrative Services Director and City Treasurer	City Accountant
Security	All investment securities will be held in safekeeping in the trust department of the City's Depository Bank, or other third party custodian as designated by the City Treasurer or Administrative Services Director.

SEGREGATION OF RESPONSIBILITIES
(Internal)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	City Treasurer Administrative Services Director Revenue and Budget Manager
Recommend modifications to Statement of Investment Policy	City Treasurer Administrative Services Director Revenue and Budget Manager Investment Advisory Committee
Review formal Statement of Investment Policy and recommend City Council action	Investment Advisory Committee
Annually review and adopt a formal Statement of Investment Policy	City Council
Select investments	Administrative Services Director or Revenue and Budget Manager
Approve transactions	Administrative Services Director
Execute investment transactions	Administrative Services Director
Investment verification (match broker confirmation to City investment records)	Administrative Services Director or Revenue and Budget Manager
Record investment transactions into City's accounting records	City Accountant
Reconcile investment records to accounting records and bank statements and report any variances to the Administrative Services Director	City Accountant
Security	All investment securities will be held in safekeeping in the trust department of the City's Depository Bank, or other third party custodian as designated by the City Treasurer or Administrative Services Director

GLOSSARY OF INVESTMENTS 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 “Freddie MacFreddieMac” issues discount notes, bonds and mortgage pass-through securities.

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

GNMA: The Government National Mortgage Association, known as “Ginnie MaeGinnieMae,” 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.

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.

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.

CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION (CMTA): Is the professional society of active public treasurers of California counties, cities and special districts. It sets ethical standards for the treasury profession in state and local governments in California.

CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS (CSMFO): Is a professional association of state, county and local government finance officers in

California. CSMFO is the statewide organization serving all of California municipal finance professionals, an affiliate of the nationwide Government Finance Officers Association (GFOA).

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, the issuer will likely call its current securities and reissue them at a lower rate of interest.

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

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: **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 BANK DEPOSIT: A bank deposit that is collateralized at least 100% (principal plus interest to maturity). The deposit is collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

COLLATERALIZED MORTGAGE OBLIGATION (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.

COLLATERALIZED TIME DEPOSIT: Time deposits that are collateralized at least 100% (principal plus interest to maturity). These instruments are collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

PAPER: The short-term unsecured debt of corporations.

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.

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.

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.

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.

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

DIVERSIFICATION: 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 security to changes in interest rates.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, *e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.*

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): The Federal Deposit Insurance Corporation (FDIC) is an independent federal agency insuring deposits in U.S. banks and thrifts in the event of bank failures. The FDIC was created in 1933 to maintain public confidence and encourage stability in the financial system through the promotion of sound banking practices.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INVERSE FLOATER: A bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate. An inverse floater adjusts its coupon payment as the interest rate changes. This investment is prohibited under in the City's and Successor Agency to the Brea Redevelopment Agency Investment Policy.

FEDERALLY INSURED TIME DEPOSIT: A time deposit is an interest-bearing bank deposit account that has a specified date of maturity, such as a certificate of deposit (CD). These deposits are limited to funds insured in accordance with FDIC insurance deposit limits.

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.

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.

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

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.

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

MONEY MARKET MUTUAL FUND: A mutual fund that invests exclusively in short-term securities. Examples of investments in money market funds are certificates of deposit and U.S. Treasury securities. Money market funds attempt to keep their net asset values at \$1 per share.

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.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating

agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CERTIFICATE OF DEPOSIT (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).

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

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

PASSBOOK SAVINGS ACCOUNT: A savings account in which deposits and withdrawals are recorded in the depositor's passbook.

PASS-THOUGH SECURITY: A pool of fixed income securities backed by a package of assets (i.e. mortgages) where the holder receives the principal and interest payments.

PORTFOLIO: Collection of securities held by an investor.

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.

PRINCIPAL: The face value or par value of an investment.

PRUDENT INVESTOR STANDARD: Is a standard defined under State Government Code Section 53600.3 that states 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 City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City/Successor Agency to the Brea Redevelopment 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.

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."

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

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.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

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

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

SECURITIES AND SECURITIES AND EXCHANGE COMMISSION (SEC): The U.S. Securities and Exchange Commission (SEC) is an independent federal government agency responsible for protecting investors, maintaining fair and orderly functioning of securities markets and facilitating capital formation. It was created by Congress in 1934 as the first federal regulator of securities markets. The SEC promotes full public disclosure, protects investors against fraudulent and manipulative practices in the market, and monitors corporate takeover actions in the United States.

SECURITIES AND EXCHANGE COMMISSION (SEC) RULE 15C315c3-1: An SEC rule setting capital requirements for brokers and dealers. Under Rule 15c3-1, a broker or dealer must have sufficient liquidity in order to cover the most pressing obligations. This is defined as having a certain amount of liquidity as a percentage of the broker/dealer's total obligations. If the percentage falls below a certain point, the broker or dealer may not be allowed to take on new clients and may have restrictions placed on dealings with current client.

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.

SUPRANATURAL: 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.

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.

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.

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

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

City Of Brea / Successor Agency to the Brea Redevelopment Agency

FINAL DRAFT

STATEMENT OF INVESTMENT POLICY

August ~~18, 2020~~, 2019

Purpose: This statement is intended to provide a guideline for the prudent investment of funds and to outline the policies for maximizing the efficiency of the City of Brea and Successor Agency to the Brea Redevelopment Agency ("City") cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled funds. This investment policy has been prepared so as to be in conformance with all pertinent existing laws of the State of California for General Law cities.

Objective: The cash management system of the City is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain a market rate of return without incurring undue risk to principal. The objectives of such investments are: 1) preserve capital, 2) maintain financial flexibility/liquidity, and 3) obtain a competitive rate of return on the City's investments.

Scope: This investment policy applies to the decisions and activities of the City with regard to investing the financial assets of all funds, including the following: General Fund, Special Revenue Funds, Assessment Funds, Enterprise Funds, Internal Service Funds, Capital Projects Funds, Debt Service Funds, Reserve Funds, Trust and Agency Funds, and any other funds that may be created from time to time. This policy does not apply retiree health care savings/trust/plan(s) or deferred compensation plans.

Investment Responsibility: Investment decisions of the City funds are the responsibility of the City Treasurer and/or Administrative Services Director, and shall comply with the Investment Policy of the City. These responsibilities include the authority to open accounts with banks, brokers and dealers, establish safekeeping accounts or other arrangements for the custody of securities and to execute such documents as may be necessary.

Those authorized to execute transactions for the City include the: 1) City Treasurer, 2) Administrative Services Director, 3) Revenue and Budget Manager, and 4) those specifically deputized by the City Treasurer and Administrative Services Director with said authorization to be filed with the City Clerk. The City Treasurer and Administrative Services Director shall insure that an authorized person is available at all times to execute the City's investments. Investment managers, brokers and dealers are to be provided with a list of specified names of those persons authorized to execute transactions. The City Council may authorize the delegation of investments to an outside investment manager.

Reporting: The Administrative Services Director shall be responsible for reporting the status of investments to the City Council and City Manager on a monthly basis. These reports will disclose, at a minimum, the following information about the characteristics of the City's portfolio:

- A. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, and interest rate.
- B. Monthly transactions for the period.
- C. A one-page summary report that shows:

1. Average maturity of the portfolio and modified duration of the portfolio;
 2. Maturity distribution of the portfolio;
 3. Average portfolio credit quality; and,
 4. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months, year to date, and since inception compared to the City's market benchmark returns for the same periods;
- D. 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.
- E. A statement that the City has adequate funds to meet its cash flow requirements for the next six months.

Reports are to be submitted to the City Council and City Manager by the 3rd City Council meeting following the end of the reporting month.

The Investment Advisory Committee will review the status of investments on a quarterly basis. These reports shall include the type of investment, institution, face amount, market value, book value, interest rate, date of maturity, compliance to the investment policy.

If the City has an outside Investment Manager, the Investment Manager shall periodically report on the activity and results of the funds being managed by the Investment Manager. Additionally, the Investment Manager shall notify the Investment Advisory Committee when investment portfolios demonstrate low performance, if any, which occurs between each periodic report.

Prudence: The standard of prudence to be applied by the City Treasurer, Administrative Services Director, Revenue and Budget Manager, and those specifically deputized by the City Treasurer and Administrative Services Director with said authorization to be filed with the City Clerk shall be the "prudent investor" standard, as defined under Government Code Section 53600.3 which states, "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 City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City/Successor Agency to the Brea Redevelopment 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."

Ethics and Conflicts of Interest: Officers and employees involved in the City investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. City employees and investment officials shall disclose any material financial interests in financial institutions that conduct business within the City, and they shall further disclose any personal financial/investment positions that could be related to the performance of the City's portfolio. City employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

Investment Instruments: Funds of the City may be invested in any instrument allowable under current legislation of the State of California (Government Code Section 53600 et sec.)

so long as the investment is appropriate and consistent with this Investment Policy taking into consideration the City's investment objectives. Investment instruments may include:

- U.S. Treasury Obligations (Bills, Notes and Bonds)
- U.S. Government Agency Securities and Instrumentality's of Government Sponsored Corporations, including a maximum of 5% in callable bonds issued by such agencies
- Banker's Acceptances
- Commercial Paper
- Repurchase Agreements (requires a master repurchase agreement to be signed and on file with the bank or broker/dealer)
- Certificates of Deposit
- Negotiable Certificates of Deposit
- Passbook Savings Accounts
- Interest Bearing Checking Accounts
- Medium Term Corporate Notes
- Bank Money Market Accounts
- Local Agency Investment Fund (State Pool)
- County of Orange Investment Fund (County Pool)
- Other investments that are, or may become, legal investments through the State of California Government Code.

Provisions of Government Code Section 53601 shall be adhered to at all times. This includes, but is not limited to, the following restrictions:

- Bankers Acceptances cannot exceed 40% of the portfolio nor exceed 180 days;
- Commercial Paper cannot exceed 25% of the portfolio. Commercial Paper must be rated P-1 (Moody's), A-1 (Standard & Poor's) and cannot exceed 270 days;
- Money Market Funds cannot exceed 20% of the portfolio;
- Medium Term Corporate Notes cannot exceed 30% of the portfolio and must carry a minimum A rating;
- Pass-through securities including Collateralized Mortgage Obligations cannot exceed 20% of the portfolio.
 - ~~Collateralized Mortgage Obligations must pass the Federal Financial Institution Examination Council (FFIEC) liquidity test to be an eligible investment for the City~~
 - Asset Backed Securities are limited to a maximum of 10% of the portfolio at time of purchase
 - Maximum maturity of 5 years
 - Asset Backed Security must be rated AA or higher
- Supranational Securities must be rated AA or higher, cannot exceed 15% of the portfolio and no more than 5% of portfolio per issuer. The maximum maturity cannot exceed 5 years.
- Additionally, the City will use the guidelines established by the joint committee of the California Municipal Treasurers Association and the California Society of Municipal Finance Officers as the basis for investing in government investment pools.

For purposes of complying with legal investment limitations, the percentage references pertaining to the above refers to the maturity value of the portfolio at the time of purchase.

If a security owned by the City is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will

Commented [CM1]: Recommend updating the language on CMO's to be consistent with best practices and CA code

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be taken:

- Any actions taken related to the downgrade by the investment manager will be communicated to the Treasurer in a timely manner.
- If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.

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Commented [DW2]: We recommend adding language regarding the downgrade of securities to enhance the risk mitigation measure of the policy.

Prohibited Investments: The City shall not invest any funds in derivatives, inverse floaters, range notes, or interest- only strips that are derived from a pool of mortgages. The City shall not invest any funds in any security that could result in a zero interest accrual if held to maturity.

Collateralization: Collateralization shall be required on two types of investments: Certificates of deposit and repurchase (and reverse repurchase) agreements. A collateral agreement must be current and on file before any funds can be transferred for collateralized certificates of deposit.

Collateral shall be held by an independent third party with whom the City has a current written custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The right of collateral substitution is granted in accordance with the following requirements:

- A. Certificates of Deposit
 1. Government securities used as collateral require one hundred and ten (110) percent of market value to the face amount of the deposit
 2. Promissory notes secured by first trust deeds used as collateral require one hundred and fifty (150) percent of market value to the face amount of the deposit
 3. Irrevocable letters of Credit issued by the Federal Home Loan Bank of San Francisco require one hundred and five (105) percent of market value to the face amount of the deposit
- B. Repurchase and Reverse Repurchase Agreements
 1. Only U.S. Treasury securities or federal agency securities are acceptable collateral. All securities underlying repurchase agreements must be delivered to the City's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each repurchase agreement must equal or exceed one hundred and two (102) percent of the total dollar value of the money invested by the City for the term of the investment. For any repurchase agreement with a term of more than one (1) day, the value of the underlying securities must be reviewed on an ongoing basis according to market conditions. Market value must be calculated each time there is a substitution of collateral.
 2. The City or its trustee shall have perfected first security interest under the Uniform Commercial Code in all securities subject to a repurchase agreement.

Investment Criteria: Criteria for selecting investments and the order of priority are:

- A. Safety

The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The City only operates in those investments that are considered very safe.

B. Liquidity

This refers to the ability to convert an investment into cash at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality when there is an occasional need for funds. The potential fluctuations in market value and the expected future availability of reasonable bids in the market are to be important considerations when selecting an investment.

C. Yield

Yield is the potential dollar earnings an investment can provide and sometimes is described as the rate of return.

Diversification: The City will diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, or individual financial institutions. In no case, without prior notification and approval from the City Council, shall the amount invested in one entity at the time of purchase exceed 5% of the total portfolio, with the following exceptions:

- U.S. Federal Government Agency Obligations of one specific entity cannot exceed 25% of the maturity value of the portfolio at the time of purchase.
- U.S. Treasury Obligations (Treasury Bills, Treasury Strips, Bonds, Notes) directly backed by the full faith and credit of the United States for payment of principal and interest shall not be subject to a maximum percentage of the portfolio.
- Approved State and County investment pools together cannot exceed 60% of the maturity value of the portfolio at the time of purchase, and no more than 40% of the maturity value at the time of purchase can be deposited in any one particular pool.

Investment Pools: The City Treasurer, Administrative Services Director and City Council have determined that use of investment pools is a practical investment option. The City will utilize guidelines established by the California Municipal Treasurers Association and California Society of Municipal Finance Officers to ensure the safety of investment pools which includes a thorough investigation of the pool/fund prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

Maturity Limitations: Every investment instrument purchased must have a term

remaining to maturity of less than five years, unless the investment is for the Senior Low Cost Housing Subsidy Program, bond proceeds for the Reserve Fund, funded/capitalized interest fund; or the City Council has granted express authority to make that investment, either specifically or as part of an investment program approved by the City Council no more than three months prior to the investment. When possible, a minimum of 25% of the portfolio should be in maturities of one year or less.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis which ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities shall be held by a third-party custodian designated by the City and evidenced by safekeeping receipts with a written custodial agreement. The only exception to the foregoing shall be depository accounts and securities purchases made with: LAIF, direct time certificates of deposit and money market mutual funds, since the purchased securities are not deliverable. Settlement instructions sent to the safekeeping agent shall require authorization.

Monthly trust statements are reconciled to the Investment Reports by the City's Accountant. The City's Accountant performs reconciliation of the monthly bank statements. The periodic review of the investment portfolio, including investment types, purchase price, market values, maturity dates, and investment yields as well as conformance to the stated investment policy will be performed by the Investment Advisory Committee.

Qualified Broker/Dealers: For those investments managed directly by the City, the City shall maintain a listing of broker/dealers that are approved by the Investment Advisory Committee for investment purposes. All broker/dealers who desire to bid for investment transactions must supply the City with the following information; a completed broker/dealer questionnaire, audited financial statements, proof of National Association of Security Dealers' certification, trading resolution, proof of California registration, and certification of having read the City of Brea's investment policy.

The Investment Advisory Committee will conduct an annual review of the qualified broker/dealers. The decision to add or subtract from the authorized list of broker/dealers will be based on many factors to include, but not limited to, products offered, service levels, references, etc. No single factor will determine the Committee's final decision. A current audited financial statement is required to be on file for each broker/dealer with which the City of Brea invests. The City's authorized brokers/dealers shall provide written confirmation of having read and understood the City's investment policy and that all investments recommended by them will be suitable for the City of Brea.

Selection of broker/dealers used by an external investment adviser retained by the City will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

Monitoring and Adjusting the Portfolio: The City Treasurer and Administrative Services Director will routinely monitor the contents, performance and risk profile of the investment

portfolio, the investment alternatives, and the relative values of competing investment instruments and will adjust the portfolio accordingly based on the approved Statement of Investment Policy on a quarterly basis. The City Council shall also bear a responsibility for monitoring the implementation of this policy and the safeguarding of the City's Treasury.

Performance Standards: The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Administrative Services Director shall monitor and evaluate the portfolio's performance relative to market benchmark, which will be included in the monthly report of investments. The Treasurer and Administrative Services Director shall select an appropriate, readily available index to use as a market benchmark.

Bond Funds/Arbitrage: The U.S. Tax Reform Act of 1986 requires the City to perform annual arbitrage calculations and rebate excess earnings from investments of proceeds of bond issues sold after the effective date of this law to the U.S. Treasury. This arbitrage calculation may be contracted with an outside source to provide the necessary technical assistance to comply with this regulation. Funds subject to the 1986 Tax Reform Act will be kept segregated from other funds and records will be kept in a fashion to facilitate the calculations. The City's investment position relative to the new arbitrage restrictions is to continue pursuing the maximum yield on applicable investments while ensuring the safety of capital and liquidity. It is a fiscally sound position to continue maximization of yield and to rebate excess earnings, if necessary.

Review/or Modification: The Investment Advisory Committee shall be responsible for reviewing and recommending modifications to the Statement of Investment Policy and submitting it to the City Council for approval on an annual basis. However, the City Treasurer and Administrative Services Director may, at any time, further restrict the investments approved for purchase as deemed appropriate.

Internal Controls: The City Treasurer and Administrative Services Director shall organize the investment function so that specific responsibility for the performance of duties is assigned with a clear line of authority and reporting. The functions of authorizing, executing and recording transactions, custody of investments and performing reconciliation's will be handled by separate persons to reduce the risk that anyone person is in a position to conceal errors or fraud in the normal course of duty. While no internal control system, however elaborate, can guarantee absolute assurance that the City's assets are safeguarded, it is the intent of the City's internal control system to provide reasonable assurance that management of the investment function meets the City's objectives. These internal controls shall be reviewed annually by the independent auditor who shall review and comment upon the content of this policy, the effectiveness of its implementation and applicable management controls with regard to its implementation and the safeguarding of the City's Treasury funds.

Investment Advisory Committee: An Investment Advisory Committee ("Committee") is established to review and make recommendations on the Investment Policy and investment strategy of the City of Brea/Successor Agency to the Brea Redevelopment Agency and to strengthen the internal control of the management of the City's funds. The following are the duties and responsibilities of the Committee:

A. Purpose

1. To review and make recommendations on investment policy and investment strategy of the City of Brea/Successor Agency to the Brea Redevelopment Agency.
2. To review the City's investments on a periodic basis and to recommend any exceptions and/or changes to the policy, to the City Council for review and approval.

B. Composition of Committee

1. City Treasurer
2. City Council Member, who serves as the Chair (selected by the City Council)
3. Administrative Services Director
4. Revenue and Budget Manager
5. Three (3) Brea Citizens (selected by the City Council with the City Treasurer as subcommittee members)

C. Functions

1. Annually (or as needed)
 - a. To review and approve Statement of Investment Policy
 - b. To review the financial condition and registrations of qualified broker/dealers (Only required when investments are managed by the City)
2. Monthly or Quarterly
 - a. To review the City's investments
 - b. To recommend any modifications to the Investment Policy
 - c. To develop and carry out the ongoing investment strategy in accordance with the Investment Policy
 - d. To provide a status report at a study session of the City Council as requested

The function of the Committee is not to inhibit the daily operation of the Administrative Services Department, but to provide policy guidelines within which to work on a day-to-day basis. By this, it is meant that each individual trade need not be approved by the Committee at the time it is transacted provided that it falls within the scope of the Statement of Investment Policy.

Disclosure: Members of the Committee shall be required to comply with the Fair Political Practices Act reporting requirements (Form 700) on an annual basis and submit filings to the City Clerk's Office.

SEGREGATION OF RESPONSIBILITIES
(External)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	Administrative Services Director Revenue and Budget Manager
Recommend modifications to Investment Policy	City Treasurer Administrative Services Director Revenue and Budget Manager
Review formal Statement of Investment Policy and recommend a Council action	City Treasurer Investment Advisory Committee
Adopt formal Statement of Investment Policy	City Council
Select investments	Outside Investment Manager
Execute investment transactions and fax or email completed trade information to City	Outside Investment Manager
Review transactions for compliance with investment policy	City Treasurer Administrative Services Director or Revenue and Budget Manager
Investment verification (match broker confirmation to trade information provided by outside Investment Manager to City investment records)	Administrative Services Director or Revenue and Budget Manager
Record investment transactions into City's accounting records	City Accountant
Reconcile investment records to accounting records and bank statements and report any variances to Administrative Services Director and City Treasurer	City Accountant
Security	All investment securities will be held in safekeeping in the trust department of the City's Depository Bank, or other third party custodian as designated by the City Treasurer or Administrative Services Director.

SEGREGATION OF RESPONSIBILITIES
(Internal)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	City Treasurer Administrative Services Director Revenue and Budget Manager
Recommend modifications to Statement of Investment Policy	City Treasurer Administrative Services Director Revenue and Budget Manager Investment Advisory Committee
Review formal Statement of Investment Policy and recommend City Council action	Investment Advisory Committee
Annually review and adopt a formal Statement of Investment Policy	City Council
Select investments	Administrative Services Director or Revenue and Budget Manager
Approve transactions	Administrative Services Director
Execute investment transactions	Administrative Services Director
Investment verification (match broker confirmation to City investment records)	Administrative Services Director or Revenue and Budget Manager
Record investment transactions into City's accounting records	City Accountant
Reconcile investment records to accounting records and bank statements and report any variances to the Administrative Services Director	City Accountant
Security	All investment securities will be held in safekeeping in the trust department of the City's Depository Bank, or other third party custodian as designated by the City Treasurer or Administrative Services Director

GLOSSARY OF INVESTMENTS 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 "Freddie MacFreddieMac" issues discount notes, bonds and mortgage pass-through securities.

FNMA: Like FHLB and Freddie MacFreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "Fannie MaeFannieMae," issues discount notes, bonds and mortgage pass-through securities.

GNMA: The Government National Mortgage Association, known as "Ginnie MaeGinnieMae," 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.

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.

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.

CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION (CMTA): Is the professional society of active public treasurers of California counties, cities and special districts. It sets ethical standards for the treasury profession in state and local governments in California.

CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS (CSMFO): Is a professional association of state, county and local government finance officers in

California. CSMFO is the statewide organization serving all of California municipal finance professionals, an affiliate of the nationwide Government Finance Officers Association (GFOA).

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, the issuer will likely call its current securities and reissue them at a lower rate of interest.

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

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: **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 BANK DEPOSIT: A bank deposit that is collateralized at least 100% (principal plus interest to maturity). The deposit is collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

COLLATERALIZED MORTGAGE OBLIGATION (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.

COLLATERIALIZED TIME DEPOSIT: Time deposits that are collateralized at least 100% (principal plus interest to maturity). These instruments are collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

PAPER: The short-term unsecured debt of corporations.

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.

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.

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.

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.

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

DIVERSIFICATION: 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 security to changes in interest rates.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, *e.g.,* S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): The Federal Deposit Insurance Corporation (FDIC) is an independent federal agency insuring deposits in U.S. banks and thrifts in the event of bank failures. The FDIC was created in 1933 to maintain public confidence and encourage stability in the financial system through the promotion of sound banking practices.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INVERSE FLOATER: A bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate. An inverse floater adjusts its coupon payment as the interest rate changes. This investment is prohibited under in the City's and Successor Agency to the Brea Redevelopment Agency Investment Policy.

FEDERALLY INSURED TIME DEPOSIT: A time deposit is an interest-bearing bank deposit account that has a specified date of maturity, such as a certificate of deposit (CD). These deposits are limited to funds insured in accordance with FDIC insurance deposit limits.

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.

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.

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

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.

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

MONEY MARKET MUTUAL FUND: A mutual fund that invests exclusively in short-term securities. Examples of investments in money market funds are certificates of deposit and U.S. Treasury securities. Money market funds attempt to keep their net asset values at \$1 per share.

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.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating

agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CERTIFICATE OF DEPOSIT (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).

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

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

PASSBOOK SAVINGS ACCOUNT: A savings account in which deposits and withdrawals are recorded in the depositor's passbook.

PASS-THROUGH SECURITY: A pool of fixed income securities backed by a package of assets (i.e. mortgages) where the holder receives the principal and interest payments.

PORTFOLIO: Collection of securities held by an investor.

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.

PRINCIPAL: The face value or par value of an investment.

PRUDENT INVESTOR STANDARD: Is a standard defined under State Government Code Section 53600.3 that states 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 City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City/Successor Agency to the Brea Redevelopment 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.

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."

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

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.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

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

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

SECURITIES AND SECURITIES AND EXCHANGE COMMISSION (SEC): The U.S. Securities and Exchange Commission (SEC) is an independent federal government agency responsible for protecting investors, maintaining fair and orderly functioning of securities markets and facilitating capital formation. It was created by Congress in 1934 as the first federal regulator of securities markets. The SEC promotes full public disclosure, protects investors against fraudulent and manipulative practices in the market, and monitors corporate takeover actions in the United States.

SECURITIES AND EXCHANGE COMMISSION (SEC) RULE 15c3-1: An SEC rule setting capital requirements for brokers and dealers. Under Rule 15c3-1, a broker or dealer must have sufficient liquidity in order to cover the most pressing obligations. This is defined as having a certain amount of liquidity as a percentage of the broker/dealer's total obligations. If the percentage falls below a certain point, the broker or dealer may not be allowed to take on new clients and may have restrictions placed on dealings with current client.

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.

SUPRANATURAL: 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.

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.

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.

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

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

City Of Brea / Successor Agency to the Brea Redevelopment Agency

DRAFT

STATEMENT OF INVESTMENT POLICY

August 18, 2020

Purpose: This statement is intended to provide a guideline for the prudent investment of funds and to outline the policies for maximizing the efficiency of the City of Brea and Successor Agency to the Brea Redevelopment Agency ("City") cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled funds. This investment policy has been prepared so as to be in conformance with all pertinent existing laws of the State of California for General Law cities.

Objective: The cash management system of the City is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain a market rate of return without incurring undue risk to principal. The objectives of such investments are: 1) preserve capital, 2) maintain financial flexibility/liquidity, and 3) obtain a competitive rate of return on the City's investments.

Scope: This investment policy applies to the decisions and activities of the City with regard to investing the financial assets of all funds, including the following: General Fund, Special Revenue Funds, Assessment Funds, Enterprise Funds, Internal Service Funds, Capital Projects Funds, Debt Service Funds, Reserve Funds, Trust and Agency Funds, and any other funds that may be created from time to time. This policy does not apply retiree health care savings/trust/plan(s) or deferred compensation plans.

Investment Responsibility: Investment decisions of the City funds are the responsibility of the City Treasurer and/or Administrative Services Director, and shall comply with the Investment Policy of the City. These responsibilities include the authority to open accounts with banks, brokers and dealers, establish safekeeping accounts or other arrangements for the custody of securities and to execute such documents as may be necessary.

Those authorized to execute transactions for the City include the: 1) City Treasurer, 2) Administrative Services Director, 3) Revenue and Budget Manager, and 4) those specifically deputized by the City Treasurer and Administrative Services Director with said authorization to be filed with the City Clerk. The City Treasurer and Administrative Services Director shall insure that an authorized person is available at all times to execute the City's investments. Investment managers, brokers and dealers are to be provided with a list of specified names of those persons authorized to execute transactions. The City Council may authorize the delegation of investments to an outside investment manager.

Reporting: The Administrative Services Director shall be responsible for reporting the status of investments to the City Council and City Manager on a monthly basis. These reports will disclose, at a minimum, the following information about the characteristics of the City's portfolio:

- A. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, and interest rate.

- B. Monthly transactions for the period.
- C. A one-page summary report that shows:
 - 1. Average maturity of the portfolio and modified duration of the portfolio;
 - 2. Maturity distribution of the portfolio;
 - 3. Average portfolio credit quality; and,
 - 4. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months, year to date, and since inception compared to the City's market benchmark returns for the same periods;
- D. 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.
- E. A statement that the City has adequate funds to meet its cash flow requirements for the next six months.

Reports are to be submitted to the City Council and City Manager by the 3rd City Council meeting following the end of the reporting month.

The Investment Advisory Committee will review the status of investments on a quarterly basis. These reports shall include the type of investment, institution, face amount, market value, book value, interest rate, date of maturity, compliance to the investment policy.

If the City has an outside Investment Manager, the Investment Manager shall periodically report on the activity and results of the funds being managed by the Investment Manager. Additionally, the Investment Manager shall notify the Investment Advisory Committee when investment portfolios demonstrate low performance, if any, which occurs between each periodic report.

Prudence: The standard of prudence to be applied by the City Treasurer, Administrative Services Director, Revenue and Budget Manager, and those specifically deputized by the City Treasurer and Administrative Services Director with said authorization to be filed with the City Clerk shall be the "prudent investor" standard, as defined under Government Code Section 53600.3 which states, "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 City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City/Successor Agency to the Brea Redevelopment 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."

Ethics and Conflicts of Interest: Officers and employees involved in the City investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. City employees and investment officials shall disclose any material financial interests in financial institutions that conduct business within the City, and they shall further disclose any personal financial/investment positions that could be related to the performance of the City's portfolio. City employees and officers shall refrain

from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

Investment Instruments: Funds of the City may be invested in any instrument allowable under current legislation of the State of California (Government Code Section 53600 et seq.) so long as the investment is appropriate and consistent with this Investment Policy taking into consideration the City's investment objectives. Investment instruments may include:

- U.S. Treasury Obligations (Bills, Notes and Bonds)
- U.S. Government Agency Securities and Instrumentality's of Government Sponsored Corporations, including a maximum of 5% in callable bonds issued by such agencies
- Banker's Acceptances
- Commercial Paper
- Repurchase Agreements (requires a master repurchase agreement to be signed and on file with the bank or broker/dealer)
- Certificates of Deposit
- Negotiable Certificates of Deposit
- Passbook Savings Accounts
- Interest Bearing Checking Accounts
- Medium Term Corporate Notes
- Bank Money Market Accounts
- Local Agency Investment Fund (State Pool)
- County of Orange Investment Fund (County Pool)
- Other investments that are, or may become, legal investments through the State of California Government Code.

Provisions of Government Code Section 53601 shall be adhered to at all times. This includes, but is not limited to, the following restrictions:

- Bankers Acceptances cannot exceed 40% of the portfolio nor exceed 180 days;
- Commercial Paper cannot exceed 25% of the portfolio. Commercial Paper must be rated P-1 (Moody's), A-1 (Standard & Poor's) and cannot exceed 270 days;
- Money Market Funds cannot exceed 20% of the portfolio;
- Medium Term Corporate Notes cannot exceed 30% of the portfolio and must carry a minimum A rating;
- Pass-through securities including Collateralized Mortgage Obligations cannot exceed 20% of the portfolio.
 - Asset Backed Securities are limited to a maximum of 10% of the portfolio at time of purchase
 - Maximum maturity of 5 years
 - Asset Backed Security must be rated AA or higher
- Supranational Securities must be rated AA or higher, cannot exceed 15% of the portfolio and no more than 5% of portfolio per issuer. The maximum maturity cannot exceed 5 years.
- Additionally, the City will use the guidelines established by the joint committee of the California Municipal Treasurers Association and the California Society of Municipal Finance Officers as the basis for investing in government investment pools.

For purposes of complying with legal investment limitations, the percentage references pertaining to the above refers to the maturity value of the portfolio at the time of purchase.

If a security owned by the City is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:

- Any actions taken related to the downgrade by the investment manager will be communicated to the Treasurer in a timely manner.
- If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.

Prohibited Investments: The City shall not invest any funds in derivatives, inverse floaters, range notes, or interest- only strips that are derived from a pool of mortgages. The City shall not invest any funds in any security that could result in a zero interest accrual if held to maturity.

Collateralization: Collateralization shall be required on two types of investments: Certificates of deposit and repurchase (and reverse repurchase) agreements. A collateral agreement must be current and on file before any funds can be transferred for collateralized certificates of deposit.

Collateral shall be held by an independent third party with whom the City has a current written custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The right of collateral substitution is granted in accordance with the following requirements:

- A. Certificates of Deposit
 1. Government securities used as collateral require one hundred and ten (110) percent of market value to the face amount of the deposit
 2. Promissory notes secured by first trust deeds used as collateral require one hundred and fifty (150) percent of market value to the face amount of the deposit
 3. Irrevocable letters of Credit issued by the Federal Home Loan Bank of San Francisco require one hundred and five (105) percent of market value to the face amount of the deposit
- B. Repurchase and Reverse Repurchase Agreements
 1. Only U.S. Treasury securities or federal agency securities are acceptable collateral. All securities underlying repurchase agreements must be delivered to the City's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each repurchase agreement must equal or exceed one hundred and two (102) percent of the total dollar value of the money invested by the City for the term of the investment. For any repurchase agreement with a term of more than one (1) day, the value of the underlying securities must be reviewed on an ongoing basis according to market conditions. Market value must be calculated each time there is a substitution of

collateral.

2. The City or its trustee shall have perfected first security interest under the Uniform Commercial Code in all securities subject to a repurchase agreement.

Investment Criteria: Criteria for selecting investments and the order of priority are:

A. Safety

The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The City only operates in those investments that are considered very safe.

B. Liquidity

This refers to the ability to convert an investment into cash at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality when there is an occasional need for funds. The potential fluctuations in market value and the expected future availability of reasonable bids in the market are to be important considerations when selecting an investment.

C. Yield

Yield is the potential dollar earnings an investment can provide and sometimes is described as the rate of return.

Diversification: The City will diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, or individual financial institutions. In no case, without prior notification and approval from the City Council, shall the amount invested in one entity at the time of purchase exceed 5% of the total portfolio, with the following exceptions:

- U.S. Federal Government Agency Obligations of one specific entity cannot exceed 25% of the maturity value of the portfolio at the time of purchase.
- U.S. Treasury Obligations (Treasury Bills, Treasury Strips, Bonds, Notes) directly backed by the full faith and credit of the United States for payment of principal and interest shall not be subject to a maximum percentage of the portfolio.
- Approved State and County investment pools together cannot exceed 60% of the maturity value of the portfolio at the time of purchase, and no more than 40% of the maturity value at the time of purchase can be deposited in any one particular pool.

Investment Pools: The City Treasurer, Administrative Services Director and City Council have determined that use of investment pools is a practical investment option. The City will utilize guidelines established by the California Municipal Treasurers Association and California Society of Municipal Finance Officers to ensure the safety of investment pools which includes a thorough investigation of the pool/fund prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.

- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

Maturity Limitations: Every investment instrument purchased must have a term remaining to maturity of less than five years, unless the investment is for the Senior Low Cost Housing Subsidy Program, bond proceeds for the Reserve Fund, funded/capitalized interest fund; or the City Council has granted express authority to make that investment, either specifically or as part of an investment program approved by the City Council no more than three months prior to the investment. When possible, a minimum of 25% of the portfolio should be in maturities of one year or less.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis which ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities shall be held by a third-party custodian designated by the City and evidenced by safekeeping receipts with a written custodial agreement. The only exception to the foregoing shall be depository accounts and securities purchases made with: LAIF, direct time certificates of deposit and money market mutual funds, since the purchased securities are not deliverable. Settlement instructions sent to the safekeeping agent shall require authorization.

Monthly trust statements are reconciled to the Investment Reports by the City's Accountant. The City's Accountant performs reconciliation of the monthly bank statements. The periodic review of the investment portfolio, including investment types, purchase price, market values, maturity dates, and investment yields as well as conformance to the stated investment policy will be performed by the Investment Advisory Committee.

Qualified Broker/Dealers: For those investments managed directly by the City, the City shall maintain a listing of broker/dealers that are approved by the Investment Advisory Committee for investment purposes. All broker/dealers who desire to bid for investment transactions must supply the City with the following information; a completed broker/dealer questionnaire, audited financial statements, proof of National Association of Security Dealers' certification, trading resolution, proof of California registration, and certification of having read the City of Brea's investment policy.

The Investment Advisory Committee will conduct an annual review of the qualified broker/dealers. The decision to add or subtract from the authorized list of broker/dealers will be based on many factors to include, but not limited to, products offered, service levels, references, etc. No single factor will determine the Committee's final decision. A current audited financial statement is required to be on file for each broker/dealer with which the City of Brea invests. The City's authorized brokers/dealers shall provide written confirmation of having read and understood the City's investment policy and that all

investments recommended by them will be suitable for the City of Brea.

Selection of broker/dealers used by an external investment adviser retained by the City will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

Monitoring and Adjusting the Portfolio: The City Treasurer and Administrative Services Director will routinely monitor the contents, performance and risk profile of the investment portfolio, the investment alternatives, and the relative values of competing investment instruments and will adjust the portfolio accordingly based on the approved Statement of Investment Policy on a quarterly basis. The City Council shall also bear a responsibility for monitoring the implementation of this policy and the safeguarding of the City's Treasury.

Performance Standards: The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Administrative Services Director shall monitor and evaluate the portfolio's performance relative to market benchmark, which will be included in the monthly report of investments. The Treasurer and Administrative Services Director shall select an appropriate, readily available index to use as a market benchmark.

Bond Funds/Arbitrage: The U.S. Tax Reform Act of 1986 requires the City to perform annual arbitrage calculations and rebate excess earnings from investments of proceeds of bond issues sold after the effective date of this law to the U.S. Treasury. This arbitrage calculation may be contracted with an outside source to provide the necessary technical assistance to comply with this regulation. Funds subject to the 1986 Tax Reform Act will be kept segregated from other funds and records will be kept in a fashion to facilitate the calculations. The City's investment position relative to the new arbitrage restrictions is to continue pursuing the maximum yield on applicable investments while ensuring the safety of capital and liquidity. It is a fiscally sound position to continue maximization of yield and to rebate excess earnings, if necessary.

Review/or Modification: The Investment Advisory Committee shall be responsible for reviewing and recommending modifications to the Statement of Investment Policy and submitting it to the City Council for approval on an annual basis. However, the City Treasurer and Administrative Services Director may, at any time, further restrict the investments approved for purchase as deemed appropriate.

Internal Controls: The City Treasurer and Administrative Services Director shall organize the investment function so that specific responsibility for the performance of duties is assigned with a clear line of authority and reporting. The functions of authorizing, executing and recording transactions, custody of investments and performing

reconciliation's will be handled by separate persons to reduce the risk that anyone person is in a position to conceal errors or fraud in the normal course of duty. While no internal control system, however elaborate, can guarantee absolute assurance that the City's assets are safeguarded, it is the intent of the City's internal control system to provide reasonable assurance that management of the investment function meets the City's objectives. These internal controls shall be reviewed annually by the independent auditor who shall review and comment upon the content of this policy, the effectiveness of its implementation and applicable management controls with regard to its implementation and the safeguarding of the City's Treasury funds.

Investment Advisory Committee: An Investment Advisory Committee ("Committee") is established to review and make recommendations on the Investment Policy and investment strategy of the City of Brea/Successor Agency to the Brea Redevelopment Agency and to strengthen the internal control of the management of the City's funds. The following are the duties and responsibilities of the Committee:

A. Purpose

1. To review and make recommendations on investment policy and investment strategy of the City of Brea/Successor Agency to the Brea Redevelopment Agency.
2. To review the City's investments on a periodic basis and to recommend any exceptions and/or changes to the policy, to the City Council for review and approval.

B. Composition of Committee

1. City Treasurer
2. City Council Member, who serves as the Chair (selected by the City Council)
3. Administrative Services Director
4. Revenue and Budget Manager
5. Three (3) Brea Citizens (selected by the City Council with the City Treasurer as subcommittee members)

C. Functions

1. Annually (or as needed)
 - a. To review and approve Statement of Investment Policy
 - b. To review the financial condition and registrations of qualified broker/dealers (Only required when investments are managed by the City)
2. Monthly or Quarterly
 - a. To review the City's investments
 - b. To recommend any modifications to the Investment Policy
 - c. To develop and carry out the ongoing investment strategy in accordance with the Investment Policy
 - d. To provide a status report at a study session of the City Council as requested

The function of the Committee is not to inhibit the daily operation of the Administrative Services Department, but to provide policy guidelines within which to work on a day-to-day basis. By this, it is meant that each individual trade need not be approved by the Committee at the time it is transacted provided that it falls within the scope of the Statement of Investment Policy.

Disclosure: Members of the Committee shall be required to comply with the Fair Political

Practices Act reporting requirements (Form 700) on an annual basis and submit filings to the City Clerk's Office.

SEGREGATION OF RESPONSIBILITIES
(External)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	Administrative Services Director Revenue and Budget Manager
Recommend modifications to Investment Policy	City Treasurer Administrative Services Director Revenue and Budget Manager
Review formal Statement of Investment Policy and recommend a Council action	City Treasurer Investment Advisory Committee
Adopt formal Statement of Investment Policy	City Council
Select investments	Outside Investment Manager
Execute investment transactions and fax or email completed trade information to City	Outside Investment Manager
Review transactions for compliance with investment policy	City Treasurer Administrative Services Director or Revenue and Budget Manager
Investment verification (match broker confirmation to trade information provided by outside Investment Manager to City investment records)	Administrative Services Director or Revenue and Budget Manager
Record investment transactions into City's accounting records	City Accountant
Reconcile investment records to accounting records and bank statements and report any variances to Administrative Services Director and City Treasurer	City Accountant
Security	All investment securities will be held in safekeeping in the trust department of the City's Depository Bank, or other third party custodian as designated by the City Treasurer or Administrative Services Director.

SEGREGATION OF RESPONSIBILITIES
(Internal)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	City Treasurer Administrative Services Director Revenue and Budget Manager
Recommend modifications to Statement of Investment Policy	City Treasurer Administrative Services Director Revenue and Budget Manager Investment Advisory Committee
Review formal Statement of Investment Policy and recommend City Council action	Investment Advisory Committee
Annually review and adopt a formal Statement of Investment Policy	City Council
Select investments	Administrative Services Director or Revenue and Budget Manager
Approve transactions	Administrative Services Director
Execute investment transactions	Administrative Services Director
Investment verification (match broker confirmation to City investment records)	Administrative Services Director or Revenue and Budget Manager
Record investment transactions into City's accounting records	City Accountant
Reconcile investment records to accounting records and bank statements and report any variances to the Administrative Services Director	City Accountant
Security	All investment securities will be held in safekeeping in the trust department of the City's Depository Bank, or other third party custodian as designated by the City Treasurer or Administrative Services Director

GLOSSARY OF INVESTMENTS 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 “Freddie MacFreddieMac” issues discount notes, bonds and mortgage pass-through securities.

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

GNMA: The Government National Mortgage Association, known as “Ginnie MaeGinnieMae,” 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.

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.

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.

CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION (CMTA): Is the professional society of active public treasurers of California counties, cities and special districts. It sets ethical standards for the treasury profession in state and local governments in California.

CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS (CSMFO): Is a professional association of state, county and local government finance officers in

California. CSMFO is the statewide organization serving all of California municipal finance professionals, an affiliate of the nationwide Government Finance Officers Association (GFOA).

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, the issuer will likely call its current securities and reissue them at a lower rate of interest.

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

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: **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 BANK DEPOSIT: A bank deposit that is collateralized at least 100% (principal plus interest to maturity). The deposit is collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

COLLATERALIZED MORTGAGE OBLIGATION (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.

COLLATERALIZED TIME DEPOSIT: Time deposits that are collateralized at least 100% (principal plus interest to maturity). These instruments are collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

PAPER: The short-term unsecured debt of corporations.

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.

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.

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.

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.

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

DIVERSIFICATION: 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 security to changes in interest rates.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, *e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.*

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): The Federal Deposit Insurance Corporation (FDIC) is an independent federal agency insuring deposits in U.S. banks and thrifts in the event of bank failures. The FDIC was created in 1933 to maintain public confidence and encourage stability in the financial system through the promotion of sound banking practices.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INVERSE FLOATER: A bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate. An inverse floater adjusts its coupon payment as the interest rate changes. This investment is prohibited under in the City's and Successor Agency to the Brea Redevelopment Agency Investment Policy.

FEDERALLY INSURED TIME DEPOSIT: A time deposit is an interest-bearing bank deposit account that has a specified date of maturity, such as a certificate of deposit (CD). These deposits are limited to funds insured in accordance with FDIC insurance deposit limits.

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.

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.

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

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.

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

MONEY MARKET MUTUAL FUND: A mutual fund that invests exclusively in short-term securities. Examples of investments in money market funds are certificates of deposit and U.S. Treasury securities. Money market funds attempt to keep their net asset values at \$1 per share.

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.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating

agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CERTIFICATE OF DEPOSIT (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).

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

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

PASSBOOK SAVINGS ACCOUNT: A savings account in which deposits and withdrawals are recorded in the depositor's passbook.

PASS-THOUGH SECURITY: A pool of fixed income securities backed by a package of assets (i.e. mortgages) where the holder receives the principal and interest payments.

PORTFOLIO: Collection of securities held by an investor.

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.

PRINCIPAL: The face value or par value of an investment.

PRUDENT INVESTOR STANDARD: Is a standard defined under State Government Code Section 53600.3 that states 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 City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City/Successor Agency to the Brea Redevelopment 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.

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."

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

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.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

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

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

SECURITIES AND SECURITIES AND EXCHANGE COMMISSION (SEC): The U.S. Securities and Exchange Commission (SEC) is an independent federal government agency responsible for protecting investors, maintaining fair and orderly functioning of securities markets and facilitating capital formation. It was created by Congress in 1934 as the first federal regulator of securities markets. The SEC promotes full public disclosure, protects investors against fraudulent and manipulative practices in the market, and monitors corporate takeover actions in the United States.

SECURITIES AND EXCHANGE COMMISSION (SEC) RULE 15C315c3-1: An SEC rule setting capital requirements for brokers and dealers. Under Rule 15c3-1, a broker or dealer must have sufficient liquidity in order to cover the most pressing obligations. This is defined as having a certain amount of liquidity as a percentage of the broker/dealer's total obligations. If the percentage falls below a certain point, the broker or dealer may not be allowed to take on new clients and may have restrictions placed on dealings with current client.

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.

SUPRANATURAL: 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.

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.

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.

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

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

City of Brea

COUNCIL COMMUNICATION

TO: Honorable Mayor and City Council Members

FROM: Bill Gallardo, City Manager

DATE: 07/27/2020

SUBJECT: Investment Policy Guidelines for the City of Brea's Employee Benefit Fund Pension Plan

RECOMMENDATION

Review and approve the Investment Policy Guidelines for the City of Brea's Employee Benefit Fund Pension Plan through Public Agency Retirement Services (PARS).

BACKGROUND/DISCUSSION

On November 17, 2015, the City Council approved participation within the Public Agencies Post-Employment Benefits Trust Program that established the City of Brea's Employee Benefit Fund Pension Plan ("Plan"). The Plan is administered by Public Agencies Retirement Services (PARS) to assist the City in "pre-funding" its pension obligations in an irrevocable Section 115 Trust account. Some of the benefits of participating in the program are summarized below:

- City maintains oversight of investment management and control over the risk tolerance level of the portfolio;
- Assets held in the PARS Section 115 Trust account allows for greater investment flexibility and risk diversification compared to the City's General Fund investments;
- Assets could be accessed to offset unexpected CalPERS rate increases (rate stabilization);
- Potential to improve an agency's bond rating; and
- Flexibility to access assets at any time as long as it is used to pay employer's pension obligations.

The investment strategies for these assets are defined within the City's Investment Policy Guidelines that were developed and evaluated by PARS, HighMark Capital Management (the Plan's Investment Advisory Firm) and the City's Investment Advisory Committee (IAC). The purpose of the Investment Policy Guidelines is to facilitate communication and confirm the City's investment objectives for the Plan. It also helps maintain a long-term perspective when market volatility is caused by short-term market movements. The policy also details the Plan's Trustee, the Investment Manager and the Investment Advisory Committee's roles and responsibilities.

On January 19, 2016, the City Council adopted the City's Investment Policy Guidelines for the Plan and confirmed the IAC's recommendation of selecting the "Balanced" Asset

Allocation Strategy of the five strategies offered by the Plan's Investment Advisory Firm, HighMark Capital Management. This strategy provides growth of principal and income on the long term horizon.

On April 24, 2017, the Investment Advisory Committee, including PARS and HighMark Capital Management, reviewed the Investment Policy Guidelines and recommended expanding the responsibilities of the Investment Manager to include *"Notifying City Treasurer, Administrative Services Director and Investment Advisory Committee when investment portfolios demonstrate low performance, if any, which occurs between each periodic report."*

These changes were incorporated as part of the 2016 and 2017 annual review of the Investment Policy Guidelines. No changes are recommended as part of this annual review. The draft Investment Policy Guidelines is included as Attachment A. At this time, there are no changes recommended for the 2020 annual review.

FISCAL IMPACT/SUMMARY

There is no fiscal impact for approving the Investment Policy Guidelines.

RESPECTFULLY SUBMITTED:

William Gallardo, City Manager

Prepared by: Alicia Brenner, Senior Fiscal Analyst

Concurrence: Cindy Russell, Administrative Services Director

Attachments

Attachment A - Draft Investment Policy Guidelines



DRAFT

Investment Policy Guidelines

for the

City of Brea

Employee Benefits Fund Pension Plan

July 2020

Investment Policy Guidelines

Scope and Purpose

The purpose of these Investment Policy Guidelines is to:

- Facilitate the process of ongoing communication between the Plan Sponsor and its plan fiduciaries;
- Confirm the Plan's investment goals and objectives and management policies applicable to the investment portfolio identified below and obtained from the Plan Sponsor;
- Provide a framework to construct a well-diversified asset mix that can potentially be expected to meet the account's investment needs that is consistent with the account's investment objectives, liquidity considerations and risk tolerance;
- Identify any unique considerations that may restrict or limit the investment discretion of its designated investment managers;
- Help maintain a long-term perspective when market volatility is caused by short-term market movements.

Key Plan Sponsor Account Information as of July 2020

Plan Sponsor:	City of Brea
Governance:	Investment Advisory Committee for the City of Brea
Plan Name ("Plan"):	City of Brea Employee Benefit Fund Pension Plan
Trustee:	US Bank Contact: Sue Hughes, 949-224-7209 Susan.Hughes@usbank.com
Type of Account:	Pension Plan
Investment Manager:	US Bank, as discretionary trustee, has delegated investment management responsibilities to HighMark Capital Management, Inc. ("Investment Manager"), an SEC-registered investment adviser Contact: Keith Stribling, CFA, 949-553-2591 Keith.stribling@highmarkcapital.com

Investment Authority: Except as otherwise noted, the Trustee, US Bank, has delegated investment authority to HighMark Capital Management, an SEC-registered investment adviser. Investment Manager has full investment discretion over the managed assets in the account. Investment Manager is authorized to purchase, sell, exchange, invest, reinvest and manage the designated assets held in the account, all in accordance with account's investment objectives, without prior approval or subsequent approval of any other party(ies).

Investment Objectives and Constraints

The goal of the Plan's investment program is to provide a reasonable level of growth which, will result in sufficient assets to pay the present and future obligations of the Plan. The following objectives are intended to assist in achieving this goal:

- The Plan should seek to earn a return in excess of its policy benchmark over the life of the Plan.
- The Plan's assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic perspective of the capital markets.

Investment Time Horizon: Long-term

Anticipated Cash Flows: Assets in the Plan will seek to mitigate the impact of future rate increases from CalPERS. Typically increases in rates come with a one-year advance warning, however this Plan may transfer assets to CalPERS at any time.

Investment Objective: The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth herein. The investment objective the Plan Sponsor has selected is the **Balanced Objective**, which has a dual goal to seek growth of income and principal.

Risk Tolerance: *Balanced*
The account's risk tolerance has been rated moderate, which demonstrates that the account can accept price fluctuations to pursue its investment objectives.

Strategic Asset Allocation: The asset allocation ranges for this objective are listed below:

<i>Strategic Asset Allocation Ranges</i>		
Cash	Fixed Income	Equity
0-20%	30%-50%	50%-70%
Policy: 5%	Policy: 35%	Policy: 60%

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The Investment Manager will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with your objectives.

Security Guidelines:

Equities

With the exception of limitations and constraints described above, Investment Manager may allocate assets of the equity portion of the account among various market capitalizations (large, mid, small) and investment styles (value, growth). Further, Investment Manager may allocate assets among domestic, international developed and emerging market equity securities.

Total Equities	50%-70%
<i>Equity Style</i>	<i>Range</i>
Domestic Large Cap Equity	20%-50%
Domestic Mid Cap Equity	0%-15%
Domestic Small Cap Equity	0%-20%
International Equity (incl. Emerging Markets)	0%-20%
Real Estate Investment Trust (REIT)	0%-10%

Fixed Income

In the fixed income portion of the account, Investment Manager may allocate assets among various sectors and industries, as well as varying maturities and credit quality that are consistent with the overall goals and objectives of the portfolio.

Total Fixed Income	30%-50%
--------------------	---------

Eligible Investments

- Debt obligations of the U.S. Government, its agencies, and Government Sponsored Enterprises
- Mortgage-Backed Securities (MBS)
- Asset Backed Securities (ABS)
- Collateralized Mortgage Obligations (CMO)
- Commercial Mortgage-Backed Securities (CMBS)

- Corporate debt securities issued by U.S. or foreign entities including, but not limited to, limited partnerships, equipment trust certificates and enhanced equipment trust certificates

Quality

The portfolio will maintain a minimum weighted average quality of A- at all times. Individual securities shall have a minimum quality rating of Baa3 by Moody's or BBB- by Standard & Poor's (S&P).

Duration

The manager will maintain the portfolio duration within +/- 25% of the benchmark duration at all times.

Diversification

- Any individual issuer position size is to be less than 10% of the portfolio assets at time of purchase, with the exception of securities issued or guaranteed by the U.S. Government, its agencies, and Government Sponsored Enterprises
- High Yield will be managed with funds and/or ETF's at less than 5% of the total portfolio.

Performance Benchmarks:

The performance of the total Plan shall be measured over a three and five-year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance shall be compared to the return of the total portfolio blended benchmark shown below.

Total Portfolio Blended Benchmark

32.00%	S&P500 Index
6.00%	Russell Mid Cap Index
9.00%	Russell 2000 Index
4.00%	MSCI Emerging Market Index
7.00%	MSCI EAFE Index
2.00%	Wilshire REIT
27.00%	BC US Aggregate Index
6.75%	ML 1-3 Year US Corp/Gov't
1.25%	US High Yield Master II
5.00%	Citi 1Mth T-Bill

Asset Class/Style Benchmarks

Over a market cycle, the long-term objective for each investment strategy is to add value to a market benchmark. The following are the benchmarks used to monitor each investment strategy:

Large Cap Equity	S&P 500 Index
Growth	S&P 500 Growth Index
Value	S&P 500 Value Index
Mid Cap Equity	Russell Mid Cap Index
Growth	Russell Mid Cap Growth
Value	Russell Mid Cap Value
Small Cap Equity	Russell 2000 Index
Growth	Russell 2000 Growth
Value	Russell 2000 Value
REITs	Wilshire REIT
International Equity	MSCI EAFE
Investment Grade Bonds	Barclays US Aggregate

Security Selection

Investment Manager may utilize a full range of investment vehicles when constructing the investment portfolio, including but not limited to individual securities, mutual funds, and exchange-traded funds. In addition, to the extent permissible, Investment Manager is authorized to invest in shares of mutual funds in which the Investment Manager serves as advisor or sub-adviser.

Investment Limitations:

The following investment transactions are prohibited:

- Direct investments in precious metals (precious metals mutual funds and exchange-traded funds are permissible).
- Venture Capital
- Short sales*
- Purchases of Letter Stock, Private Placements, or direct payments
- Leveraged Transactions*
- Commodities Transactions Puts, calls, straddles, or other option strategies*
- Purchases of real estate, with the exception of REITs
- Individual high yield or below investment grade rated bonds (high yield will be managed with funds and/or ETF's)
- Derivatives, with exception of ETFs*

**Permissible in diversified mutual funds and exchange-traded funds*

Duties and Responsibilities

Responsibilities of Plan Sponsor

The Investment Advisory Committee of the City of Brea is responsible for:

- Confirming in writing the accuracy of this Investment Policy Guidelines.
- Advising Trustee and Investment Manager of any change in the plan/account's financial situation, funding status, or cash flows, which could possibly necessitate a change to the account's overall risk tolerance, time horizon or liquidity requirements; and thus would dictate a change to the overall investment objective and goals for the account.

The City Treasurer and Administrative Services Director is responsible for:

- Monitoring and supervising all service vendors and investment options, including investment managers.
- Avoiding prohibited transactions and conflicts of interest.
- Providing quarterly investment reports to the City Council.

Responsibilities of Trustee

The plan Trustee is responsible for:

- Valuing the holdings.
- Collecting all income and dividends owed to the Plan.
- Settling all transactions (buy-sell orders).

Responsibilities of Investment Manager

The Investment Manager is responsible for:

- Assisting the Investment Advisory Committee with the development and maintenance of this Investment Policy Guidelines annually.
- Meeting with Investment Advisory Committee semi-annually to review portfolio structure, holdings, and performance.
- Meeting with City Council annually to review portfolio structure, holdings, and performance.
- Providing quarterly investment reports to the Investment Advisory Committee.
- Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- Researching and monitoring investment advisers and investment vehicles.
- Purchasing, selling, and reinvesting in securities held in the account.
- Monitoring the performance of all selected assets.
- Notify Investment Advisory Committee when investment portfolios demonstrate low performance, if any, which occurs between each periodic report.
- Voting proxies, if applicable.
- Recommending changes to any of the above.
- Periodically reviewing the suitability of the investments, being available to meet with the committee at least once each year, and being available at such other times within reason at your request.
- Informing the committee if changes occur in personnel that are responsible for portfolio management or research.

Acknowledgement and Acceptance

I/We being the Plan Sponsor with responsibility for the account(s) held on behalf of the Plan Sponsor specified below, designate Investment Manager as having the investment discretion and management responsibility indicated in relation to all assets of the Plan or specified Account. If such designation is set forth in the Plan/trust, I/We hereby confirm such designation as Investment Manager.

I have read the Investment Policy Guidelines, and confirm the accuracy of it, including the terms and conditions under which the assets in this account are to be held, managed, and disposed of by Investment Manager. This Investment Policy Guidelines supersedes all previous versions of an Investment Policy Guidelines or investment objective instructions that may have been executed for this account.

Plan Sponsor: City of Brea

Date: _____

Investment Manager: Keith Stribling, CFA, Senior Portfolio Manager, (949) 553-2591

Date: _____

City of Brea

COUNCIL COMMUNICATION

TO: Honorable Mayor and City Council Members

FROM: Bill Gallardo, City Manager

DATE: 07/27/2020

SUBJECT: Investment Policy Guidelines for the City of Brea's Other Post Employment Benefits (OPEB) Trust Fund

RECOMMENDATION

Review and approve the Investment Guidelines for the City's Other Post Employment Benefits (OPEB) Trust Fund through Public Agency Retirement Services (PARS).

BACKGROUND/DISCUSSION

At their May 5, 2020 meeting, the City Council approved the Investment Guidelines as presented for the City's OPEB Trust Program ("Plan") following the Investment Advisory Committee's recommendation of a Moderate Investment Objective. The below chart summarizes the Strategic Asset Allocation for the Moderate Investment Objective:

<i>Strategic Asset Allocation Ranges</i>		
Cash	Fixed Income	Equity
0-20%	40%-60%	40%-60%
Policy: 5%	Policy: 45%	Policy: 50%

The goal of the Plan's investment program, as identified in the Investment Guidelines, is to provide a reasonable level of growth which will result in sufficient assets to pay the present and future obligations of the Plan. The following objectives are intended to assist in achieving this goal:

- The Plan should seek to earn a return in excess of its policy benchmark over the life of the Plan;
- The Plan's assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic perspective of the capital markets.

The purpose of the guidelines are to:

- Facilitate the process of ongoing communication between the Plan Sponsor and its plan fiduciaries;
- Confirm the Plan's investment goals and objectives and management policies applicable to the investment portfolio identified below and obtained from the Plan

Sponsor;

- Provide a framework to construct a well-diversified asset mix that can potentially be expected to meet the account's investment needs that is consistent with the account's investment objectives, liquidity considerations and risk tolerance;
- Identify any unique considerations that may restrict or limit the investment discretion of its designated investment managers; and
- Help maintain a long-term perspective when market volatility is caused by short-term market movements.

No changes are recommended as part of this review and attached is the draft Investment Policy Guidelines provided as Attachment A. Future annual reviews will be aligned with other investment policy/guideline updates.

RESPECTFULLY SUBMITTED:

William Gallardo, City Manager

Prepared by: Alicia Brenner, Senior Fiscal Analyst

Concurrence: Cindy Russell, Administrative Services Director

Attachments

Attachment A - Draft Investment Policy Guidelines



Investment Policy Guidelines

DRAFT

City of Brea

OPEB

July, 2020

Investment Policy Guidelines

Scope and Purpose

The purpose of these Investment Policy Guidelines is to:

- Facilitate the process of ongoing communication between the Plan Sponsor and its plan fiduciaries;
- Confirm the Plan's investment goals and objectives and management policies applicable to the investment portfolio identified below and obtained from the Plan Sponsor;
- Provide a framework to construct a well-diversified asset mix that can potentially be expected to meet the account's investment needs that is consistent with the account's investment objectives, liquidity considerations and risk tolerance;
- Identify any unique considerations that may restrict or limit the investment discretion of its designated investment managers;
- Help maintain a long-term perspective when market volatility is caused by short-term market movements.

Key Plan Sponsor Account Information as of July 2020

Plan Sponsor:	City of Brea
Governance:	Investment Advisory Committee for the City of Brea
Plan Name ("Plan"):	City of Brea OPEB plan
Trustee:	US Bank Contact: Sue Hughes, 949-224-7209 Susan.Hughes@usbank.com
Type of Account:	Other Post Employment Benefit (OPEB) Plan
Investment Manager:	US Bank, as discretionary trustee, has delegated investment management responsibilities to HighMark Capital Management, Inc. ("Investment Manager"), an SEC-registered investment adviser Contact: Keith Stribling, CFA, 949-553-2591 Keith.stribling@highmarkcapital.com

Investment Authority: Except as otherwise noted, the Trustee, US Bank, has delegated investment authority to HighMark Capital Management, an SEC-registered investment adviser. Investment Manager has full investment discretion over the managed assets in the account. Investment Manager is authorized to purchase, sell, exchange, invest, reinvest and manage the designated assets held in the account, all in accordance with account's investment objectives, without prior approval or subsequent approval of any other party(ies).

Investment Objectives and Constraints

The goal of the Plan's investment program is to provide a reasonable level of growth which, will result in sufficient assets to pay the present and future obligations of the Plan. The following objectives are intended to assist in achieving this goal:

- The Plan should seek to earn a return in excess of its policy benchmark over the life of the Plan.
- The Plan's assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic perspective of the capital markets.

Investment Time Horizon: Long-term

Anticipated Cash Flows: An amount equal to one hundred percent (100%) of the annual OPEB obligations up to the annual required contribution is anticipated to be deposited upfront in July of each year with disbursements to be made monthly to pay ongoing OPEB obligations.

Target Rate of Return: 3.87%

Investment Objective: **Moderate Objective:** The primary objective is to generate a reasonable level of growth. The investment objective the Plan Sponsor has selected is the **Moderate Objective**, which has a dual goal to seek growth of income and principal.

Risk Tolerance: **Moderate**
The account's risk tolerance has been rated moderate, which demonstrates that the account can accept price fluctuations to pursue its investment objectives.

Portfolio Type: **Highmark Plus (active strategy)**

Strategic Asset Allocation: The asset allocation ranges for this objective are listed below:

<i>Strategic Asset Allocation Ranges</i>		
Cash	Fixed Income	Equity
0-20%	40%-60%	40%-60%
Policy: 5%	Policy: 45%	Policy: 50%

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The Investment Manager will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with your objectives.

Security Guidelines:

Equities

With the exception of limitations and constraints described above, Investment Manager may allocate assets of the equity portion of the account among various market capitalizations (large, mid, small) and investment styles (value, growth). Further, Investment Manager may allocate assets among domestic, international developed and emerging market equity securities.

Total Equities	40%-60%
<i>Equity Style</i>	<i>Range</i>
Domestic Large Cap Equity	15%-45%
Domestic Mid Cap Equity	0%-10%
Domestic Small Cap Equity	0%-15%
International Equity (incl. Emerging Markets)	0%-15%
Real Estate Investment Trust (REIT)	0%-15%

Fixed Income

In the fixed income portion of the account, Investment Manager may allocate assets among various sectors and industries, as well as varying maturities and credit quality that are consistent with the overall goals and objectives of the portfolio.

Total Fixed Income	40%-60%
<i>Fixed Income Style</i>	<i>Range</i>
Long-term bonds (maturities >7 years)	0%-25%
Intermediate-term bonds (maturities 3-7 years)	25%-60%
Short-Term bonds (maturities <3 years)	0%-25%
High Yield bonds	0%-10%

Performance Benchmarks:

The performance of the total Plan shall be measured over a three and five-year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance shall be compared to the return of the total portfolio blended benchmark shown below.

Total Portfolio Blended Benchmark

26.50%	S&P500 Index
5.00%	Russell Mid Cap Index
7.50%	Russell 2000 Index
3.25%	MSCI Emerging Market Index
6.00%	MSCI EAFE Index
1.75%	Wilshire REIT
33.50%	Barclays Capital US Aggregate Index
10.00%	ML 1-3 Year US Corp/Gov't
1.50%	US High Yield Master II
5.00%	Citi 1Mth T-Bill

Asset Class/Style Benchmarks

Over a market cycle, the long-term objective for each investment strategy is to add value to a market benchmark. The following are the benchmarks used to monitor each investment strategy:

Large Cap Equity	S&P 500 Index
Growth	S&P 500 Growth Index
Value	S&P 500 Value Index
Mid Cap Equity	Russell Mid Cap Index
Growth	Russell Mid Cap Growth
Value	Russell Mid Cap Value
Small Cap Equity	Russell 2000 Index
Growth	Russell 2000 Growth
Value	Russell 2000 Value
REITs	Wilshire REIT
International Equity	MSCI EAFE
Investment Grade Bonds	Barclays US Aggregate

Security Selection

Investment Manager may utilize a full range of investment vehicles when constructing the investment portfolio, including but not limited to individual securities, mutual funds, and exchange-traded funds. In addition, to the extent permissible, Investment Manager is authorized to invest in shares of mutual funds in which the Investment Manager serves as advisor or sub-adviser.

Investment Limitations:

The following investment transactions are prohibited:

- Direct investments in precious metals (precious metals mutual funds and exchange-traded funds are permissible).
- Venture Capital
- Short sales*
- Purchases of Letter Stock, Private Placements, or direct payments
- Leveraged Transactions*
- Commodities Transactions Puts, calls, straddles, or other option strategies*
- Purchases of real estate, with the exception of REITs
- Individual high yield or below investment grade rated bonds (high yield will be managed with funds and/or ETF's)
- Derivatives, with exception of ETFs*

**Permissible in diversified mutual funds and exchange-traded funds*

Duties and Responsibilities***Responsibilities of Plan Sponsor***

The Investment Advisory Committee of the City of Brea is responsible for: Confirming in writing the accuracy of this Investment Policy Guidelines.

- Advising Trustee and Investment Manager of any change in the plan/account's financial situation, funding status, or cash flows, which could possibly necessitate a change to the account's overall risk tolerance, time horizon or liquidity requirements; and thus would dictate a change to the overall investment objective and goals for the account.

The City Treasurer and Administrative Services Director is responsible for:

- Monitoring and supervising all service vendors and investment options, including investment managers.
- Avoiding prohibited transactions and conflicts of interest.
- Providing quarterly investment reports to the City Council.

Responsibilities of Trustee

The plan Trustee is responsible for:

- Valuing the holdings.
- Collecting all income and dividends owed to the Plan.
- Settling all transactions (buy-sell orders).

Responsibilities of Investment Manager

The Investment Manager is responsible for:

- Assisting the Investment Advisory Committee with the development and maintenance of this Investment Policy Guidelines annually.
- Meeting with Investment Advisory Committee annually to review portfolio structure, holdings, and performance.
- Meeting with City Council annually to review portfolio structure, holdings, and performance.
- Providing quarterly investment reports to the Investment Advisory Committee.

- Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- Researching and monitoring investment advisers and investment vehicles.
- Purchasing, selling, and reinvesting in securities held in the account.
- Monitoring the performance of all selected assets.
- Voting proxies, if applicable.
- Recommending changes to any of the above.
- Periodically reviewing the suitability of the investments, being available to meet with the committee at least once each year, and being available at such other times within reason at your request.
- Informing the committee if changes occur in personnel that are responsible for portfolio management or research.

Acknowledgement and Acceptance

I/We being the Plan Sponsor with responsibility for the account(s) held on behalf of the Plan Sponsor specified below, designate Investment Manager as having the investment discretion and management responsibility indicated in relation to all assets of the Plan or specified Account. If such designation is set forth in the Plan/trust, I/We hereby confirm such designation as Investment Manager.

I have read the Investment Policy Guidelines, and confirm the accuracy of it, including the terms and conditions under which the assets in this account are to be held, managed, and disposed of by Investment Manager. This Investment Policy Guidelines supersedes all previous versions of an Investment Policy Guidelines or investment objective instructions that may have been executed for this account.

 Plan Sponsor: City of Brea

Date: _____

 Investment Manager: Keith Stribling, CFA, Senior Portfolio Manager, (949) 553-2591

Date: _____

City of Brea

COUNCIL COMMUNICATION

TO: Honorable Mayor and City Council Members

FROM: Bill Gallardo, City Manager

DATE: 07/27/2020

SUBJECT: Monthly Report of Investments for the City of Brea for Period Ending June 30, 2020

RECOMMENDATION

Receive and file.

BACKGROUND/DISCUSSION

The Monthly Report of Investments is in accordance with Government Code Section 53607 and contains information on the investment activities for the month of June. Cash for day-to-day activities is deposited in the demand and interest-bearing checking accounts.

The Local Agency Investment Fund (LAIF) is used for short term investment and functions like a savings account. The City's managed investment portfolio is for longer-term investments which are managed through Chandler Asset Management. Together, the short and long-term investment accounts represent the City's investment portfolio. Attachment A includes a Portfolio Summary, Holdings Report, Book Value Report and Compliance with Investment Policy Statement prepared by Chandler Asset Management for the invested funds. The book value is the cost plus or minus amortization/accretion.

As of June 30, 2020, the total market value of the managed investment portfolio, including accrued interest, was \$89,641,300.74 as compared to \$89,399,602.21 at May 31, 2020. The weighted average investment yield for June 2020 was 1.95%, which was slightly lower than the prior month. The City's Local Agency Investment Fund (LAIF) had a total market value, including accrued interest of \$24,955,675.61 at June 30, 2020. This brings the total value of the City's investment portfolio as of June 30, 2020 to \$114,596,976.35 as compared to \$114,330,692.25 at May 31, 2020.

Restricted cash and investments are held in the post-employment benefits trust account administered by PARS (PARS account) and managed by HighMark Capital and the City's various bond reserve accounts which are managed by Chandler Asset Management.

Attachment A includes a monthly statement from US Bank for the PARS account as well as a portfolio report from Chandler Asset Management for each bond reserve account that is invested. As of June 30, 2020, the market value of the PARS account, including short-term cash and accrued interest was \$8,744,442.59 as compared to \$8,577,044.26 from the prior month. All other restricted cash investments (bond reserve accounts), including short-term cash and accrued interest was \$3,315,055.10 in comparison to \$1,957,379.66 from the prior month.

All City investments are GASB rated No. 1, where the custodian (The Bank of New York Mellon Trust Company, N.A.) acts as an agent of the City, and is not a counter party to the investment transaction, and all securities are held in the name of the City of Brea. The custodial account at Bank of New York and account records with Chandler Asset Management have been reconciled to par value for the month. The City of Brea has sufficient cash flow to meet its expected expenditures for the next six months.

FISCAL IMPACT/SUMMARY

During the month of June, the total value of the City's investment portfolio increased by \$266,284.10. This is primarily due to receipt of sales tax during the month. The City's PARS account increased by \$167,398.33 due to market rate adjustments. The City's bond reserve accounts increased by \$1,357,675.44 due to an anticipated debt service payment for the 2019 Water Revenue Bonds that are due to the bond holders on July 1, 2020.

RESPECTFULLY SUBMITTED:

William Gallardo, City Manager

Prepared by: Alicia Brenner, Senior Fiscal Analyst

Concurrence: Cindy Russell, Administrative Services Director

Attachments

Attachment A

City of Brea
Cash and Investment Information
June 30, 2020

		Cost Value	Market Value*
Demand and Interest-Bearing Checking Accounts	Citizen's Bank	\$ 5,541,568.40	\$ 5,541,568.40
Local Agency Investment Fund	LAIF	\$ 24,898,505.50	\$ 24,955,675.61
Managed Investment Portfolio - CHANDLER	Chandler	\$ 85,875,613.22	\$ 89,641,300.74
PARS Post-Employment Benefits Trust**	US Bank	\$ 8,136,833.70	\$ 8,744,442.59
<u>Fiscal Agent Cash & Investments**</u>			
2010 Lease Revenue Bonds	Chandler/BNY	\$ 303,564.04	\$ 308,948.78
2014 Downtown Brea Public Improvements CFD Bonds	Chandler/BNY	\$ 164,398.06	\$ 164,398.06
2014 Water Revenue Bonds	Chandler/BNY	\$ 775,635.22	\$ 775,635.22
2017 Brea Plaza Public Improvements CFD Bonds (CFD 2008-2)	Chandler/BNY	\$ 669,553.90	\$ 708,660.63
2019 Olinda Ranch Public Improvements Bonds (CFD 1997-1)	Chandler/BNY	\$ 62.41	\$ 62.41
2019 Water Revenue Bonds	Chandler/BNY	\$ 1,357,350.00	\$ 1,357,350.00
Sub-total - Fiscal Agent Cash & Investments		\$ 3,270,563.63	\$ 3,315,055.10
Report Grand Total		\$ 127,723,084.45	\$ 132,198,042.44

* Includes accrued interest on invested funds

** Reserve Fund

City of Brea
Cash and Investment Information
June 30, 2020

Fiscal Agent Cash & Investments Detail		Cost Value	Market Value
10129	2010 Lease Revenue Bonds - CHANDLER	\$ 269,853.48	\$ 275,238.22
	Short-Term Treasury Funds - BNY	\$ 33,710.56	\$ 33,710.56
	Sub-total	\$ 303,564.04	\$ 308,948.78
	2014 Downtown Brea Public Improvements CFD Bonds - CHANDLER	\$ -	\$ -
	Short-Term Treasury Funds - BNY	\$ 164,398.06	\$ 164,398.06
	Sub-total	\$ 164,398.06	\$ 164,398.06
	2014 Water Revenue Bonds - CHANDLER	\$ -	\$ -
	Short-Term Treasury Funds - BNY	\$ 775,635.22	\$ 775,635.22
	Sub-total	\$ 775,635.22	\$ 775,635.22
10600	2017 Brea Plaza Public Improvements CFD Bonds (CFD 2008-2) - CHANDLER	\$ 658,544.61	\$ 697,651.34
	Short-Term Treasury Funds - BNY	\$ 11,009.29	\$ 11,009.29
	Sub-total	\$ 669,553.90	\$ 708,660.63
	2019 Olinda Ranch Public Improvements Bonds (CFD 1997-1) - CHANDLER	\$ -	\$ -
	Short-Term Treasury Funds - BNY	\$ 62.41	\$ 62.41
	Sub-total	\$ 62.41	\$ 62.41
	2019 Water Revenue Bonds - CHANDLER	\$ -	\$ -
	Short-Term Treasury Funds - BNY	\$ 1,357,350.00	\$ 1,357,350.00
	Sub-total	\$ 1,357,350.00	\$ 1,357,350.00
Report Grand Total		\$ 3,270,563.63	\$ 3,315,055.10



PORTFOLIO CHARACTERISTICS

Average Modified Duration	0.00
Average Coupon	1.15%
Average Purchase YTM	1.15%
Average Market YTM	1.15%
Average S&P/Moody Rating	NR/NR
Average Final Maturity	0.00 yrs
Average Life	0.00 yrs

ACCOUNT SUMMARY

	Beg. Values as of 5/31/20	End Values as of 6/30/20
Market Value	24,898,506	24,898,506
Accrued Interest	32,585	57,170
Total Market Value	24,931,090	24,955,676
Income Earned	15,390	24,586
Cont/WD		0
Par	24,898,506	24,898,506
Book Value	24,898,506	24,898,506
Cost Value	24,898,506	24,898,506

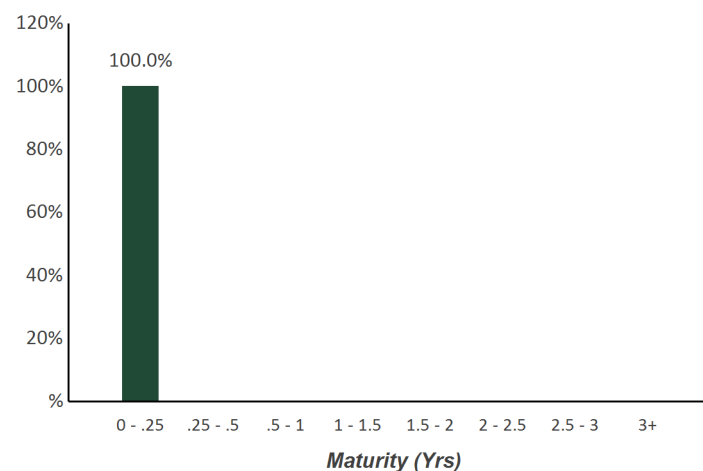
TOP ISSUERS

Local Agency Investment Fund	100.0%
Total	100.0%

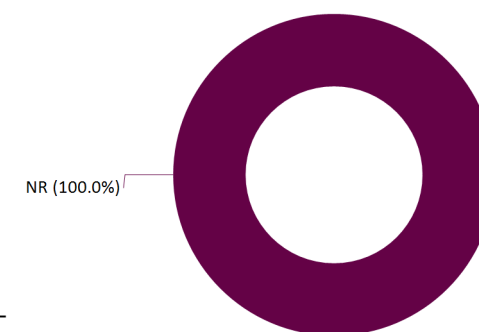
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

TOTAL RATE OF RETURN	Annualized								
	1M	3M	YTD	1YR	2YRS	3YRS	5YRS	10YRS	2/28/2012
City of Brea Laif	0.10%	0.36%	0.87%	2.08%	2.26%	1.96%	1.40%	N/A	N/A

Holdings Report

As of June 30, 2020



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
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	24,898,505.50	Various 1.15%	24,898,505.50 24,898,505.50	1.00 1.15%	24,898,505.50 57,170.11	100.00% 0.00	NR / NR NR	0.00 0.00
Total LAIF		24,898,505.50	1.15%	24,898,505.50	1.15%	24,898,505.50 57,170.11	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL PORTFOLIO		24,898,505.50	1.15%	24,898,505.50	1.15%	24,898,505.50 57,170.11	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUED						24,955,675.61			



PORTFOLIO CHARACTERISTICS

Average Modified Duration	2.58
Average Coupon	2.10%
Average Purchase YTM	1.95%
Average Market YTM	0.38%
Average S&P/Moody Rating	AA/Aa1
Average Final Maturity	2.83 yrs
Average Life	2.67 yrs

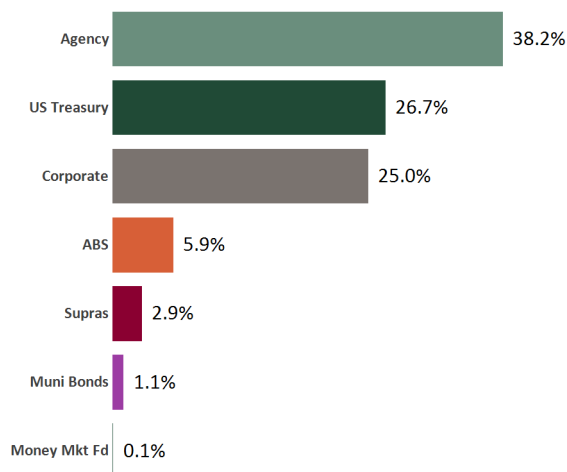
ACCOUNT SUMMARY

	Beg. Values as of 5/31/20	End Values as of 6/30/20
Market Value	88,958,035	89,205,971
Accrued Interest	441,568	435,330
Total Market Value	89,399,602	89,641,301
Income Earned	143,262	140,224
Cont/WD		0
Par	85,254,162	85,400,426
Book Value	85,711,582	85,865,675
Cost Value	85,705,431	85,875,613

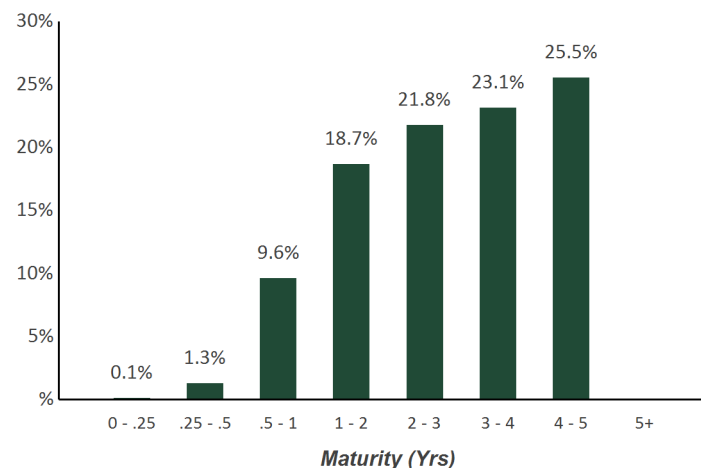
TOP ISSUERS

Government of United States	26.7%
Federal National Mortgage Assoc	18.9%
Federal Home Loan Bank	12.4%
Federal Home Loan Mortgage Corp	7.0%
Inter-American Dev Bank	2.4%
John Deere ABS	2.2%
Honda ABS	1.5%
Toronto Dominion Holdings	1.3%
Total	72.4%

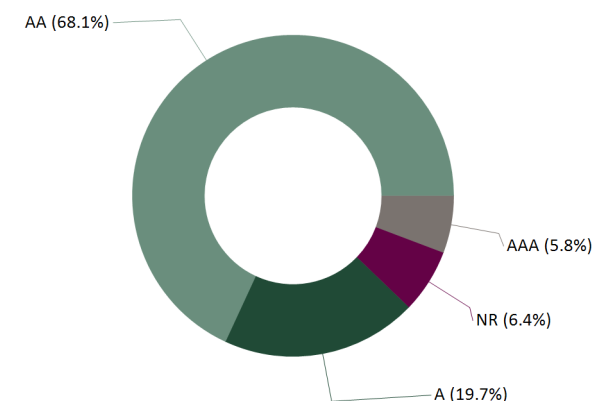
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

TOTAL RATE OF RETURN	1M	3M	YTD	1YR	Annualized				
					2YRS	3YRS	5YRS	10YRS	4/30/1996
City of Brea	0.27%	1.43%	3.88%	5.37%	5.12%	3.36%	2.52%	2.10%	3.92%
ICE BAML 1-5 Yr US Treasury/Agency Index*	0.06%	0.30%	4.06%	5.21%	5.04%	3.22%	2.30%	1.83%	3.57%
ICE BAML 1-5 Yr US Issuers Corp/Govt Rtd AAA-A Idx	0.14%	0.75%	4.06%	5.32%	5.16%	3.32%	2.42%	1.99%	N/A

*ICE BAML 1-Yr US Treasury Bill Index to 9/30/01,

Statement of Compliance

As of June 30, 2020

ATTACHMENT A



City of Brea

Assets managed by Chandler Asset Management are in full compliance with state law and with the Client's investment policy

Category	Standard	Comment
Treasury Issues	No limitations	Complies
US Agencies	25% per issuer	Complies
Supranationals	"AA" rated by a NRSRO; 15% maximum; 5% max per issuer	Complies
Municipal Securities	5% max issuer	Complies
Banker's Acceptances	40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1/P-1 by S&P and Moody's; 25% maximum; 5% max per issuer; 270 days max maturity	Complies
Certificates of Deposit(CDs)/ Time Deposits (TDs)	5% max issuer; FDIC Insured and/or Collateralized	Complies
Negotiable CDs	30% maximum; 5% max per issuer	Complies
Medium Term Notes	"A" rated or better by a NRSRO; 30% maximum; 5% max per issuer	Complies
Pass Through Securities, Asset-Backed Securities (ABS), CMOs	"AA" or higher by a NRSRO; "A" rated issuer by a NRSRO; 20% maximum (combined), 10% maximum (ABS); 5% max per issuer; CMOs must pass FFIEC test	Complies
Money Market Funds	Highest rating by two NRSROs; 20% maximum; 5% max per fund	Complies
LAIF	40%; <60%, with OCIP	Complies
OCIP	40%; <60%, with LAIF	Complies
Repurchase Agreements	5% max issuer; 1 year max maturity	Complies
Range notes	Prohibited	Complies
Interest-only strips	Prohibited	Complies
Zero interest accruals	Prohibited	Complies
Agency Callable notes	5% maximum	Complies
Max Per Issuer	5% per issuer for all non government issuers and agencies	Complies
Maximum Maturity	5 years	Complies

Reconciliation Summary

As of June 30, 2020



BOOK VALUE RECONCILIATION		
BEGINNING BOOK VALUE		\$85,711,582.33
<u>Acquisition</u>		
+ Security Purchases	\$1,615,121.39	
+ Money Market Fund Purchases	\$1,597,867.03	
+ Money Market Contributions	\$0.00	
+ Security Contributions	\$0.00	
+ Security Transfers	\$0.00	
Total Acquisitions		\$3,212,988.42
<u>Dispositions</u>		
- Security Sales	\$961,740.05	
- Money Market Fund Sales	\$1,615,699.35	
- MMF Withdrawals	\$0.00	
- Security Withdrawals	\$0.00	
- Security Transfers	\$0.00	
- Other Dispositions	\$0.00	
- Maturities	\$330,000.00	
- Calls	\$0.00	
- Principal Paydowns	\$150,903.02	
Total Dispositions		\$3,058,342.42
<u>Amortization/Accretion</u>		
+/- Net Accretion	(\$8,184.08)	
		(\$8,184.08)
<u>Gain/Loss on Dispositions</u>		
+/- Realized Gain/Loss	\$7,630.69	
		\$7,630.69
ENDING BOOK VALUE		\$85,865,674.94

CASH TRANSACTION SUMMARY		
BEGINNING BALANCE		\$96,113.80
<u>Acquisition</u>		
Contributions	\$0.00	
Security Sale Proceeds	\$961,740.05	
Accrued Interest Received	\$3,314.58	
Interest Received	\$151,904.39	
Dividend Received	\$4.99	
Principal on Maturities	\$330,000.00	
Interest on Maturities	\$0.00	
Calls/Redemption (Principal)	\$0.00	
Interest from Calls/Redemption	\$0.00	
Principal Paydown	\$150,903.02	
Total Acquisitions	\$1,597,867.03	
<u>Dispositions</u>		
Withdrawals	\$0.00	
Security Purchase	\$1,615,121.39	
Accrued Interest Paid	\$577.96	
Total Dispositions	\$1,615,699.35	
ENDING BOOK VALUE		\$78,281.48

Holdings Report

As of June 30, 2020



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									
654747AD6	Nissan Auto Receivables Trust 2017-A A3 1.74% Due 8/16/2021	50,723.56	12/27/2017 2.10%	50,400.60 50,623.46	100.13 0.27%	50,787.27 36.77	0.06% 163.81	Aaa / NR AAA	1.13 0.09
43811BAC8	Honda Auto Receivables Trust 2017-2 A3 1.68% Due 8/16/2021	76,089.95	04/27/2018 2.62%	74,906.98 75,686.13	100.27 0.29%	76,298.00 56.81	0.09% 611.87	Aaa / AAA NR	1.13 0.20
47788BAD6	John Deere Owner Trust 2017-B A3 1.82% Due 10/15/2021	15,700.69	07/11/2017 1.83%	15,699.54 15,700.34	100.19 0.54%	15,730.46 12.70	0.02% 30.12	Aaa / NR AAA	1.29 0.15
47788CAC6	John Deere Owner Trust 2018-A A3 2.66% Due 4/18/2022	82,463.68	02/21/2018 2.68%	82,457.75 82,461.10	100.68 0.74%	83,021.86 97.49	0.09% 560.76	Aaa / NR AAA	1.80 0.35
43815HAC1	Honda Auto Receivables Trust 2018-3 A3 2.95% Due 8/22/2022	397,062.71	08/21/2018 2.98%	397,008.24 397,033.43	101.75 0.22%	404,025.58 325.37	0.45% 6,992.15	Aaa / NR AAA	2.15 0.64
89238TAD5	Toyota Auto Receivables Trust 2018-B A3 2.96% Due 9/15/2022	591,787.79	07/25/2019 1.48%	598,052.41 596,201.50	101.52 0.31%	600,806.63 778.53	0.67% 4,605.13	Aaa / AAA NR	2.21 0.57
47788EAC2	John Deere Owner Trust 2018-B A3 3.08% Due 11/15/2022	445,316.58	07/18/2018 3.10%	445,282.83 445,297.99	101.60 0.33%	452,444.74 609.59	0.51% 7,146.75	Aaa / NR AAA	2.38 0.58
47789JAD8	John Deere Owner Trust 2019-A A3 2.91% Due 7/17/2023	650,000.00	06/24/2020 1.26%	667,087.89 667,011.33	102.62 0.53%	667,001.40 840.67	0.75% (9.93)	Aaa / NR AAA	3.05 1.08
43815NAC8	Honda Auto Receivables Trust 2019-3 A3 1.78% Due 8/15/2023	545,000.00	08/20/2019 1.79%	544,995.48 544,996.73	102.06 0.55%	556,203.02 431.16	0.62% 11,206.29	Aaa / AAA NR	3.13 1.64
477870AC3	John Deere Owner Trust 2019-B A3 2.21% Due 12/15/2023	280,000.00	07/16/2019 2.23%	279,940.56 279,953.26	101.81 0.88%	285,079.48 275.02	0.32% 5,126.22	Aaa / NR AAA	3.46 1.35
92348AAA3	Verizon Owner Trust 2019-C A1A 1.94% Due 4/22/2024	370,000.00	10/01/2019 1.95%	369,971.47 369,976.06	102.58 0.32%	379,557.84 219.33	0.42% 9,581.78	NR / AAA AAA	3.81 1.73
65479JAD5	Nissan Auto Receivables Owner 2019-C A3 1.93% Due 7/15/2024	980,000.00	Various 1.70%	984,828.76 984,613.06	102.78 0.48%	1,007,261.64 840.62	1.12% 22,648.58	Aaa / AAA NR	4.04 1.89
43813DAC2	Honda Auto Receivables 2020-2 A3 0.82% Due 7/15/2024	280,000.00	05/18/2020 0.83%	279,977.96 279,978.47	100.67 0.52%	281,875.44 102.04	0.31% 1,896.97	Aaa / AAA NR	4.04 2.18

Holdings Report

As of June 30, 2020



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									
47789KAC7	John Deere Owner Trust 2020-A A3 1.1% Due 8/15/2024	460,000.00	03/04/2020 1.11%	459,971.89 459,973.84	100.85 0.74%	463,893.90 224.89	0.52% 3,920.06	Aaa / NR AAA	4.13 2.32
Total ABS		5,224,144.96	1.83%	5,250,582.36 5,249,506.70	0.47%	5,323,987.26 4,850.99	5.94% 74,480.56	Aaa / AAA AAA	3.18 1.35
AGENCY									
3130A7CV5	FHLB Note 1.375% Due 2/18/2021	440,000.00	02/17/2016 1.46%	438,222.40 439,774.27	100.73 0.22%	443,227.84 2,235.14	0.50% 3,453.57	Aaa / AA+ AAA	0.64 0.63
3135G0J20	FNMA Note 1.375% Due 2/26/2021	1,275,000.00	Various 1.46%	1,269,953.70 1,274,317.28	100.74 0.25%	1,284,371.25 6,087.24	1.44% 10,053.97	Aaa / AA+ AAA	0.66 0.65
3135G0K69	FNMA Note 1.25% Due 5/6/2021	400,000.00	05/27/2016 1.48%	395,724.00 399,266.36	100.90 0.19%	403,600.40 763.89	0.45% 4,334.04	Aaa / AA+ AAA	0.85 0.85
3135G0U35	FNMA Note 2.75% Due 6/22/2021	500,000.00	06/28/2018 2.70%	500,740.00 500,241.91	102.49 0.20%	512,426.00 343.75	0.57% 12,184.09	Aaa / AA+ AAA	0.98 0.97
3130A8QS5	FHLB Note 1.125% Due 7/14/2021	1,285,000.00	10/04/2016 1.33%	1,273,126.60 1,282,423.57	100.98 0.18%	1,297,532.61 6,706.09	1.45% 15,109.04	Aaa / AA+ AAA	1.04 1.03
3137EAEC9	FHLMC Note 1.125% Due 8/12/2021	1,250,000.00	08/30/2016 1.33%	1,237,737.50 1,247,238.05	101.06 0.17%	1,263,295.00 5,429.69	1.42% 16,056.95	Aaa / AA+ AAA	1.12 1.11
3135G0N82	FNMA Note 1.25% Due 8/17/2021	1,285,000.00	Various 1.29%	1,282,305.71 1,284,376.52	101.19 0.19%	1,300,317.20 5,978.82	1.46% 15,940.68	Aaa / AA+ AAA	1.13 1.12
3130AF5B9	FHLB Note 3% Due 10/12/2021	1,350,000.00	11/29/2018 2.91%	1,353,402.00 1,351,520.66	103.60 0.19%	1,398,598.65 8,887.50	1.57% 47,077.99	Aaa / AA+ NR	1.28 1.26
3135G0S38	FNMA Note 2% Due 1/5/2022	1,350,000.00	04/25/2017 1.92%	1,354,927.50 1,351,589.79	102.74 0.19%	1,386,994.05 13,200.00	1.56% 35,404.26	Aaa / AA+ AAA	1.52 1.48
3135G0T45	FNMA Note 1.875% Due 4/5/2022	1,315,000.00	06/19/2017 1.88%	1,314,801.44 1,314,927.04	102.95 0.20%	1,353,810.91 5,890.10	1.52% 38,883.87	Aaa / AA+ AAA	1.76 1.73
3130A3KM5	FHLB Note 2.5% Due 12/9/2022	775,000.00	08/28/2018 2.83%	764,808.75 769,190.40	105.26 0.33%	815,793.68 1,184.03	0.91% 46,603.28	Aaa / AA+ NR	2.44 2.38
3135G0T94	FNMA Note 2.375% Due 1/19/2023	1,000,000.00	03/14/2018 2.73%	984,140.00 991,648.86	105.64 0.16%	1,056,425.00 10,687.50	1.19% 64,776.14	Aaa / AA+ AAA	2.56 2.47

Holdings Report

As of June 30, 2020



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									
3137EAER6	FHLMC Note 0.375% Due 5/5/2023	1,660,000.00	05/05/2020 0.39%	1,659,302.80 1,659,337.88	100.26 0.28%	1,664,312.68 933.75	1.86% 4,974.80	Aaa / AA+ AAA	2.85 2.83
3135G04Q3	FNMA Note 0.25% Due 5/22/2023	1,645,000.00	05/20/2020 0.35%	1,640,048.55 1,640,229.42	99.90 0.29%	1,643,272.75 445.52	1.83% 3,043.33	NR / AA+ AAA	2.89 2.88
3137EAEN5	FHLMC Note 2.75% Due 6/19/2023	1,200,000.00	07/20/2018 2.86%	1,193,976.00 1,196,359.38	107.49 0.22%	1,289,838.00 1,100.00	1.44% 93,478.62	Aaa / AA+ AAA	2.97 2.87
313383YJ4	FHLB Note 3.375% Due 9/8/2023	1,200,000.00	10/29/2018 3.08%	1,215,756.00 1,210,344.04	109.77 0.29%	1,317,230.40 12,712.50	1.48% 106,886.36	Aaa / AA+ NR	3.19 3.02
3135G0U43	FNMA Note 2.875% Due 9/12/2023	1,500,000.00	06/21/2019 1.89%	1,559,805.00 1,545,329.16	108.37 0.25%	1,625,566.50 13,057.29	1.83% 80,237.34	Aaa / AA+ AAA	3.20 3.06
3130A0F70	FHLB Note 3.375% Due 12/8/2023	1,075,000.00	Various 2.74%	1,106,057.50 1,096,782.33	110.37 0.34%	1,186,508.68 2,317.97	1.33% 89,726.35	Aaa / AA+ AAA	3.44 3.27
3130AB3H7	FHLB Note 2.375% Due 3/8/2024	1,500,000.00	04/29/2019 2.37%	1,500,105.00 1,500,079.67	107.22 0.40%	1,608,292.50 11,182.29	1.81% 108,212.83	Aaa / AA+ NR	3.69 3.53
3130A1XJ2	FHLB Note 2.875% Due 6/14/2024	1,500,000.00	06/18/2019 1.96%	1,564,890.20 1,551,427.80	109.71 0.40%	1,645,687.51 2,036.46	1.84% 94,259.71	Aaa / AA+ NR	3.96 3.77
3130A2UW4	FHLB Note 2.875% Due 9/13/2024	1,200,000.00	09/13/2019 1.79%	1,262,028.00 1,252,200.10	110.42 0.37%	1,324,986.00 10,350.00	1.49% 72,785.90	Aaa / AA+ AAA	4.21 3.96
3135G0W66	FNMA Note 1.625% Due 10/15/2024	1,755,000.00	Various 1.49%	1,765,434.95 1,764,703.70	105.08 0.43%	1,844,068.01 6,020.63	2.06% 79,364.31	Aaa / AA+ AAA	4.30 4.14
3135G0X24	FNMA Note 1.625% Due 1/7/2025	1,875,000.00	Various 1.47%	1,888,349.75 1,887,448.21	105.35 0.43%	1,975,374.38 14,472.66	2.22% 87,926.17	Aaa / AA+ AAA	4.53 4.34
3137EAEP0	FHLMC Note 1.5% Due 2/12/2025	1,920,000.00	02/13/2020 1.52%	1,918,521.60 1,918,633.39	104.78 0.45%	2,011,793.28 10,960.00	2.26% 93,159.89	Aaa / NR AAA	4.62 4.45
3135G03U5	FNMA Note 0.625% Due 4/22/2025	1,510,000.00	04/22/2020 0.67%	1,506,889.40 1,507,005.37	100.81 0.45%	1,522,231.00 1,756.42	1.70% 15,225.63	NR / AA+ AAA	4.81 4.73
3135G04Z3	FNMA Note 0.5% Due 6/17/2025	950,000.00	06/17/2020 0.54%	948,033.50 948,046.44	100.04 0.49%	950,362.90 158.33	1.06% 2,316.46	NR / AA+ AAA	4.97 4.90
Total Agency		32,715,000.00	1.71%	32,899,087.85 32,884,441.60	0.31%	34,125,917.18 154,897.57	38.24% 1,241,475.58	Aaa / AA+ AAA	2.94 2.84

Holdings Report

As of June 30, 2020



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									
594918BG8	Microsoft Callable Note Cont. 10/3/2020 2% Due 11/3/2020	325,000.00	10/29/2015 2.02%	324,740.00 324,982.21	100.41 0.42%	326,324.05 1,047.22	0.37% 1,341.84	Aaa / AAA AA+	0.35 0.26
00440EAT4	Chubb INA Holdings Inc Callable Note Cont 10/3/2020 2.3% Due 11/3/2020	800,000.00	02/06/2017 2.16%	803,768.00 800,265.91	100.48 0.43%	803,864.80 2,964.44	0.90% 3,598.89	A3 / A A	0.35 0.26
30231GAV4	Exxon Mobil Corp Callable Note Cont 2/1/2021 2.222% Due 3/1/2021	875,000.00	Various 1.97%	884,992.10 876,389.86	101.15 0.50%	885,057.25 6,480.83	0.99% 8,667.39	Aa1 / AA NR	0.67 0.66
24422ESL4	John Deere Capital Corp Note 2.8% Due 3/4/2021	315,000.00	05/24/2017 2.12%	322,663.95 316,372.15	101.67 0.33%	320,260.50 2,866.50	0.36% 3,888.35	A2 / A A	0.68 0.67
369550BE7	General Dynamics Corp Note 3% Due 5/11/2021	410,000.00	05/08/2018 3.24%	407,150.50 409,183.63	102.31 0.32%	419,466.08 1,708.33	0.47% 10,282.45	A2 / A NR	0.86 0.86
857477AV5	State Street Bank Note 1.95% Due 5/19/2021	940,000.00	Various 2.32%	932,971.20 937,032.38	101.44 0.33%	953,492.76 2,138.50	1.07% 16,460.38	A1 / A AA-	0.88 0.88
594918BP8	Microsoft Callable Note Cont 7/8/2021 1.55% Due 8/8/2021	590,000.00	Various 1.57%	589,298.90 589,845.27	101.37 0.21%	598,077.10 3,632.60	0.67% 8,231.83	Aaa / AAA AA+	1.11 1.01
68389XBK0	Oracle Corp Callable Note Cont 8/15/2021 1.9% Due 9/15/2021	804,000.00	11/29/2016 2.40%	785,998.44 799,458.42	101.71 0.38%	817,740.36 4,497.93	0.92% 18,281.94	A3 / A A-	1.21 1.11
89236TDP7	Toyota Motor Credit Corp Note 2.6% Due 1/11/2022	750,000.00	Various 3.16%	736,272.75 743,971.74	103.09 0.57%	773,152.50 9,208.33	0.87% 29,180.76	A1 / A+ A+	1.53 1.49
69353RFE3	PNC Bank Callable Note Cont 6/28/2022 2.45% Due 7/28/2022	890,000.00	07/25/2017 2.45%	889,919.90 889,966.79	103.77 0.55%	923,553.89 9,267.13	1.04% 33,587.10	A2 / A A+	2.08 1.93
44932HAC7	IBM Credit Corp Note 2.2% Due 9/8/2022	950,000.00	Various 2.65%	932,933.50 941,101.77	103.63 0.53%	984,503.05 6,560.28	1.11% 43,401.28	A2 / A NR	2.19 2.13
48128BAB7	JP Morgan Chase & Co Callable Note 1X 1/15/2022 2.972% Due 1/15/2023	925,000.00	Various 3.11%	919,202.75 922,018.16	103.55 0.66%	957,807.90 12,676.41	1.08% 35,789.74	A2 / A- AA-	2.55 1.49
808513AT2	Charles Schwab Corp Callable Note Cont 12/25/2022 2.65% Due 1/25/2023	750,000.00	05/20/2019 2.73%	748,027.50 748,623.36	105.16 0.56%	788,730.00 8,612.50	0.89% 40,106.64	A2 / A A	2.57 2.39
24422ETG4	John Deere Capital Corp Note 2.8% Due 3/6/2023	650,000.00	Various 3.23%	637,699.50 643,053.57	106.23 0.46%	690,504.75 5,813.89	0.78% 47,451.18	A2 / A A	2.68 2.58

Holdings Report

As of June 30, 2020



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									
06406RAG2	Bank of NY Mellon Corp Note 3.5% Due 4/28/2023	800,000.00	05/16/2019 2.78%	821,248.00 815,223.55	108.02 0.63%	864,157.60 4,900.00	0.97% 48,934.05	A1 / A AA-	2.83 2.70
037833AK6	Apple Inc Note 2.4% Due 5/3/2023	900,000.00	Various 3.18%	871,569.25 881,516.71	105.71 0.38%	951,363.00 3,480.00	1.07% 69,846.29	Aa1 / AA+ NR	2.84 2.75
931142EK5	Wal-Mart Stores Callable Note Cont 5/26/2023 3.4% Due 6/26/2023	904,000.00	04/26/2019 2.68%	928,769.60 921,640.22	108.94 0.31%	984,787.77 426.89	1.10% 63,147.55	Aa2 / AA AA	2.99 2.79
02665WCJ8	American Honda Finance Note 3.45% Due 7/14/2023	225,000.00	07/11/2018 3.49%	224,610.75 224,763.55	107.60 0.91%	242,089.65 3,600.94	0.27% 17,326.10	A3 / A- NR	3.04 2.86
69371RP59	Paccar Financial Corp Note 3.4% Due 8/9/2023	760,000.00	Various 3.28%	763,588.40 762,665.20	108.21 0.72%	822,420.32 10,192.44	0.93% 59,755.12	A1 / A+ NR	3.11 2.94
06406RAJ6	Bank of NY Mellon Corp Note 3.45% Due 8/11/2023	250,000.00	05/16/2019 2.79%	256,575.00 254,837.56	108.58 0.66%	271,457.50 3,354.17	0.31% 16,619.94	A1 / A AA-	3.12 2.94
02665WCQ2	American Honda Finance Note 3.625% Due 10/10/2023	750,000.00	Various 3.38%	757,259.00 755,457.04	108.63 0.94%	814,720.50 6,117.19	0.92% 59,263.46	A3 / A- NR	3.28 3.09
06051GHF9	Bank of America Corp Callable Note 1X 3/5/2023 3.55% Due 3/5/2024	1,100,000.00	Various 2.77%	1,114,320.00 1,112,022.71	106.90 0.94%	1,175,858.20 12,582.78	1.33% 63,835.49	A2 / A- A+	3.68 2.55
89114QCB2	Toronto Dominion Bank Note 3.25% Due 3/11/2024	1,100,000.00	Various 2.79%	1,121,362.00 1,117,237.63	108.90 0.80%	1,197,847.20 10,923.61	1.35% 80,609.57	Aa3 / A AA-	3.70 3.48
404280BS7	HSBC Holdings PLC Callable Note 1X 5/18/2023 3.95% Due 5/18/2024	1,100,000.00	Various 2.15%	1,156,826.00 1,147,621.06	107.47 1.30%	1,182,175.50 5,189.86	1.32% 34,554.44	A2 / A- A+	3.88 2.73
69371RQ25	Paccar Financial Corp Note 2.15% Due 8/15/2024	195,000.00	08/08/2019 2.20%	194,569.05 194,644.77	105.30 0.84%	205,326.03 1,583.83	0.23% 10,681.26	A1 / A+ NR	4.13 3.93
78015K7C2	Royal Bank of Canada Note 2.25% Due 11/1/2024	1,100,000.00	Various 2.21%	1,102,086.00 1,101,914.67	105.22 1.02%	1,157,376.00 4,125.00	1.30% 55,461.33	A2 / A AA	4.34 4.13
14913Q3B3	Caterpillar Finl Service Note 2.15% Due 11/8/2024	1,100,000.00	01/28/2020 1.91%	1,111,770.00 1,110,737.43	106.13 0.72%	1,167,412.40 3,481.81	1.31% 56,674.97	A3 / A A	4.36 4.16
90331HPL1	US Bank NA Callable Note Cont 12/21/2024 2.05% Due 1/21/2025	955,000.00	01/16/2020 2.10%	952,965.85 953,146.22	105.64 0.77%	1,008,822.85 8,701.11	1.14% 55,676.63	A1 / AA- AA-	4.56 4.25
Total Corporate		21,213,000.00	2.58%	21,293,157.89 21,295,693.54	0.64%	22,288,349.51 156,134.52	25.04% 992,655.97	A1 / A+ A+	2.67 2.39

Holdings Report

As of June 30, 2020



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
MONEY MARKET FUND FI									
316175884	Fidelity Institutional Money Market Fund 696	78,281.48	Various 0.01%	78,281.48 78,281.48	1.00 0.01%	78,281.48 0.00	0.09% 0.00	Aaa / AAA NR	0.00 0.00
Total Money Market Fund FI		78,281.48	0.01%	78,281.48	0.01%	78,281.48 0.00	0.09% 0.00	Aaa / AAA NR	0.00 0.00
MUNICIPAL BONDS									
13063DRK6	California St Taxable GO 2.4% Due 10/1/2024	900,000.00	10/16/2019 1.91%	920,673.00 917,796.66	106.69 0.80%	960,183.00 5,400.00	1.08% 42,386.34	Aa2 / AA- AA	4.26 4.04
Total Municipal Bonds		900,000.00	1.91%	920,673.00 917,796.66	0.80%	960,183.00 5,400.00	1.08% 42,386.34	Aa2 / AA- AA	4.26 4.04
SUPRANATIONAL									
45950KCM0	International Finance Corp Note 2.25% Due 1/25/2021	410,000.00	01/18/2018 2.35%	408,794.60 409,771.24	101.09 0.34%	414,448.50 3,997.50	0.47% 4,677.26	Aaa / AAA NR	0.57 0.56
4581X0CW6	Inter-American Dev Bank Note 2.125% Due 1/18/2022	1,275,000.00	01/10/2017 2.15%	1,273,431.75 1,274,513.89	102.78 0.32%	1,310,487.08 12,267.45	1.48% 35,973.19	Aaa / NR AAA	1.55 1.52
4581X0CZ9	Inter-American Dev Bank Note 1.75% Due 9/14/2022	800,000.00	Various 2.40%	777,732.00 789,258.14	103.24 0.28%	825,915.20 4,161.12	0.93% 36,657.06	Aaa / AAA AAA	2.21 2.16
Total Supranational		2,485,000.00	2.26%	2,459,958.35 2,473,543.27	0.31%	2,550,850.78 20,426.07	2.87% 77,307.51	Aaa / AAA AAA	1.61 1.57
US TREASURY									
912828N89	US Treasury Note 1.375% Due 1/31/2021	1,285,000.00	03/09/2016 1.40%	1,283,749.42 1,284,850.24	100.69 0.20%	1,293,834.38 7,378.16	1.45% 8,984.14	Aaa / AA+ AAA	0.59 0.58
912828B90	US Treasury Note 2% Due 2/28/2021	1,250,000.00	04/26/2016 1.40%	1,285,111.61 1,254,808.72	101.20 0.21%	1,264,941.25 8,355.98	1.42% 10,132.53	Aaa / AA+ AAA	0.67 0.66
912828Q37	US Treasury Note 1.25% Due 3/31/2021	375,000.00	12/13/2016 1.81%	366,314.73 373,487.83	100.80 0.18%	378,017.63 1,178.28	0.42% 4,529.80	Aaa / AA+ AAA	0.75 0.75
912828T34	US Treasury Note 1.125% Due 9/30/2021	1,300,000.00	11/09/2016 1.48%	1,278,016.07 1,294,383.94	101.19 0.17%	1,315,437.50 3,676.23	1.47% 21,053.56	Aaa / AA+ AAA	1.25 1.24

Holdings Report

As of June 30, 2020



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									
912828F96	US Treasury Note 2% Due 10/31/2021	1,025,000.00	01/27/2017	1,027,686.05	102.44	1,049,984.38	1.18%	Aaa / AA+ AAA	1.34
			1.94%	1,025,753.95	0.17%	3,453.80	24,230.43		1.32
912828J43	US Treasury Note 1.75% Due 2/28/2022	1,360,000.00	03/13/2017	1,335,407.68	102.61	1,395,434.80	1.57%	Aaa / AA+ AAA	1.67
			2.14%	1,351,757.30	0.19%	7,954.89	43,677.50		1.64
912828XG0	US Treasury Note 2.125% Due 6/30/2022	1,100,000.00	08/15/2017	1,115,601.34	103.91	1,142,968.20	1.28%	Aaa / AA+ AAA	2.00
			1.82%	1,106,396.72	0.17%	63.52	36,571.48		1.97
912828L24	US Treasury Note 1.875% Due 8/31/2022	1,000,000.00	09/26/2017	1,000,433.04	103.68	1,036,836.00	1.16%	Aaa / AA+ AAA	2.17
			1.87%	1,000,190.40	0.17%	6,266.98	36,645.60		2.12
912828L57	US Treasury Note 1.75% Due 9/30/2022	1,240,000.00	10/17/2017	1,226,243.75	103.54	1,283,933.20	1.44%	Aaa / AA+ AAA	2.25
			1.99%	1,233,753.38	0.17%	5,454.64	50,179.82		2.21
912828N30	US Treasury Note 2.125% Due 12/31/2022	1,150,000.00	01/25/2018	1,132,121.09	104.87	1,206,017.65	1.35%	Aaa / AA+ AAA	2.50
			2.46%	1,140,931.42	0.17%	66.41	65,086.23		2.45
912828T91	US Treasury Note 1.625% Due 10/31/2023	1,500,000.00	05/29/2019	1,472,988.28	104.77	1,571,542.50	1.76%	Aaa / AA+ AAA	3.34
			2.05%	1,479,645.04	0.19%	4,106.66	91,897.46		3.25
912828V23	US Treasury Note 2.25% Due 12/31/2023	1,250,000.00	06/21/2019	1,274,560.55	107.16	1,339,452.50	1.49%	Aaa / AA+ AAA	3.50
			1.80%	1,269,011.74	0.20%	76.43	70,440.76		3.39
912828B66	US Treasury Note 2.75% Due 2/15/2024	1,500,000.00	04/29/2019	1,529,648.44	109.18	1,637,754.00	1.84%	Aaa / AA+ AAA	3.63
			2.31%	1,522,405.56	0.21%	15,525.41	115,348.44		3.45
912828X70	US Treasury Note 2% Due 4/30/2024	1,000,000.00	06/10/2019	1,003,515.63	106.81	1,068,125.00	1.20%	Aaa / AA+ AAA	3.84
			1.92%	1,002,755.39	0.21%	3,369.57	65,369.61		3.70
912828XX3	US Treasury Note 2% Due 6/30/2024	1,450,000.00	12/12/2019	1,466,595.70	107.07	1,552,462.80	1.73%	Aaa / AA+ AAA	4.00
			1.74%	1,464,587.43	0.22%	78.80	87,875.37		3.87
912828D56	US Treasury Note 2.375% Due 8/15/2024	1,500,000.00	03/05/2020	1,611,093.75	108.80	1,631,953.50	1.84%	Aaa / AA+ AAA	4.13
			0.68%	1,603,085.14	0.23%	13,408.31	28,868.36		3.93
9128283D0	US Treasury Note 2.25% Due 10/31/2024	1,500,000.00	11/07/2019	1,533,925.78	108.64	1,629,550.50	1.82%	Aaa / AA+ AAA	4.34
			1.77%	1,529,524.19	0.25%	5,686.14	100,026.31		4.14



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									
912828ZC7	US Treasury Note 1.125% Due 2/28/2025	2,000,000.00	03/18/2020 0.81%	2,030,859.38 2,029,083.30	104.01 0.26%	2,080,156.00 7,520.38	2.33% 51,072.70	Aaa / AA+ AAA	4.67 4.54
Total US Treasury		22,785,000.00	1.69%	22,973,872.29 22,966,411.69	0.20%	23,878,401.79 93,620.59	26.74% 911,990.10	Aaa / AA+ AAA	2.82 2.73
TOTAL PORTFOLIO		85,400,426.44	1.95%	85,875,613.22 85,865,674.94	0.38%	89,205,971.00 435,329.74	100.00% 3,340,296.06	Aa1 / AA AAA	2.83 2.58
TOTAL MARKET VALUE PLUS ACCRUED						89,641,300.74			

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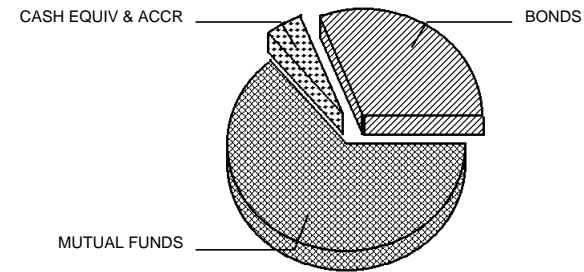
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ASSET SUMMARY

ASSETS	06/30/2020 MARKET	06/30/2020 BOOK VALUE	% OF MARKET
Cash And Equivalents	350,964.89	350,964.89	4.01
Corporate Issues	2,680,142.50	2,591,193.50	30.65
Mutual Funds-Equity	5,084,597.91	4,607,765.41	58.15
Mutual Funds-Fixed Income	606,128.09	586,909.90	6.93
Total Assets	8,721,833.39	8,136,833.70	99.74
Accrued Income	22,609.20	22,609.20	0.26
Grand Total	8,744,442.59	8,159,442.90	100.00

Estimated Annual Income 179,333.76



ASSET SUMMARY MESSAGES

Estimated Annual Income is an estimate provided for informational purposes only and should not be relied on for making investment, trading, or tax decisions. The estimates may not represent the actual value earned by your investments and they provide no guarantee of what your investments may earn in the future.

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ASSET DETAIL

DESCRIPTION	SHARES/ FACE AMOUNT	MARKET PRICE/UNIT	BOOK VALUE	UNREALIZED GAIN (LOSS) SINCE INCEPTION/ CURRENT PERIOD	ADJ PRIOR MARKET / ADJ PRIOR MARKET UNREALIZED GAIN/LOSS	ENDING ACCRUAL YIELD ON MARKET
Cash And Equivalents						
Money Markets						
First Am Govt	349,744.050	349,744.05	349,744.05	.00	349,744.05	18.97
Ob Fd Cl Z		1.0000		.00	.00	0.06
31846V567 Asset Minor Code 1						
Total Money Markets	349,744.050	349,744.05	349,744.05	.00	349,744.05	18.97
				.00	.00	0.06
Cash						
Cash		1,220.84	1,220.84		1,220.84	
Total Cash	.000	1,220.84	1,220.84	.00	1,220.84	.00
				.00	.00	0.00
Total Cash And Equivalents	349,744.050	350,964.89	350,964.89	.00	350,964.89	18.97
				.00	.00	0.05
Corporate Issues						
At T Inc	150,000.000	170,871.00	165,376.50	5,494.50	165,376.50	2,125.00
4.250% 3/01/27		113.9140		5,494.50	5,494.50	3.73
Standard & Poors Rating: BBB						
Moodys Rating: Baa2						
00206RDQ2 Asset Minor Code 28						
Apple Inc	150,000.000	159,291.00	158,403.00	888.00	153,598.50	1,520.00
2.850% 2/23/23		106.1940		5,692.50	5,692.50	2.68
Standard & Poors Rating: AA+						
Moodys Rating: Aa1						
037833BU3 Asset Minor Code 28						

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ASSET DETAIL (continued)

DESCRIPTION	SHARES/ FACE AMOUNT	MARKET PRICE/UNIT	BOOK VALUE	UNREALIZED GAIN (LOSS) SINCE INCEPTION/ CURRENT PERIOD	ADJ PRIOR MARKET / ADJ PRIOR MARKET UNREALIZED GAIN/LOSS	ENDING ACCRUAL YIELD ON MARKET
Becton Dickinson 2.675% 12/15/19 Standard & Poors Rating: N/R Moody's Rating: WR 075887BE8 Asset Minor Code 28	.000	.00 100.0000	.00	.00 - 314.00	.00 .00	.00 0.00
Cisco Systems Inc 2.900% 3/04/21 Standard & Poors Rating: AA- Moody's Rating: A1 17275RAP7 Asset Minor Code 28	200,000.000	203,598.00 101.7990	207,884.00	- 4,286.00 1,144.00	202,454.00 1,144.00	1,885.00 2.85
Coca Cola Co The 2.250% 9/01/26 Standard & Poors Rating: A+ Moody's Rating: A1 191216BZ2 Asset Minor Code 28	150,000.000	162,982.50 108.6550	152,353.50	10,629.00 10,629.00	152,353.50 10,629.00	1,125.00 2.07
Exxon Mobil Corp 2.709% 3/06/25 Standard & Poors Rating: AA Moody's Rating: Aa1 30231GAF9 Asset Minor Code 28	100,000.000	107,324.00 107.3240	102,857.00	4,467.00 4,467.00	102,857.00 4,467.00	865.38 2.52
Gen Elec Cap Crp Mtn 6.000% 8/07/19 Standard & Poors Rating: N/R Moody's Rating: WR 36962G4D3 Asset Minor Code 28	.000	.00 100.0000	.00	.00 25,373.25	.00 .00	.00 0.00
Gen Elec Cap Crp Mtn 5.500% 1/08/20 Standard & Poors Rating: N/R Moody's Rating: WR 36962G4J0 Asset Minor Code 28	.000	.00 100.0000	.00	.00 26,088.00	.00 .00	.00 0.00
Huntington 2.625% 8/06/24 Standard & Poors Rating: BBB+ Moody's Rating: Baa1 446150AQ7 Asset Minor Code 28	50,000.000	52,943.00 105.8860	50,542.50	2,400.50 2,400.50	50,542.50 2,400.50	528.65 2.48

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ASSET DETAIL (continued)

DESCRIPTION	SHARES/ FACE AMOUNT	MARKET PRICE/UNIT	BOOK VALUE	UNREALIZED GAIN (LOSS) SINCE INCEPTION/ CURRENT PERIOD	ADJ PRIOR MARKET / ADJ PRIOR MARKET UNREALIZED GAIN/LOSS	ENDING ACCRUAL YIELD ON MARKET
Intercontinental 3.750% 12/01/25 Standard & Poors Rating: A Moodys Rating: A2 45866FAD6 Asset Minor Code 28	100,000.000	114,298.00 114.2980	104,231.00	10,067.00 7,409.00	106,889.00 7,409.00	312.50 3.28
Jp Morgan Chase Co 2.700% 5/18/23 Standard & Poors Rating: A- Moodys Rating: A2 46625HRL6 Asset Minor Code 28	75,000.000	79,051.50 105.4020	74,970.75	4,080.75 3,282.75	75,768.75 3,282.75	241.88 2.56
Kimberly Clark Corp 2.750% 2/15/26 Standard & Poors Rating: A Moodys Rating: A2 494368BU6 Asset Minor Code 28	100,000.000	109,600.00 109.6000	103,111.00	6,489.00 7,767.00	101,833.00 7,767.00	1,038.89 2.51
Medtronic Inc 3.125% 3/15/22 Standard & Poors Rating: N/R Moodys Rating: WR 585055AX4 Asset Minor Code 28	.000	.00 103.1000	.00	.00 2,486.00	.00 .00	.00 0.00
Mondelez Int 4.000% 2/01/24 Standard & Poors Rating: BBB Moodys Rating: Baa1 609207AB1 Asset Minor Code 28	100,000.000	110,314.00 110.3140	109,303.00	1,011.00 4,754.00	105,560.00 4,754.00	1,666.67 3.63
Mondelez 3.625% 2/13/26 Standard & Poors Rating: BBB Moodys Rating: Baa1 609207AR6 Asset Minor Code 28	75,000.000	84,609.00 112.8120	80,224.50	4,384.50 4,384.50	80,224.50 4,384.50	1,042.19 3.21
Nike Inc 2.375% 11/01/26 Standard & Poors Rating: AA- Moodys Rating: A1 654106AF0 Asset Minor Code 28	150,000.000	163,255.50 108.8370	144,841.00	18,414.50 12,768.50	150,487.00 12,768.50	593.75 2.18

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ASSET DETAIL (continued)

DESCRIPTION	SHARES/ FACE AMOUNT	MARKET PRICE/UNIT	BOOK VALUE	UNREALIZED GAIN (LOSS) SINCE INCEPTION/ CURRENT PERIOD	ADJ PRIOR MARKET / ADJ PRIOR MARKET UNREALIZED GAIN/LOSS	ENDING ACCRUAL YIELD ON MARKET
Pnc Financial 3.500% 1/23/24 Standard & Poors Rating: A- Moody's Rating: A3 693475AV7 Asset Minor Code 28	100,000.000	109,320.00 109.3200	105,422.00	3,898.00 3,898.00	105,422.00 3,898.00	1,536.11 3.20
Pepsico Inc 2.750% 4/30/25 Standard & Poors Rating: A+ Moody's Rating: A1 713448CT3 Asset Minor Code 28	75,000.000	81,840.00 109.1200	73,932.75	7,907.25 4,961.25	76,878.75 4,961.25	349.48 2.52
Stryker Corp 3.375% 11/01/25 Standard & Poors Rating: A- Moody's Rating: Baa1 863667AH4 Asset Minor Code 28	100,000.000	111,866.00 111.8660	100,401.00	11,465.00 6,781.00	105,085.00 6,781.00	562.50 3.02
Suntrust Banks Inc 2.700% 1/27/22 Standard & Poors Rating: A- Moody's Rating: A3 867914BM4 Asset Minor Code 28	100,000.000	103,138.00 103.1380	100,346.00	2,792.00 2,375.00	100,763.00 2,375.00	1,155.00 2.62
Verizon 5.150% 9/15/23 Standard & Poors Rating: BBB+ Moody's Rating: Baa1 92343VBR4 Asset Minor Code 28	200,000.000	227,744.00 113.8720	230,048.00	- 2,304.00 4,428.00	223,316.00 4,428.00	3,032.78 4.52
Visa Inc 2.200% 12/14/20 Standard & Poors Rating: AA- Moody's Rating: Aa3 92826CAB8 Asset Minor Code 28	200,000.000	201,318.00 100.6590	204,764.00	- 3,446.00 1,004.00	200,314.00 1,004.00	207.78 2.19
Wells Fargo Mtn 3.300% 9/09/24 Standard & Poors Rating: A- Moody's Rating: A2 94974BGA2 Asset Minor Code 28	100,000.000	109,555.00 109.5550	103,890.00	5,665.00 6,079.00	103,476.00 6,079.00	1,026.67 3.01

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ASSET DETAIL (continued)

DESCRIPTION	SHARES/ FACE AMOUNT	MARKET PRICE/UNIT	BOOK VALUE	UNREALIZED GAIN (LOSS) SINCE INCEPTION/ CURRENT PERIOD	ADJ PRIOR MARKET / ADJ PRIOR MARKET UNREALIZED GAIN/LOSS	ENDING ACCRUAL YIELD ON MARKET
Zimmer Holdings Inc 3.550% 4/01/25 Standard & Poors Rating: BBB Moody's Rating: Baa3 98956PAF9 Asset Minor Code 28	200,000.000	217,224.00 108.6120	218,292.00	- 1,068.00 - 1,068.00	218,292.00 - 1,068.00	1,775.00 3.27
Total Corporate Issues	2,475,000.000	2,680,142.50	2,591,193.50	88,949.00 152,284.75	2,581,491.00 98,651.50	22,590.23 2.96

Mutual Funds

Mutual Funds-Equity

Columbia Contrarian Core Fund 19766M709 Asset Minor Code 98	21,999.720	595,092.43 27.0500	502,006.25	93,086.18 25,224.25	566,525.34 28,567.09	.00 1.20
Dfa Large Cap Intl Port. 233203868 Asset Minor Code 98	12,986.703	269,084.49 20.7200	265,343.51	3,740.98 - 11,639.75	279,056.80 - 9,972.31	.00 2.50
Dodge & Cox International Stock Fund 256206103 Asset Minor Code 98	4,855.896	172,675.66 35.5600	170,464.61	2,211.05 - 16,950.11	186,704.85 - 14,029.19	.00 4.81
Dodge & Cox Stock Fund 256219106 Asset Minor Code 98	2,727.211	438,262.81 160.7000	460,362.95	- 22,100.14 - 52,055.65	480,629.89 - 42,367.08	.00 2.09
Harbor Capital Appreciaton CI R 411512528 Asset Minor Code 98	3,646.763	327,005.24 89.6700	234,096.91	92,908.33 41,774.70	271,328.44 55,676.80	.00 0.13
Hartford Schroders Emerging Markets 41665H797 Asset Minor Code 98	.000	.00 13.5000	.00	.00 - 25,138.36	.00 .00	.00 0.00
Hartford Schroders Emerging Markets 41665X859 Asset Minor Code 98	23,242.678	353,288.71 15.2000	313,719.29	39,569.42 - 10,238.73	341,413.72 11,874.99	.00 2.55

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PARS/CITY OF BREA 115P PEN
ACCOUNT 6746050800

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Period from July 1, 2019 to June 30, 2020

ASSET DETAIL (continued)

DESCRIPTION	SHARES/ FACE AMOUNT	MARKET PRICE/UNIT	BOOK VALUE	UNREALIZED GAIN (LOSS) SINCE INCEPTION/ CURRENT PERIOD	ADJ PRIOR MARKET / ADJ PRIOR MARKET UNREALIZED GAIN/LOSS	ENDING ACCRUAL YIELD ON MARKET
Ishares S P 500 Value Etf 464287408 Asset Minor Code 94	1,592.000	172,270.32 108.2100	199,058.86	- 26,788.54 - 26,788.54	199,058.86 - 26,788.54	.00 2.68
Ishares Russell Mid Cap Etf 464287499 Asset Minor Code 94	6,580.000	352,688.00 53.6000	299,769.45	52,918.55 - 28,225.00	365,753.05 - 13,065.05	.00 1.68
Mfs International Growth R6 552746356 Asset Minor Code 98	4,997.889	176,525.44 35.3200	139,391.37	37,134.07 202.43	172,589.68 3,935.76	.00 1.08
Price T Rowe Growth Stk Fd Inc 741479406 Asset Minor Code 98	3,978.201	318,454.99 80.0500	233,145.75	85,309.24 31,748.64	272,455.74 45,999.25	.00 0.30
Undiscovered Mgrs Behavioral Value 904504479 Asset Minor Code 98	5,274.717	237,151.28 44.9600	311,291.09	- 74,139.81 - 79,953.68	315,275.76 - 78,124.48	.00 1.25
Vanguard Growth & Income Adm Shs#593 921913208 Asset Minor Code 98	16,414.536	1,336,635.67 81.4300	1,158,424.38	178,211.29 50,205.76	1,279,011.51 57,624.16	.00 1.74
Vanguard Real Estate Etf 922908553 Asset Minor Code 94	1,067.000	83,791.51 78.5300	89,427.37	- 5,635.86 - 14,490.92	91,987.90 - 8,196.39	.00 3.96
Victory Rs Small Cap Growth Fund 92647Q363 Asset Minor Code 98	3,006.108	251,671.36 83.7200	231,263.62	20,407.74 - 14,766.81	250,806.57 864.79	.00 0.00
Total Mutual Funds-Equity	112,369.422	5,084,597.91	4,607,765.41	476,832.50 - 131,091.77	5,072,598.11 11,999.80	.00 1.64
Mutual Funds-Fixed Income						
Vanguard Short Term Invst Grade #539 922031836 Asset Minor Code 99	55,404.761	606,128.09 10.9400	586,909.90	19,218.19 15,128.43	589,476.15 16,651.94	.00 2.71

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ATTACHMENT A



PARS/CITY OF BREA 115P PEN
ACCOUNT 6746050800

Page 13 of 98
Period from July 1, 2019 to June 30, 2020

ASSET DETAIL (continued)

DESCRIPTION	SHARES/ FACE AMOUNT	MARKET PRICE/UNIT	BOOK VALUE	UNREALIZED GAIN (LOSS) SINCE INCEPTION/ CURRENT PERIOD	ADJ PRIOR MARKET / ADJ PRIOR MARKET UNREALIZED GAIN/LOSS	ENDING ACCRUAL YIELD ON MARKET
Total Mutual Funds-Fixed Income	55,404.761	606,128.09	586,909.90	19,218.19 15,128.43	589,476.15 16,651.94	.00 2.71
Total Mutual Funds	167,774.183	5,690,726.00	5,194,675.31	496,050.69 - 115,963.34	5,662,074.26 28,651.74	.00 1.75
Total Assets	2,992,518.233	8,721,833.39	8,136,833.70	584,999.69 36,321.41	8,594,530.15 127,303.24	22,609.20 2.06
Accrued Income	.000	22,609.20	22,609.20			
Grand Total	2,992,518.233	8,744,442.59	8,159,442.90			

ASSET DETAIL MESSAGES

Time of trade execution and trading party (if not disclosed) will be provided upon request.

Publicly traded assets are valued in accordance with market quotations or valuation methodologies from financial industry services believed by us to be reliable. Assets that are not publicly traded may be reflected at values from other external sources. Assets for which a current value is not available may be reflected at a previous value or as not valued, at par value, or at a nominal value. Values shown do not necessarily reflect prices at which assets could be bought or sold. Values are updated based on internal policy and may be updated less frequently than statement generation.

For further information, please contact your account manager or relationship manager.

Yield on Market and Accrued Income are estimates provided for informational purposes only and should not be relied on for making investment, trading, or tax decisions. The estimates may not represent the actual value earned by your investments and they provide no guarantee of what your investments may earn in the future.



PORTFOLIO CHARACTERISTICS

Average Modified Duration	1.63
Average Coupon	2.01%
Average Purchase YTM	1.66%
Average Market YTM	0.19%
Average S&P/Moody Rating	AA+/Aaa
Average Final Maturity	1.67 yrs
Average Life	1.67 yrs

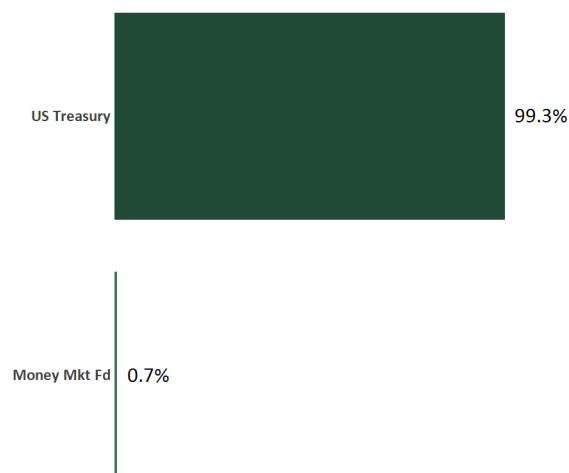
ACCOUNT SUMMARY

	Beg. Values as of 5/31/20	End Values as of 6/30/20
Market Value	274,033	274,159
Accrued Interest	1,116	1,079
Total Market Value	275,148	275,238
Income Earned	376	364
Cont/WD		0
Par	265,372	265,846
Book Value	265,825	266,225
Cost Value	269,380	269,853

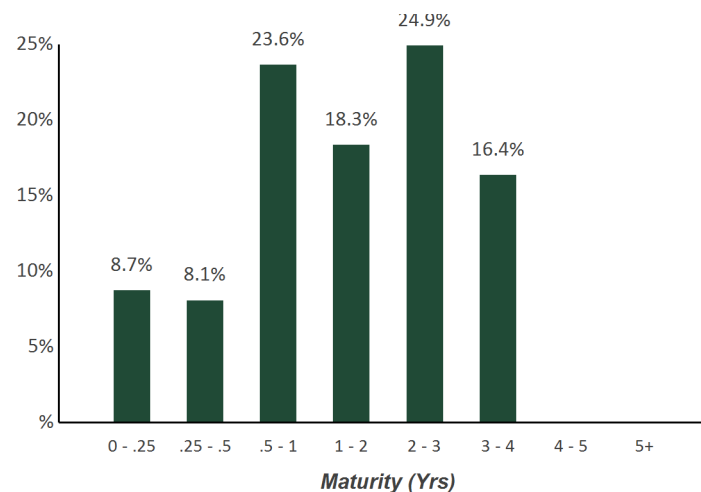
TOP ISSUERS

Government of United States	99.3%
Invesco Treasury Portfolio MMF	0.7%
Total	100.0%

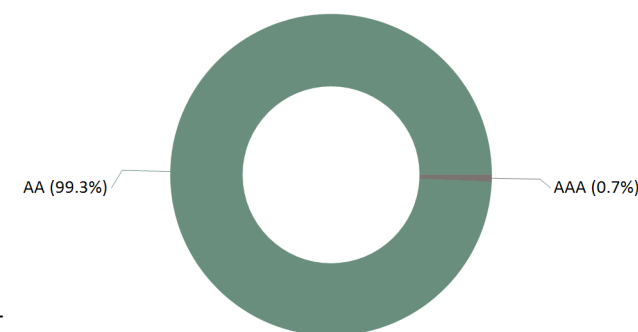
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

TOTAL RATE OF RETURN	1M	3M	YTD	1YR	Annualized				
					2YRS	3YRS	5YRS	10YRS	5/31/2010
Brea Lease Revenue Bonds, Reserve Account	0.03%	0.17%	3.14%	4.34%	4.49%	2.76%	2.12%	2.16%	2.28%
ICE BAML 3-Month US Treasury Bill Index	0.01%	0.02%	0.60%	1.63%	1.97%	1.77%	1.19%	0.64%	0.63%



BOOK VALUE RECONCILIATION		
BEGINNING BOOK VALUE		\$265,824.63
<u>Acquisition</u>		
+ Security Purchases	\$0.00	
+ Money Market Fund Purchases	\$473.75	
+ Money Market Contributions	\$0.00	
+ Security Contributions	\$0.00	
+ Security Transfers	\$0.00	
Total Acquisitions		\$473.75
<u>Dispositions</u>		
- Security Sales	\$0.00	
- Money Market Fund Sales	\$0.00	
- MMF Withdrawals	\$0.00	
- Security Withdrawals	\$0.00	
- Security Transfers	\$0.00	
- Other Dispositions	\$0.00	
- Maturities	\$0.00	
- Calls	\$0.00	
- Principal Paydowns	\$0.00	
Total Dispositions		\$0.00
<u>Amortization/Accretion</u>		
+/- Net Accretion	(\$72.89)	
		(\$72.89)
<u>Gain/Loss on Dispositions</u>		
+/- Realized Gain/Loss	\$0.00	
		\$0.00
ENDING BOOK VALUE		\$266,225.49

CASH TRANSACTION SUMMARY		
BEGINNING BALANCE		\$1,371.79
<u>Acquisition</u>		
Contributions	\$0.00	
Security Sale Proceeds	\$0.00	
Accrued Interest Received	\$0.00	
Interest Received	\$473.75	
Dividend Received	\$0.00	
Principal on Maturities	\$0.00	
Interest on Maturities	\$0.00	
Calls/Redemption (Principal)	\$0.00	
Interest from Calls/Redemption	\$0.00	
Principal Paydown	\$0.00	
Total Acquisitions	\$473.75	
<u>Dispositions</u>		
Withdrawals	\$0.00	
Security Purchase	\$0.00	
Accrued Interest Paid	\$0.00	
Total Dispositions	\$0.00	
ENDING BOOK VALUE		\$1,845.54



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
MONEY MARKET FUND FI									
825252109	Invesco Treasury MMFD Private Class	1,845.54	Various 0.01%	1,845.54 1,845.54	1.00 0.01%	1,845.54 0.00	0.67% 0.00	Aaa / AAA AAA	0.00 0.00
Total Money Market Fund FI		1,845.54	0.01%	1,845.54 1,845.54	0.01%	1,845.54 0.00	0.67% 0.00	Aaa / AAA AAA	0.00 0.00
US TREASURY									
912828XM7	US Treasury Note 1.625% Due 7/31/2020	22,000.00	08/24/2016 1.03%	22,506.25 22,010.58	100.12 0.22%	22,026.36 149.29	8.06% 15.78	Aaa / AA+ AAA	0.08 0.09
912828WC0	US Treasury Note 1.75% Due 10/31/2020	22,000.00	Various 1.45%	22,276.59 22,021.01	100.52 0.20%	22,113.68 64.87	8.06% 92.67	Aaa / AA+ AAA	0.34 0.33
912828A83	US Treasury Note 2.375% Due 12/31/2020	22,000.00	08/24/2016 1.08%	23,208.35 22,139.16	101.08 0.22%	22,237.18 1.42	8.08% 98.02	Aaa / AA+ AAA	0.50 0.50
912828B90	US Treasury Note 2% Due 2/28/2021	22,000.00	08/24/2016 1.10%	22,868.90 22,127.59	101.20 0.21%	22,262.97 147.07	8.14% 135.38	Aaa / AA+ AAA	0.67 0.66
912828WN6	US Treasury Note 2% Due 5/31/2021	20,000.00	07/11/2016 1.01%	20,937.57 20,175.53	101.66 0.19%	20,331.24 33.88	7.40% 155.71	Aaa / AA+ AAA	0.92 0.91
912828F21	US Treasury Note 2.125% Due 9/30/2021	25,000.00	10/27/2016 1.38%	25,879.97 25,223.17	102.42 0.19%	25,605.48 133.54	9.35% 382.31	Aaa / AA+ AAA	1.25 1.23
912828J43	US Treasury Note 1.75% Due 2/28/2022	24,000.00	04/24/2017 1.84%	23,905.39 23,967.54	102.61 0.19%	24,625.32 140.38	9.00% 657.78	Aaa / AA+ AAA	1.67 1.64
912828L24	US Treasury Note 1.875% Due 8/31/2022	23,000.00	09/18/2017 1.84%	23,039.61 23,017.34	103.68 0.17%	23,847.23 144.14	8.72% 829.89	Aaa / AA+ AAA	2.17 2.12
912828N30	US Treasury Note 2.125% Due 12/31/2022	20,000.00	01/09/2018 2.31%	19,825.00 19,912.02	104.87 0.17%	20,974.22 1.15	7.62% 1,062.20	Aaa / AA+ AAA	2.50 2.45
9128284D9	US Treasury Note 2.5% Due 3/31/2023	22,000.00	06/13/2018 2.84%	21,669.14 21,810.48	106.36 0.18%	23,399.93 138.25	8.55% 1,589.45	Aaa / AA+ AAA	2.75 2.66
912828T91	US Treasury Note 1.625% Due 10/31/2023	20,000.00	02/21/2019 2.52%	19,214.84 19,441.86	104.77 0.19%	20,953.90 54.76	7.63% 1,512.04	Aaa / AA+ AAA	3.34 3.25



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									
912828WJ5	US Treasury Note 2.5% Due 5/15/2024	22,000.00	06/18/2019 1.84%	22,676.33 22,533.67	108.80 0.22%	23,936.18 70.24	8.72% 1,402.51	Aaa / AA+ AAA	3.88 3.71
Total US Treasury		264,000.00	1.68%	268,007.94 264,379.95	0.20%	272,313.69 1,078.99	99.33% 7,933.74	Aaa / AA+ AAA	1.68 1.64
TOTAL PORTFOLIO		265,845.54	1.66%	269,853.48 266,225.49	0.19%	274,159.23 1,078.99	100.00% 7,933.74	Aaa / AA+ AAA	1.67 1.63
TOTAL MARKET VALUE PLUS ACCRUED						275,238.22			



PORTFOLIO CHARACTERISTICS

Average Modified Duration	1.98
Average Coupon	2.16%
Average Purchase YTM	2.55%
Average Market YTM	0.19%
Average S&P/Moody Rating	AA+/Aaa
Average Final Maturity	2.04 yrs
Average Life	2.04 yrs

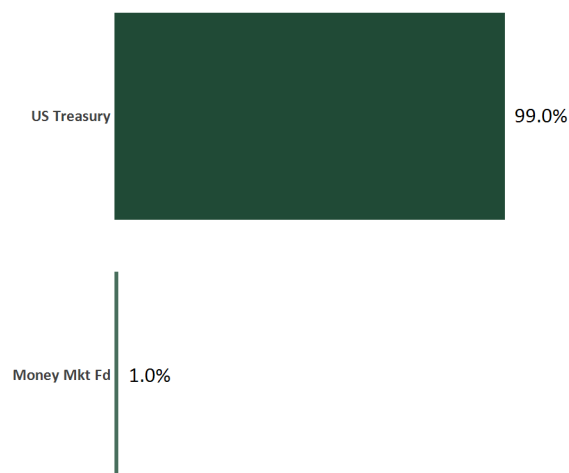
ACCOUNT SUMMARY

	Beg. Values as of 5/31/20	End Values as of 6/30/20
Market Value	694,324	694,681
Accrued Interest	3,095	2,970
Total Market Value	697,419	697,651
Income Earned	1,432	1,384
Cont/WD		0
Par	665,926	667,233
Book Value	662,753	664,262
Cost Value	657,238	658,545

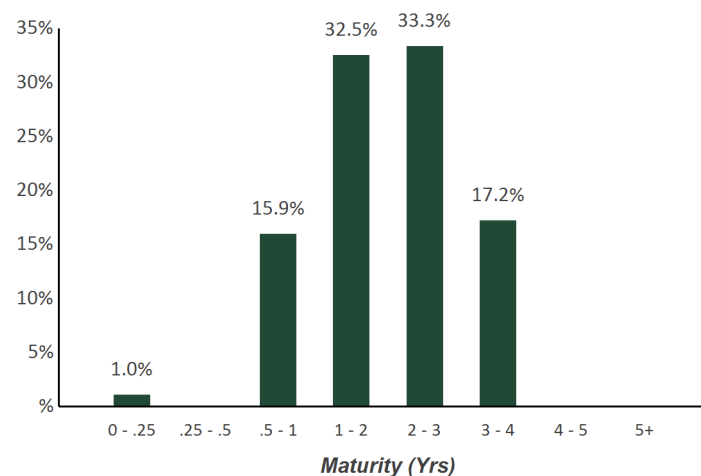
TOP ISSUERS

Government of United States	99.0%
Invesco Treasury Portfolio MMF	1.0%
Total	100.0%

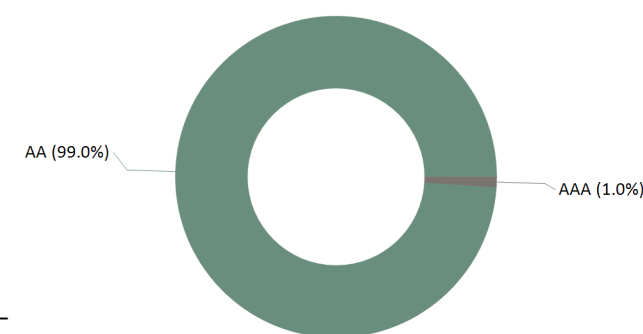
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

TOTAL RATE OF RETURN	1M	3M	YTD	1YR	Annualized				
					2YRS	3YRS	5YRS	10YRS	6/30/2018
Brea CFD 2008 2 17 Reserve Fund	0.03%	0.21%	3.66%	4.88%	4.88%	N/A	N/A	N/A	4.88%
ICE BAML 3-5 Yr US Treasury/Agency Index	0.13%	0.54%	5.86%	7.06%	6.69%	N/A	N/A	N/A	6.69%



BOOK VALUE RECONCILIATION		
BEGINNING BOOK VALUE		\$662,752.66
<u>Acquisition</u>		
+ Security Purchases	\$0.00	
+ Money Market Fund Purchases	\$1,306.63	
+ Money Market Contributions	\$0.00	
+ Security Contributions	\$0.00	
+ Security Transfers	\$0.00	
Total Acquisitions		\$1,306.63
<u>Dispositions</u>		
- Security Sales	\$0.00	
- Money Market Fund Sales	\$0.00	
- MMF Withdrawals	\$0.00	
- Security Withdrawals	\$0.00	
- Security Transfers	\$0.00	
- Other Dispositions	\$0.00	
- Maturities	\$0.00	
- Calls	\$0.00	
- Principal Paydowns	\$0.00	
Total Dispositions		\$0.00
<u>Amortization/Accretion</u>		
+/- Net Accretion	\$202.54	
		\$202.54
<u>Gain/Loss on Dispositions</u>		
+/- Realized Gain/Loss	\$0.00	
		\$0.00
ENDING BOOK VALUE		\$664,261.83

CASH TRANSACTION SUMMARY		
BEGINNING BALANCE		\$5,926.26
<u>Acquisition</u>		
Contributions	\$0.00	
Security Sale Proceeds	\$0.00	
Accrued Interest Received	\$0.00	
Interest Received	\$1,306.25	
Dividend Received	\$0.38	
Principal on Maturities	\$0.00	
Interest on Maturities	\$0.00	
Calls/Redemption (Principal)	\$0.00	
Interest from Calls/Redemption	\$0.00	
Principal Paydown	\$0.00	
Total Acquisitions	\$1,306.63	
<u>Dispositions</u>		
Withdrawals	\$0.00	
Security Purchase	\$0.00	
Accrued Interest Paid	\$0.00	
Total Dispositions	\$0.00	
ENDING BOOK VALUE		\$7,232.89



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
MONEY MARKET FUND FI									
825252109	Invesco Treasury MMFD Private Class	7,232.89	Various 0.01%	7,232.89 7,232.89	1.00 0.01%	7,232.89 0.00	1.04% 0.00	Aaa / AAA AAA	0.00 0.00
Total Money Market Fund FI		7,232.89	0.01%	7,232.89 7,232.89	0.01%	7,232.89 0.00	1.04% 0.00	Aaa / AAA AAA	0.00 0.00
US TREASURY									
912828A83	US Treasury Note 2.375% Due 12/31/2020	110,000.00	06/28/2018 2.58%	109,467.19 109,893.55	101.08 0.22%	111,185.91 7.10	15.94% 1,292.36	Aaa / AA+ AAA	0.50 0.50
912828F21	US Treasury Note 2.125% Due 9/30/2021	110,000.00	06/28/2018 2.64%	108,242.58 109,326.00	102.42 0.19%	112,664.09 587.57	16.23% 3,338.09	Aaa / AA+ AAA	1.25 1.23
912828J43	US Treasury Note 1.75% Due 2/28/2022	110,000.00	06/13/2018 2.79%	105,986.72 108,202.17	102.61 0.19%	112,866.05 643.41	16.27% 4,663.88	Aaa / AA+ AAA	1.67 1.64
912828L24	US Treasury Note 1.875% Due 8/31/2022	110,000.00	06/13/2018 2.82%	105,887.89 107,886.50	103.68 0.17%	114,051.96 689.37	16.45% 6,165.46	Aaa / AA+ AAA	2.17 2.12
9128284D9	US Treasury Note 2.5% Due 3/31/2023	110,000.00	06/13/2018 2.84%	108,345.70 109,052.39	106.36 0.18%	116,999.63 691.26	16.87% 7,947.24	Aaa / AA+ AAA	2.75 2.66
912828WJ5	US Treasury Note 2.5% Due 5/15/2024	110,000.00	06/18/2019 1.84%	113,381.64 112,668.33	108.80 0.22%	119,680.88 351.22	17.21% 7,012.55	Aaa / AA+ AAA	3.88 3.71
Total US Treasury		660,000.00	2.58%	651,311.72 657,028.94	0.19%	687,448.52 2,969.93	98.96% 30,419.58	Aaa / AA+ AAA	2.06 2.00
TOTAL PORTFOLIO		667,232.89	2.55%	658,544.61 664,261.83	0.19%	694,681.41 2,969.93	100.00% 30,419.58	Aaa / AA+ AAA	2.04 1.98
TOTAL MARKET VALUE PLUS ACCRUED						697,651.34			

City of Brea

COUNCIL COMMUNICATION

TO: Honorable Mayor and City Council Members

FROM: Bill Gallardo, City Manager

DATE: 07/27/2020

SUBJECT: Monthly Report of Investments for the Successor Agency to the Brea
Redevelopment Agency for Period Ending June 30, 2020

RECOMMENDATION

Receive and file.

BACKGROUND/DISCUSSION

The Monthly Report of Investments is in accordance with Government Code Section 53607 and contains information on the investment activities for the month of June. Funds received by the Successor Agency are typically spent within three to six months; therefore are not invested long-term. The Successor Agency's Local Agency Investment Fund (LAIF) is used for short-term investments and functions like a savings account until funds are required to meet expenditures needs. Attachment A includes a Portfolio Summary and Holdings Report prepared by Chandler Asset Management for the funds invested on behalf of the Successor Agency. As of June 30, 2020, the market value, including accrued interest on the Successor Agency's Local Agency Investment Fund (LAIF), was \$18,860.48 in comparison to \$18,841.90 at May 31, 2020. The Successor Agency to the Brea Redevelopment Agency has sufficient cash flow to meet its expected expenditures for the next six months.

The Successor Agency also has restricted (fiscal agent) cash and investment accounts related to its various bond reserve accounts which are managed by Chandler Asset Management. Attachment A includes a portfolio report from Chandler Asset Management for each bond reserve account that is invested. As of June 30, 2020, the market value of these funds, including short-term cash and accrued interest was \$12,964,595.12 as compared to \$12,885,529.29 as of May 31, 2020.

FISCAL IMPACT/SUMMARY

During the month of June, the total value of the Successor Agency to the Brea Redevelopment Agency's investment portfolio increased by \$18.58 due to market rate adjustments. The total value of the restricted cash and investments increased by \$79,065.83 in an anticipation of debt service payments for the 2004 and 2010 Lease Revenue Bonds that are due to the bond holders on July 1, 2020.

RESPECTFULLY SUBMITTED:

William Gallardo, City Manager

Prepared by: Alicia Brenner, Senior Fiscal Analyst

Concurrence: Cindy Russell, Administrative Services Director

Attachments

Attachment A

Successor Agency to the Brea Redevelopment Agency
Cash and Investment Information
June 30, 2020

			Cost Value	Market Value*
Demand and Interest-Bearing Checking Accounts	Citizen's Bank	\$	222,182.72	\$ 222,182.72
Local Agency Investment Fund	LAIF	\$	18,794.55	\$ 18,860.48
<u>Fiscal Agent Cash & Investments</u>				
2004 Brea Public Financing Authority Lease Revenue Bond	Chandler/BNY	\$	351,471.55	\$ 351,471.55
2010 Brea Public Financing Authority Lease Revenue Bond	Chandler/BNY	\$	1,040,208.33	\$ 1,040,208.33
2013 Tax Allocation Bonds	Chandler/BNY	\$	9,291,033.89	\$ 9,291,033.89
2016 Tax Allocation Refunding Bonds, Series A & B	Chandler/BNY	\$	1,227,029.89	\$ 1,227,029.89
2017 Tax Allocation Refunding Bonds, Series A & B	Chandler/BNY	\$	1,054,851.46	\$ 1,054,851.46
Sub-total - Fiscal Agent Cash & Investments			\$ 12,964,595.12	\$ 12,964,595.12
Grand Total			\$ 13,205,572.39	\$ 13,205,638.32

* Includes accrued interest on invested funds

Successor Agency to the Brea Redevelopment Agency
Cash and Investment Information
June 30, 2020

Fiscal Agent Cash & Investments Detail	Cost Value	Market Value
2004 Brea Public Financing Authority Lease Revenue Bond - CHANDLER	\$ -	\$ -
Short-Term Treasury Funds - BNY	\$ 351,471.55	\$ 351,471.55
Sub-total	\$ 351,471.55	\$ 351,471.55
2010 Brea Public Financing Authority Lease Revenue Bond - CHANDLER	\$ -	\$ -
Short-Term Treasury Funds - BNY	\$ 1,040,208.33	\$ 1,040,208.33
Sub-total	\$ 1,040,208.33	\$ 1,040,208.33
2013 Tax Allocation Bonds - CHANDLER	\$ -	\$ -
Short-Term Treasury Funds - BNY	\$ 9,291,033.89	\$ 9,291,033.89
Sub-total	\$ 9,291,033.89	\$ 9,291,033.89
2016 Tax Allocation Refunding Bonds, Series A & B - CHANDLER	\$ -	\$ -
Short-Term Treasury Funds - BNY	\$ 1,227,029.89	\$ 1,227,029.89
Sub-total	\$ 1,227,029.89	\$ 1,227,029.89
2017 Tax Allocation Refunding Bonds, Series A & B - CHANDLER	\$ -	\$ -
Short-Term Treasury Funds - BNY	\$ 1,054,851.46	\$ 1,054,851.46
Sub-total	\$ 1,054,851.46	\$ 1,054,851.46
Report Grand Total	\$ 12,964,595.12	\$ 12,964,595.12

PORTFOLIO CHARACTERISTICS

Average Modified Duration	0.00
Average Coupon	1.15%
Average Purchase YTM	1.15%
Average Market YTM	1.15%
Average S&P/Moody Rating	NR/NR
Average Final Maturity	0.00 yrs
Average Life	0.00 yrs

ACCOUNT SUMMARY

	Beg. Values as of 5/31/20	End Values as of 6/30/20
Market Value	18,795	18,795
Accrued Interest	47	66
Total Market Value	18,842	18,860
Income Earned	22	19
Cont/WD		0
Par	18,795	18,795
Book Value	18,795	18,795
Cost Value	18,795	18,795

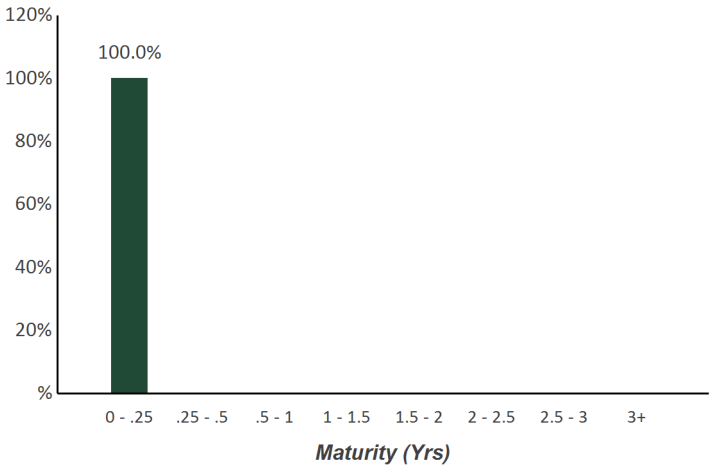
TOP ISSUERS

Local Agency Investment Fund	100.0%
Total	100.0%

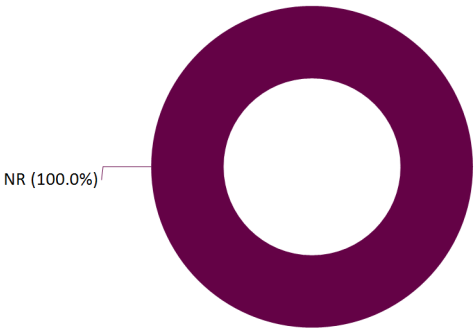
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



Holdings Report

As of June 30, 2020

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
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	18,794.55	Various 1.15%	18,794.55 18,794.55	1.00 1.15%	18,794.55 65.93	100.00% 0.00	NR / NR NR	0.00 0.00
Total LAIF		18,794.55	1.15%	18,794.55	1.15%	18,794.55 65.93	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL PORTFOLIO		18,794.55	1.15%	18,794.55	1.15%	18,794.55 65.93	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUED						18,860.48			

City of Brea

INVESTMENT ADVISORY COMMITTEE COMMUNICATION

TO: Honorable Chair and Committee Members
FROM: Bill Gallardo, City Manager
DATE: 07/27/2020
SUBJECT: Annual Update to City Council: August 18, 2020 at 7:00 PM

RESPECTFULLY SUBMITTED
