CITY of BREA

Investment Advisory Committee

Monday, July 27, 2026, 10:00 AM
EXECUTIVE CONFERENCE ROOM - 3RD FLOOR
1 Civic Center Circle
Brea, CA 92821

CHAIR: Council Member Christine Marick

ALTERNATE: Council Member Marty Simonoff

The Investment Advisory Committee Meeting will be held on Monday, July 27, 2026 at 10:00 am and the public is welcome to participate. Written comments may be sent to the Administrative Services Department at debbied@cityofbrea.gov no later than 12:00 pm, Friday, July 24, 2026. Any comments received via email will be summarized aloud into the record at the meeting.

The Investment Advisory Committee meeting 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) 990-7684. 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 Administrative Services Department located on the third floor 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.

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 11)

1. CALL TO ORDER/ROLL CALL

1.A. Matters from the Audience

1.B. Attendees

2. CONSENT

2.A. Approval of Investment Advisory Committee Meeting Minutes for April 27, 2026

3. DISCUSSION

3.A. Review Quarterly Investment Report for Period Ended June 30, 2026 from Chandler Asset Management
— 1. Receive and file the Quarterly Investment Report.

3.B. Review of PARS Pension and OPEB Rate Stabilization Program Investment Reports for Period Ended June 30, 2026 - Presented by PARS and PFM Asset Management
— 1. Receive and file the Quarterly Investment Report.

3.C. Statement of Investment Policy for the City/Brea Successor Agency to the Brea Redevelopment Agency
— 1. Review and approve the City of Brea/Successor Agency to the Brea Redevelopment Agency Statement of Investment Policy.

3.D. Investment Policy Guidelines for the City of Brea's Employee Benefits Fund Pension Plan
— 1. Review and approve the Investment Policy Guidelines for the City of Brea’s Employee Benefits Fund Pension Plan through Public Agency Retirement Services (PARS).

3.E. Investment Policy Guidelines for the City of Brea's Other Post Employment Benefits (OPEB) Trust Fund
— 1. Review and approve the Investment Guidelines for the City's Other Post Employment Benefits (OPEB) Trust Fund through Public Agency Retirement Services (PARS).

4. SCHEDULE NEXT MEETING:

The next Investment Advisory Committee meeting is scheduled for Monday, October 26, 2026 at 10:00 am.

5. ADJOURNMENT

Date Posted: July 23, 2026

CITY *of* BREA

Investment Advisory Committee
Communication
July 27, 2026
Item No. 2A.

Approval of Investment Advisory Committee Meeting Minutes for April 27, 2026

TO	PREPARED BY
Chair and Members of the Investment Advisory Committee	Debbie Duff, Accounting Technician II
DEPARTMENT HEAD APPROVAL	**CITY MANAGER APPROVAL**
Monica Lo, Administrative Services Director	Kristin Griffith, City Manager

Attachments

Investment Advisory Committee-04-27-2026-minutesDraft.pdf

**** The following document is a draft of the minutes and the not the official approved minutes ****

Minutes for the Investment Advisory Committee

1 Civic Center Circle, Brea, CA 92821

April 27, 2026, 10:00 AM - 11:08 AM

1. CALL TO ORDER/ROLL CALL

Council Member Christine Marick called the meeting to order at 10:00 am.

1.A. Matters from the Audience

None.

1.B. Attendees

Council Member Christine Marick, Treasurer Denise Eby, Kris Spazafumo, Ho-El Park, and Dave Penn

Monica Lo, Alicia Brenner, Patty Jaminson, and Debbie Duff

Via Teams: Karl Meng, Chandler Asset Management

Absent: Gary Terrazas

2. CONSENT

2.A. Approval of Investment Advisory Committee Meeting Minutes for January 26, 2026

The minutes of the January 26, 2026 Investment Advisory Meeting were approved as written.

3. DISCUSSION

3.A. Review Quarterly Investment Report for Period Ended March 31, 2026 from Chandler Asset Management

The Committee discussed the quarterly report as presented by Karl Meng. Discussions focused on the condition of the U.S. and global economies, trends in interest rates, and movements in unemployment rates. The current Iran conflict was highlighted as a significant risk factor due to its disruption of global energy supplies, contributing to pressure in oil prices and economic uncertainty.

The Committee recommended to receive and file the Quarterly Investment Report.

4. SCHEDULE NEXT MEETING:

The next Investment Advisory Committee meeting is scheduled for Monday, July 27, 2026 at 10:00 am.

5. ADJOURNMENT

Council Member Christine Marick adjourned the meeting at 11:08 am.

CITY of BREA

Communication
July 27, 2026
Item No. 3A.

Review Quarterly Investment Report for Period Ended June 30, 2026 from Chandler Asset Management

TO	PREPARED BY
Chair and Members of the Investment Advisory Committee	Faith Madrazo, Financial Services Manager, Revenue
DEPARTMENT HEAD APPROVAL	**CITY MANAGER APPROVAL**
Monica Lo, Administrative Services Director	Kristin Griffith, City Manager

RECOMMENDATION

Staff recommends that the Investment Advisory Committee take the following action:

1. Receive and file the Quarterly Investment Report.

BACKGROUND/DISCUSSION

During each Investment Advisory Committee meeting, Chandler Asset Management, the City Portfolio Manager, prepares a Quarterly Investment Report to support comprehensive and insightful discussions. The presentation typically covers the following topics:

- Economic Update
- Account Profile
- Consolidated Information
- Portfolio Holdings
- Transactions

Below is a comparative summary of the City's Portfolio alongside other fiduciary accounts:

	Market Value as of 3/31/2026	Market Value as of 6/30/2026
City of Brea - Account #120	$91,300,404	$91,639,372
City Local Agency Investment Fund[1] (LAIF) - Account #10164	$17,474,395	$24,081,206
Successor Agency [2] Local Agency Investment Fund (LAIF) - Account #10166	$934,517	$943,590
TOTAL CITY (Subject to Rounding)	**$109,709,316**	**$116,664,168**

Brea CFD 2008-2 17 Reserve Fund - Account #10600	$666,195	$668,891
NOC Public Safety Collaborative[3] - Account #11087	$1,661,136	$1,534,871
TOTAL FIDUCIARY ACCOUNTS	**$2,327,331**	**$2,203,762**
TOTAL CITY AND FIDUCIARY ACCOUNTS	**$112,036,647**	**$118,867,930**

1. Local Agency Investment Fund (LAIF) **-** A voluntary investment pool managed by the California State Treasurer, authorized under the Government Code.
2. Successor Agency to the Brea Redevelopment Agency (RDA) – In December 2011, the California Supreme Court passed Bill X1 26, resulting in the dissolution of redevelopment agencies statewide. Each year, the Successor Agency receives the necessary revenue to fulfill annual payments on enforceable obligations, such as outstanding debt.
3. North Orange County (NOC) Public Safety Collaborative (Collaborative) – As of July 1, 2023, the City of Brea serves as the fiscal agent for the Collaborative. The Collaborative is a coalition of cities, law enforcement agencies, nonprofits, and other organizations committed to reducing the need for law enforcement interventions in areas such as homelessness and youth violence. The Collaborative was awarded $8 million to support its initiatives. A grant manager oversees the distribution of funds to qualifying agencies, with a grant term ending on June 30, 2026.

FISCAL IMPACT/SUMMARY

During the quarter, the City's investment portfolio increased by $6,954,852. This growth was attributed to net deposit of $6.4 million into the City's LAIF account, funded by property tax revenues. In addition, the portfolio's market value increased by $554,852 due to favorable market conditions.

The market value of the City's fiduciary investment portfolio decreased by $123,569 primarily due to a $140,000 withdrawal to fund operating expenditures for the North Orange County Public Safety Collaborative. Despite the decrease in overall value, the fiduciary investment portfolio generated positive market returns during the quarter reflecting favorable market conditions.

Combined, the City's investment and fiduciary portfolios increased by $6,831,283 during the quarter ended June 30, 2026.

Attachments

2026.06.30_Quarterly Report_City of Brea.pdf

INVESTMENT REPORT

City of Brea | As of June 30, 2026

CHANDLER ASSET MANAGEMENT | chandlerasset.com

Chandler Team:

For questions about your account, please call (800) 317-4747,
or contact clientservice@chandlerasset.com

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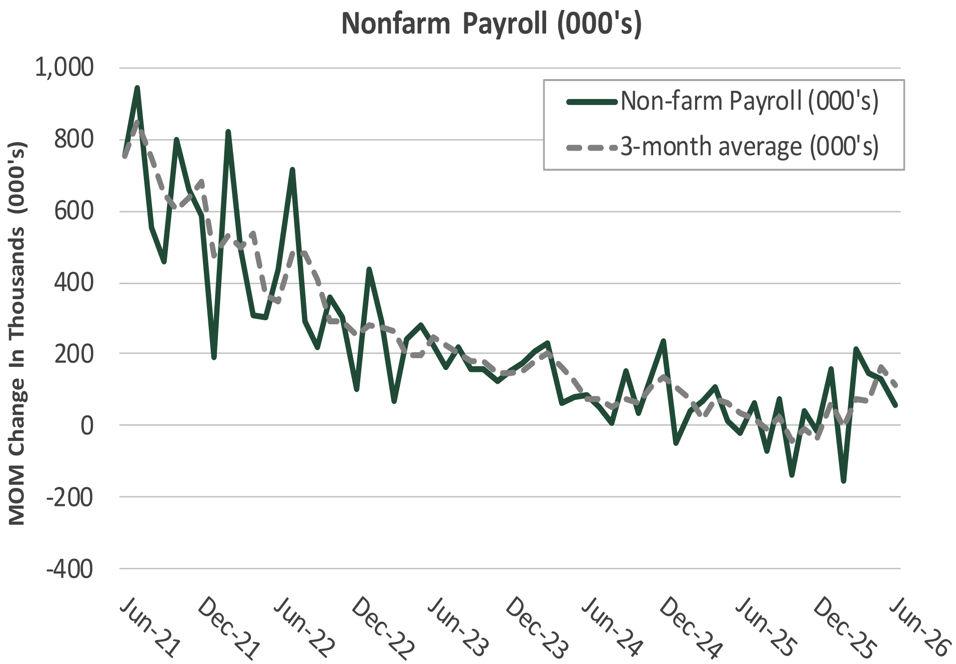
ECONOMIC UPDATE

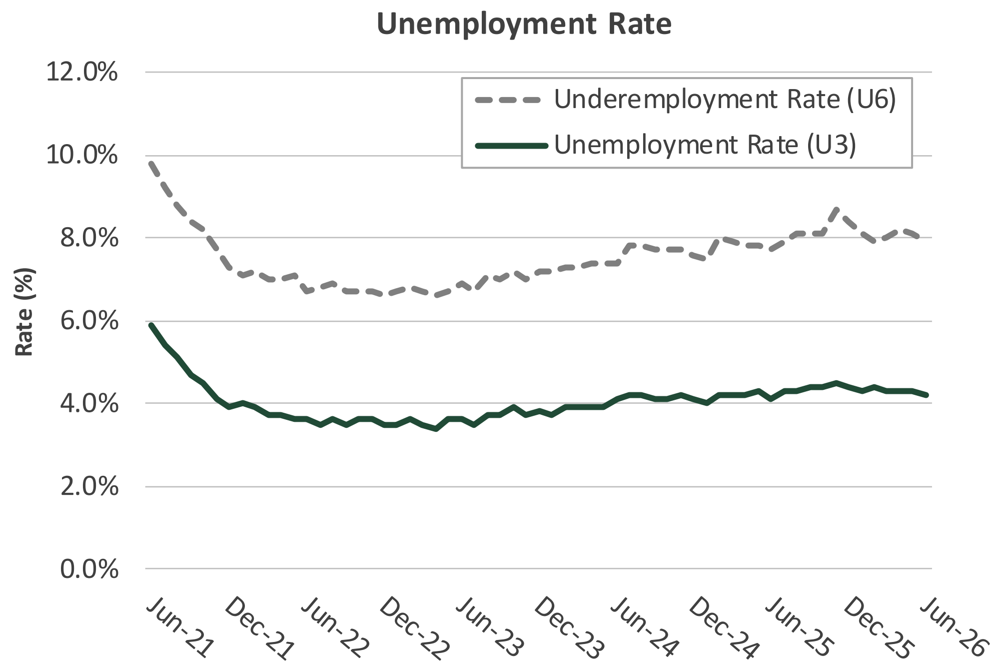
- Energy prices and inflation remained the primary drivers of the macro backdrop as the U.S.-Israel-Iran conflict entered its third month, disrupting global oil supply. Headline CPI accelerated at the fastest pace in more than three years, reflecting volatility in the energy component. Crude oil, however, retraced roughly 20% from its May–early June peak as diplomatic progress between the United States and Iran pointed to a potential framework for de-escalation. The labor market remained resilient, with continued payroll growth and subdued jobless claims. Risk assets held firm, as equities hovered near record highs and credit spreads remained historically tight amid broadly better-than-expected corporate earnings. Taken together, the current market environment has further constrained the case for near-term monetary policy easing, leading the Chandler team to push out its expected timing for rate cuts beyond the six-month investment horizon.

- The Federal Reserve's June FOMC meeting ended with policymakers unanimously holding the target range at 3.50%–3.75%, a notable shift from the 8–4 split at April's meeting, which marked Jerome Powell's final session as Chair. Under new Chair Kevin Warsh, sworn in on May 22, the Committee released an unusually concise statement that referenced Middle East tensions and energy supply disruptions while removing prior forward guidance that had suggested a bias toward rate cuts. Updated projections leaned more hawkish, with 9 of 18 officials expecting at least one rate hike this year and 6 anticipating multiple increases. The shift signals that restoring price stability has reemerged as the central focus of monetary policy deliberations.

- The Treasury yield curve flattened modestly in June as short-term yields responded to a more hawkish shift in Federal Reserve guidance. The 2-year yield rose to 4.15% from 3.98% the prior month, while the 10-year yield edged down slightly to 4.44% from 4.45%. As a result, the 2s/10s spread narrowed to 29 basis points, down from roughly 47 basis points a month earlier and significantly below the 69 basis point spread at the start of the year. Meanwhile, the 3-month/10-year spread remained positive at 64 basis points. Front-end rates absorbed the bulk of the Fed's updated rate outlook, while longer maturities were partly anchored by a late-month decline in oil prices.

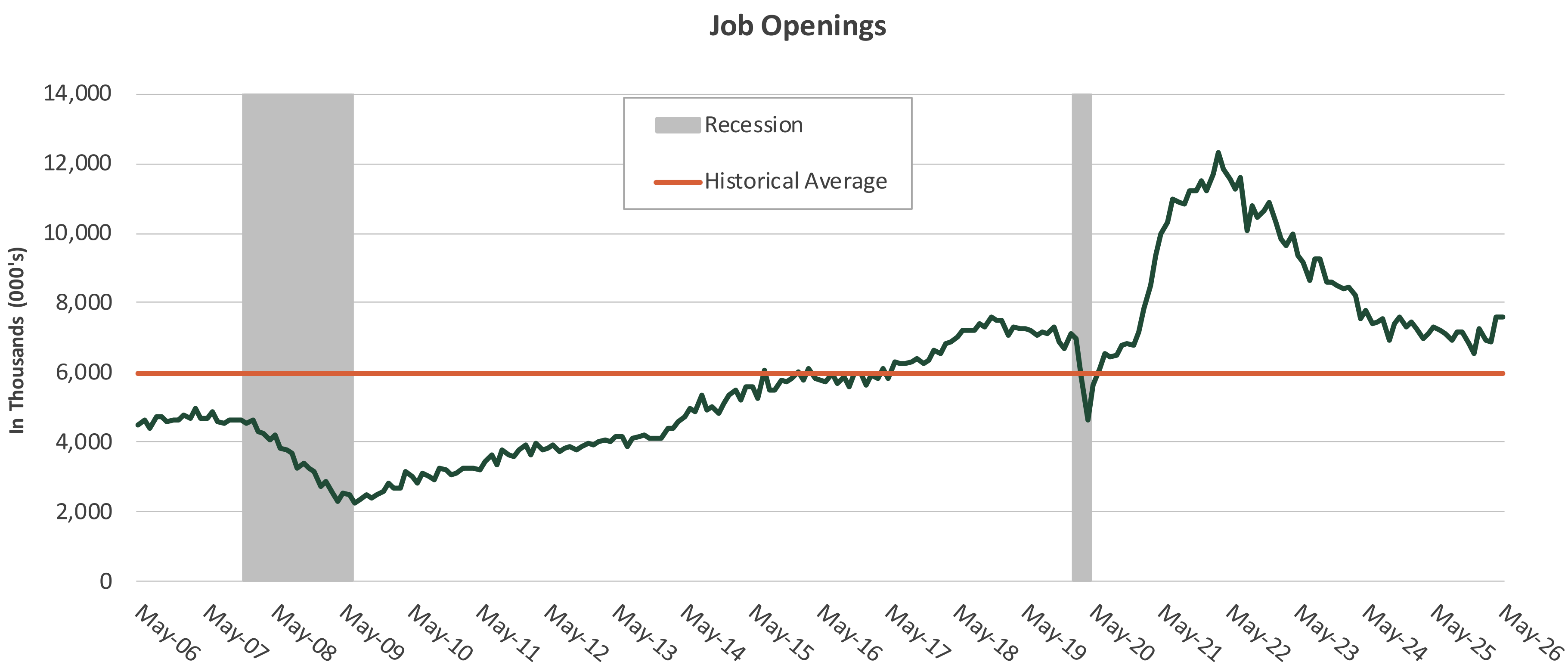


Source: US Department of Labor



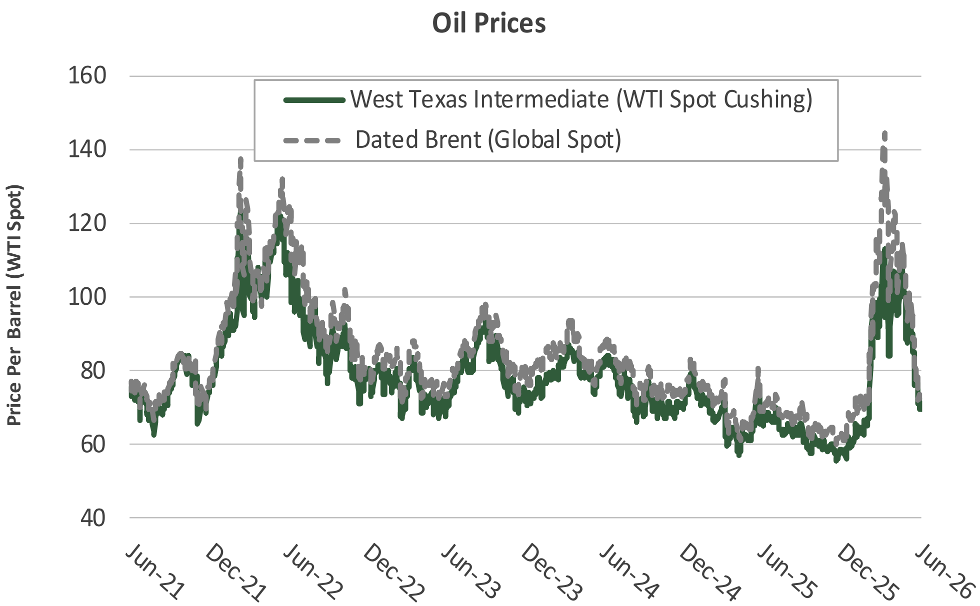
Source: US Department of Labor

Nonfarm payrolls increased by just 57,000 in June, well below the 113,000 consensus and marking a sharp slowdown from May's pace. The unemployment rate edged down to 4.2%, though the decline was driven by a drop in labor force participation to 61.5%, its lowest level since March 2021. Revisions further weakened the report's signal. April payrolls were revised down by 31,000 to 148,000, while May was lowered by 43,000 to 129,000, resulting in a combined two-month downward revision of 74,000.

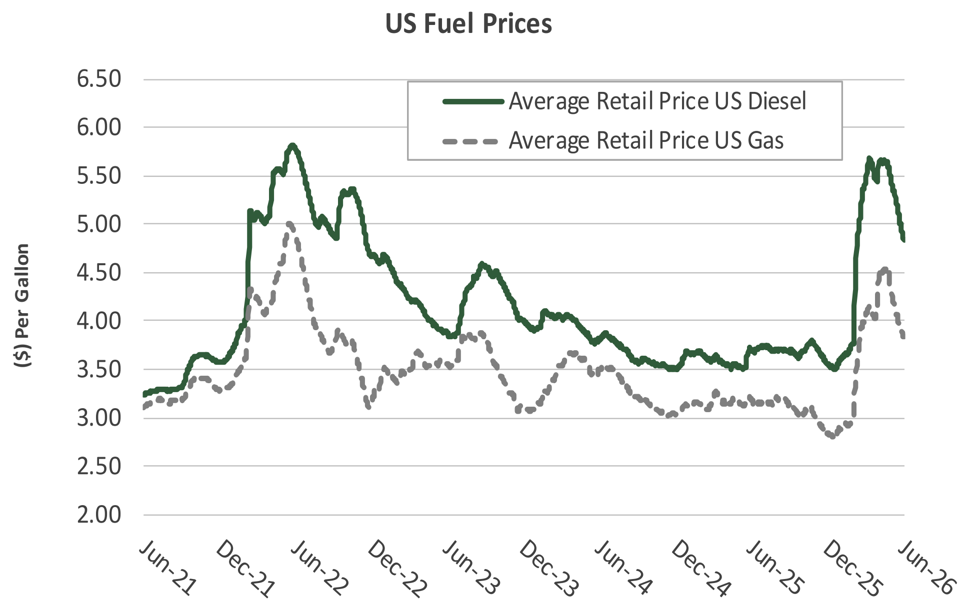


Source: US Department of Labor

Job openings were essentially unchanged at 7.6 million in May, remaining elevated by historical standards even as hiring momentum moderates. Gains in wholesale trade and accommodation and food services were offset by declines in health care and social assistance, as well as finance and insurance. April openings were revised down by 33,000 to 7.6 million, while hires were revised up by 99,000, highlighting ongoing churn but a broadly stable labor market backdrop.

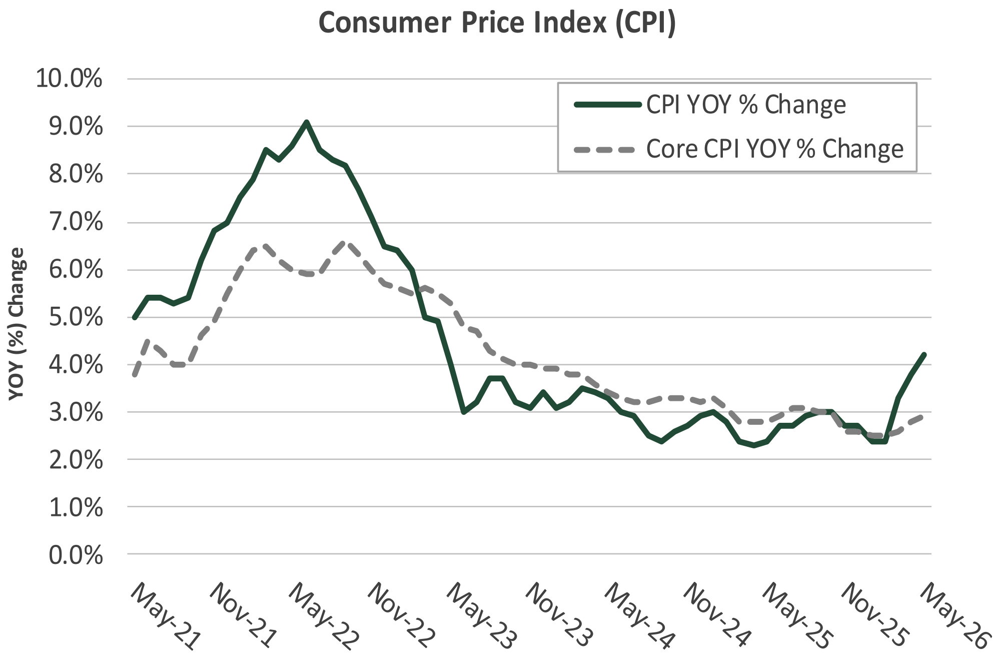


Source: Bloomberg Indices

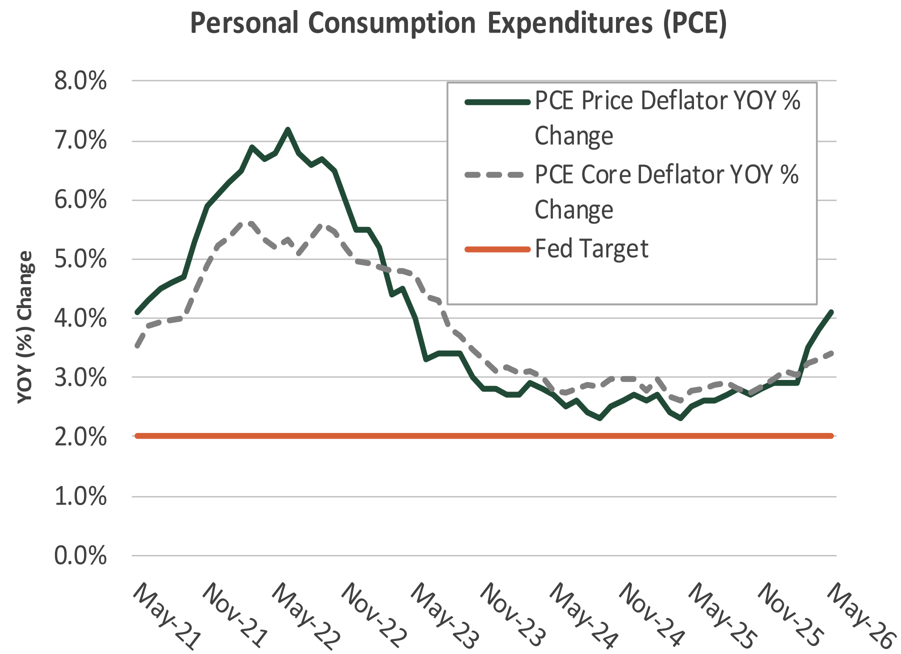


Source: Bloomberg Indices

Crude oil prices declined sharply in June as supply disruptions tied to the Middle East conflict began to ease. Tanker traffic through the Strait of Hormuz normalized, and signs of progress in U.S.–Iran negotiations helped unwind the geopolitical risk premium that had driven prices higher earlier in the year. West Texas Intermediate settled near $69.37 per barrel on June 30, while Brent crude closed around $72.96, both well below their recent peaks. Brent's 21% monthly decline marked its steepest drop since March 2020, while WTI fell more than 20%, its largest monthly loss since late 2021. Beyond crude, broader energy markets also softened. Refined product cracks narrowed as gasoline and diesel demand showed signs of seasonal moderation, while U.S. natural gas prices remained range-bound amid ample storage and steady production. Taken together, the retracement in oil and broader energy prices reflects a rapid compression in geopolitical risk premia and improved near-term supply visibility, even as underlying structural risks in the region remain unresolved.

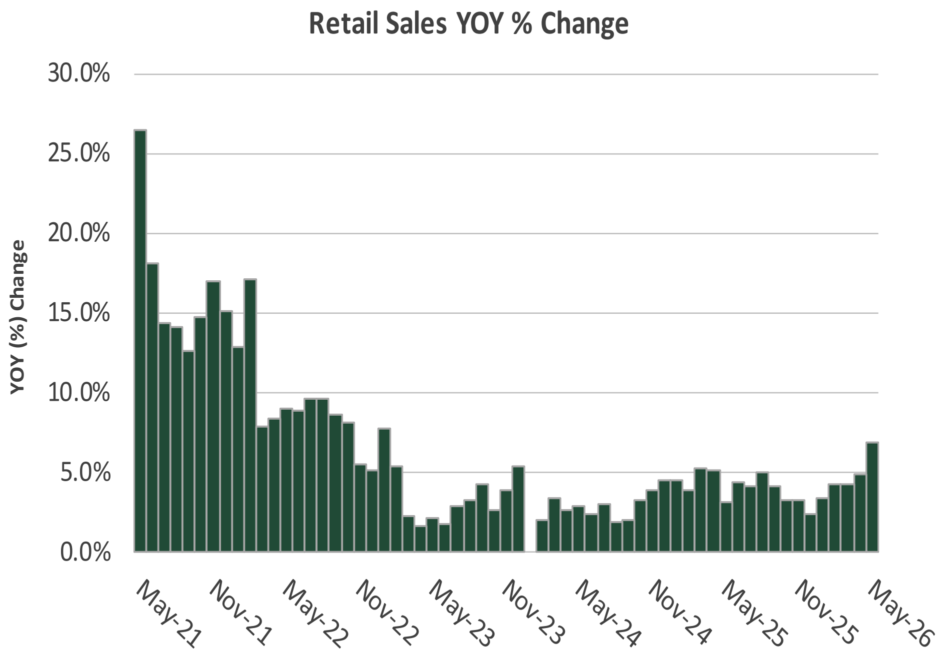


Source: US Department of Labor

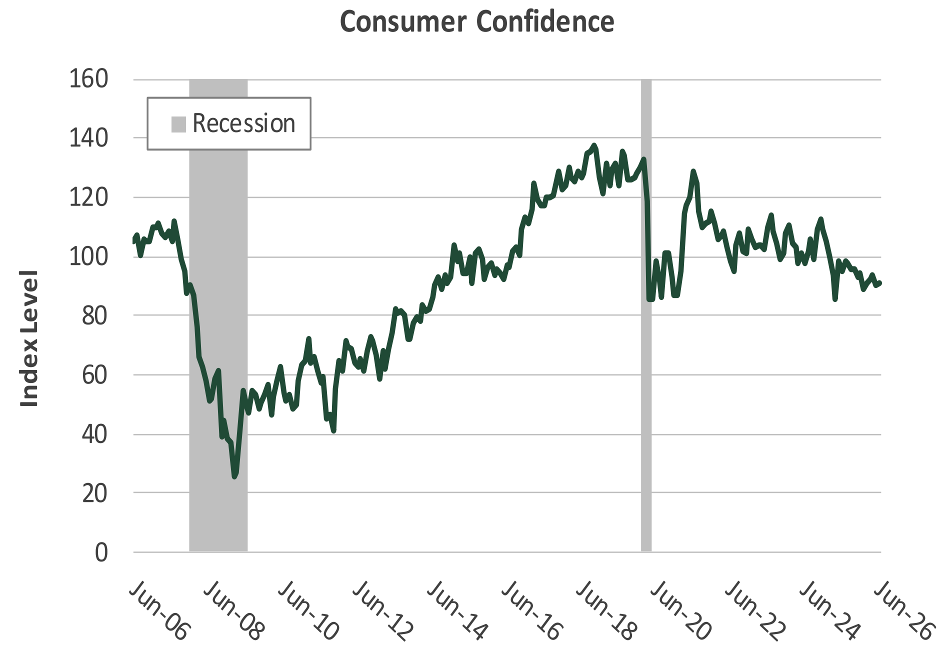


Source: US Department of Commerce

Inflation firmed in May, with the Personal Consumption Expenditures (PCE) price index rising 0.4% on the month and 4.1% year over year, up from 3.8% in April and marking the highest annual rate of the current cycle. Core PCE, which excludes food and energy, increased 0.3% in May and 3.4% over the year. Energy prices remained the primary driver of the headline acceleration, reflecting supply disruptions tied to the Iranian conflict. A similar pattern was evident in the headline Consumer Price Index (CPI), which rose 0.5% on the month and 4.2% year over year, the fastest annual pace since 2023. Energy prices climbed 3.9% in May and 23.5% from a year earlier, largely due to crude oil reaching a four-year high. In contrast, core CPI rose a more modest 0.2% on the month and 2.9% year over year, indicating that inflation pressures remain concentrated in energy rather than broad-based.

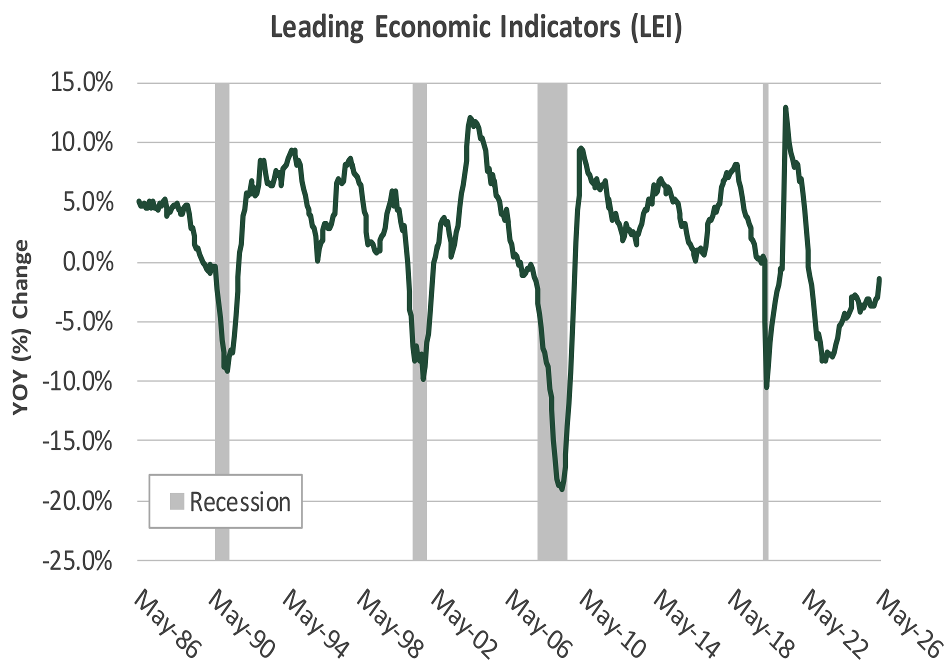


Source: US Department of Commerce

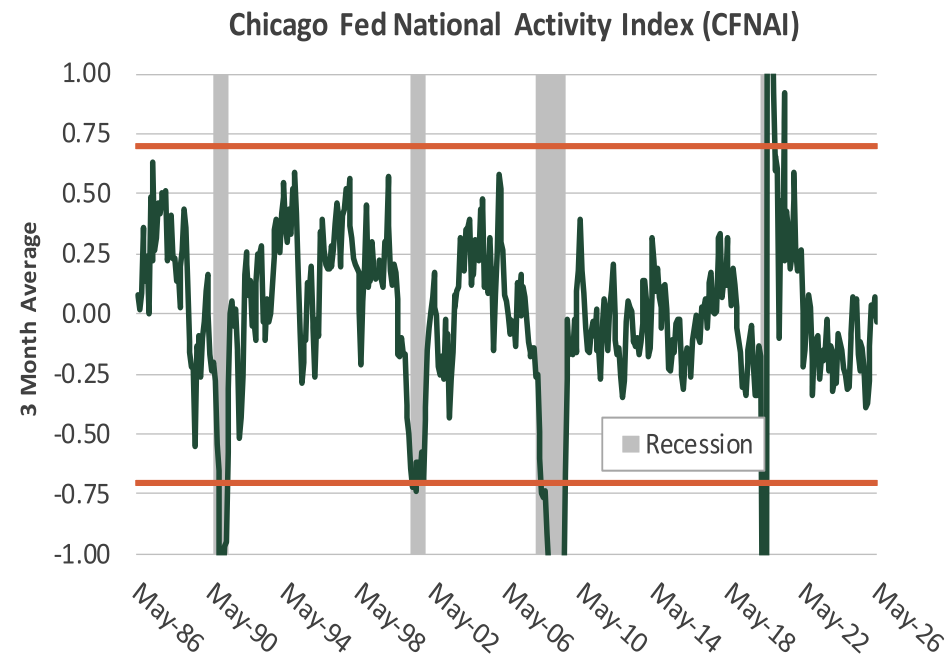


Source: The Conference Board
All time high is 144.70 (1/31/00); All time low is 25.30 (2/28/09)

Retail sales rose a robust 0.9% in May to $763.7 billion, nearly double the pace economists had penciled in and an acceleration from April's downwardly revised 0.4% gain. The closely watched control group, which feeds directly into gross domestic product calculations, advanced 0.7%, pointing to durable underlying demand. Gasoline station receipts rose as energy prices stayed high, while auto sales rebounded after an April pullback. The Conference Board's Consumer Confidence Index ticked up 0.6 points to 91.2 in June, though the improvement masked a further deterioration in how households view the job market, with the share calling jobs ‘hard-to-get’ climbing to a five year high. Spending has proven more resilient than sentiment across recent months.

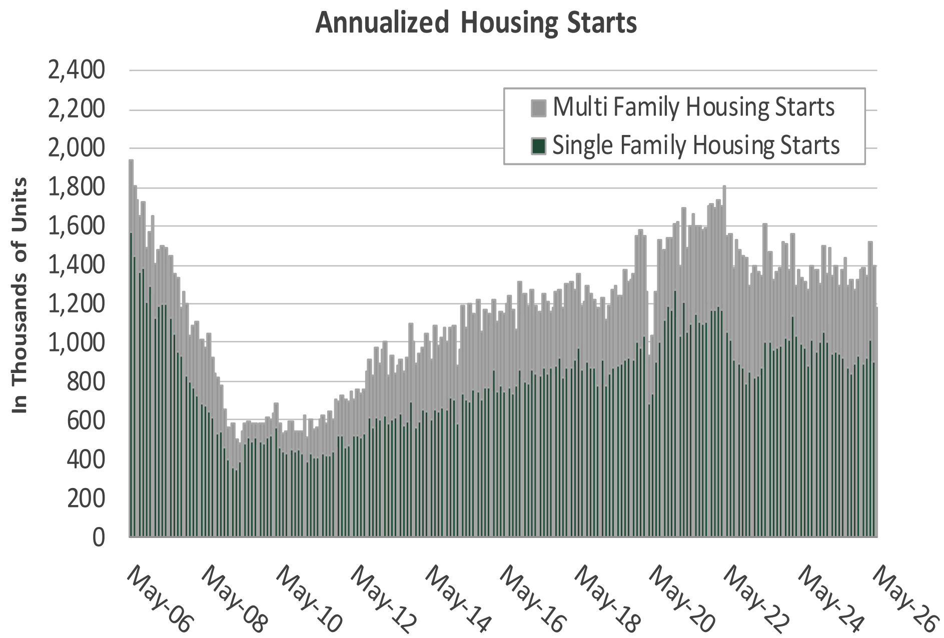


Source: The Conference Board

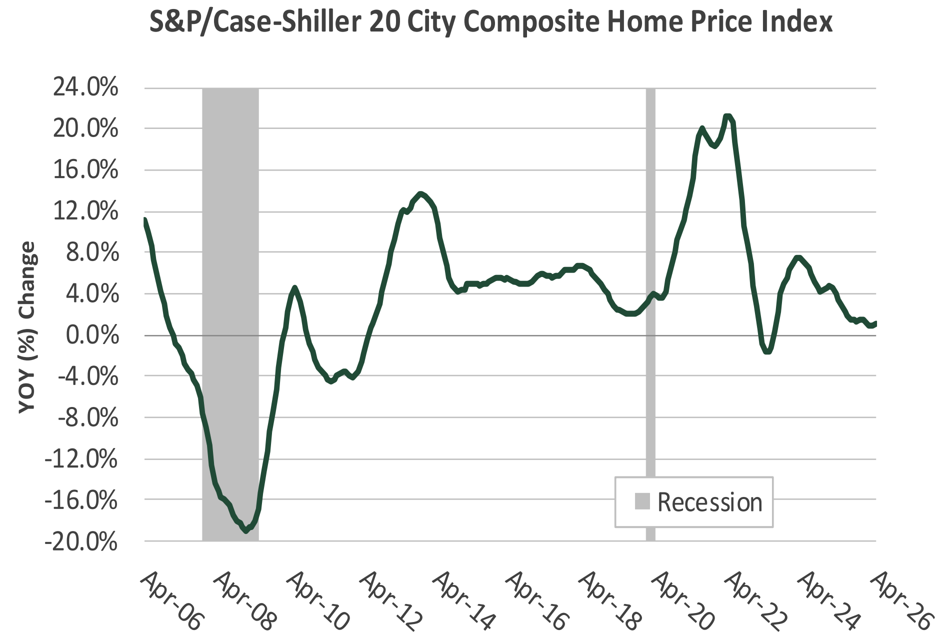


Source: Federal Reserve Bank of Chicago

The Conference Board's Leading Economic Index (LEI) edged up 0.1% in May to 99.3, following a revised 0.2% increase in April. Despite the monthly gains, the LEI's six- and twelve-month growth rates remained negative at -0.6% and -1.5%, respectively. The advance was driven primarily by financial components, including equity prices and the interest rate spread, while consumer expectations continued to weigh on the index. The Chicago Fed National Activity Index fell to -0.10 in May from an upwardly revised 0.19 in April. Production-related and employment-related indicators each subtracted from the index, while the sales, orders, and inventories category made a small positive contribution.

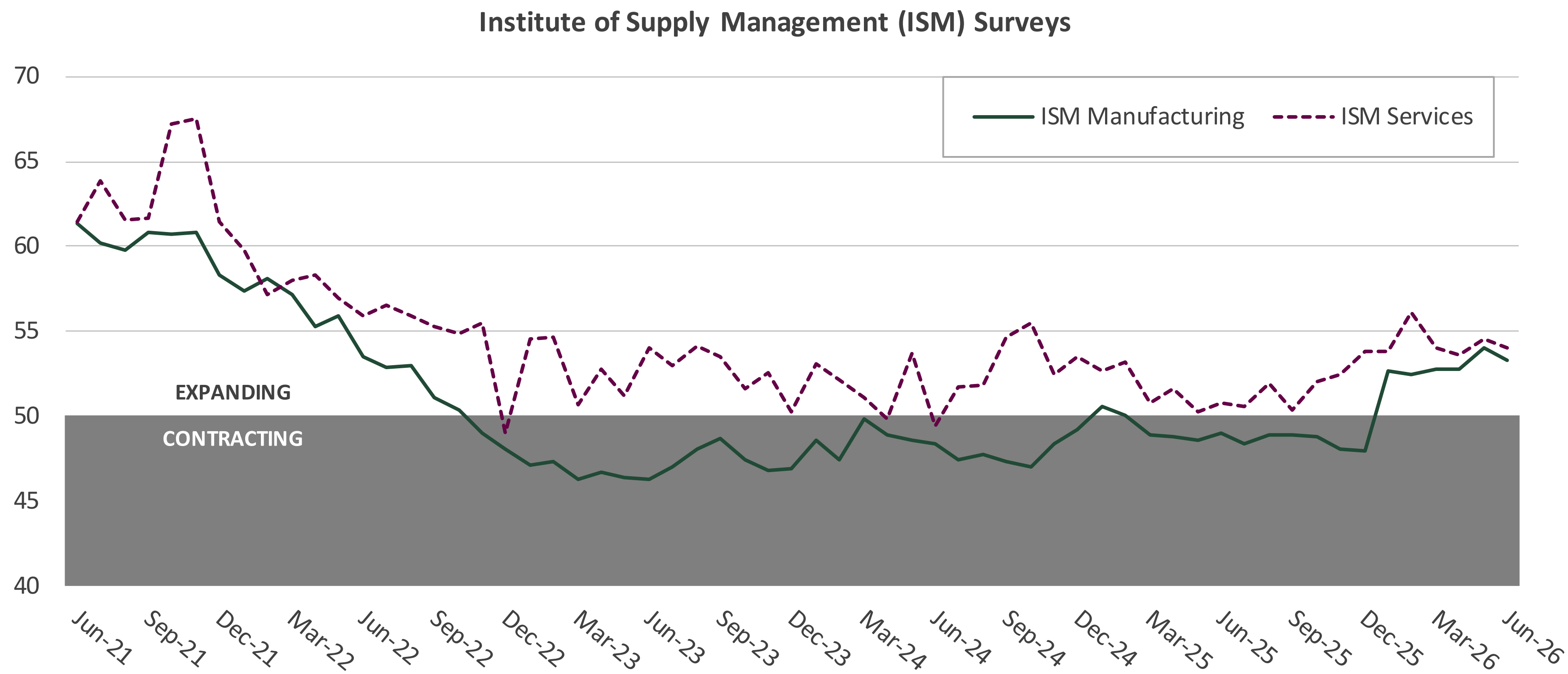


Source: US Department of Commerce



Source: S&P

Housing starts declined sharply in May to a seasonally adjusted annual rate of 1,177,000, a 15.4% drop from a downwardly revised 1,392,000 in April. The pullback was driven primarily by multifamily construction, while single-family starts edged down a more modest 1.9% to 882,000; total multifamily starts came in at 295,000 units. The S&P CoreLogic Case-Shiller 20-City Composite rose 1.1% year over year in April, marking its first pickup since November 2025, following an upwardly revised 0.9% gain in March. Freddie Mac's average 30-year fixed mortgage rate increased to 6.44% in May from 6.33% in April, reinforcing ongoing affordability constraints for prospective buyers.

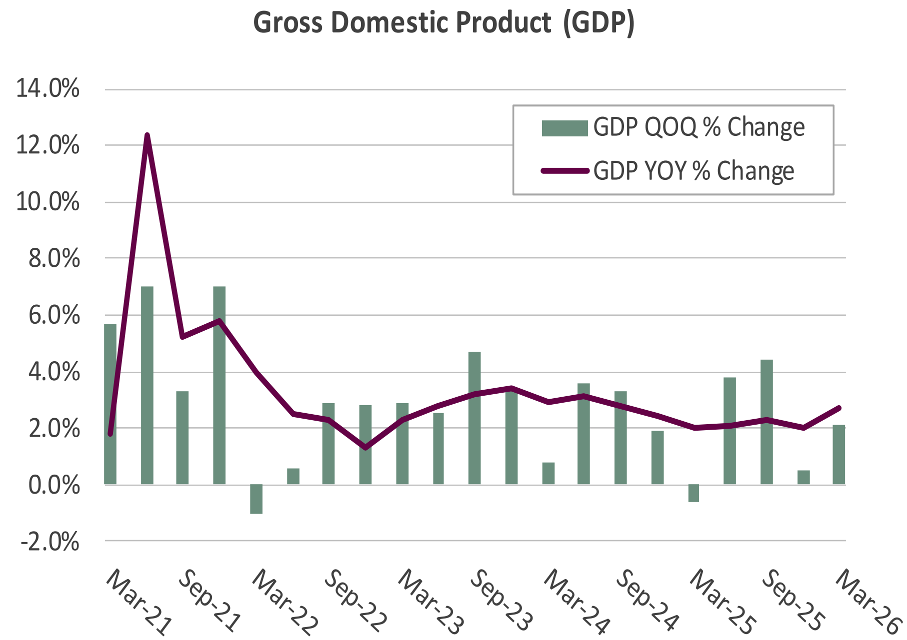


Source: Institute for Supply Management

Manufacturing activity cooled slightly in June, with the Institute for Supply Management's Manufacturing Index easing to 53.3%, down 0.7 percentage point from May but still marking a sixth consecutive month of expansion. Services activity also moderated, as the ISM Services Index eased to 54.0% from 54.5%, a twenty-fourth consecutive month in expansion territory. Business activity and new orders both slowed, though the employment component jumped to 51.2% from 47.9%, its strongest reading since late 2021 and the first expansion in services hiring in four months.

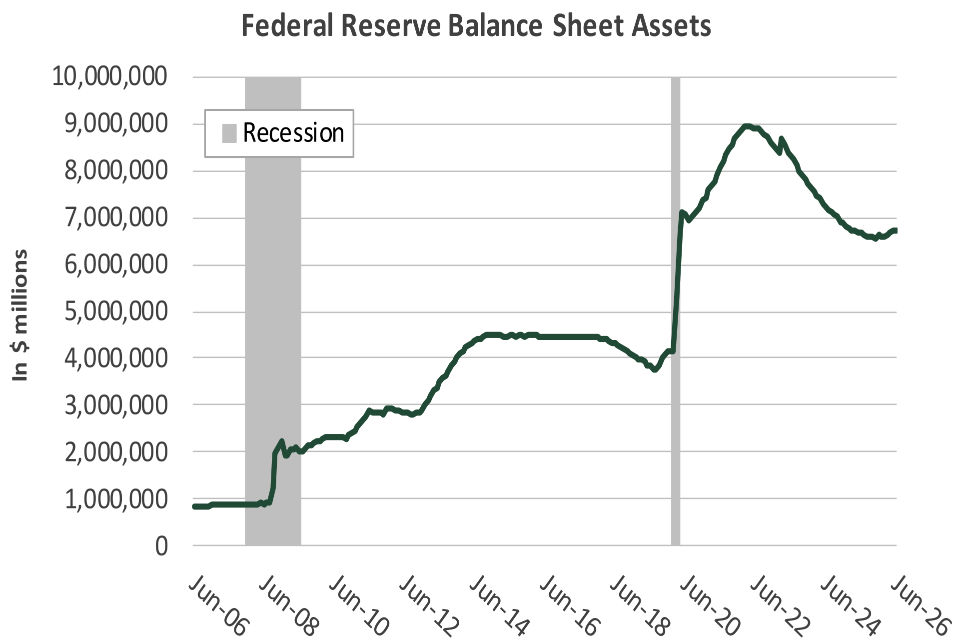
Components of GDP	6/25	9/25	12/25	3/26
Personal Consumption Expenditures	1.7%	2.3%	1.3%	0.4%
Gross Private Domestic Investment	-2.7%	0.0%	0.4%	1.4%
Net Exports and Imports	4.8%	1.6%	-0.2%	-0.4%
Federal Government Expenditures	-0.4%	0.2%	-1.2%	0.6%
State and Local (Consumption and Gross Investment)	0.3%	0.2%	0.2%	0.2%
Total	**3.8%**	**4.4%**	**0.5%**	**2.1%**

Source: US Department of Commerce

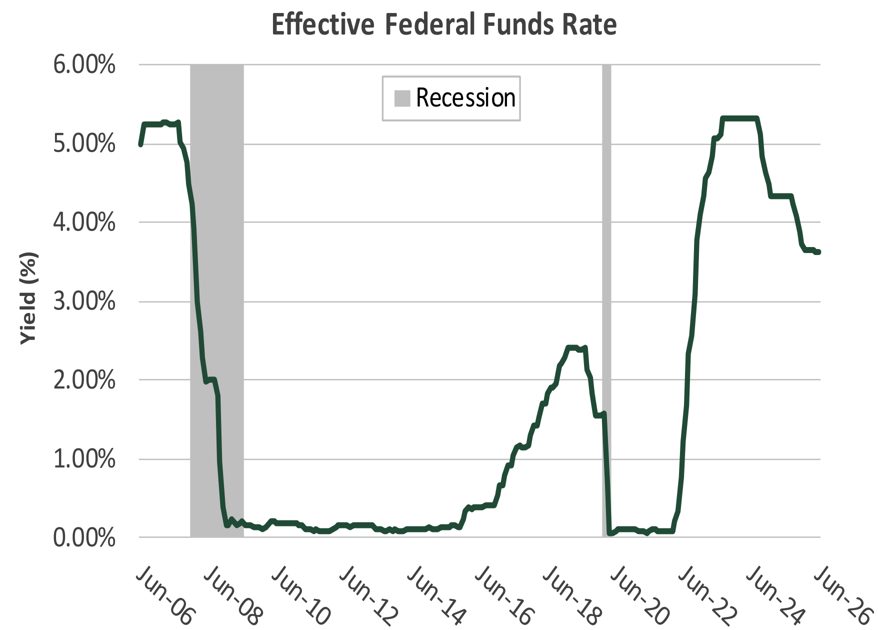


Source: US Department of Commerce

Real gross domestic product increased at an annualized rate of 2.1% in the first quarter of 2026, according to the Bureau of Economic Analysis’ third estimate, up from 1.6% in the prior estimate and an acceleration from 0.5% in the fourth quarter of 2025. The 0.5 percentage point upward revision was driven primarily by a downward revision to imports—which subtract from GDP—partly offset by a downward revision to consumer spending.

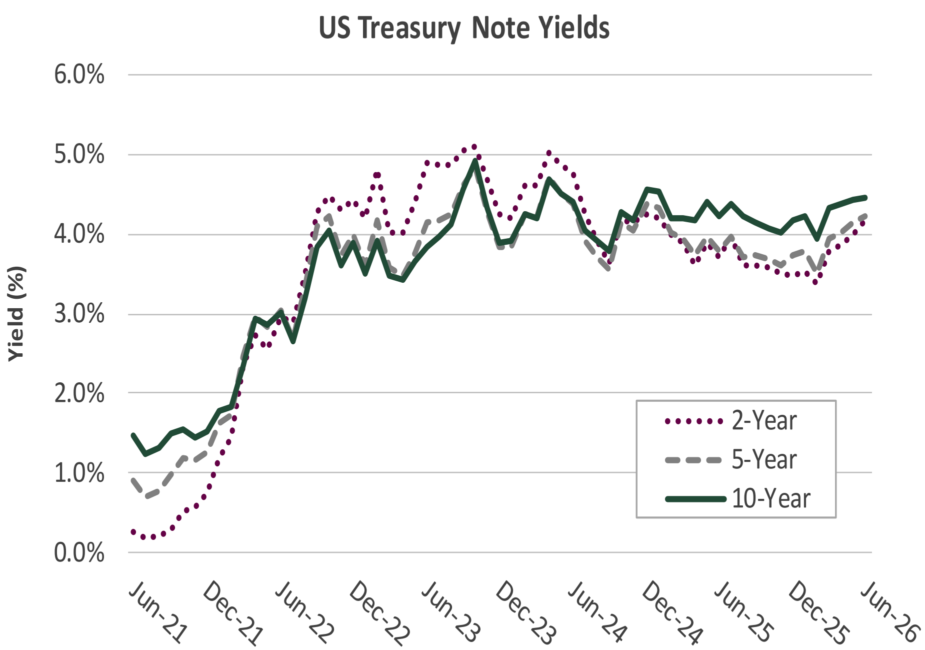


Source: Federal Reserve

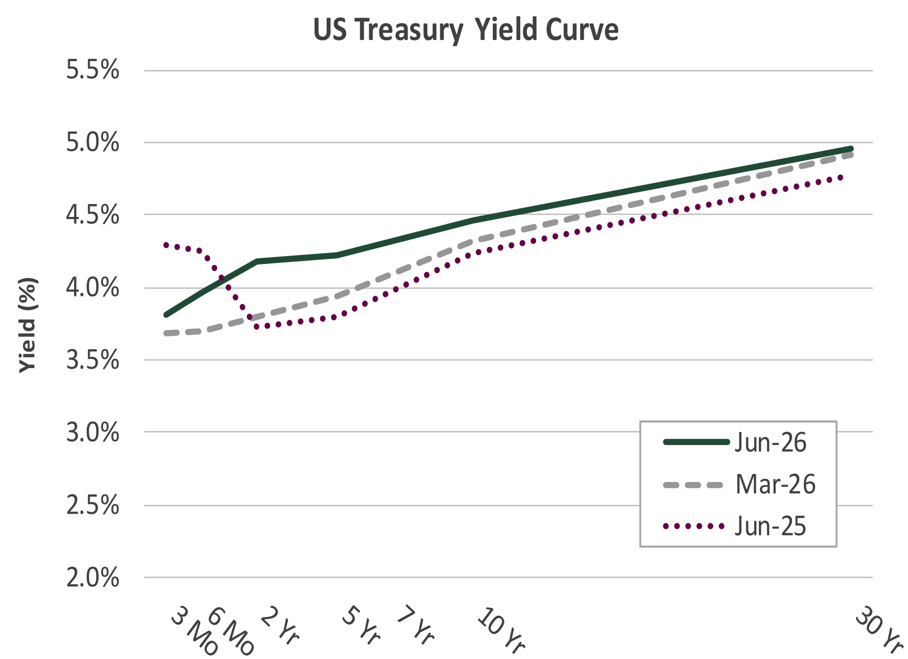


Source: Bloomberg

The Federal Open Market Committee (FOMC) held the target range for the federal funds rate at 3.50% to 3.75% at its June 16–17 meeting, with a unanimous 12–0 vote. This marked a notable shift from the April meeting—Jerome Powell’s last as chair—which saw four dissents in an 8–4 decision. The return to consensus under Chair Kevin Warsh signals a clear change in tone. Minutes from the June meeting are scheduled for release in early July. The June Summary of Economic Projections reflected a more hawkish outlook. The median projection for the federal funds rate at year-end 2026 rose to 3.8%, up from 3.4% in March, before easing to 3.6% in 2027 and 3.4% in 2028. Officials also revised their inflation forecasts, with headline PCE projected at 3.6% in 2026 (from 2.7%) and core PCE at 3.3%. By contrast, median projections for real GDP growth and the unemployment rate—2.2% and 4.3%, respectively—were little changed.



Source: Bloomberg



Source: Bloomberg

Treasury yields ended June mixed, with a modest flattening across the curve as markets digested a more hawkish Federal Reserve signal. The 2-year yield rose to 4.15% from 3.98% at the end of May, while the 10-year yield edged down to 4.44% from 4.45%. The 2s/10s spread narrowed to 29 basis points, down from 47 basis points a month earlier. The 3-month/10-year spread remained positive at roughly 64 basis points at month-end. Relative to the 69 basis point spread at the start of 2026, the curve has flattened materially year to date, reflecting a repricing higher in front-end rates as expectations shift toward the possibility of further Fed tightening rather than easing.

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 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.

Rules Name	Limit	Actual	Compliance Status	Notes
AGENCY MORTGAGE SECURITIES				
Max % (MV)	100.0	10.7	Compliant	
Max % Issuer (MV)	25.0	10.7	Compliant	
Max Maturity (Years)	5.0	4.6	Compliant	
Min Rating (AA by 1)	0.0	0.0	Compliant	
ASSET-BACKED SECURITIES (ABS)				
Max % (MV; Non Agency ABS & MBS)	15.0	8.1	Compliant	
Max % Issuer (MV)	5.0	1.4	Compliant	
Max Maturity (Years)	5	4	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
BANKERS' ACCEPTANCES				
Max % (MV)	40.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Days)	180	0.0	Compliant	
Min Rating (A-1 by 1 or A- by 1)	0.0	0.0	Compliant	
CERTIFICATE OF DEPOSIT PLACEMENT SERVICE (CDARS)				
Max % (MV)	30.0	0.0	Compliant	
COLLATERALIZED TIME DEPOSITS (NON-NEGOTIABLE CD/TD)				
Max % (MV)	20.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
COMMERCIAL PAPER				
Max % (MV)	25.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Days)	270	0.0	Compliant	
Min Rating (A-1 by 1 or A- by 1)	0.0	0.0	Compliant	
CORPORATE MEDIUM TERM NOTES				
Max % (MV)	30.0	21.7	Compliant	

Rules Name	Limit	Actual	Compliance Status	Notes
Max % Issuer (MV)	5.0	0.9	Compliant	
Max Maturity (Years)	5	4	Compliant	
Min Rating (A- by 1)	0.0	0.0	Compliant	
FDIC INSURED TIME DEPOSITS (NON-NEGOTIABLE CD/TD)				
Max % (MV)	20.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5	0.0	Compliant	
FEDERAL AGENCIES				
Max % (MV)	100.0	0.8	Compliant	
Max % Issuer (MV)	25.0	0.8	Compliant	
Max Callables (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5	1	Compliant	
LOCAL AGENCY INVESTMENT FUND (LAIF)				
Max % (MV)	60.0	21.3	Compliant	
Max % Issuer (MV)	40.0	21.3	Compliant	
LOCAL GOVERNMENT INVESTMENT POOL (LGIP)				
Max % (MV)	60.0	0.0	Compliant	
Max % Issuer (MV)	40.0	0.0	Compliant	
MONEY MARKET MUTUAL FUNDS				
Max % (MV)	20.0	0.3	Compliant	
Max % Issuer (MV)	20.0	0.3	Compliant	
Min Rating (AAA by 2)	0.0	0.0	Compliant	
MORTGAGE-BACKED SECURITIES (NON-AGENCY)				
Max % (MV)	15.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
Min Rating (AA by 1)	0.0	0.0	Compliant	
MUNICIPAL SECURITIES (CA, LOCAL AGENCY)				
Max % (MV; All Municipal Securities)	30.0	0.8	Compliant	

Rules Name	Limit	Actual	Compliance Status	Notes
Max % Issuer (MV)	5.0	0.8	Compliant	
Max Maturity (Years)	5	3	Compliant	
Min Rating (A- by 1)	0.0	0.0	Compliant	
MUNICIPAL SECURITIES (CA, OTHER STATES)				
Max % (MV; All Municipal Securities)	30.0	0.8	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5	0.0	Compliant	
Min Rating (A- by 1)	0.0	0.0	Compliant	
MUTUAL FUNDS				
Max % (MV)	20.0	0.0	Compliant	
Max % Issuer (MV)	10.0	0.0	Compliant	
Min Rating (AAA by 2)	0.0	0.0	Compliant	
NEGOTIABLE CERTIFICATES OF DEPOSIT (NCD)				
Max % (MV)	30.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5	0.0	Compliant	
Min Rating (A-1 by 1 or A- by 1 if > FDIC Limit)	0.0	0.0	Compliant	
REPURCHASE AGREEMENTS				
Max Maturity (Years)	1.0	0.0	Compliant	
SUPRANATIONAL OBLIGATIONS				
Max % (MV)	15.0	1.7	Compliant	
Max % Issuer (MV)	5.0	1.7	Compliant	
Max Maturity (Years)	5	3	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
U.S. TREASURIES				
Max % (MV)	100.0	34.4	Compliant	
Max Maturity (Years)	5	4	Compliant	

PORTFOLIO SUMMARY

City of Brea | Account #120 | As of June 30, 2026

Portfolio Characteristics

Average Modified Duration	2.57
Average Coupon	3.85%
Average Purchase YTM	4.12%
Average Market YTM	4.31%
Average Credit Quality*	AA
Average Final Maturity	3.05
Average Life	2.84

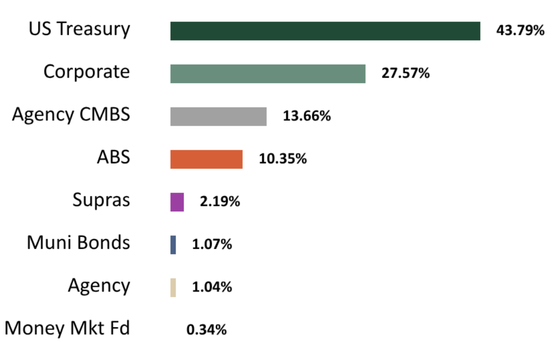
Account Summary

	End Values as of 03/31/2026	End Values as of 06/30/2026
Market Value	90,699,904.96	90,931,350.97
Accrued Interest	600,499.28	708,021.14
Total Market Value	**91,300,404.25**	**91,639,372.11**
Income Earned	884,388.59	916,695.67
Cont/WD	0.00	0.00
Par	91,368,195.60	92,084,921.54
Book Value	90,591,252.74	91,387,383.83
Cost Value	90,312,112.51	91,053,494.15

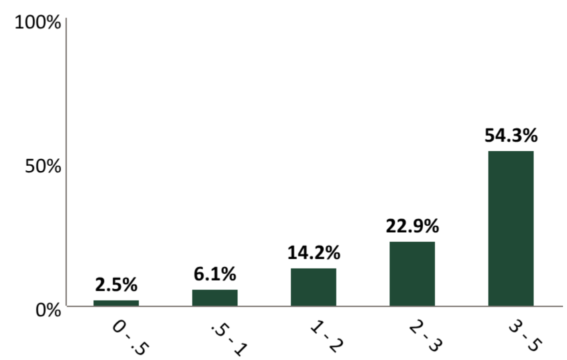
Top Issuers

United States	43.79%
Federal Home Loan Mortgage Corp	13.66%
International Bank for Recon and Dev	2.19%
Chase Issuance Trust	1.83%
American Express Credit Master Trust	1.67%
Berkshire Hathaway Inc.	1.17%
Florida Power & Light	1.12%
Abbvie Inc.	1.11%

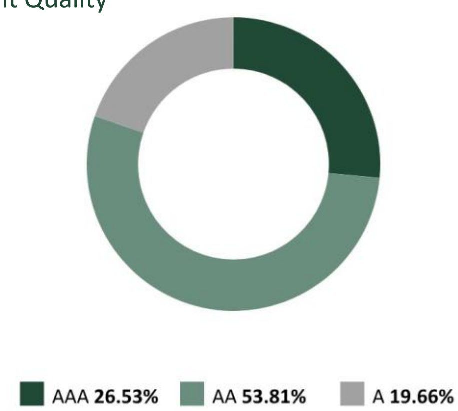
Sector Allocation



Maturity Distribution



Credit Quality*



Performance Review

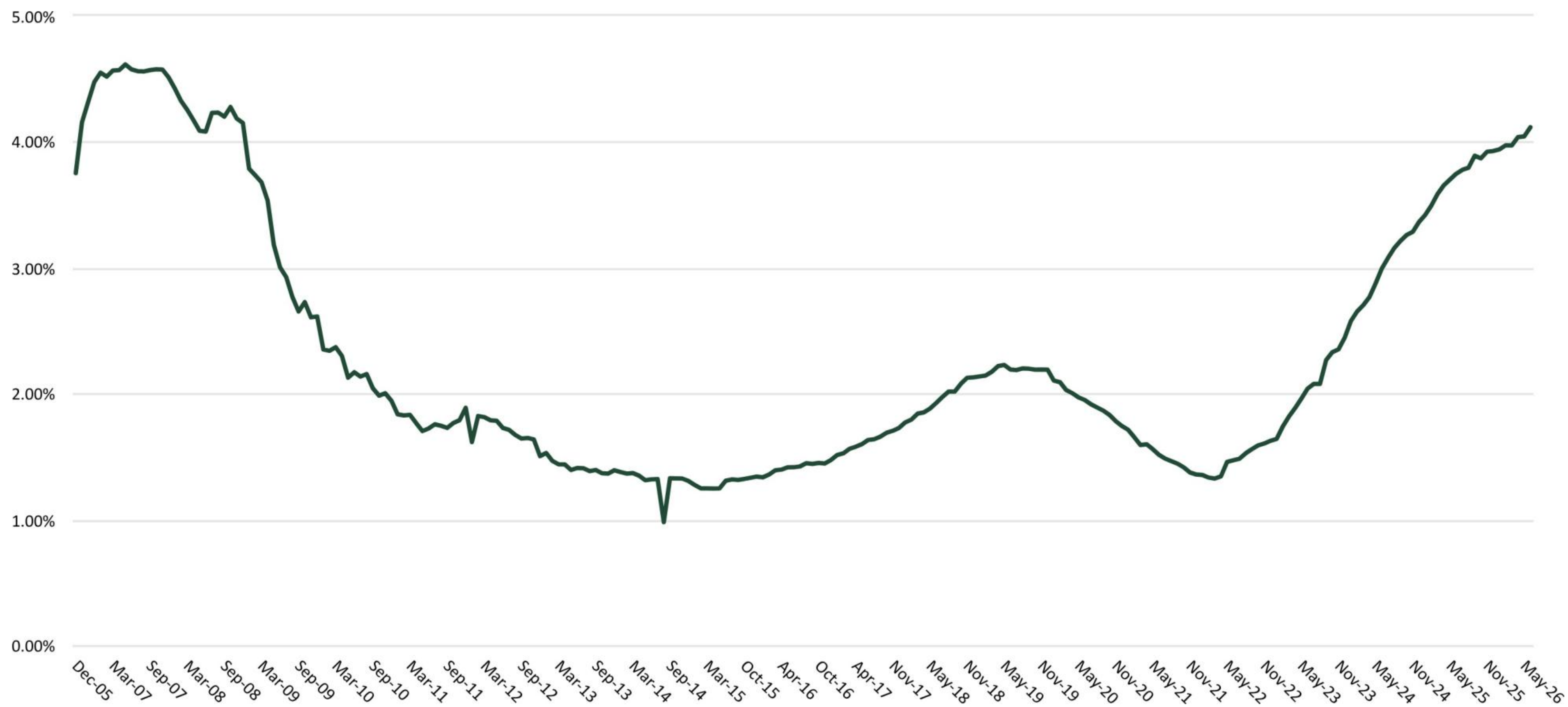
Total Rate of Return**	1M	3M	YTD	1YR	2YRS	3YRS	5YRS	10YRS	Since Inception (05/01/96)
City of Brea	0.08%	0.37%	0.64%	3.14%	4.76%	4.72%	1.88%	1.97%	3.45%
Benchmark Return	0.06%	0.24%	0.43%	2.71%	4.37%	4.30%	1.52%	1.64%	3.13%

*The average credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.
**Periods over 1 year are annualized.
Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index

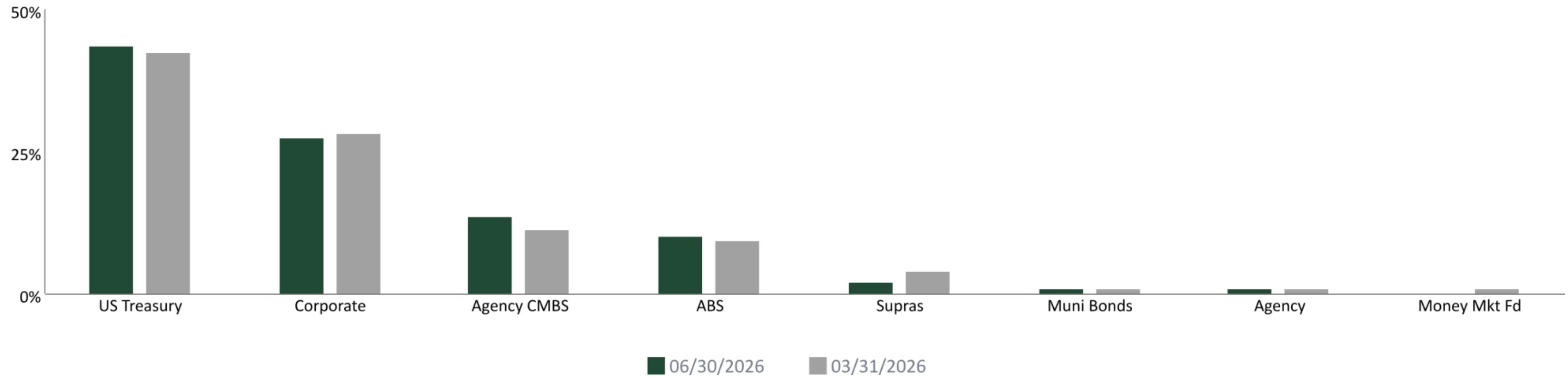
	Benchmark*	6/30/2026 Portfolio	3/31/2026 Portfolio
Average Maturity (yrs)	2.64	3.05	2.99
Average Modified Duration	2.46	2.57	2.52
Average Purchase Yield		4.12%	3.97%
Average Market Yield	4.16%	4.31%	4.04%
Average Quality**	AA+	AA	AA
Total Market Value		91,639,372	91,300,404

*Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

Purchase Yield as of 06/30/26 = 4.12%



City of Brea | Account #120 | As of June 30, 2026



Sector as a Percentage of Market Value

Sector	06/30/2026	03/31/2026
US Treasury	43.79%	42.82%
Corporate	27.57%	28.35%
Agency CMBS	13.66%	11.59%
ABS	10.35%	9.71%
Supras	2.19%	4.32%
Muni Bonds	1.07%	1.08%
Agency	1.04%	1.05%
Money Mkt Fd	0.34%	1.08%

Issuer	Investment Type	% Portfolio
United States	US Treasury	43.79%
Federal Home Loan Mortgage Corp	Agency CMBS	13.66%
International Bank for Recon and Dev	Supras	2.19%
Chase Issuance Trust	ABS	1.83%
American Express Credit Master Trust	ABS	1.67%
Berkshire Hathaway Inc.	Corporate	1.17%
Florida Power & Light	Corporate	1.12%
Abbvie Inc.	Corporate	1.11%
Nat Rural Util Coop Fin Corp	Corporate	1.11%
State Street Corporation	Corporate	1.11%
Marsh & McLennan Companies, Inc.	Corporate	1.10%
Deere & Company	Corporate	1.09%
JPMorgan Chase & Co.	Corporate	1.09%
Alphabet Inc.	Corporate	1.08%
Toyota Motor Corporation	Corporate	1.07%
State of California	Muni Bonds	1.07%
The Home Depot, Inc.	Corporate	1.06%
The Progressive Corporation	Corporate	1.05%
Farm Credit System	Agency	1.04%
Realty Income Corporation	Corporate	1.03%
Honda Auto Receivables Owner Trust	ABS	1.03%
Simon Property Group, Inc.	Corporate	1.02%
Pfizer Inc.	Corporate	0.98%
Caterpillar Inc.	Corporate	0.95%
Northern Trust Corporation	Corporate	0.92%
John Deere Owner Trust	ABS	0.92%
PepsiCo, Inc.	Corporate	0.92%
The Charles Schwab Corporation	Corporate	0.81%
Meta Platforms, Inc.	Corporate	0.81%
Public Service Enterprise Group	Corporate	0.81%

ISSUERS

City of Brea | Account #120 | As of June 30, 2026

Issuer	Investment Type	% Portfolio
The Goldman Sachs Group, Inc.	Corporate	0.80%
Morgan Stanley	Corporate	0.75%
Salesforce, Inc.	Corporate	0.65%
PACCAR Inc	Corporate	0.65%
Visa Inc.	Corporate	0.64%
Hyundai Auto Receivables Trust	ABS	0.63%
Wells Fargo & Company	Corporate	0.63%
Toyota Auto Receivables Owner Trust	ABS	0.62%
Mercedes-Benz Auto Receivables Trust	ABS	0.60%
Target Corporation	Corporate	0.58%
WF Card Issuance Trust	ABS	0.57%
Hyundai Motor Company	ABS	0.56%
Chubb Limited	Corporate	0.56%
Cisco Systems, Inc.	Corporate	0.54%
GM Financial Auto Leasing Trust	ABS	0.53%
Bank of America Credit Card Trust	ABS	0.51%
GM Financial Securitized Term	ABS	0.41%
Eli Lilly and Company	Corporate	0.34%
Fidelity	Money Mkt Fd	0.34%
BMW Vehicle Owner Trust	ABS	0.28%
Mercedes-Benz Auto Lease Trust	ABS	0.18%
Cash	Cash	0.00%
TOTAL		**100.00%**

Agency

- Agency spreads tightened early in the quarter but retraced amid elevated rate volatility and ongoing geopolitical tensions, finishing modestly wider versus Treasuries than the prior quarter, though still near historically tight levels.
- Front-end agency exposure continued to offer limited incremental yield over Treasuries, while constrained net issuance and ongoing Fed balance sheet runoff kept longer-duration opportunities relatively limited.

Investment Grade Credit

- Investment-grade credit spreads ended the quarter tighter, reversing some of the widening experienced following the first quarter.
- Corporate fundamentals remained broadly resilient, supported by solid balance sheets and manageable leverage; however, persistent macro uncertainty—including geopolitical risks and a still-tight labor market—tempered the forward outlook.

Securitized Products

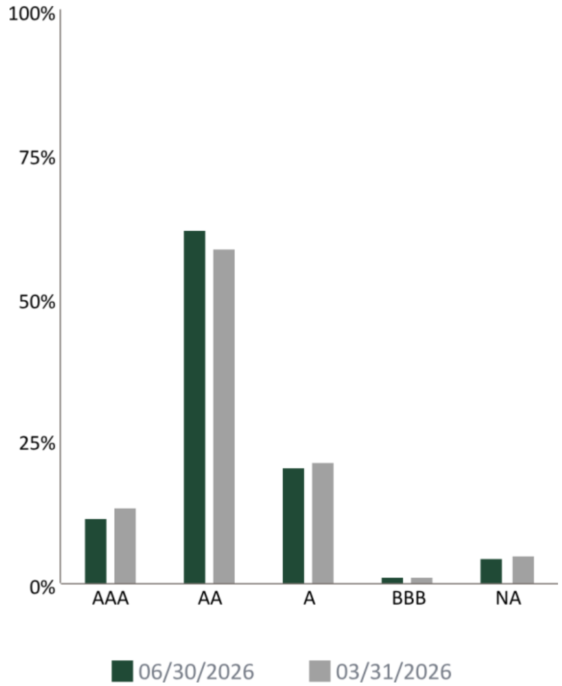
- Securitized sectors, particularly asset-backed securities and agency CMBS, continued to provide attractive carry and diversification benefits.
- Spreads remained compelling relative to comparably rated corporate credit, supported by structural protections and stable underlying collateral performance.

Municipal Bonds

- Municipal spreads were modestly wider over the quarter, with constrained taxable issuance continuing to limit available supply.

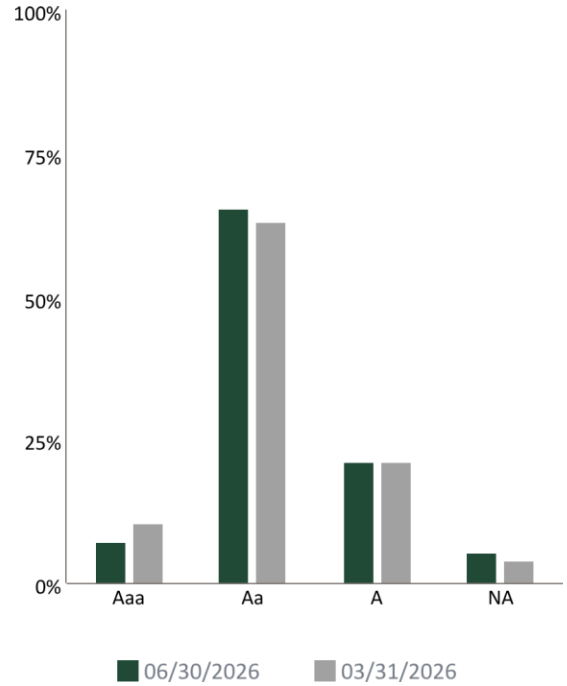
City of Brea | Account #120 | As of June 30, 2026

S&P Rating



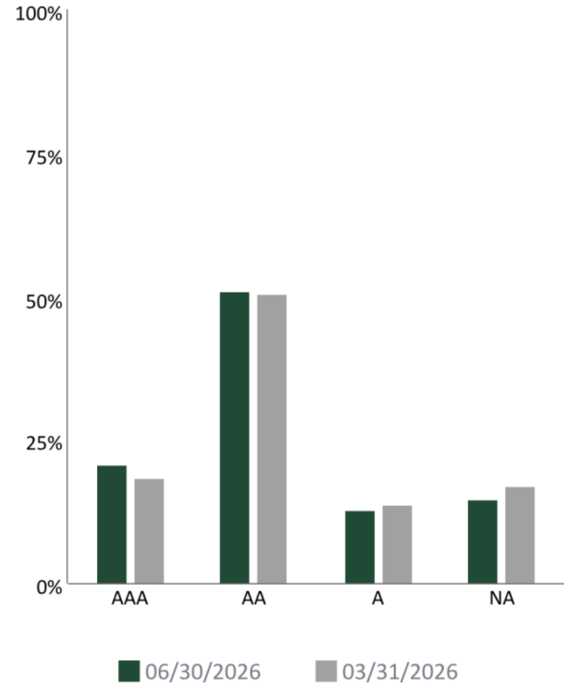
Rating	06/30/2026	03/31/2026
AAA	11.43%	13.32%
AA	61.96%	58.63%
A	20.51%	21.57%
BBB	1.43%	1.45%
NA	4.66%	5.04%

Moody's Rating



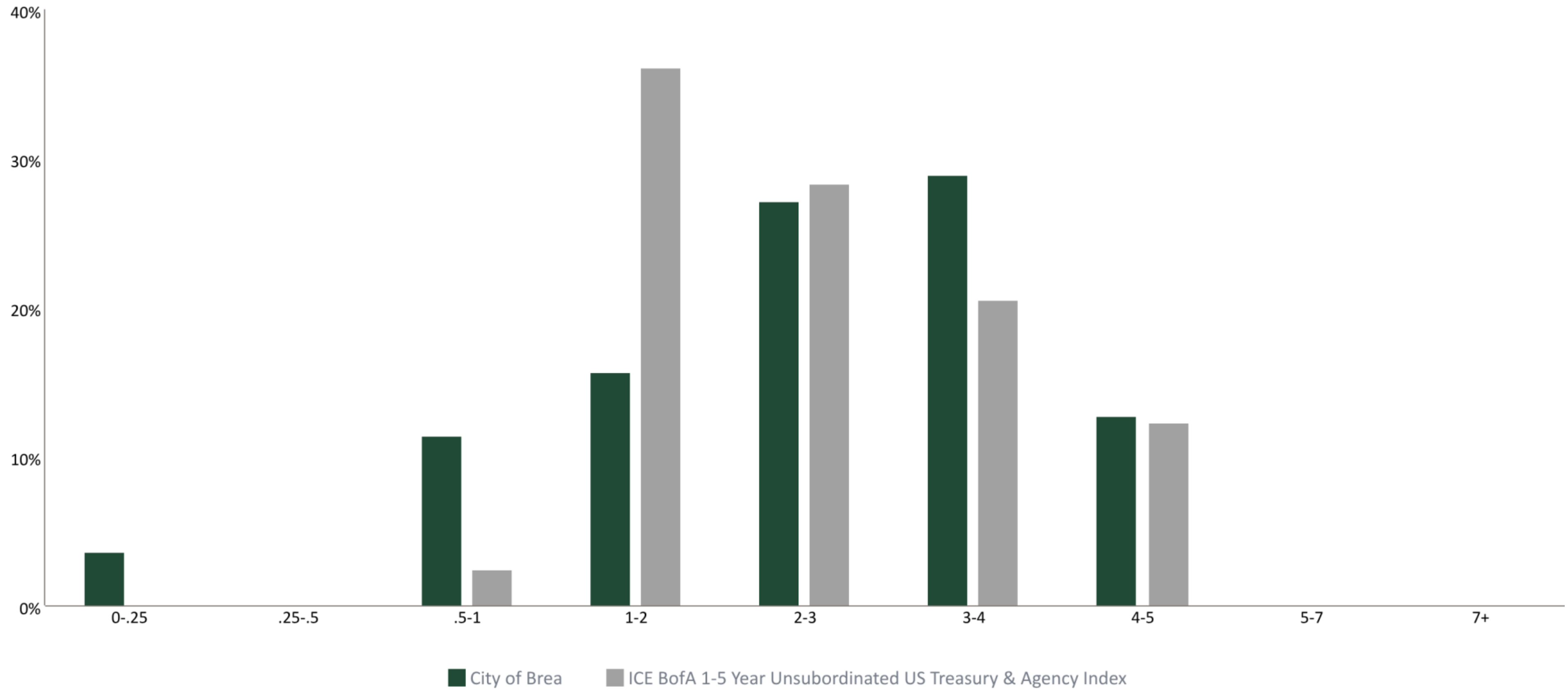
Rating	06/30/2026	03/31/2026
Aaa	7.41%	10.75%
Aa	65.79%	63.46%
A	21.40%	21.47%
NA	5.41%	4.32%

Fitch Rating



Rating	06/30/2026	03/31/2026
AAA	20.72%	18.67%
AA	51.39%	50.51%
A	13.12%	13.78%
NA	14.78%	17.04%

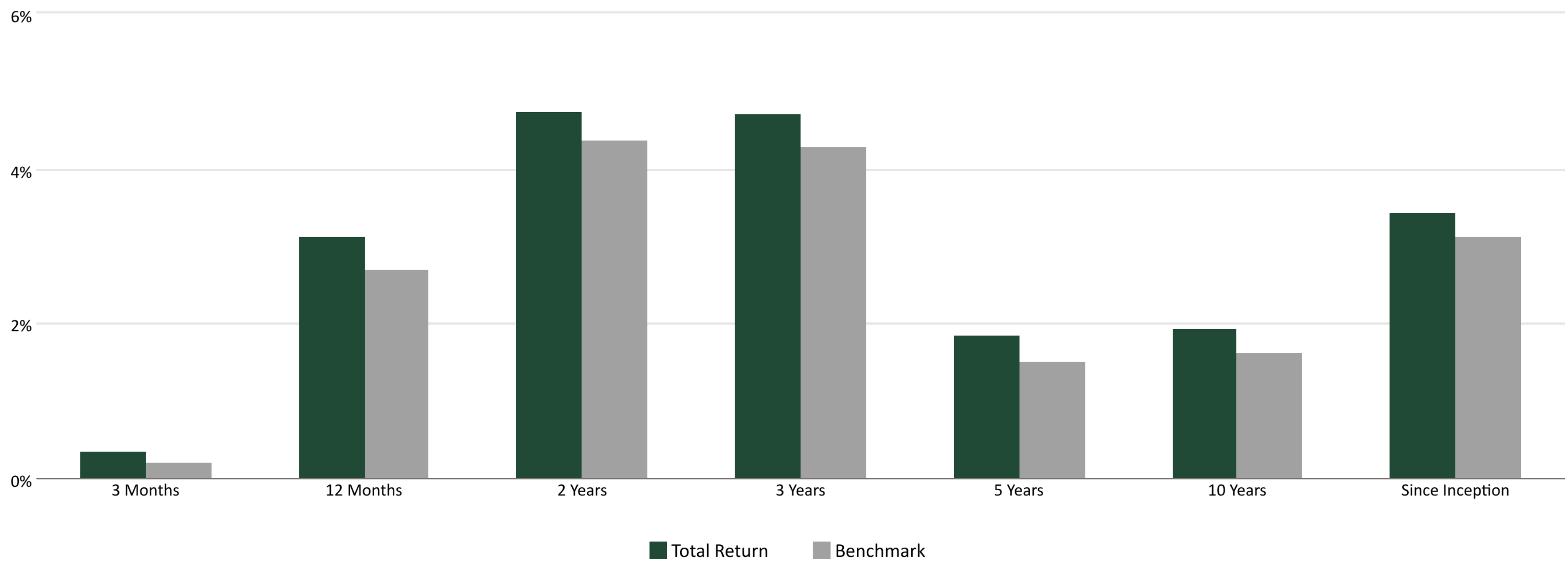
Portfolio Compared to the Benchmark



	0-.25	.25-.5	.5-1	1-2	2-3	3-4	4-5	5-7	7+
Portfolio	3.6%	0.2%	11.5%	15.8%	27.2%	29.0%	12.8%	0.0%	0.0%
ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index	0.0%	0.0%	2.5%	36.2%	28.4%	20.6%	12.3%	0.0%	0.0%

City of Brea | Account #120 | As of June 30, 2026

Total Rate of Return: Inception | 05/01/1996



TOTAL RATE OF RETURN*	3 Months	12 Months	2 Years	3 Years	5 Years	10 Years	Since Inception
City of Brea	0.37%	3.14%	4.76%	4.72%	1.88%	1.97%	3.45%
Benchmark	*0.24%*	*2.71%*	*4.37%*	*4.30%*	*1.52%*	*1.64%*	*3.13%*

*Periods over 1 year are annualized.
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 market value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.
Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index

City of Brea LAIF | Account #10164 | As of June 30, 2026

	6/30/2026 Portfolio	3/31/2026 Portfolio
Average Maturity (yrs)	0.00	0.00
Average Modified Duration	0.00	0.00
Average Purchase Yield	3.82%	3.82%
Average Market Yield	3.82%	3.82%
Average Quality**	AAA	AAA
Total Market Value	24,081,206	17,474,395

*Benchmark: NO BENCHMARK REQUIRED
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

PORTFOLIO CHARACTERISTICS

CHANDLER ASSET MANAGEMENT

Successor Agency to the Brea RDA LAIF | Account #10166 | As of June 30, 2026

	6/30/2026 Portfolio	3/31/2026 Portfolio
Average Maturity (yrs)	0.00	0.00
Average Modified Duration	0.00	0.00
Average Purchase Yield	3.82%	3.82%
Average Market Yield	3.82%	3.82%
Average Quality**	AAA	AAA
Total Market Value	943,590	934,517

*Benchmark: NO BENCHMARK REQUIRED

**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

City Brea Bond Reserve Funds

Portfolio Characteristics

Summary of Accounts Managed

June 30, 2026

Name of Account	Average Maturity (Years)	Average Book Yield	Market Value	Average Quality
Brea CFD 2008 2 17 Reserve Fund	1.91	3.92%	668,891	NR/NR

CHANDLER ASSET MANAGEMENT

NOC Public Safety Collab | Account #11087 | As of June 30, 2026

	Benchmark*	6/30/2026 Portfolio	3/31/2026 Portfolio
Average Maturity (yrs)	0.16	0.21	0.00
Average Modified Duration	0.16	0.21	0.00
Average Purchase Yield		3.73%	3.30%
Average Market Yield	3.71%	3.71%	3.30%
Average Quality**	AA+	AAA	AAA
Total Market Value		1,534,871	1,661,136

*Benchmark: ICE BofA 3-Month US Treasury Bill Index
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

PORTFOLIO SUMMARY

NOC Public Safety Collab | Account #11087 | As of June 30, 2026

Portfolio Characteristics

Average Modified Duration	0.21
Average Coupon	0.09%
Average Purchase YTM	3.73%
Average Market YTM	3.71%
Average Credit Quality*	AAA
Average Final Maturity	0.21
Average Life	0.21

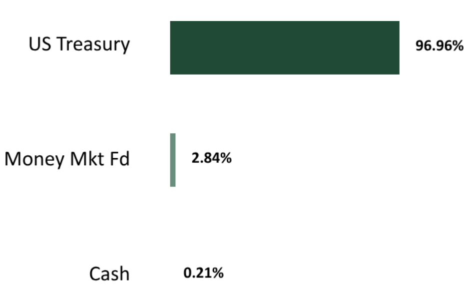
Account Summary

	End Values as of 03/31/2026	End Values as of 06/30/2026
Market Value	1,661,136.49	1,534,871.43
Accrued Interest	0.00	0.00
Total Market Value	**1,661,136.49**	**1,534,871.43**
Income Earned	13,686.75	15,115.68
Cont/WD	0.00	(140,000.00)
Par	1,661,136.49	1,546,718.43
Book Value	1,661,136.49	1,534,815.31
Cost Value	1,661,136.49	1,533,441.87

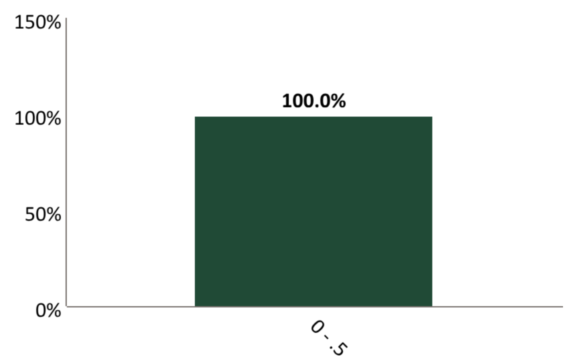
Top Issuers

United States	96.96%
Fidelity	2.84%

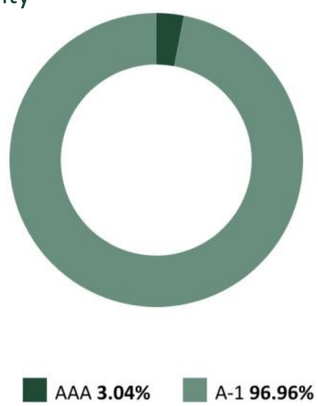
Sector Allocation



Maturity Distribution



Credit Quality*



Performance Review

Total Rate of Return**	1M	3M	YTD	1YR	2YRS	3YRS	5YRS	10YRS	Since Inception (09/01/23)
NOC Public Safety Collab	0.28%	0.83%	1.66%	3.59%	3.94%	--	--	--	4.38%
Benchmark Return	0.29%	0.89%	1.74%	3.84%	4.26%	--	--	--	4.61%

*The average credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.
**Periods over 1 year are annualized.
Benchmark: ICE BofA 3-Month US Treasury Bill Index

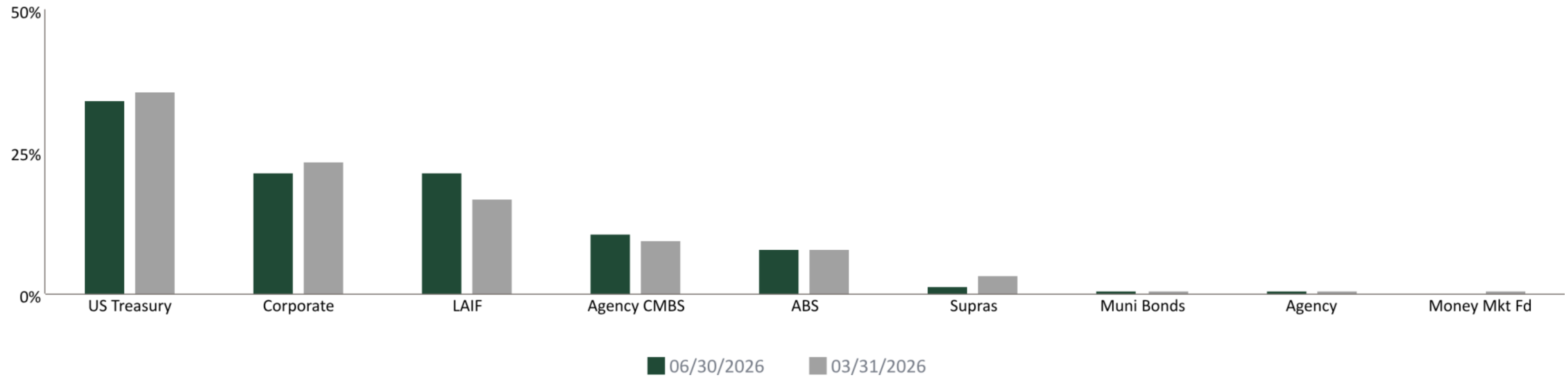
CONSOLIDATED INFORMATION

City of Brea Cons/Reconciliation | Account #707 | As of June 30, 2026

	6/30/2026 Portfolio	3/31/2026 Portfolio
Average Maturity (yrs)	2.39	2.49
Average Modified Duration	2.02	2.10
Average Purchase Yield	4.05%	3.95%
Average Market Yield	4.21%	4.00%
Average Quality**	AA	AA
Total Market Value	116,664,168	109,709,316

*Benchmark: NO BENCHMARK REQUIRED
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

City of Brea Cons/Reconciliation | Account #707 | As of June 30, 2026



Sector as a Percentage of Market Value

Sector	06/30/2026	03/31/2026
US Treasury	34.34%	35.59%
Corporate	21.62%	23.57%
LAIF	21.40%	16.73%
Agency CMBS	10.71%	9.63%
ABS	8.12%	8.07%
Supras	1.71%	3.59%
Muni Bonds	0.84%	0.90%
Agency	0.82%	0.87%
Money Mkt Fd	0.26%	0.90%
Cash	0.18%	0.15%

City of Brea Cons/Reconciliation | Account #707 | As of June 30, 2026

Portfolio Characteristics

Average Modified Duration	2.02
Average Coupon	3.84%
Average Purchase YTM	4.05%
Average Market YTM	4.21%
Average Credit Quality*	AA
Average Final Maturity	2.39
Average Life	2.23

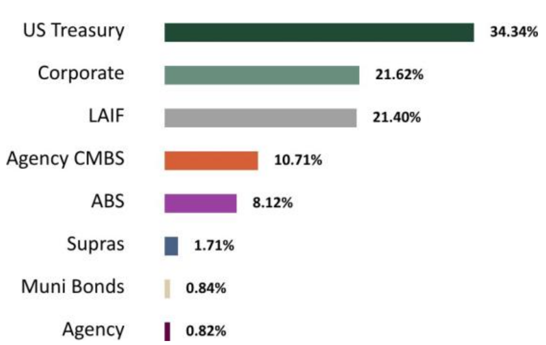
Account Summary

	End Values as of 03/31/2026	End Values as of 06/30/2026
Market Value	109,108,816.85	115,956,147.10
Accrued Interest	600,499.28	708,021.14
Total Market Value	**109,709,316.14**	**116,664,168.24**
Income Earned	930,397.42	1,078,520.17
Cont/WD	9,500,000.00	6,400,000.00
Par	109,777,107.49	117,109,717.67
Book Value	109,000,164.63	116,412,179.96
Cost Value	108,721,024.40	116,078,290.28

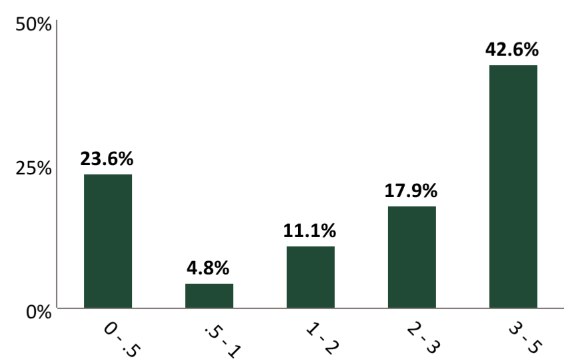
Top Issuers

United States	34.34%
LAIF	21.40%
Federal Home Loan Mortgage Corp	10.71%
International Bank for Recon and Dev	1.71%
Chase Issuance Trust	1.44%
American Express Credit Master Trust	1.31%
Berkshire Hathaway Inc.	0.92%
Florida Power & Light	0.88%

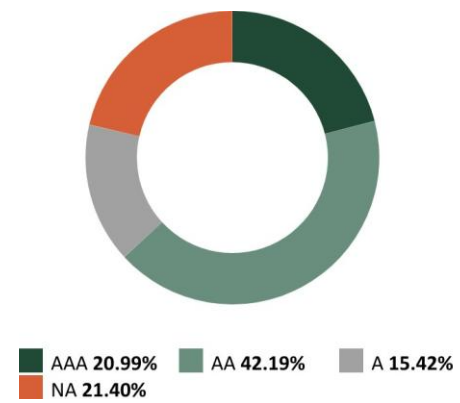
Sector Allocation



Maturity Distribution



Credit Quality*



The credit quality is a weighted average calculation of the highest of S&P, Moody's' and Fitch

CHANDLER ASSET MANAGEMENT

PORTFOLIO HOLDINGS

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
ABS									
36269WAD1	GMALT 2024-2 A3 5.39 07/20/2027	41,028.58	05/07/2024 5.85%	41,026.20 41,027.79	100.09 3.93%	41,063.83 67.57	0.04% 36.03	NA/AAA AAA	1.05 0.06
58770JAD6	MBALT 2024-A A3 5.32 01/18/2028	161,092.25	05/17/2024 5.73%	161,073.40 161,084.26	100.35 4.20%	161,659.46 380.89	0.14% 575.20	Aaa/NA AAA	1.55 0.30
362962AD4	GMALT 2025-2 A3 4.58 05/22/2028	440,000.00	05/20/2025 4.84%	439,992.70 439,995.37	100.23 4.29%	440,999.24 615.76	0.38% 1,003.87	NA/AAA AAA	1.90 0.68
161571HT4	CHAIT 2023-1 A 5.16 09/15/2028	965,000.00	09/07/2023 5.23%	964,732.50 964,881.84	100.25 3.96%	967,430.84 2,213.07	0.83% 2,548.99	NA/AAA AAA	2.21 0.20
437930AC4	HAROT 2024-2 A3 5.27 11/20/2028	192,398.93	05/14/2024 5.27%	192,375.55 192,386.51	100.54 4.37%	193,442.31 366.15	0.17% 1,055.79	NA/AAA AAA	2.39 0.56
096919AD7	BMWOT 2024-A A3 5.18 02/26/2029	254,551.00	06/04/2024 5.18%	254,512.33 254,529.18	100.51 4.33%	255,839.53 219.76	0.22% 1,310.35	Aaa/AAA NA	2.66 0.56
47786WAD2	JDOT 2024-B A3 5.2 03/15/2029	375,220.40	06/11/2024 5.81%	375,147.04 375,178.53	100.64 4.40%	377,618.43 867.18	0.33% 2,439.90	Aaa/NA AAA	2.71 0.74
43813YAC6	HAROT 2024-3 A3 4.57 03/21/2029	446,516.72	08/09/2024 4.66%	446,446.57 446,475.04	100.20 4.31%	447,401.71 566.83	0.39% 926.67	Aaa/NA AAA	2.72 0.64
02582JKH2	AMXCA 2024-1 A 5.23 04/16/2029	720,000.00	04/16/2024 5.30%	719,852.40 719,917.23	100.82 4.20%	725,924.16 1,673.60	0.63% 6,006.93	NA/AAA AAA	2.79 0.76
05522RDJ4	BACCT 2024-1 A 4.93 05/15/2029	460,000.00	06/06/2024 4.93%	459,974.19 459,984.99	100.65 4.21%	462,969.30 1,007.91	0.40% 2,984.31	Aaa/AAA NA	2.87 0.84
89240JAD3	TAOT 2025-A A3 4.64 08/15/2029	565,000.00	01/22/2025 4.69%	564,977.34 564,984.41	100.32 4.31%	566,825.52 1,165.16	0.49% 1,841.10	Aaa/NA AAA	3.13 0.86
47800DAD6	JDOT 2025 A3 4.23 09/17/2029	460,000.00	03/04/2025 5.09%	459,971.07 459,979.43	99.88 4.35%	459,430.06 864.80	0.40% (549.37)	Aaa/NA AAA	3.22 1.47
92970QAE5	WFCIT 2024-2 A 4.29 10/15/2029	515,000.00	10/17/2024 4.29%	514,923.47 514,949.37	100.06 4.28%	515,310.03 981.93	0.44% 360.66	Aaa/AAA NA	3.29 1.23
44935CAD3	HART 2025-A A3 4.32 10/15/2029	575,000.00	03/04/2025 4.84%	574,915.19 574,939.25	100.05 4.31%	575,264.50 1,104.00	0.50% 325.25	NA/AAA AAA	3.29 0.95
437921AD1	HAROT 252 A3 4.15 10/15/2029	300,000.00	04/29/2025 4.15%	299,966.49 299,975.15	99.78 4.38%	299,339.70 553.33	0.26% (635.45)	Aaa/NA AAA	3.29 1.14
362955AD8	GMCAR 2025-1 A3 4.62 12/17/2029	375,000.00	01/09/2025 5.03%	374,972.14 374,980.39	100.26 4.32%	375,966.00 721.88	0.32% 985.61	Aaa/NA AAA	3.47 0.73

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
58773DAD6	MBART 2025-1 A3 4.78 12/17/2029	545,000.00	01/14/2025 4.84%	544,884.08 544,918.03	100.44 4.32%	547,388.19 1,157.82	0.47% 2,470.16	Aaa/NA AAA	3.47 0.86
02582JKP4	AMXCA 2025-2 A 4.28 04/15/2030	790,000.00	05/06/2025 4.28%	789,985.70 789,988.99	99.90 4.38%	789,203.68 1,502.76	0.68% (785.31)	NA/AAA AAA	3.79 1.69
44935KAD5	HART 26B A3 4.81 02/18/2031	510,000.00	06/09/2026 4.86%	509,938.44 509,938.94	100.24 4.44%	511,226.04 953.98	0.44% 1,287.10	NA/AAA AAA	4.64 2.20
161571JA3	CHAIT 2026-1 A 4.4 05/15/2029	700,000.00	05/21/2026 4.45%	699,834.38 699,839.58	100.06 4.42%	700,453.60 2,823.33	0.60% 614.02	NA/AAA AAA	2.87 2.63
Total ABS		**9,390,807.87**	**4.87%**	**9,389,501.18** **9,389,954.30**	**100.26** **4.29%**	**9,414,756.12** **19,807.70**	**8.12%** **24,801.82**		**3.02** **1.06**
AGENCY									
3133EPGW9	FEDERAL FARM CREDIT BANKS FUNDING CORP 3.875 04/25/2028	950,000.00	05/05/2023 3.55%	963,775.00 955,042.23	99.50 4.16%	945,291.80 6,748.96	0.82% (9,750.43)	Aa1/AA+ AA+	1.82 1.72
Total Agency		**950,000.00**	**3.55%**	**963,775.00** **955,042.23**	**99.50** **4.16%**	**945,291.80** **6,748.96**	**0.82%** **(9,750.43)**		**1.82** **1.72**
AGENCY CMBS									
3137BXQY1	FHMS K-064 A2 3.224 03/25/2027	1,000,000.00	05/06/2022 3.23%	997,929.69 999,713.34	99.27 4.19%	992,686.00 2,686.67	0.86% (7,027.34)	Aa1/AAA AA+	0.73 0.55
3137FEZU7	FHMS K-076 A2 3.9 04/25/2028	1,200,000.00	04/20/2023 4.12%	1,187,062.50 1,195,407.65	99.06 4.35%	1,188,766.80 3,900.00	1.03% (6,640.85)	Aa1/AA+ AAA	1.82 1.62
3137FGR31	FHMS K-078 A2 3.854 06/25/2028	1,300,000.00	09/18/2023 5.02%	1,240,890.63 1,275,839.26	98.91 4.37%	1,285,783.20 4,175.17	1.11% 9,943.94	Aa1/AA+ AAA	1.99 1.75
3137FJKE8	FHMS K-082 A2 3.92 09/25/2028	600,000.00	11/28/2023 4.74%	578,718.75 590,278.78	98.81 4.41%	592,869.60 1,960.00	0.51% 2,590.82	Aa1/AA+ AAA	2.24 2.02
3137H5YC5	FHMS K-748 A2 2.26 01/25/2029	1,500,000.00	03/25/2024 4.61%	1,350,820.31 1,421,552.06	94.87 4.43%	1,423,003.50 2,825.00	1.23% 1,451.44	Aa1/AA+ AAA	2.57 2.36
3137FLMV3	FHMS K-090 A2 3.422 02/25/2029	1,000,000.00	07/29/2024 4.46%	957,070.31 975,342.15	97.42 4.43%	974,179.00 2,851.67	0.84% (1,163.15)	Aa1/AAA AA+	2.66 2.43
3137FRUT6	FHMS K-106 A2 2.069 01/25/2030	1,000,000.00	06/06/2025 4.37%	905,039.06 926,997.00	92.25 4.44%	922,478.00 1,724.17	0.80% (4,519.00)	Aa1/AA+ AAA	3.57 3.33

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
3137F83Q4	FHMS K-121 A2 1.547 10/25/2030	2,000,000.00	01/07/2026 3.98%	1,790,000.00 1,810,719.68	88.68 4.46%	1,773,612.00 2,578.33	1.53% (37,107.68)	Aa1/AA+ AAA	4.32 4.06
3137HBC51	FHMS K-754 A2 4.94 11/25/2030	2,323,557.00	06/02/2026 4.38%	2,370,663.49 2,369,902.76	101.65 4.48%	2,361,844.57 9,565.31	2.04% (8,058.19)	Aa1/AA+ AAA	4.41 3.84
3137FXZ35	FHMS K-127 A2 2.108 01/25/2031	1,000,000.00	02/03/2026 4.11%	910,937.50 918,152.06	90.37 4.46%	903,728.00 1,756.67	0.78% (14,424.06)	Aa1/AA+ AAA	4.57 4.22
Total Agency CMBS		**12,923,557.00**	**4.30%**	**12,289,132.24** **12,483,904.74**	**96.31** **4.41%**	**12,418,950.67** **34,022.98**	**10.71%** **(64,954.07)**		**3.10** **2.80**
CASH									
CCYUSD	Receivable	474.47	--	474.47 474.47	1.00	474.47 0.00	0.00% 0.00	Aaa/AAA AAA	0.00 0.00
CCYUSD	Receivable	8,893.65	--	8,893.65 8,893.65	1.00	8,893.65 0.00	0.01% 0.00	Aaa/AAA AAA	0.00 0.00
CCYUSD	Receivable	204,842.24	--	204,842.24 204,842.24	1.00	204,842.24 0.00	0.18% 0.00	Aaa/AAA AAA	0.00 0.00
Total Cash		**214,210.36**		**214,210.36** **214,210.36**	**1.00**	**214,210.36** **0.00**	**0.18%** **0.00**		**0.00** **0.00**
CORPORATE									
87612EBM7	TARGET CORP 1.95 01/15/2027	535,000.00	01/19/2022 1.99%	534,090.50 534,900.89	98.83 4.16%	528,750.13 4,810.54	0.46% (6,150.76)	A2/A NA	0.54 0.52
808513BY0	CHARLES SCHWAB CORP 2.45 03/03/2027	750,000.00	03/09/2022 2.73%	740,115.00 748,667.86	98.80 4.27%	741,030.75 6,022.92	0.64% (7,637.11)	A2/A- A	0.67 0.65
084664CZ2	BERKSHIRE HATHAWAY FINANCE CORP 2.3 03/15/2027	1,080,000.00	03/07/2022 2.30%	1,079,794.80 1,079,971.12	98.68 4.21%	1,065,751.56 7,314.00	0.92% (14,219.56)	Aa2/AA A+	0.71 0.69
79466LAQ7	SALESFORCE INC 4.5 03/15/2028	595,000.00	03/12/2026 4.37%	596,441.45 596,216.22	99.87 4.57%	594,249.11 8,032.50	0.51% (1,967.11)	A2/A+ NA	1.71 1.60
17275RBR2	CISCO SYSTEMS INC 4.85 02/26/2029	490,000.00	02/21/2024 4.86%	489,828.50 489,908.85	101.06 4.42%	495,203.31 8,251.74	0.43% 5,294.46	A1/AA- NA	2.66 2.36
89236TMF9	TOYOTA MOTOR CREDIT CORP 5.05 05/16/2029	500,000.00	05/21/2024 5.00%	501,040.00 500,600.33	101.46 4.50%	507,277.00 3,156.25	0.44% 6,676.67	A1/A+ A+	2.88 2.64

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
341081GT8	FLORIDA POWER & LIGHT CO 5.15 06/15/2029	1,000,000.00	06/13/2024 4.82%	1,013,864.64 1,008,013.65	101.87 4.47%	1,018,744.00 2,288.89	0.88% 10,730.35	Aa2/A+ AA-	2.96 2.57
437076DC3	HOME DEPOT INC 4.75 06/25/2029	950,000.00	06/17/2024 4.88%	944,586.45 946,768.47	100.99 4.39%	959,402.15 752.08	0.83% 12,633.68	A2/A A	2.99 2.68
713448FX1	PEPSICO INC 4.5 07/17/2029	830,000.00	07/15/2024 4.53%	828,713.50 829,216.55	100.31 4.39%	832,568.02 17,015.00	0.72% 3,351.47	A1/A+ NA	3.05 2.69
171239AL0	CHUBB INA HOLDINGS LLC 4.65 08/15/2029	505,000.00	08/12/2024 4.52%	507,853.00 506,764.25	100.49 4.48%	507,486.62 8,871.17	0.44% 722.37	A2/A A	3.13 2.76
69371RT48	PACCAR FINANCIAL CORP 4.0 09/26/2029	600,000.00	-- 4.02%	599,541.65 599,703.05	98.97 4.34%	593,801.40 6,333.33	0.51% (5,901.65)	A1/A+ NA	3.24 2.97
61748UAK8	MORGAN STANLEY 4.133 10/18/2029	695,000.00	10/17/2025 4.25%	695,087.10 695,067.00	98.64 4.70%	685,513.25 5,824.66	0.59% (9,553.75)	A1/A- A+	3.30 2.15
38141GD27	GOLDMAN SACHS GROUP INC 4.153 10/21/2029	735,000.00	-- 4.29%	735,090.00 735,069.22	98.59 4.72%	724,636.50 5,935.33	0.62% (10,432.72)	A2/BBB+ A	3.31 2.15
95000U4D2	WELLS FARGO & CO 4.182 01/23/2030	580,000.00	01/15/2026 4.24%	580,000.00 580,000.00	98.69 4.64%	572,397.36 10,645.51	0.49% (7,602.64)	A1/BBB+ A+	3.57 2.35
63743HFX5	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP 4.95 02/07/2030	1,000,000.00	-- 4.88%	1,002,776.40 1,002,198.93	101.05 4.63%	1,010,538.00 19,800.00	0.87% 8,339.07	A2/NA A	3.61 3.14
00287YDZ9	ABBVIE INC 4.875 03/15/2030	1,000,000.00	-- 4.64%	1,009,826.00 1,007,559.32	101.10 4.55%	1,011,006.00 14,354.17	0.87% 3,446.68	A2/A- NA	3.71 3.25
571748CA8	MARSH & MCLENNAN COMPANIES INC 4.65 03/15/2030	1,000,000.00	-- 4.59%	1,002,366.00 1,001,828.00	99.90 4.68%	998,989.00 13,691.67	0.86% (2,839.00)	A3/A- A-	3.71 3.32
743315AW3	PROGRESSIVE CORP 3.2 03/26/2030	1,000,000.00	11/14/2025 4.16%	962,050.00 967,444.15	95.34 4.57%	953,386.00 8,444.44	0.82% (14,058.15)	A2/A A	3.74 3.44
857477DB6	STATE STREET CORP 4.834 04/24/2030	1,000,000.00	-- 4.64%	1,008,346.00 1,006,493.84	101.00 4.54%	1,010,007.00 8,996.61	0.87% 3,513.16	Aa3/A AA-	3.82 3.35
828807DK0	SIMON PROPERTY GROUP LP 2.65 07/15/2030	1,000,000.00	08/19/2025 4.32%	926,690.00 939,590.92	92.73 4.64%	927,326.00 12,219.44	0.80% (12,264.92)	A3/A NA	4.04 3.71
24422EYF0	JOHN DEERE CAPITAL CORP 4.375 10/15/2030	1,000,000.00	11/04/2025 4.21%	1,007,320.00 1,006,354.81	99.40 4.53%	993,959.00 9,236.11	0.86% (12,395.81)	A1/A A+	4.29 3.83
30303MAB8	META PLATFORMS INC 4.2 11/15/2030	750,000.00	11/12/2025 4.11%	753,000.00 752,621.86	98.43 4.60%	738,234.75 4,025.00	0.64% (14,387.11)	Aa3/AA- NA	4.38 3.93

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
717081FD0	PFIZER INC 4.2 11/15/2030	900,000.00	12/16/2025 4.10%	903,906.00 903,471.75	98.71 4.53%	888,417.00 4,830.00	0.77% (15,054.75)	A2/A NA	4.38 3.93
665859AY0	NORTHERN TRUST CORP 4.15 11/19/2030	850,000.00	11/12/2025 4.16%	849,583.50 849,634.59	98.55 4.52%	837,716.65 4,115.42	0.72% (11,917.94)	A2/A+ A+	4.39 3.94
74456QCX2	PUBLIC SERVICE ELECTRIC AND GAS CO 4.2 01/01/2031	750,000.00	01/06/2026 4.20%	749,970.00 749,972.88	98.32 4.62%	737,406.75 15,225.00	0.64% (12,566.13)	A1/A NA	4.51 4.05
14913UBH2	CATERPILLAR FINANCIAL SERVICES CORP 4.15 01/08/2031	880,000.00	01/05/2026 4.16%	879,683.20 879,713.39	98.40 4.55%	865,916.48 17,549.89	0.75% (13,796.91)	A1/A A+	4.53 3.99
89236TPH2	TOYOTA MOTOR CREDIT CORP 4.2 01/10/2031	475,000.00	01/07/2026 4.21%	474,852.75 474,866.47	98.20 4.64%	466,460.45 9,365.42	0.40% (8,406.02)	A1/A+ A+	4.53 3.99
756109AX2	REALTY INCOME CORP 3.25 01/15/2031	1,000,000.00	01/14/2026 4.27%	954,510.00 958,670.37	94.04 4.72%	940,392.00 14,986.11	0.81% (18,278.37)	A3/A- NA	4.54 4.08
92826CAZ5	VISA INC 4.1 02/12/2031	590,000.00	02/03/2026 4.13%	589,209.40 589,269.58	98.91 4.36%	583,573.13 9,340.03	0.50% (5,696.45)	Aa3/AA- NA	4.62 4.09
02079KBK2	ALPHABET INC 4.1 02/15/2031	1,000,000.00	02/12/2026 4.10%	1,000,058.52 1,000,053.89	98.26 4.52%	982,580.00 15,716.67	0.85% (17,473.89)	Aa2/AA+ NA	4.63 4.10
46647PBJ4	JPMORGAN CHASE & CO 4.493 03/24/2031	1,000,000.00	05/19/2026 4.74%	989,350.00 989,602.85	99.12 5.30%	991,205.00 12,106.14	0.85% 1,602.15	A1/A AA-	4.73 3.35
532457DL9	ELI LILLY AND CO 4.375 05/20/2031	310,000.00	05/06/2026 4.40%	309,668.30 309,675.93	99.23 4.55%	307,613.93 1,544.62	0.27% (2,062.00)	Aa3/AA- NA	4.89 4.33
Total Corporate		**25,350,000.00**	**4.23%**	**25,219,212.66** **25,239,891.03**	**98.95** **4.55%**	**25,071,538.30** **290,800.65**	**21.62%** **(168,352.73)**		**3.52** **3.05**
LAIF									
90LAIF$00	Local Agency Investment Fund State Pool	934,696.30	-- 3.82%	934,696.30 934,696.30	1.00 3.82%	934,696.30 0.00	0.81% 0.00	NA/NA NA	0.00 0.00
90LAIF$00	Local Agency Investment Fund State Pool	23,876,363.94	-- 3.82%	23,876,363.94 23,876,363.94	1.00 3.82%	23,876,363.94 0.00	20.59% 0.00	NA/NA NA	0.00 0.00
Total LAIF		**24,811,060.24**	**3.82%**	**24,811,060.24** **24,811,060.24**	**1.00** **3.82%**	**24,811,060.24** **0.00**	**21.40%** **0.00**		**0.00** **0.00**
MONEY MARKET FUND									

City of Brea Cons/Reconciliation | Account #707 | As of June 30, 2026

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
316175884	FIDELITY IMM:TRS III	305,082.20	-- 3.32%	305,082.20 305,082.20	1.00 3.32%	305,082.20 0.00	0.26% 0.00	Aaa/AAAm AAA	0.00 0.00
Total Money Market Fund		**305,082.20**	**3.32%**	**305,082.20 305,082.20**	**1.00 3.32%**	**305,082.20 0.00**	**0.26% 0.00**		**0.00 0.00**
MUNICIPAL BONDS									
13063EGT7	CALIFORNIA STATE 4.5 08/01/2029	965,000.00	10/30/2024 4.38%	970,085.55 968,312.96	100.46 4.34%	969,431.28 18,093.75	0.84% 1,118.32	Aa2/AA- AA	3.09 2.80
Total Municipal Bonds		**965,000.00**	**4.38%**	**970,085.55 968,312.96**	**100.46 4.34%**	**969,431.28 18,093.75**	**0.84% 1,118.32**		**3.09 2.80**
SUPRANATIONAL									
459058LN1	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM 3.875 10/16/2029	1,000,000.00	12/12/2024 4.25%	983,720.00 988,922.60	99.00 4.20%	990,033.00 8,070.00	0.85% 1,110.40	Aaa/AAA NA	3.30 3.03
459058LR2	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM 4.125 03/20/2030	1,000,000.00	03/14/2025 4.20%	996,600.00 997,471.41	99.70 4.21%	996,988.00 11,572.92	0.86% (483.41)	Aaa/AAA NA	3.72 3.38
Total Supranational		**2,000,000.00**	**4.23%**	**1,980,320.00 1,986,394.01**	**99.35 4.21%**	**1,987,021.00 19,642.92**	**1.71% 626.99**		**3.51 3.21**
US TREASURY									
91282CCZ2	UNITED STATES TREASURY 0.875 09/30/2026	2,000,000.00	-- 1.08%	1,980,110.99 1,999,000.28	99.28 3.81%	1,985,520.00 4,398.91	1.71% (13,480.28)	Aa1/AA+ AA+	0.25 0.25
91282CEW7	UNITED STATES TREASURY 3.25 06/30/2027	2,250,000.00	-- 3.12%	2,263,417.97 2,252,700.19	99.16 4.12%	2,231,120.25 198.71	1.92% (21,579.94)	Aa1/AA+ AA+	1.00 0.97
91282CFB2	UNITED STATES TREASURY 2.75 07/31/2027	600,000.00	08/22/2022 3.12%	589,828.13 597,771.55	98.54 4.15%	591,211.20 6,882.60	0.51% (6,560.35)	Aa1/AA+ AA+	1.08 1.04
91282CGC9	UNITED STATES TREASURY 3.875 12/31/2027	300,000.00	03/14/2023 3.91%	299,519.53 299,849.63	99.58 4.17%	298,734.30 31.59	0.26% (1,115.33)	Aa1/AA+ AA+	1.50 1.44
91282CGH8	UNITED STATES TREASURY 3.5 01/31/2028	2,500,000.00	02/16/2023 4.05%	2,438,378.91 2,480,277.16	98.97 4.18%	2,474,220.00 36,498.62	2.13% (6,057.16)	Aa1/AA+ AA+	1.59 1.50

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
91282CGP0	UNITED STATES TREASURY 4.0 02/29/2028	2,500,000.00	-- 4.07%	2,491,714.85 2,497,259.38	99.73 4.16%	2,493,360.00 33,423.91	2.15% (3,899.38)	Aa1/AA+ AA+	1.67 1.57
91282CHE4	UNITED STATES TREASURY 3.625 05/31/2028	2,425,000.00	-- 4.03%	2,381,062.51 2,407,888.76	99.02 4.16%	2,401,128.30 7,445.61	2.07% (6,760.46)	Aa1/AA+ AA+	1.92 1.82
91282CHX2	UNITED STATES TREASURY 4.375 08/31/2028	400,000.00	09/25/2023 4.62%	395,781.25 398,144.78	100.42 4.17%	401,687.60 5,849.18	0.35% 3,542.82	Aa1/AA+ AA+	2.17 2.02
91282CJF9	UNITED STATES TREASURY 4.875 10/31/2028	600,000.00	10/27/2023 4.79%	602,273.44 601,061.44	101.54 4.17%	609,234.60 4,927.99	0.53% 8,173.16	Aa1/AA+ AA+	2.34 2.17
91282CJN2	UNITED STATES TREASURY 4.375 11/30/2028	625,000.00	12/28/2023 3.83%	640,234.38 632,481.62	100.46 4.17%	627,880.63 2,316.00	0.54% (4,601.00)	Aa1/AA+ AA+	2.42 2.26
91282CJR3	UNITED STATES TREASURY 3.75 12/31/2028	2,100,000.00	-- 3.98%	2,078,330.08 2,089,098.23	99.01 4.17%	2,079,163.80 213.99	1.79% (9,934.43)	Aa1/AA+ AA+	2.50 2.36
91282CJW2	UNITED STATES TREASURY 4.0 01/31/2029	1,500,000.00	02/16/2024 4.31%	1,479,375.00 1,489,207.85	99.57 4.18%	1,493,554.50 25,027.62	1.29% 4,346.65	Aa1/AA+ AA+	2.59 2.39
91282CKG5	UNITED STATES TREASURY 4.125 03/31/2029	2,300,000.00	-- 4.47%	2,264,699.22 2,280,417.89	99.88 4.17%	2,297,304.40 23,848.36	1.98% 16,886.51	Aa1/AA+ AA+	2.75 2.55
91282CKP5	UNITED STATES TREASURY 4.625 04/30/2029	2,150,000.00	-- 4.47%	2,164,254.89 2,158,115.15	101.20 4.17%	2,175,698.95 16,753.06	1.88% 17,583.80	Aa1/AA+ AA+	2.83 2.61
91282CKX8	UNITED STATES TREASURY 4.25 06/30/2029	1,000,000.00	07/18/2024 4.09%	1,007,070.31 1,004,284.44	100.23 4.17%	1,002,266.00 115.49	0.86% (2,018.44)	Aa1/AA+ AA+	3.00 2.79
91282CLK5	UNITED STATES TREASURY 3.625 08/31/2029	2,000,000.00	09/11/2024 3.45%	2,015,703.13 2,010,021.25	98.40 4.17%	1,967,968.00 24,232.34	1.70% (42,053.25)	Aa1/AA+ AA+	3.17 2.92
91282CLN9	UNITED STATES TREASURY 3.5 09/30/2029	1,000,000.00	10/04/2024 3.76%	988,125.00 992,250.89	97.97 4.17%	979,688.00 8,797.81	0.84% (12,562.89)	Aa1/AA+ AA+	3.25 3.01
91282CMA6	UNITED STATES TREASURY 4.125 11/30/2029	1,500,000.00	12/16/2024 4.25%	1,491,386.72 1,494,057.84	99.84 4.17%	1,497,657.00 5,240.78	1.29% 3,599.16	Aa1/AA+ AA+	3.42 3.14
91282CMG3	UNITED STATES TREASURY 4.25 01/31/2030	1,000,000.00	02/13/2025 4.41%	992,968.75 994,916.70	100.22 4.18%	1,002,188.00 17,727.90	0.86% 7,271.30	Aa1/AA+ AA+	3.59 3.24
91282CGQ8	UNITED STATES TREASURY 4.0 02/28/2030	1,000,000.00	04/10/2025 4.00%	1,000,000.00 1,000,000.00	99.39 4.18%	993,945.00 13,369.57	0.86% (6,055.00)	Aa1/AA+ AA+	3.67 3.33
91282CGS4	UNITED STATES TREASURY 3.625 03/31/2030	1,500,000.00	-- 3.76%	1,491,250.00 1,493,196.79	98.06 4.19%	1,470,937.50 13,668.03	1.27% (22,259.29)	Aa1/AA+ AA+	3.75 3.43
91282CNK3	UNITED STATES TREASURY 3.875 06/30/2030	1,200,000.00	07/09/2025 3.95%	1,195,875.00 1,196,683.65	98.84 4.19%	1,186,125.60 126.36	1.02% (10,558.05)	Aa1/AA+ AA+	4.00 3.66

Cusip	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
91282CNX5	UNITED STATES TREASURY 3.625 08/31/2030	2,250,000.00	-- 3.70%	2,242,382.81 2,243,597.92	97.83 4.20%	2,201,220.00 27,261.38	1.90% (42,377.92)	Aa1/AA+ AA+	4.17 3.77
91282CPN5	UNITED STATES TREASURY 3.5 11/30/2030	2,500,000.00	12/16/2025 3.70%	2,477,050.78 2,479,537.26	97.20 4.20%	2,429,882.50 7,411.20	2.10% (49,654.76)	Aa1/AA+ AA+	4.42 4.03
91282CQD6	UNITED STATES TREASURY 3.5 02/28/2031	2,000,000.00	04/21/2026 3.87%	1,967,187.50 1,968,482.97	97.07 4.20%	1,941,328.00 23,396.74	1.67% (27,154.97)	Aa1/AA+ AA+	4.67 4.20
91282CQG9	UNITED STATES TREASURY 3.875 03/31/2031	1,000,000.00	04/08/2026 3.92%	997,929.69 998,024.26	98.58 4.21%	985,781.00 9,740.44	0.85% (12,243.26)	Aa1/AA+ AA+	4.75 4.25
Total US Treasury		**40,200,000.00**	**3.82%**	**39,935,910.84 40,058,327.89**	**99.06 4.16%**	**39,818,805.13 318,904.19**	**34.34% (239,522.76)**		**2.78 2.56**
Total Portfolio		**117,109,717.67**	**4.05%**	**116,078,290.28 116,412,179.96**	**77.44 4.21%**	**115,956,147.10 708,021.14**	**100.00% (456,032.87)**		**2.39 2.02**
Total Market Value + Accrued						**116,664,168.24**			

TRANSACTIONS

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/ Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	04/09/2026	91282CQG9	1,000,000.00	UNITED STATES TREASURY 3.875 03/31/2031	99.793	3.92%	(997,929.69)	(952.87)	(998,882.56)	0.00
Purchase	04/15/2026	90LAIF$00	9,070.74	Local Agency Investment Fund State Pool	1.000	3.81%	(9,070.74)	0.00	(9,070.74)	0.00
Purchase	04/15/2026	90LAIF$00	152,753.76	Local Agency Investment Fund State Pool	1.000	3.81%	(152,753.76)	0.00	(152,753.76)	0.00
Purchase	04/22/2026	91282CQD6	2,000,000.00	UNITED STATES TREASURY 3.5 02/28/2031	98.359	3.87%	(1,967,187.50)	(10,081.52)	(1,977,269.02)	0.00
Purchase	05/11/2026	90LAIF$00	5,200,000.00	Local Agency Investment Fund State Pool	1.000	3.81%	(5,200,000.00)	0.00	(5,200,000.00)	0.00
Purchase	05/20/2026	532457DL9	310,000.00	ELI LILLY AND CO 4.375 05/20/2031	99.893	4.40%	(309,668.30)	0.00	(309,668.30)	0.00
Purchase	05/20/2026	46647PBJ4	1,000,000.00	JPMORGAN CHASE & CO 4.493 03/24/2031	98.935	4.74%	(989,350.00)	(6,989.11)	(996,339.11)	0.00
Purchase	05/28/2026	161571JA3	700,000.00	CHAIT 2026-1 A 4.4 05/15/2029	99.976	4.45%	(699,834.38)	0.00	(699,834.38)	0.00
Purchase	06/02/2026	90LAIF$00	7,000,000.00	Local Agency Investment Fund State Pool	1.000	3.81%	(7,000,000.00)	0.00	(7,000,000.00)	0.00
Purchase	06/05/2026	3137HBC51	2,323,557.00	FHMS K-754 A2 4.94 11/25/2030	102.027	4.38%	(2,370,663.49)	(1,275.37)	(2,371,938.86)	0.00
Purchase	06/17/2026	44935KAD5	510,000.00	HART 26B A3 4.81 02/18/2031	99.988	4.86%	(509,938.44)	0.00	(509,938.44)	0.00
Total Purchase			**20,205,381.50**				**(20,206,396.30)**	**(19,298.87)**	**(20,225,695.17)**	**0.00**
TOTAL ACQUISITIONS			**20,205,381.50**				**(20,206,396.30)**	**(19,298.87)**	**(20,225,695.17)**	**0.00**

DISPOSITIONS

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/ Sold	Total Amount	Gain/Loss
Maturity	04/20/2026	4581X0DV7	(1,915,000.00)	INTER-AMERICAN DEVELOPMENT BANK 0.875 04/20/2026	100.000	0.97%	1,915,000.00	0.00	1,915,000.00	0.00
Total Maturity			**(1,915,000.00)**				**1,915,000.00**	**0.00**	**1,915,000.00**	**0.00**
Sale	04/09/2026	26442CAS3	(50,000.00)	DUKE ENERGY CAROLINAS LLC 2.95 12/01/2026	99.380	1.82%	49,690.00	524.44	50,214.44	(525.61)
Sale	04/09/2026	90LAIF$00	(1,300,000.00)	Local Agency Investment Fund State Pool	1.000	3.82%	1,300,000.00	0.00	1,300,000.00	0.00
Sale	05/20/2026	46647PAM8	(1,000,000.00)	JPMORGAN CHASE & CO 3.509 01/23/2029	98.246	5.14%	982,460.00	11,404.25	993,864.25	6,963.22
Sale	06/04/2026	26442CAS3	(800,000.00)	DUKE ENERGY CAROLINAS LLC 2.95 12/01/2026	99.454	1.82%	795,632.00	196.67	795,828.67	(6,485.43)
Sale	06/04/2026	91282CCZ2	(820,000.00)	UNITED STATES TREASURY 0.875 09/30/2026	99.090	1.08%	812,536.72	1,274.25	813,810.97	(6,931.78)
Sale	06/04/2026	91282CCW9	(480,000.00)	UNITED STATES TREASURY 0.75 08/31/2026	99.289	0.86%	476,587.50	939.13	477,526.63	(3,285.51)
Sale	06/17/2026	90LAIF$00	(4,500,000.00)	Local Agency Investment Fund State Pool	1.000	3.82%	4,500,000.00	0.00	4,500,000.00	0.00
Sale	06/17/2026	91282CGC9	(400,000.00)	UNITED STATES TREASURY 3.875 12/31/2027	99.746	3.91%	398,984.38	7,193.37	406,177.75	(810.01)
Total Sale			**(9,350,000.00)**				**9,315,890.60**	**21,532.11**	**9,337,422.71**	**(11,075.12)**
TOTAL DISPOSITIONS			**(11,265,000.00)**				**11,230,890.60**	**21,532.11**	**11,252,422.71**	**(11,075.12)**

Information contained herein is confidential. Prices are provided by ICE Data Services Inc ("IDS"), an independent pricing source. In the event IDS 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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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.

LGIP Yields: Reported yields for local government investment pools may be presented as either the 30-day yield or the monthly distribution yield, as applicable. For certain funds, the 30-day yield is calculated using reported daily yield data. Yield calculations are subject to change and may not be directly comparable across funds.

LAIF Yields: Additional Disclosure for CA Clients - As a result of a reporting lag from the Local Agency Investment Fund (LAIF), reported LAIF yields represent the most recently available Daily Effective Yield and may reflect data from approximately 7–10 days prior to month-end.

Benchmark	Disclosure
ICE BofA 1-5 Yr Unsubordinated US Treasury & Agency Index	The ICE BofA 1-5 Year Unsubordinated 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.
ICE BofA 3-Month US Treasury Bill Index	The ICE BofA 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.

CITY of BREA

Communication
July 27, 2026
Item No. 3B.

Review of PARS Pension and OPEB Rate Stabilization Program Investment Reports for Period Ended June 30, 2026 - Presented by PARS and PFM Asset Management

TO	PREPARED BY
Chair and Members of the Investment Advisory Committee	Faith Madrazo, Financial Services Manager, Revenue
DEPARTMENT HEAD APPROVAL	**CITY MANAGER APPROVAL**
Monica Lo, Administrative Services Director	Kristin Griffith, City Manager

RECOMMENDATION

Staff recommends that the Investment Advisory Committee take the following action:

1. Receive and file the Quarterly Investment Report.

BACKGROUND/DISCUSSION

For the January and July Investment Advisory Committee Meetings, or upon request by the City, PARS, in partnership with PFM Asset Management, prepares a comprehensive report and presentation providing updates on the current status and performance of the City's Pension and Other Post-Employment Benefit (OPEB) trust accounts.

Below is a detailed comparative summary of these accounts, based on the most recent report presented by PARS and PFM Asset Management:

	Contributions	Disbursements	Net Earnings as of 12/31/2025	Market Value as of 12/31/2025	Net Earnings as of 6/30/2026	Market Value as of 6/30/2026
Pension Account	$6,756,800	($7,801)	$7,151,400	$13,900,399	$8,129,844	$14,878,842
OPEB Account	$425,000	$0	$72,174	$497,174	$101,842	$526,842
Total	$7,181,800	($7,801)	$7,223,574	$14,397,573	$8,231,686	$15,405,684

FISCAL IMPACT/SUMMARY

As of June 30, 2026, the combined market value of the Pension and OPEB accounts increased by $1,008,111 compared to December 31, 2025. This growth was primarily due to favorable market rate adjustments during the reporting period.

Attachments

PARS Presentation_City of Brea.pdf

CITY OF BREA

PARS 115 Trust – OPEB Prefunding Program &
Pension Rate Stabilization Program Plan Client Review
July 27, 2026

CONTACTS

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Senior Portfolio Manager
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PFM Asset Management is a division of U.S. Bancorp Asset Management, Inc. See additional disclosures at the end of this presentation

PARS TRUST TEAM

Trust Administrator & Consultant*

PARS PUBLIC AGENCY RETIREMENT SERVICES

- Serves as record-keeper, consultant, and central point of contact
- Sub-trust accounting
- Coordinates all agency services
- Monitors plan compliance (IRS/GASB/State Government Code)
- Processes contributions/disbursements
- Hands-on, dedicated support teams

40+	2,300+	1,100+	550+	750K+	$11.7 B+
Years of Experience (1984-2026)	Total Plans Administered	Public Agency Clients	115 Trust Clients	Plan Participants	Assets under Administration

** See important information regarding PARS in the Disclaimer page at the end of the presentation.*

Trustee

usbank

- 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

163	$11.0T
Years of Experience (1863-2026)	Assets under Administration

Investment Manager

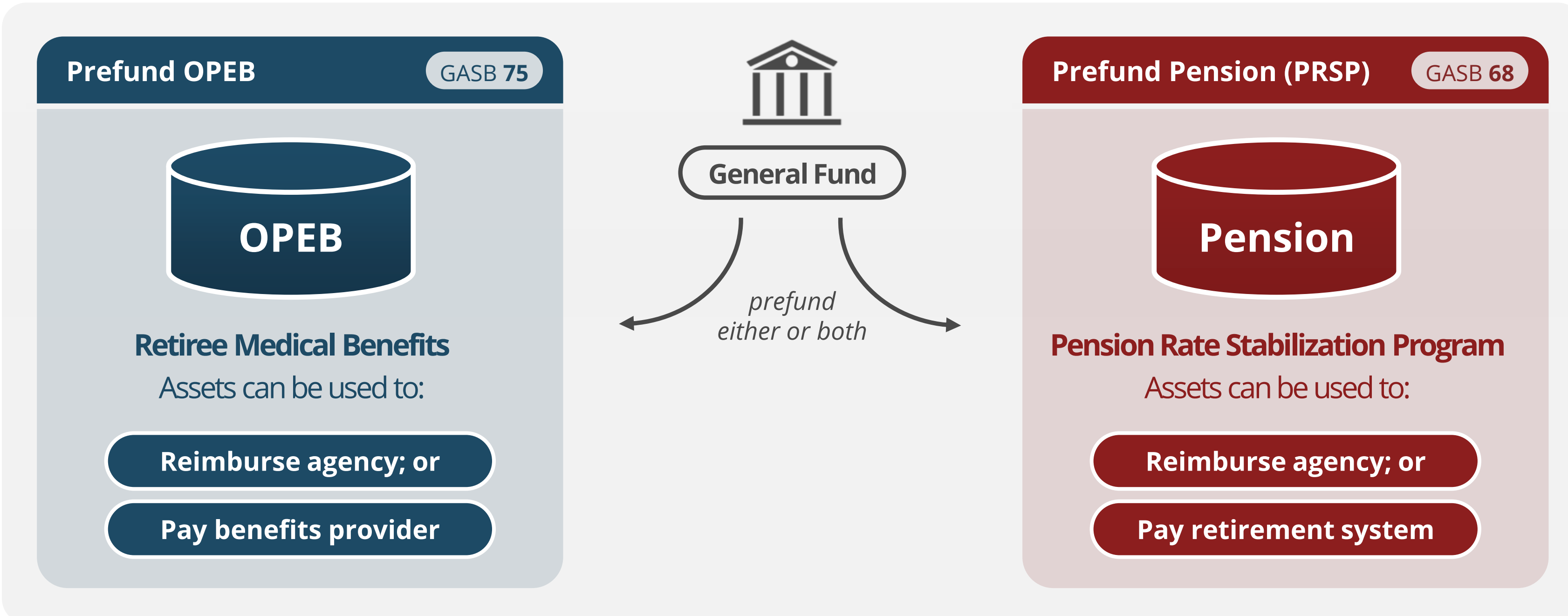
pfm asset management

- A division of U.S. Bancorp Asset Management, Inc.
- Fixed income and multi asset portfolios
- Strategic Blend and Index platform options
- Customized portfolios (with minimum asset level)

41	$252.8B *
Years of Investment Experience *(As of 3/31/2026)*	Assets under Management & Advisement

**Please see disclosures at the end of this presentation*

PARS PRSP 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 PENSION PLAN

As of June 30, 2026

Type of Plan:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	November 17, 2015
Plan Administrator:	Kristin Griffith – City Manager
Current Investment Strategy:	Balanced Strategic Blend – Individual Account
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
Total Contributions:	$6,756,800
Disbursements*:	November 2, 2016 – $6,475 March 30, 2017 – $1,326
Total Disbursements*:	$7,801
Cumulative Net Earnings:	$8,129,844
Total Market Value:	$14,878,842

**Disbursements are related to the City's change in trust fee payment*

SUMMARY OF AGENCY'S OPEB PLAN

As of June 30, 2026

Type of Plan:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	November 17, 2015
Plan Administrator:	Kristin Griffith – City Manager
Current Investment Strategy:	Moderate Strategic Blend – Individual Account
Initial Contribution:	May 13, 2024 – $250,000
Additional Contributions:	June 24, 2024 – $175,000
Total Contributions:	$425,000
Cumulative Net Earnings:	$101,842
Total Market Value:	$526,842

PARS City of Brea

Investment Performance Review
For the Quarter Ended June 30, 2026

Client Management Team

PFM Asset Management
A division of U.S. Bancorp Asset Management, Inc.

Keith Stribling, Client Portfolio Manager

1 California Street
Suite 1000
San Francisco, CA 94111

1735 Market Street
43rd Floor
Philadelphia, PA 19103

Financial Markets & Investment Strategy Review

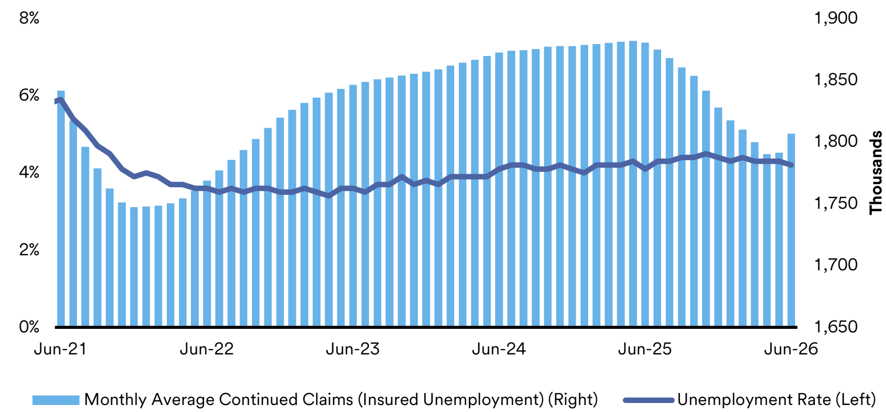
Index Name	QTD	YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
DOMESTIC EQUITY							
S&P 500	15.20%	10.21%	22.32%	20.61%	13.41%	16.08%	15.51%
Russell 3000	15.44%	10.88%	22.82%	20.36%	12.31%	15.51%	15.06%
Russell 1000 Growth	16.74%	5.33%	17.71%	22.58%	13.71%	18.80%	18.58%
Russell 1000	15.14%	10.33%	22.02%	20.47%	12.66%	15.79%	15.30%
Russell 1000 Value	13.87%	16.26%	27.12%	17.79%	11.17%	12.10%	11.52%
Russell Midcap Growth	14.55%	7.27%	6.17%	15.61%	6.03%	11.60%	13.04%
Russell Midcap	13.83%	15.30%	21.63%	16.51%	8.50%	11.93%	12.00%
Russell Midcap Value	13.40%	17.58%	26.62%	16.51%	9.48%	11.35%	10.63%
Russell 2000 Growth	25.71%	22.18%	38.74%	18.44%	5.57%	10.82%	11.97%
Russell 2000	21.49%	22.57%	40.78%	18.60%	6.98%	11.34%	11.62%
Russell 2000 Value	17.19%	22.99%	43.01%	18.73%	8.23%	11.36%	10.89%
INTERNATIONAL EQUITY							
MSCI EAFE	10.82%	9.44%	20.23%	16.44%	9.05%	9.90%	9.66%
MSCI AC World	14.93%	11.25%	23.67%	19.70%	10.98%	13.28%	12.78%
MSCI AC World ex USA	14.49%	13.68%	27.66%	18.82%	8.79%	10.16%	9.93%
MSCI AC World ex USA Small Cap	9.62%	9.10%	19.83%	16.42%	6.30%	9.68%	9.10%
MSCI EM (Emerging Markets)	24.05%	23.85%	43.51%	23.03%	7.20%	9.82%	10.07%
LISTED REAL ASSETS							
FTSE NAREIT All Equity REITs	10.73%	14.90%	15.43%	10.06%	3.71%	5.86%	5.88%
FTSE Global Core Infrastructure 50/50	2.33%	10.66%	15.78%	12.24%	7.65%	6.71%	7.47%
Bloomberg Commodity	-8.08%	14.36%	25.46%	11.69%	9.37%	9.46%	5.83%
FIXED INCOME							
Bloomberg U.S. Aggregate	0.67%	0.62%	3.79%	4.16%	0.08%	1.22%	1.54%
Bloomberg U.S. Government/Credit	0.70%	0.49%	3.32%	3.97%	-0.10%	1.25%	1.59%
Bloomberg U.S. Intermediate Government/Credit	0.43%	0.40%	3.14%	4.68%	1.22%	1.89%	1.92%
Bloomberg U.S. Treasury (1-3 Y)	0.37%	0.64%	2.92%	4.38%	1.90%	1.95%	1.75%
ICE BofA U.S. High Yield	2.45%	1.89%	5.74%	8.79%	4.13%	4.92%	5.70%
Bloomberg Global Aggregate	0.87%	-0.21%	0.62%	3.41%	-1.55%	-0.15%	0.38%
CASH EQUIVALENT							
Bloomberg 3 Month T-Bill	0.90%	1.77%	3.89%	4.69%	3.58%	2.80%	2.38%

Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.

THE ECONOMY

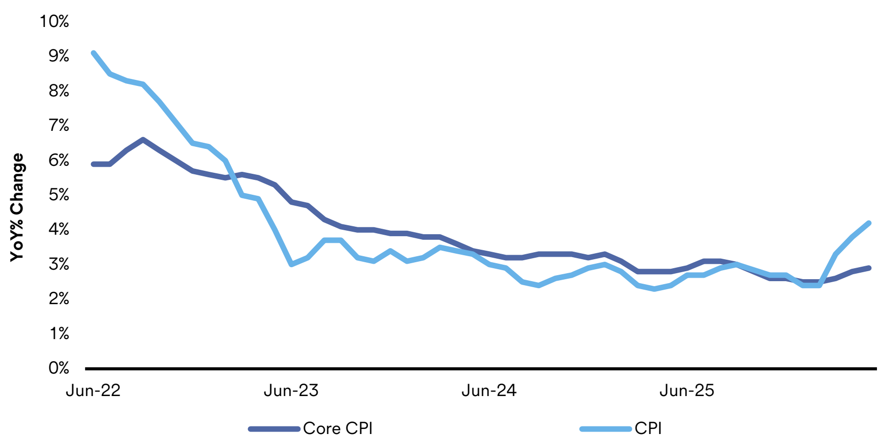
- U.S. real gross domestic product (GDP) grew at a seasonally adjusted annualized rate of 2.1% in the first quarter, up from 0.5% in Q4 2025. While personal consumption growth was 0.5%, its weakest pace since 2022, private domestic investment grew 7.9%. It was largely supported by business investment in information processing equipment and software IP, underscoring the impact of AI-related spending. Government spending was up also 4.4%, recovering from a 5.6% contraction, as activity resumed following the end of the government shutdown.
- U.S. labor-market conditions remained broadly stable in Q2. The three-month average gain in non-farm payrolls rose to 111k jobs, though hiring momentum slowed as the quarter progressed. The moderation appeared industry-specific rather than indicative of broad labor-market weakness. While the unemployment rate ticked down to 4.2%, labor-force participation also fell, suggesting slower labor-force growth, rather than stronger employment gains, was the primary driver of the decline.
- Inflation accelerated in the second quarter, as headline Consumer Price Index inflation (CPI) rose 4.2% year-over-year (YoY) in May, up from 3.3% at the end of the first quarter. Energy prices were the key driver, rising 23.5% YoY, while core CPI rose a more moderate 2.9%. Producer Price Index (PPI) inflation rose 6.5% YoY, the highest rate since late 2022. Core PPI (ex. food, energy and trade services), increased 5.1%, suggesting that inflation pressures broadened across the economy rather than being confined to the energy sector.

U.S. Unemployment and Monthly Average Continued Claims



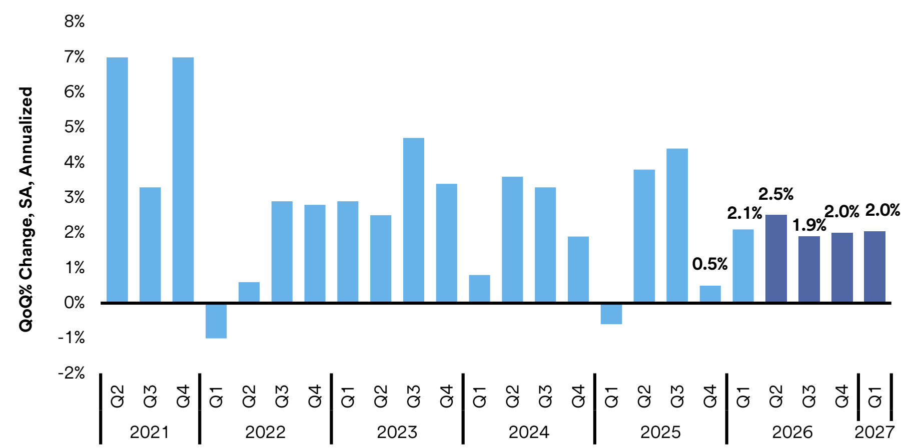
Source: Bloomberg.

U.S. Inflation Rate
Seasonally Adjusted (SA)



Source: Bureau of Labor Statistics.

U.S. GDP Growth

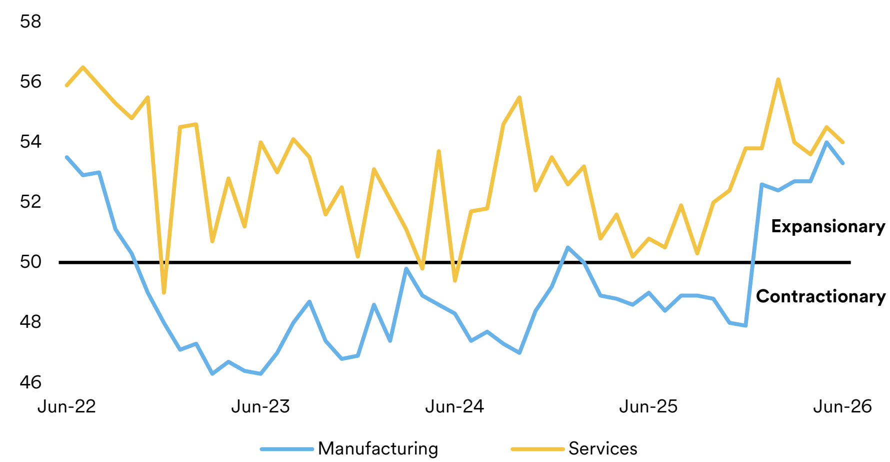


Source: Bloomberg. Light blue bars indicate actual numbers; dark blue bars indicate forecasted estimates.

WHAT WE'RE WATCHING

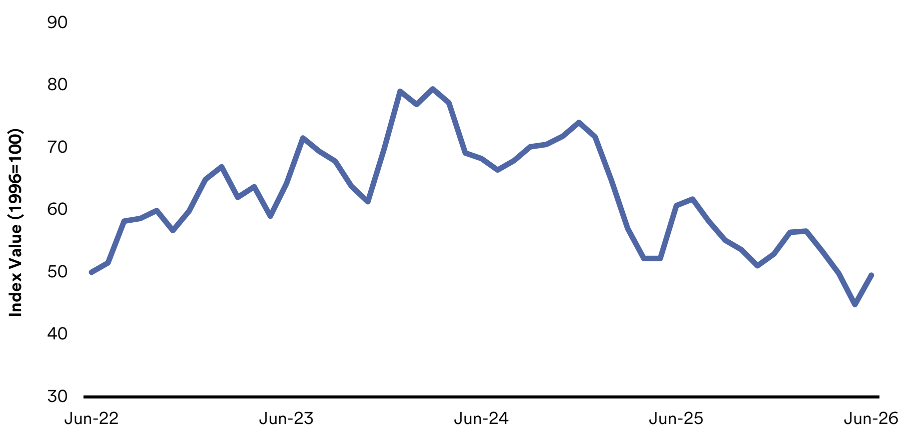
- The Federal Reserve (Fed) held its target rate at 3.75% through Q2. The Federal Open Market Committee meeting delivered a more hawkish message, removing language suggesting an easing bias, while the updated dot plot shifted from implying a 2026 rate cut to a potential rate hike. Outside the U.S., the European Central Bank hiked rates for the first time since 2023, citing energy inflation across the Eurozone. The Bank of Japan also raised interest rates, marking the highest rate in 31 years, citing concerns that energy related price pass-through could push consumer inflation above the 2% target.
- Consumer sentiment recovered from its May low but finished below its March level, with the University of Michigan Survey of Consumers, at 49.5 in June. Manufacturing and services indicators were also in expansionary territory at quarter-end, with the ISM U.S. PMI surveys reporting of 53.3 and 54.0, respectively.
- The conflict with Iran and the disrupted Middle Eastern oil supplies have been major market drags since the effective closure of the Strait of Hormuz. Energy alone drove more than 60% of May's headline inflation, however an interim peace deal brokered in June prompted a sharp pullback in oil prices. The Brent Crude spot price fell to near pre-conflict levels at quarter end. Shipping transit through the Strait has begun also to pick up, though it remains less than half the pre-war average. Any renewed disruption could have an impact on inflation and economic growth.

U.S. ISM Manufacturing & Services PMI



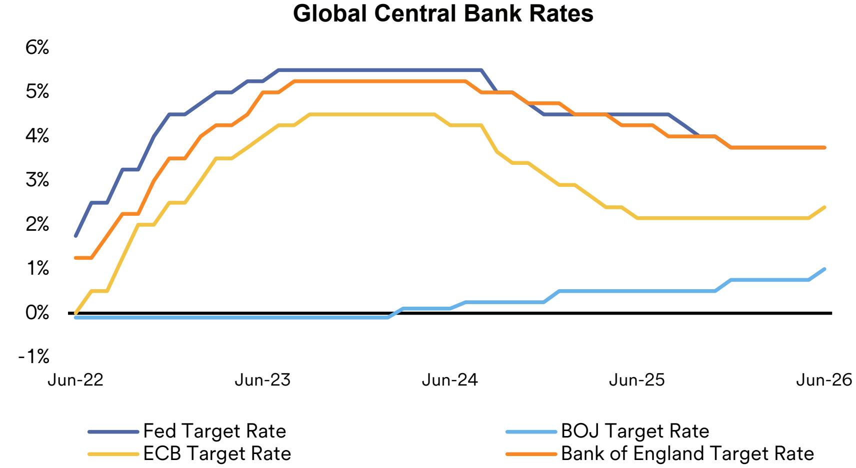
Source: Bloomberg.

University of Michigan Consumer Sentiment



Source: Bloomberg.

Global Central Bank Rates

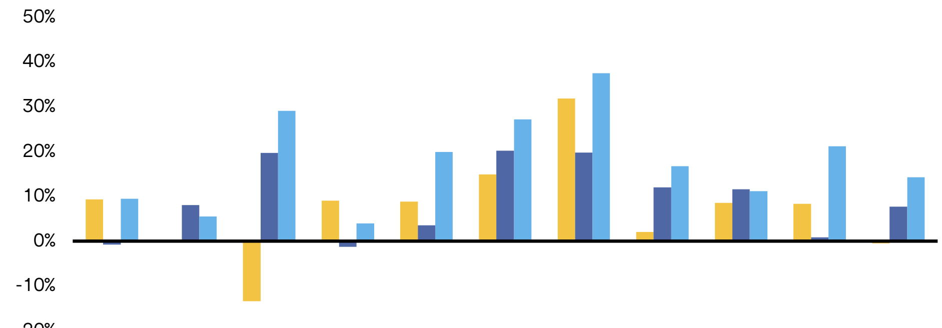


Source: Bloomberg.

DOMESTIC EQUITY

- Domestic equity markets advanced sharply in the second quarter of 2026. The S&P 500 Index returned 15.2% for the quarter and 10.2% year to date, while the Russell 3000 Index returned 15.4% for the quarter and 10.9% year to date.
- Within the S&P 500, nine of the 11 sectors posted positive returns. Information Technology led performance, returning 31.8%. Industrials also posted strong gains, returning 14.9%. The weakest sector was Energy, which declined 13.4%, followed by Utilities with a near-flat return of -0.5%.
- Small-cap stocks outperformed mid-and-large caps during the quarter, with the Russell 2000 Index returning 21.5%, while Russell 1000 Index returned 15.4% and Russell Midcap Index returned 13.8%. Growth stocks outpaced value stocks across all capitalizations, with small caps in particular seeing wider dispersion, as the growth benchmark outperformed the value benchmark by more than 8% for the quarter. This trend reversed in the last month of the quarter, with leadership rotating toward value across all capitalizations, and large cap growth seeing negative returns for the month of June.
- According to FactSet Earnings Insight (as of July 2, 2026), the expected Q2 2026 earnings growth is 23.3% YoY, up from 18.8% at the start of the quarter. If this estimate holds, it would mark the second consecutive quarter of earnings growth above 20% and the seventh straight quarter of double-digit earnings growth. Revenue growth is projected to be 12.2%, the strongest pace since Q2 2022, while S&P 500 net profit margins are expected to remain robust at 14.2%, near record levels. Looking ahead, analysts forecast earnings growth of 24.1% for full-year 2026, supported by continued strength in technology and energy-related earnings.
- At quarter end, the S&P 500's adjusted positive forward price-to-earnings ratio stood at 23.1, roughly in line with its five-year average of 23.1. The Russell 2000 Index, which represents small-cap stocks, posted an adjusted positive forward price-to-earnings ratio was 21.0, above its five-year average of 17.5.

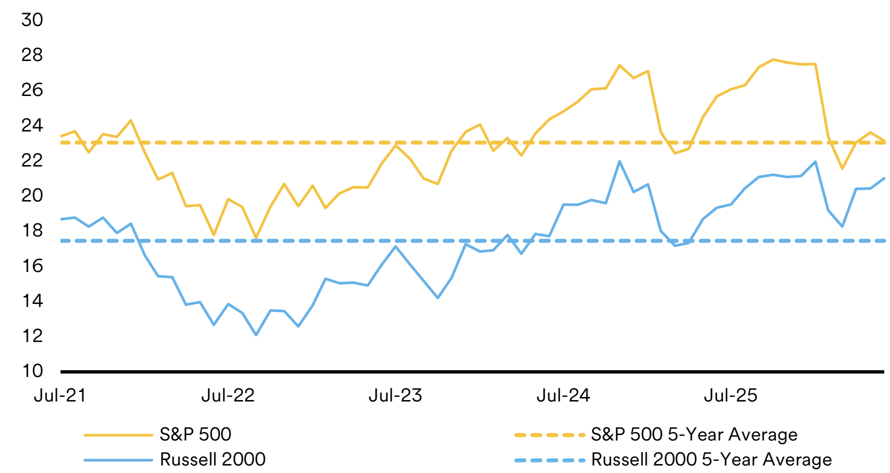
S&P 500 Index Performance by Sector
Periods Ended June 30, 2026



	Consumer Disc.	Consumer Staples	Energy	Financials	H'lthcare	Industrials	Info. Tech	Materials	Real Estate	Telecom	Utilities
QTD	9.3%	0.3%	-13.4%	9.0%	8.8%	14.9%	31.8%	2.0%	8.5%	8.3%	-0.5%
YTD	-0.8%	8.0%	19.7%	-1.3%	3.5%	20.2%	19.8%	12.0%	11.5%	0.8%	7.7%
1 Year	9.5%	5.5%	29.0%	3.9%	19.9%	27.1%	37.5%	16.7%	11.1%	21.1%	14.2%

Source: Bloomberg.

P/E Ratios of Major U.S. Stock Indices*

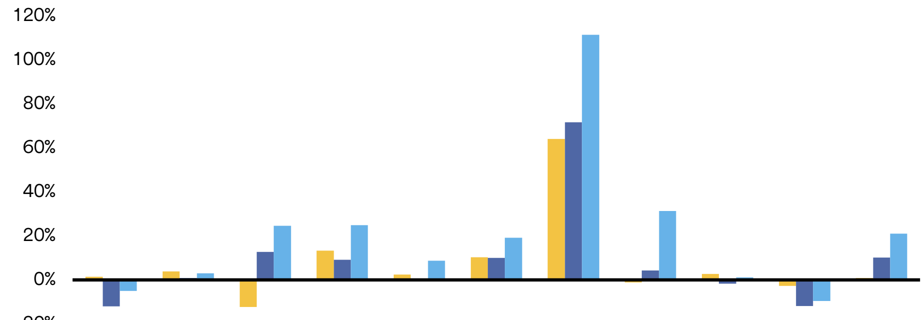


Source: Bloomberg.
**P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.*

INTERNATIONAL EQUITY

- International equity markets also posted strong gains in the second quarter. The MSCI AC World ex USA Index returned 14.5% for the quarter and 13.7% year to date. Developed ex-U.S. markets, represented by the MSCI EAFE Index, returned 10.8% for the quarter and 9.4% year to date. Emerging markets, represented by the MSCI Emerging Markets Index, returned 24.1% for the quarter and 23.8% year-to-date.
- Among the five largest-weighted countries in the MSCI EAFE Index, the MSCI Japan (+14.2%) and MSCI Switzerland (+12.2%) indices outperformed the broader index, while MSCI France (+8.7%), and MSCI Germany (+8.1%), and MSCI United Kingdom (+4.1%) indices underperformed.
- Within emerging markets (EM), MSCI Korea (+87.6%) and MSCI Taiwan (+48.9%) outperformed the MSCI Emerging Markets index, while MSCI China (-6.6%) and MSCI Brazil (-8.23%) returned negative for the quarter.
- International sector level performance was uneven, with three of the 11 sectors posting negative returns. The leading sector, Information Technology, returned 64.1% for the quarter. Financials returned 13.2% for the quarter, while Energy declined 12.3%, reversing strong gains earlier in the year.
- Value and growth stocks both posted positive returns outside the U.S. The MSCI ACWI ex U.S. Growth Index returned 17.0% for the quarter, while the MSCI ACWI ex U.S. Value Index returned 12.2%. Within emerging markets, growth (MSCI EM Growth) returned 26.0%, ahead of value (MSCI EM Value) at 20.7%.
- International equity valuations finished the quarter above recent averages for developed markets and near longer-term averages for emerging markets. The MSCI EAFE adjusted positive forward P/E ratio stood at 17.1 versus a five-year average of 15.3, while the MSCI Emerging Markets adjusted positive forward P/E ratio was 12.8 versus a five-year average of 12.9.

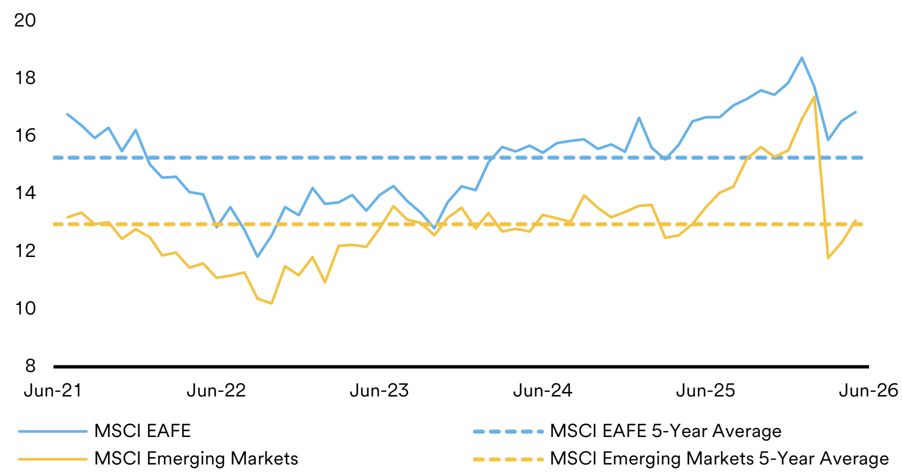
MSCI ACWI ex-U.S. Sectors
Periods Ended June 30, 2026



	Consumer Disc.	Consumer Staples	Energy	Financials	Healthcare	Industrials	Info Tech	Materials	Real Estate	Telecom	Utilities
QTD	1.4%	3.8%	-12.3%	13.2%	2.4%	10.2%	64.1%	-1.1%	2.7%	-2.8%	0.9%
YTD	-12.1%	0.8%	12.7%	9.1%	-0.8%	10.0%	71.6%	4.2%	-1.8%	-12.0%	10.2%
1 Year	-5.0%	3.0%	24.6%	24.8%	8.6%	19.2%	111.4%	31.2%	1.1%	-9.7%	20.9%

Source: Bloomberg.

P/E Ratios of MSCI Equity Indices*

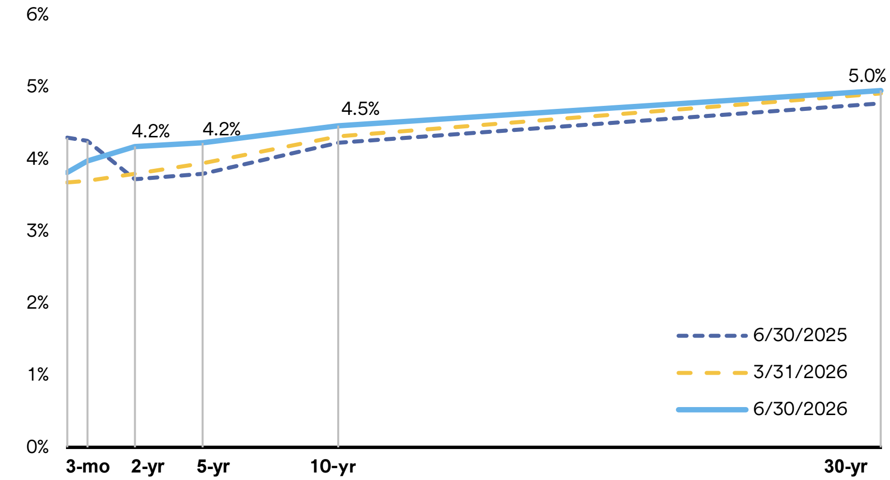


Source: Bloomberg.
**P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.*

FIXED INCOME

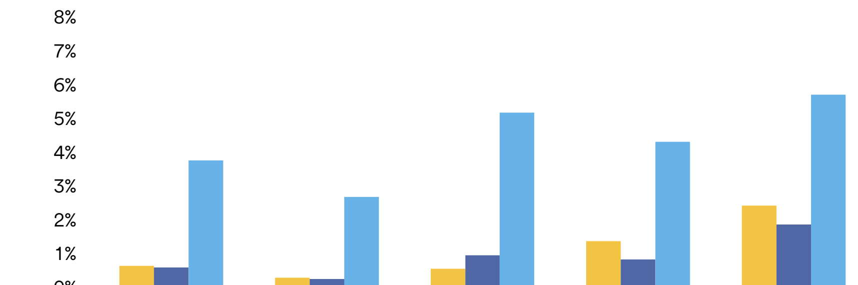
- The U.S. bond market, as represented by the Bloomberg U.S. Aggregate Index, returned 0.7% in the second quarter of 2026 and 0.6% year to date. Intermediate government/credit bonds returned 0.4% for the quarter, while short-term Treasury bonds, represented by the Bloomberg U.S. Treasury 1-3 Year Index, returned 0.4%.
- The Bloomberg U.S. Treasury Index returned 0.3% in the second quarter as treasury yields moved modestly upwards. While the Fed held rates steady, treasury yields moved higher as investors reassessed the potential rate path. The 2-year Treasury yield rose from 3.8% at the end of March to 4.2% at quarter end, while the 10-year Treasury yield rose from 4.3% to 4.5%. The 30-year Treasury yield stayed near flat, rising 4 basis points to 5.0%. As of the quarter end, the market has priced in a 50% probability of a rate-hike at the September meeting.
- Credit markets generated positive returns during the quarter. The Bloomberg U.S. Corporate Index returned 1.4%, while the ICE BofA U.S. High Yield Index returned 2.5%. Investment-grade spreads narrowed to 74 basis points (bps) from 89 bps at the end of March, nearing the year-to-date tights of 71 bps set in January. High-yield spreads also narrowed to 270bps from 317bps. Both sit well below their long-term averages.

U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments
Periods Ended June 30, 2026



	Blmbg U.S. Aggregate	Blmbg U.S. Treasury	Blmbg U.S. MBS	Blmbg U.S. Corporate	ICE BofA U.S. HY
QTD	0.7%	0.3%	0.6%	1.4%	2.5%
YTD	0.6%	0.3%	1.0%	0.9%	1.9%
1 Year	3.8%	2.7%	5.2%	4.3%	5.7%

Source: Bloomberg.

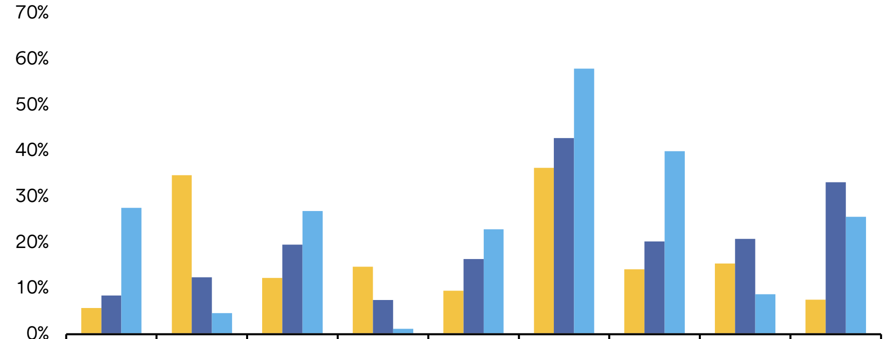
LISTED REAL ASSETS

- Real estate investment trusts (REITs), as measured by the FTSE NAREIT All Equity REITs Index, returned 10.7% for the quarter and 14.9% year-to-date. Within listed real estate, Office and Lodging/Resorts were the strongest subsectors, returning 34.7% and 36.3%, respectively. The weakest sectors were Data Centers (+7.5%) and Industrial (+5.7%).
- Performance of listed infrastructure lagged broader global equities as represented by the FTSE Global Core Infrastructure 50/50 Index, returning 2.3% in the second quarter and 10.7% year to date. The exposure to U.S. midstream energy was a drag for the quarter as energy prices fell in anticipation of a resolution in Iran, while listed infrastructure benefited from global exposure to utilities and transport.

ALTERNATIVES

- Within private real assets, private real estate, as measured by the NCREIF Property Index, gained 1.2% in the fourth quarter of 2025. This was primarily driven by income return as capital return (price change less any capital expenditures) was flat for the quarter. Eight of the property sectors produced positive total returns. Senior housing continued to lead with a return of 3.3%, up from 2.9% during the third quarter.
- According to PitchBook, private infrastructure funds posted returns of 0.5% in the fourth quarter of 2025. Within infrastructure, datacenter demand continued to drive fundraising in Q1 2026. Infrastructure and real estate funds investing exclusively in datacenters and telecom infrastructure collectively raised $26 billion in 2025.
- Private debt, as measured by the Cliffwater Direct Lending Index, continued to see steady performance, reporting a 2.1% return for the fourth quarter. Income remained high, delivering a 2.4% return in the fourth quarter. Realized losses remain substantially below their long-term historical average, while unrealized losses increased slightly, signaling a modest pickup in future credit losses.
- According to PitchBook, private equity funds returned 3.8% in the fourth quarter of 2025 and have generated an annualized return of 14.2% for the five years. The slowing of private equity fundraising activity extended into Q1 2026, with the strategy's rolling 12-month fundraising figure falling for an eighth consecutive quarter.

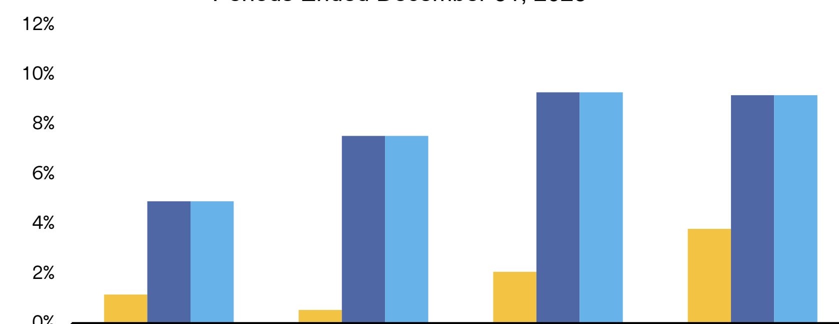
Listed Real Estate Returns by Sector



	Industrial	Office	Retail	Residential	Diversified	Lodging/ Resorts	Healthcare	Self-Storage	Data Centers
QTD	5.7%	34.7%	12.3%	14.7%	9.5%	36.3%	14.1%	15.4%	7.5%
YTD	8.4%	12.4%	19.5%	7.5%	16.4%	42.8%	20.2%	20.8%	33.2%
1 Year	27.6%	4.6%	26.9%	1.2%	22.9%	57.9%	39.9%	8.7%	25.6%

Source: Bloomberg.

Returns for Private Capital Assets
Periods Ended December 31, 2025*



	Private Real Estate	Private Infrastructure	Private Debt	Private Equity
QTD	1.2%	0.5%	2.1%	3.8%
YTD	4.9%	7.5%	9.3%	9.2%
1 Year	4.9%	7.5%	9.3%	9.2%

Source: NCREIF, PitchBook, Cliffwater.
**The most recent period for which all performance data is available.*

Factors to Consider Over the Next 6-12 Months

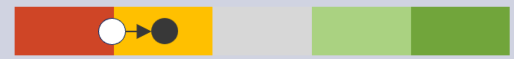
Monetary Policy (Global):

- The Federal Reserve held rates steady at Chair Warsh's first meeting and removed forward guidance while shifting its focus to price stability. The June "dot plot" shifted more hawkish.
- Global central banks diverged, with ECB and BoJ hiking on persistent inflation while others remain on hold.

Economic Growth (Global):

- Global growth prospects improved following easing Middle East tensions, easing a key overhang on global supply chains and energy prices.
- AI-related productivity boost and easing tariff pressures are expected to mitigate downside risks to global growth amid geopolitical uncertainty and signs of softer consumer demand.

Inflation (U.S.):



- Headline inflation remains above target but may be at or near its peak as falling oil prices provide a disinflationary impulse.
- While long-run inflation expectations remain anchored, the Fed remains focused on the passthrough of higher energy prices into core inflation.

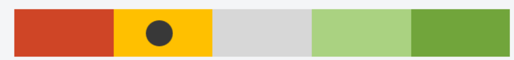
Financial Conditions (U.S.):

- Equity and fixed-income markets largely looked through the Middle East conflict, remaining focused on fundamentals and earnings strength.
- Recent capital raises amidst strong corporate fundamentals along with credit spreads near historical tights reflect steady financial conditions.

Consumer Spending (U.S.):

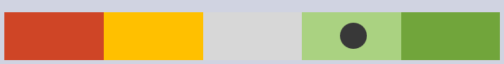
- Consumer spending remained resilient amidst high energy prices, supported by higher-income households while affordability pressures persist for lower-income consumers.
- Real wages have turned modestly negative as inflation outpaces nominal wage gains, eroding purchasing power. Savings rate at multi-year lows.

Labor Markets (U.S.):



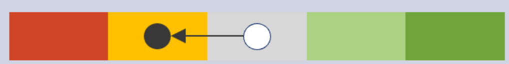
- Recent payroll gains exceeding expectations and the unemployment rate holding steady. Falling labor force participation a concern.
- Hiring breadth remains narrow, concentrated in healthcare and social assistance.
- The "low-hire, low-fire" dynamic persists, with labor demand stable but hiring activity subdued.

Corporate Fundamentals:



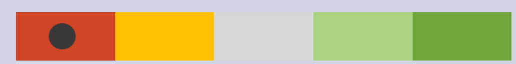
- Earnings growth expectations continued to improve for 2026 and 2027 across global equities with double digit growth expected across U.S. and international equity benchmarks.
- In the U.S., AI related capex spend, M&A, tax changes and rising profit margins are positives.

Valuations:



- Valuations across U.S. equities and credit markets reflect resilient growth, strong earnings growth and profit margins.
- Equity markets recovered strongly in Q1 leading to valuations higher than averages.

Political/Policy Risks:



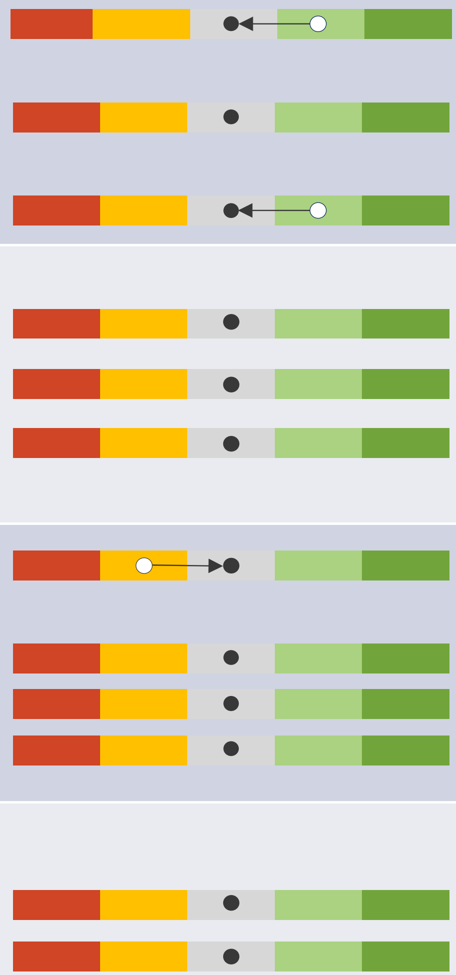
- Conflict with Iran and the ongoing geopolitical uncertainty remain center stage even as MoU is signed to resolve the U.S.-Iran conflict.
- Tariff-related uncertainty and upcoming mid-term elections in the U.S. also warrant attention.

● **Current outlook** ○ **Outlook one quarter ago**

Stance Unfavorable to Risk Assets	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Stance Favorable to Risk Assets

Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc., at the time of distribution (June 30, 2026) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, we cannot guarantee its accuracy, completeness, or suitability.

Investment Strategy Overview

Asset Class	Our Q3 2026 Investment Outlook	Comments
U.S. Equities Large-Caps Small-Caps		• The U.S.-Iran conflict has largely been resolved following the signing of an MoU, though some uncertainty remains and could affect energy prices and the inflation outlook, thereby impacting risk assets. • Underlying fundamentals remain supportive of positive equity returns, with corporate earnings expected to grow at a high double-digit pace. • Equity market broadening and strong earnings growth led us to modestly overweight domestic small caps in Q1, prior to the U.S.-Iran conflict. The subsequent recovery in valuations led us to close the overweight position and realign portfolios with strategic targets.
Non-U.S. Equities Developed Markets Emerging Markets		• Several major central banks outside the U.S. have begun raising rates in response to near-term inflation pressures. At the same time, relatively attractive valuations and strong earnings growth provide a cushion against rising inflation expectations. • Emerging markets have been strong performers this year, driven by a rally in semiconductor-related companies, particularly in Korea and Taiwan. Earnings and profit margin estimates for EM equities continue to improve, while valuations remain attractive. However, a concentrated return profile, potential Fed rate hikes, and geopolitical uncertainty lead us to maintain an equal-weight allocation.
Fixed Income Core Bonds Investment Grade Credit High Yield Credit		• The Fed remains on hold, with its June projections signaling a more hawkish stance. Future rate decisions will be dependent on inflation moving closer to 2%, as energy-related pressures ease. Increased uncertainty around the rate path is expected to weigh on risk assets. • Absolute yield levels remain attractive, while credit spreads are near historical lows. Returns are expected to be driven primarily by yield/carry rather than price appreciation. Strong profit margins, continued issuance, ongoing share buybacks, and active M&A activity point to a healthy corporate environment that remains supportive of credit spreads. • We remain neutral across both duration and credit sectors.
Diversifying Assets Listed Real Estate Listed Global Infrastructure		• Listed REITs recovered more strongly than listed infrastructure in Q2 as the economic resilience narrative gained traction. However, the long-duration and rate-sensitive nature of both asset classes leads us to maintain a neutral stance. • In addition to providing diversified sources of return, improving sentiment around AI continues to support data center and utility buildout, creating a favorable tailwind for listed real assets.

● **Current outlook** ○ **Outlook one quarter ago**

Negative	Slightly Negative	Neutral	Slightly Positive	Positive

The view expressed within this material constitute the perspective and judgment of PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc., at the time of distribution (June 30, 2026) and are subject to change.

Sources

FactSet

Bloomberg

NCREIF

PitchBook

Cliffwater

U.S. Bureau of Economic Analysis (BEA)

University of Michigan

WTO in partnership with AXSMarine

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Plan Performance Review - City of Brea PRSP

Asset Allocation & Performance

	Allocation		Performance(%)								
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Total Portfolio	**14,878,502**	**100.00**	**8.98**	**7.25**	**15.04**	**13.24**	**6.68**	**8.78**	**8.78**	**9.00**	**02/01/2016**
Domestic Equity	**6,594,558**	**44.32**	**15.80**	**10.61**	**22.54**	**19.87**	**11.24**	**14.50**	**14.48**	**14.83**	**02/01/2016**
Russell 3000 Index			*15.43*	*10.86*	*22.81*	*20.35*	*12.30*	*15.51*	*15.06*	*15.45*	
Columbia Contrarian Core Inst3	1,340,193	9.01	15.22	8.76	20.20	20.01	12.78	16.35	15.09	19.89	02/01/2024
S&P 500			*15.20*	*10.21*	*22.33*	*20.61*	*13.41*	*16.08*	*15.51*	*21.38*	
Putnam Core Equity Fund Y	607,540	4.08	12.93	7.14	20.17	20.05	13.12	16.90	16.38	15.53	10/01/2024
Schwab US Large-Cap ETF	4,276,768	28.74	15.08	10.04	21.67	20.52	12.70	15.83	15.36	17.61	10/01/2024
S&P 500			*15.20*	*10.21*	*22.33*	*20.61*	*13.41*	*16.08*	*15.51*	*17.72*	
PIMCO RAE US Small Cap Fund	175,166	1.18	19.74	20.98	36.87	21.52	11.92	16.39	14.25	20.98	01/01/2026
Russell 2000 Value Index			*17.19*	*22.99*	*43.01*	*18.73*	*8.23*	*11.36*	*10.89*	*22.99*	
Russell 2000 Index			*21.49*	*22.57*	*40.78*	*18.60*	*6.98*	*11.34*	*11.62*	*22.57*	
Columbia Small Cap Growth Inst3	98,440	0.66	35.57	30.41	55.45	27.35	7.39	15.75	18.05	33.26	10/01/2024
Russell 2000 Growth Index			*25.71*	*22.18*	*38.74*	*18.44*	*5.57*	*10.82*	*11.97*	*21.41*	
Russell 2000 Index			*21.49*	*22.57*	*40.78*	*18.60*	*6.98*	*11.34*	*11.62*	*20.57*	
Emerald Growth Institutional	96,451	0.65	39.16	38.29	73.13	31.82	13.78	16.61	16.89	40.00	02/01/2024
Russell 2000 Growth Index			*25.71*	*22.18*	*38.74*	*18.44*	*5.57*	*10.82*	*11.97*	*22.80*	
Russell 2000 Index			*21.49*	*22.57*	*40.78*	*18.60*	*6.98*	*11.34*	*11.62*	*21.61*	
International Equity	**1,606,055**	**10.79**	**11.87**	**13.72**	**24.95**	**17.03**	**7.26**	**9.64**	**9.60**	**10.05**	**02/01/2016**
MSCI AC World ex USA (Net)			*14.49*	*13.68*	*27.66*	*18.82*	*8.79*	*10.16*	*9.93*	*10.15*	
MFS International Growth R6	211,188	1.42	5.67	2.00	7.09	11.36	6.07	8.81	10.00	13.61	02/01/2024
MSCI AC World ex USA (Net)			*14.49*	*13.68*	*27.66*	*18.82*	*8.79*	*10.16*	*9.93*	*21.60*	
Fidelity International Index	678,775	4.56	9.04	10.08	20.46	16.73	9.35	10.18	9.83	19.50	07/01/2024
MSCI EAFE (net)			*10.82*	*9.44*	*20.23*	*16.44*	*9.05*	*9.90*	*9.66*	*18.97*	
Fidelity Emerging Markets Index Fund	388,945	2.61	21.98	26.17	45.96	23.35	7.36	9.83	9.99	44.06	08/01/2025
MSCI EM (net)			*24.05*	*23.85*	*43.51*	*23.03*	*7.20*	*9.82*	*10.07*	*40.76*	

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Asset Allocation & Performance

	Allocation		Performance(%)								
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Other Growth	**850,007**	**5.71**	**5.07**	**11.26**	**13.77**	**11.56**	**4.51**	**N/A**	**N/A**	**5.82**	**01/01/2020**
Cohen & Steers Inst Realty Shares	409,857	2.75	9.99	14.00	12.45	10.04	4.42	7.08	6.89	12.40	06/01/2024
FTSE NAREIT All Equity REITS			*10.73*	*14.90*	*15.43*	*10.06*	*3.72*	*5.87*	*5.89*	*12.93*	
Lazard Global Listed Infrastructure Inst	227,268	1.53	1.11	8.15	15.57	14.14	11.55	9.73	10.41	16.82	10/01/2024
FTSE Global Core Infrastructure 50/50 Index (Net)			*2.33*	*10.66*	*15.78*	*12.24*	*7.65*	*6.71*	*7.47*	*10.60*	
NYLI CBRE Global Infrastructure	212,882	1.43	0.60	9.54	14.46	11.66	7.16	7.44	8.02	13.99	06/01/2024
FTSE Global Core Infrastructure 50/50 Index (Net)			*2.33*	*10.66*	*15.78*	*12.24*	*7.65*	*6.71*	*7.47*	*14.20*	
Fixed Income	**5,435,924**	**36.54**	**0.70**	**0.79**	**4.25**	**5.17**	**1.46**	**2.10**	**2.12**	**2.27**	**03/01/2016**
Blmbg. U.S. Aggregate			*0.67*	*0.62*	*3.79*	*4.16*	*0.08*	*1.22*	*1.54*	*1.80*	
PFMAM - Core Fixed Income	5,034,639	33.84	0.70	0.79	4.21	N/A	N/A	N/A	N/A	4.23	02/01/2024
Blmbg. U.S. Aggregate			*0.67*	*0.62*	*3.79*	*4.16*	*0.08*	*1.22*	*1.54*	*3.87*	
NYLI MacKay High Yield Corp Bond Fund	401,285	2.70	2.11	1.89	5.09	7.54	4.10	4.86	5.50	N/A	07/01/2026
ICE BofA US High Yield Index			*2.45*	*1.89*	*5.74*	*8.79*	*4.13*	*4.92*	*5.70*	*N/A*	
Cash Equivalent	**391,959**	**2.63**	**0.89**	**1.79**	**3.88**	**4.48**	**3.43**	**2.63**	**2.21**	**2.12**	**02/01/2016**
ICE BofA 3 Month U.S. T-Bill			*0.88*	*1.74*	*3.84*	*4.64*	*3.52*	*2.75*	*2.34*	*2.26*	
First American Government Obligation - X	391,959	2.63	0.89	1.79	3.88	4.64	3.54	2.72	2.28	4.46	02/01/2024
ICE BofA 3 Month U.S. T-Bill			*0.88*	*1.74*	*3.84*	*4.64*	*3.52*	*2.75*	*2.34*	*4.45*	

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Calendar Year Comparative Performance

	Performance(%)				
	2025	2024	2023	2022	2021
Total Portfolio	**14.02**	**10.96**	**15.80**	**-14.03**	**11.53**
Blended Benchmark	*13.46*	*11.61*	*15.19*	*-14.58*	*12.54*
Domestic Equity	**17.18**	**21.89**	**25.30**	**-18.40**	**22.64**
Russell 3000 Index	*17.15*	*23.81*	*25.96*	*-19.21*	*25.66*
Columbia Contrarian Core Inst3	17.51	23.51	32.21	-18.45	24.45
Putnam Core Equity Fund Y	17.31	26.47	27.99	-15.87	30.75
Schwab US Large-Cap ETF	17.42	24.90	26.86	-19.44	26.74
S&P 500	*17.88*	*25.02*	*26.29*	*-18.11*	*28.71*
PIMCO RAE US Small Cap Fund	6.29	22.08	20.06	-4.64	40.37
Russell 2000 Value Index	*12.59*	*8.05*	*14.65*	*-14.48*	*28.27*
Russell 2000 Index	*12.81*	*11.54*	*16.93*	*-20.44*	*14.82*
Columbia Small Cap Growth Inst3	21.86	24.45	26.39	-36.51	-2.54
Russell 2000 Growth Index	*13.01*	*15.15*	*18.66*	*-26.36*	*2.83*
Russell 2000 Index	*12.81*	*11.54*	*16.93*	*-20.44*	*14.82*
Emerald Growth Institutional	31.95	19.41	19.06	-24.50	4.04
Russell 2000 Growth Index	*13.01*	*15.15*	*18.66*	*-26.36*	*2.83*
Russell 2000 Index	*12.81*	*11.54*	*16.93*	*-20.44*	*14.82*
International Equity	**29.57**	**4.18**	**13.98**	**-15.96**	**4.52**
MSCI AC World ex USA (Net)	*32.39*	*5.53*	*15.62*	*-16.00*	*7.82*
MFS International Growth R6	21.23	9.24	14.96	-15.02	9.65
MSCI AC World ex USA (Net)	*32.39*	*5.53*	*15.62*	*-16.00*	*7.82*
Fidelity International Index	31.96	3.71	18.31	-14.24	11.45
MSCI EAFE (net)	*31.22*	*3.82*	*18.24*	*-14.45*	*11.26*
Fidelity Emerging Markets Index Fund	33.94	6.80	9.50	-20.07	-3.04
MSCI EM (net)	*33.57*	*7.50*	*9.83*	*-20.09*	*-2.54*

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Calendar Year Comparative Performance

	Performance(%)				
	2025	2024	2023	2022	2021
Other Growth	**11.20**	**3.63**	**12.76**	**-25.63**	**43.28**
Cohen & Steers Inst Realty Shares	3.09	6.24	12.72	-24.73	42.47
FTSE NAREIT All Equity REITS	*2.27*	*4.92*	*11.36*	*-24.93*	*41.30*
Lazard Global Listed Infrastructure Inst	23.86	6.71	10.89	-1.30	19.87
NYLI CBRE Global Infrastructure	15.55	7.68	3.96	-6.08	15.22
FTSE Global Core Infrastructure 50/50 Index (Net)	*14.36*	*9.53*	*2.21*	*-4.87*	*14.88*
Fixed Income	**7.71**	**1.77**	**7.05**	**-8.62**	**-0.57**
PFMAM - Core Fixed Income	N/A	N/A	N/A	N/A	N/A
Blmbg. U.S. Aggregate	*7.30*	*1.25*	*5.53*	*-13.01*	*-1.55*
NYLI MacKay High Yield Corp Bond Fund	7.10	7.14	11.97	-7.81	5.35
ICE BofA US High Yield Index	*8.50*	*8.20*	*13.46*	*-11.22*	*5.36*
Cash Equivalent	**4.23**	**4.73**	**4.98**	**1.48**	**0.02**
ICE BofA 3 Month U.S. T-Bill	*4.18*	*5.25*	*5.02*	*1.46*	*0.05*
First American Government Obligation - X	4.23	5.19	5.02	1.52	0.03
ICE BofA 3 Month U.S. T-Bill	*4.18*	*5.25*	*5.02*	*1.46*	*0.05*

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Account Reconciliation

QTR	Market Value As of 04/01/2026	Net Flows	Return On Investment	Market Value As of 06/30/2026
Total Portfolio	13,667,358	(12,459)	1,223,603	14,878,502

YTD	Market Value As of 01/01/2026	Net Flows	Return On Investment	Market Value As of 06/30/2026
Total Portfolio	13,900,200	(24,771)	1,003,074	14,878,502

Plan Performance Review - City of Brea OPEB

Asset Allocation & Performance

	Allocation		Performance(%)								
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Total Portfolio	**526,842**	**100.00**	**7.61**	**6.22**	**13.15**	**N/A**	**N/A**	**N/A**	**N/A**	**11.65**	**06/01/2024**
Domestic Equity	**197,823**	**37.55**	**15.67**	**10.48**	**22.39**	**N/A**	**N/A**	**N/A**	**N/A**	**18.85**	**06/01/2024**
Russell 3000 Index			*15.43*	*10.86*	*22.81*	*20.35*	*12.30*	*15.51*	*15.06*	*19.91*	
Columbia Contrarian Core Inst3	42,283	8.03	15.22	8.76	20.20	20.01	12.78	16.35	15.09	17.58	06/01/2024
S&P 500			*15.20*	*10.21*	*22.33*	*20.61*	*13.41*	*16.08*	*15.51*	*19.89*	
Putnam Core Equity Fund Y	18,809	3.57	12.93	7.14	20.17	20.05	13.12	16.90	16.38	15.53	10/01/2024
Schwab US Large-Cap ETF	126,108	23.94	15.08	10.04	21.67	20.52	12.70	15.83	15.36	17.61	10/01/2024
S&P 500			*15.20*	*10.21*	*22.33*	*20.61*	*13.41*	*16.08*	*15.51*	*17.72*	
PIMCO RAE US Small Cap Fund	5,170	0.98	19.74	20.98	36.87	21.52	11.92	16.39	14.25	20.98	01/01/2026
Russell 2000 Value Index			*17.19*	*22.99*	*43.01*	*18.73*	*8.23*	*11.36*	*10.89*	*22.99*	
Russell 2000 Index			*21.49*	*22.57*	*40.78*	*18.60*	*6.98*	*11.34*	*11.62*	*22.57*	
Columbia Small Cap Growth Inst3	2,735	0.52	35.57	30.41	55.45	27.35	7.39	15.75	18.05	33.26	10/01/2024
Russell 2000 Growth Index			*25.71*	*22.18*	*38.74*	*18.44*	*5.57*	*10.82*	*11.97*	*21.41*	
Russell 2000 Index			*21.49*	*22.57*	*40.78*	*18.60*	*6.98*	*11.34*	*11.62*	*20.57*	
Emerald Growth Institutional	2,717	0.52	39.16	38.29	73.13	31.82	13.78	16.61	16.89	39.91	06/01/2024
Russell 2000 Growth Index			*25.71*	*22.18*	*38.74*	*18.44*	*5.57*	*10.82*	*11.97*	*22.25*	
Russell 2000 Index			*21.49*	*22.57*	*40.78*	*18.60*	*6.98*	*11.34*	*11.62*	*21.56*	
International Equity	**48,120**	**9.13**	**11.81**	**13.68**	**24.87**	**N/A**	**N/A**	**N/A**	**N/A**	**19.18**	**06/01/2024**
MSCI AC World ex USA (Net)			*14.49*	*13.68*	*27.66*	*18.82*	*8.79*	*10.16*	*9.93*	*21.54*	
MFS International Growth R6	6,530	1.24	5.67	2.00	7.09	11.36	6.07	8.81	10.00	12.29	06/01/2024
MSCI AC World ex USA (Net)			*14.49*	*13.68*	*27.66*	*18.82*	*8.79*	*10.16*	*9.93*	*21.54*	
Fidelity International Index	20,292	3.85	9.04	10.08	20.46	16.73	9.35	10.18	9.83	19.50	07/01/2024
MSCI EAFE (net)			*10.82*	*9.44*	*20.23*	*16.44*	*9.05*	*9.90*	*9.66*	*18.97*	
Fidelity Emerging Markets Index Fund	11,589	2.20	21.98	26.17	45.96	23.35	7.36	9.83	9.99	44.06	08/01/2025
MSCI EM (net)			*24.05*	*23.85*	*43.51*	*23.03*	*7.20*	*9.82*	*10.07*	*40.76*	

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Asset Allocation & Performance

	Allocation		Performance(%)								
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Other Growth	**26,301**	**4.99**	**4.95**	**11.19**	**13.81**	**N/A**	**N/A**	**N/A**	**N/A**	**14.82**	**06/01/2024**
Cohen & Steers Inst Realty Shares	12,330	2.34	9.99	14.00	12.45	10.04	4.42	7.08	6.89	12.40	06/01/2024
FTSE NAREIT All Equity REITS			*10.73*	*14.90*	*15.43*	*10.06*	*3.72*	*5.87*	*5.89*	*12.93*	
Lazard Global Listed Infrastructure Inst	7,259	1.38	1.11	8.15	15.57	14.14	11.55	9.73	10.41	16.82	10/01/2024
FTSE Global Core Infrastructure 50/50 Index (Net)			*2.33*	*10.66*	*15.78*	*12.24*	*7.65*	*6.71*	*7.47*	*10.60*	
NYLI CBRE Global Infrastructure	6,711	1.27	0.60	9.54	14.46	11.66	7.16	7.44	8.02	13.99	06/01/2024
FTSE Global Core Infrastructure 50/50 Index (Net)			*2.33*	*10.66*	*15.78*	*12.24*	*7.65*	*6.71*	*7.47*	*14.20*	
Fixed Income	**243,447**	**46.21**	**0.91**	**0.90**	**4.26**	**N/A**	**N/A**	**N/A**	**N/A**	**5.63**	**06/01/2024**
Blmbg. U.S. Aggregate			*0.67*	*0.62*	*3.79*	*4.16*	*0.08*	*1.22*	*1.54*	*5.20*	
Baird Aggregate Bond Inst	73,089	13.87	0.81	0.76	3.96	4.61	0.32	1.60	1.94	5.35	06/01/2024
iShares Core US Aggregate Bond ETF	24,250	4.60	0.67	0.71	3.80	4.16	0.09	1.20	1.52	5.20	06/01/2024
Dodge & Cox Income	46,290	8.79	0.77	0.81	4.67	5.23	1.33	2.60	2.93	5.89	06/01/2024
PGIM Total Return Bond R6	46,356	8.80	1.02	1.05	4.62	5.44	0.64	1.81	2.46	5.93	06/01/2024
Blmbg. U.S. Aggregate			*0.67*	*0.62*	*3.79*	*4.16*	*0.08*	*1.22*	*1.54*	*5.20*	
Voya Intermediate Bond	35,152	6.67	0.97	0.99	4.23	5.27	0.57	1.81	2.27	4.62	05/01/2025
Blmbg. U.S. Aggregate			*0.67*	*0.62*	*3.79*	*4.16*	*0.08*	*1.22*	*1.54*	*3.96*	
NYLI MacKay High Yield Corp Bond Fund	18,310	3.48	2.11	1.89	5.09	7.54	4.10	4.86	5.50	6.68	06/01/2024
ICE BofA US High Yield Index			*2.45*	*1.89*	*5.74*	*8.79*	*4.13*	*4.92*	*5.70*	*8.14*	
Cash Equivalent	**11,151**	**2.12**	**0.89**	**1.79**	**3.88**	**N/A**	**N/A**	**N/A**	**N/A**	**4.32**	**06/01/2024**
ICE BofA 3 Month U.S. T-Bill			*0.88*	*1.74*	*3.84*	*4.64*	*3.52*	*2.75*	*2.34*	*4.29*	
First American Government Obligation - X	11,151	2.12	0.89	1.79	3.88	4.64	3.54	2.72	2.28	4.32	06/01/2024
ICE BofA 3 Month U.S. T-Bill			*0.88*	*1.74*	*3.84*	*4.64*	*3.52*	*2.75*	*2.34*	*4.29*	

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system of previous Advisor and believed to be accurate and reliable.

Calendar Year Comparative Performance

	Performance(%) 2025	2024	2023	2022	2021
Total Portfolio	**12.79**	**N/A**	**N/A**	**N/A**	**N/A**
Domestic Equity	**17.17**	**N/A**	**N/A**	**N/A**	**N/A**
Russell 3000 Index	*17.15*	*23.81*	*25.96*	*-19.21*	*25.66*
Columbia Contrarian Core Inst3	17.51	23.51	32.21	-18.45	24.45
Putnam Core Equity Fund Y	17.31	26.47	27.99	-15.87	30.75
Schwab US Large-Cap ETF	17.42	24.90	26.86	-19.44	26.74
S&P 500	*17.88*	*25.02*	*26.29*	*-18.11*	*28.71*
PIMCO RAE US Small Cap Fund	6.29	22.08	20.06	-4.64	40.37
Russell 2000 Value Index	*12.59*	*8.05*	*14.65*	*-14.48*	*28.27*
Russell 2000 Index	*12.81*	*11.54*	*16.93*	*-20.44*	*14.82*
Columbia Small Cap Growth Inst3	21.86	24.45	26.39	-36.51	-2.54
Russell 2000 Growth Index	*13.01*	*15.15*	*18.66*	*-26.36*	*2.83*
Russell 2000 Index	*12.81*	*11.54*	*16.93*	*-20.44*	*14.82*
Emerald Growth Institutional	31.95	19.41	19.06	-24.50	4.04
Russell 2000 Growth Index	*13.01*	*15.15*	*18.66*	*-26.36*	*2.83*
Russell 2000 Index	*12.81*	*11.54*	*16.93*	*-20.44*	*14.82*
International Equity	**29.39**	**N/A**	**N/A**	**N/A**	**N/A**
MSCI AC World ex USA (Net)	*32.39*	*5.53*	*15.62*	*-16.00*	*7.82*
MFS International Growth R6	21.23	9.24	14.96	-15.02	9.65
MSCI AC World ex USA (Net)	*32.39*	*5.53*	*15.62*	*-16.00*	*7.82*
Fidelity International Index	31.96	3.71	18.31	-14.24	11.45
MSCI EAFE (net)	*31.22*	*3.82*	*18.24*	*-14.45*	*11.26*
Fidelity Emerging Markets Index Fund	33.94	6.80	9.50	-20.07	-3.04
MSCI EM (net)	*33.57*	*7.50*	*9.83*	*-20.09*	*-2.54*
Other Growth	**11.50**	**N/A**	**N/A**	**N/A**	**N/A**
Cohen & Steers Inst Realty Shares	3.09	6.24	12.72	-24.73	42.47
MSCI US REIT Index	*2.95*	*8.75*	*13.74*	*-24.51*	*43.06*
Lazard Global Listed Infrastructure Inst	23.86	6.71	10.89	-1.30	19.87
NYLI CBRE Global Infrastructure	15.55	7.68	3.96	-6.08	15.22
MSCI World Core Infrastructure Index (Net)	*15.85*	*5.73*	*4.01*	*-7.93*	*17.13*

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system of previous Advisor and believed to be accurate and reliable.

Calendar Year Comparative Performance

	Performance(%)				
	2025	2024	2023	2022	2021
Fixed Income	**7.56**	**N/A**	**N/A**	**N/A**	**N/A**
Blmbg. U.S. Aggregate	*7.30*	*1.25*	*5.53*	*-13.01*	*-1.55*
Baird Aggregate Bond Inst	7.36	1.85	6.43	-13.35	-1.46
iShares Core US Aggregate Bond ETF	7.19	1.37	5.59	-13.06	-1.67
Dodge & Cox Income	8.32	2.26	7.70	-10.86	-0.91
PGIM Total Return Bond R6	7.79	3.03	7.78	-14.86	-1.15
Voya Intermediate Bond	7.62	2.93	7.07	-14.16	-0.99
Blmbg. U.S. Aggregate	*7.30*	*1.25*	*5.53*	*-13.01*	*-1.55*
NYLI MacKay High Yield Corp Bond Fund	7.10	7.14	11.97	-7.81	5.35
ICE BofA US High Yield Index	*8.50*	*8.20*	*13.46*	*-11.22*	*5.36*
Cash Equivalent	**4.23**	**N/A**	**N/A**	**N/A**	**N/A**
ICE BofA 3 Month U.S. T-Bill	*4.18*	*5.25*	*5.02*	*1.46*	*0.05*
First American Government Obligation - X	4.23	5.19	5.02	1.52	0.03
ICE BofA 3 Month U.S. T-Bill	*4.18*	*5.25*	*5.02*	*1.46*	*0.05*

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system of previous Advisor and believed to be accurate and reliable.

Account Reconciliation

QTR	Market Value As of 04/01/2026	Net Flows	Return On Investment	Market Value As of 06/30/2026
Total Portfolio - PARS/ City of Brea 115P OPEB	490,091	(449)	37,200	526,842

YTD	Market Value As of 01/01/2026	Net Flows	Return On Investment	Market Value As of 06/30/2026
Total Portfolio - PARS/ City of Brea 115P OPEB	496,962	(893)	30,773	526,842

IMPORTANT DISCLOSURES

This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation, as it was prepared without regard to any specific objectives or financial circumstances.

PFMAM professionals have exercised reasonable professional care in the preparation of this performance report. Information in this report is obtained from sources external to PFMAM and is generally believed to be reliable and available to the public; however, we cannot guarantee its accuracy, completeness or suitability. We rely on the client's custodian for security holdings and market values. Transaction dates reported by the custodian may differ from money manager statements. While efforts are made to ensure the data contained herein is accurate and complete, we disclaim all responsibility for any errors that may occur. References to particular issuers are for illustrative purposes only and are not intended to be recommendations or advice regarding such issuers. Fixed income manager and index characteristics are gathered from external sources. When average credit quality is not available, it is estimated by taking the market value weights of individual credit tiers on the portion of the strategy rated by a NRSRO.

It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of PFMAM at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon certain assumptions and current opinion as of the date of issue and are also subject to change. Some, but not all assumptions are noted in the report. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Opinions and data presented are not necessarily indicative of future events or expected performance.

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Disclosures

Public Agency Retirement Services ("PARS") is a third-party and not affiliated with PFMAM, USBAM or U.S. Bank. PARS serves as the trust administrator to the Public Agencies Post-Employment Benefits Trust, Public Agencies Post-Retirement Health Care Plan Trust, and the Public Agency Retirement System Trust (the "Trusts"). U.S. Bank N.A. serves as the discretionary trustee to the Trusts. In its capacity as discretionary trustee, U.S. Bank N.A. delegates the investment management of the Trusts to its affiliate USBAM through a sub-advisory agreement. PARS is serviced by PFMAM, a division of USBAM.

U.S. Bank N.A. pays the sub-adviser up to 67% of the annual management fee for assets sub-advised under its sub-advisory agreement with U.S. Bank N.A. Refer to your U.S. Bank N.A. fee schedule for investment management fees applied to your specific portfolio. U.S. Bank N.A. compensates the sub-adviser for these services from its own fees.

The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. (USBAM) at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.

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CITY *of* BREA

Communication
July 27, 2026
Item No. 3C.

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

TO	PREPARED BY
Chair and Members of the Investment Advisory Committee	Faith Madrazo, Financial Services Manager, Revenue
DEPARTMENT HEAD APPROVAL	**CITY MANAGER APPROVAL**
Monica Lo, Administrative Services Director	Kristin Griffith, City Manager

RECOMMENDATION

Staff recommends that the Investment Advisory Committee take the following action.

1. Review and approve the City of Brea/Successor Agency to the Brea Redevelopment Agency Statement of Investment Policy.

BACKGROUND/DISCUSSION

In accordance with City policy, the City Council is required to annually review and adopt the Investment Policy for both the City and the Successor Agency to the Brea Redevelopment Agency, as recommended by the Investment Advisory Committee.

In 2024, the Investment Policy underwent significant updates and was submitted to the California Municipal Treasurers Association (CMTA) for certification, where it was successfully certified.

For the 2026 Investment Policy, Chandler Asset Management, the City's investment portfolio manager, has recommended several minor updates to ensure the policy reflects recent changes to the California Government Code, incorporates CMTA best practices, improves organization and readability, and strengthens internal controls. A summary of the recommended revisions is provided below with page references corresponding to the red-lined version of the proposed policy:

- **Page 1 – Section II. Scope:** Add language clarifying that the investment of bond proceeds is governed by the applicable bond documents, while remaining consistent with the City's overall investment philosophy.
- **Page 4 – Section VII. Internal Controls:** Remove the detailed description of the Investment Advisory Committee from the Investment Policy. The committee's responsibilities are established separately by City policy, and removing this section aligns the City's policy with Chandler Asset Management's California Model Investment Policy.

- **Page 4 – Section VII. Internal Controls – Disclosure:** Update the disclosure requirement by replacing "Members of the Committee" with "Investment Officials" to ensure that all applicable investment officials are required to file a Statement of Economic Interests (Form 700) annually.
- **Page 8 – Section IX. Authorized Investments – Commercial Paper:** Increase the maximum allowable maturity from 270 days to 397 days to conform with Senate Bill 595, which became effective January 1, 2026.
- **Page 8 – Section IX. Authorized Investments – Placement Service Deposits:** Rename "Certificate of Deposit Account Registry Service (CDARS)" to "Placement Service Deposits" to reflect terminology used in the California Government Code.
- **Page 9 – Section IX. Authorized Investments – Local Government Investment Pools (LGIPs):** Replace the existing Local Agency Investment Fund (LAIF) section with updated language that separately addresses:
  - The State of California Local Agency Investment Fund (LAIF);
  - Joint Powers Authority (JPA) investment pools; and
  - Other Local Government Investment Pools (LGIPs).

  The revised language more closely reflects the California Government Code, clarifies the investment requirements applicable to each type of pool, and establishes a 20 percent portfolio limitation for LGIPs other than LAIF and qualifying JPAs.

- **Page 13 – Section XII. Collateralization – Repurchase Agreements:** Add a provision requiring that securities pledged as collateral for repurchase agreements be delivered to an acceptable third-party custodian. This update reflects a recommendation made during the CMTA certification review and further strengthens the City's collateralization requirements.

For additional reference, the adopted 2025 Investment Policy and a clean version of the Proposed Investment Policy are included.

The recommended revisions are administrative and clarifying in nature and do not alter the City's investment objectives, risk tolerance, or overall investment strategy. Accordingly, Chandler Asset Management has advised that these changes do not require resubmission of the Investment Policy to be resubmitted for CMTA certification.

FISCAL IMPACT/SUMMARY

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

Attachments

Brea CA Model Investment Policy - 2025 FINAL.pdf
Brea CA Model Investment Policy - FY 2026-27 Redline_20260716.pdf
Brea CA Model Investment Policy - FY 2026-27 Clean Version 20260716.pdf

CITY of BREA

ADOPTED
SEPTEMBER 2025

Investment Policy

CITY OF BREA / SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY

INVESTMENT POLICY

ADOPTED
SEPTEMBER 16, 2025

CONTENTS

I. INTRODUCTION

The purpose of this investment policy is to identify various policies and procedures that will foster a prudent and systematic investment program designed to seek the City of Brea/Successor Agency to the Brea Redevelopment Agency's ("City") objectives of safety, liquidity and return on investment through a diversified investment portfolio. The ultimate goal is to enhance the economic status of the City while protecting its pooled funds. This policy also serves to organize and formalize the City's investment-related activities, while complying with all applicable statutes governing the investment of public funds. This policy is written to incorporate industry best practices and recommendations from sources such as the Government Finance Officers Association (GFOA), California Municipal City Treasurer and/or Administrative Services Directors Association (CMTA), California Debt and Investment Advisory Commission (CDIAC) and the Association of Public City Treasurer and/or Administrative Services Directors (APT).

This investment policy was endorsed and adopted by the City Council and is effective as of the 16 day of September, 2025, and replaces any previous versions.

II. SCOPE

This policy covers all funds and investment activities under the direct authority of the City, as set forth in the State Government Code, Sections 53600 et seq., including: General Fund, Special Revenue Funds, Assessment Funds, Enterprise Funds, Internal Service Funds, Capital Projects Funds, Debt Service Funds, Reserve Funds, Fiduciary Funds, Trust and Agency Funds, and any other funds that may be created from time to time.

This policy does not apply to retiree health care savings/trust/plan(s) or deferred compensation plans.

POOLING OF FUNDS

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

III. PRUDENCE

Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the City are trustees and therefore fiduciaries subject to the *Prudent Investor Standard*:

> "…all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and

diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

The Administrative Services Director (may also be referred to as the Director of Administrative Services) and/or designee and other authorized persons responsible for managing City funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided that the Administrative Services Director and/or designee or other authorized persons acted in good faith. Deviations from expectations of a security's credit or market risk should be reported to the City Council in a timely fashion and appropriate action should be taken to control adverse developments.

IV. OBJECTIVES

The City's overall investment program shall be designed and managed with a degree of professionalism worthy of the public trust. The overriding objectives of the program are to preserve principal, provide sufficient liquidity, and manage investment risks, while seeking a market-rate of return.

- **SAFETY.** Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City will diversify its investments by investing funds among a variety of securities with independent returns.

- **LIQUIDITY.** The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

- **RETURN ON INVESTMENTS.** The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

V. DELEGATION OF AUTHORITY

Authority to manage the City's investment program is derived from California Government Code, Sections 41006 and 53600 *et seq.*

The City Council is responsible for the management of the City's funds, including the administration of this investment policy. Management responsibility for the cash management of the City's funds is hereby delegated to the Administrative Services Director and/or designee.

The Administrative Services Director and/or designee will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate officials and employees. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Administrative Services Director and/or designee.

The City may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

The City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the City.

VI. ETHICS AND CONFLICTS OF INTEREST

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to any material interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the City.

VII. INTERNAL CONTROLS

The Administrative Services Director and/or designee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Periodically, as deemed appropriate by the City and/or the City Council, an independent analysis by an external auditor shall be conducted to review internal controls, account activity and compliance with policies and procedures.

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. Four (4) Brea Citizens (selected by the City Council)

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.

VIII. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

To the extent practicable, the Administrative Services Director and/or designee shall endeavor to complete investment transactions using a competitive bid process whenever possible. The Administrative Services Director and/or designee will determine which financial institutions are authorized to provide investment services to the City. It shall be the City's policy to purchase securities only from authorized institutions and firms.

The Administrative Services Director and/or designee shall maintain procedures for establishing a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by the City. Due inquiry shall determine whether such authorized broker/dealers, and the individuals covering the City are reputable and trustworthy, knowledgeable and experienced in Public City investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

In accordance with Section 53601.5, institutions eligible to transact investment business with the City include:

- Institutions licensed by the state as a broker-dealer.
- Institutions that are members of a federally regulated securities exchange.
- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the City, except where the City utilizes an external investment adviser in which case the City may rely on the adviser for selection.

All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Administrative Services Director and/or designee with audited financials and a statement certifying that the institution has reviewed the California Government Code, Section 53600 *et seq*. and the City's investment policy. The Investment Advisory Committee will conduct an annual review of the financial condition and registrations of such qualified bidders.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

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.

IX. Authorized Investments

The City's investments are governed by California Government Code, Sections 53600 *et seq*. Within the investments permitted by the Code, the City seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

1. **Municipal Securities** include obligations of the City, the State of California and any local City within the State of California, provided that:

    - The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
    - No more than 5% of the portfolio may be invested in any single issuer.
    - No more than 30% of the portfolio may be in Municipal Securities.
    - The maximum maturity does not exceed five (5) years.

2. **Municipal Securities (Registered treasury notes or bonds)** of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, City, or authority of any of the other 49 states, in addition to California.

    - The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
    - No more than 5% of the portfolio may be invested in any single issuer.
    - No more than 30% of the portfolio may be in Municipal Securities.
    - The maximum maturity does not exceed five (5) years.

3. **U.S. Treasuries** and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the City may invest in U.S. Treasuries, provided that:

    - The maximum maturity does not exceed five (5) years.

4. **Federal Agencies** or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to

principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the City may invest in Federal City or Government-Sponsored Enterprises (GSEs), provided that:

- No more than 25% of the portfolio may be invested in any single City/GSE issuer.
- The maximum maturity does not exceed five (5) years.
- The maximum percentage of callable Agency securities in the portfolio will be 5%.

5. **BANKER'S ACCEPTANCES,** provided that**:**

   - They are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
   - No more than 40% of the portfolio may be invested in Banker's Acceptances.
   - No more than 5% of the portfolio may be invested in any single issuer.
   - The maximum maturity does not exceed 180 days.

6. **COMMERCIAL PAPER**, provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (a) or (b) and other requirements specified below:

   a. **SECURITIES** issued by corporations:

      (i) A corporation organized and operating in the United States with assets more than $500 million.
      (ii) The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
      (iii) If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

   b. **SECURITIES** issued by other entities:

      (i) The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
      (ii) The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
      (iii)The securities are rated "A-1" or its equivalent or better by at least one NRSRO.

   - No more than 10% of the outstanding commercial paper of any single issuer.
   - No more than 25% of the City's investment assets under management may be invested in Commercial Paper.
   - No more than 5% of the portfolio may be invested in any single issuer.
   - The maximum maturity does not exceed 270 days.

7. **NEGOTIABLE CERTIFICATES OF DEPOSIT (NCDS)**, issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit

union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

- The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
- Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated “A-1” or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of “A” or its equivalent or better by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in NCDs (combined with CDARS).
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

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

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

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

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

10. **Certificate of Deposit Placement Service (CDARS)**, provided that:

    - No more than 30% of the total portfolio may be invested in a combination of Certificates of Deposit, including CDARS.
    - The maximum maturity does not exceed five (5) years.

11. **Collateralized Bank Deposits.** City’s deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651. There are no limits on the dollar amount or percentage that the City may invest in collateralized bank deposits.

12. **Repurchase Agreements** collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that the City may invest, provided that:

- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third-party custodian.
- Repurchase Agreements are subject to a Master Repurchase Agreement between the City and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
- The maximum maturity does not exceed one (1) year.

13. State of California Local City Investment Fund (LAIF), provided that:

- The City may invest up to the maximum amount permitted by LAIF.
- LAIF's investments in instruments prohibited by or not specified in the City's policy do not exclude the investment in LAIF itself from the City's list of allowable investments, provided LAIF's reports allow the Administrative Services Director and/or designee to adequately judge the risk inherent in LAIF's portfolio.

14. Local Government Investment Pools

- Approved State and County Investment Pools, including the County of Orange Investment Fund, together cannot exceed 60% of the maturity value of the portfolio at 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.

15. Corporate Medium Term Notes (MTNs), provided that:

- The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- The securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in MTNs.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

16. Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations from issuers not defined in sections 3 and 4 of the Authorized Investments section of this policy, provided that:

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 15% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum legal final maturity does not exceed five (5) years.

17. **MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS** that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

a. **MUTUAL FUNDS** that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:

(i) Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
(ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of $500 million.

- No more than 10% of the total portfolio may be invested in shares of any one mutual fund.

b. **MONEY MARKET MUTUAL FUNDS** registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:

(i) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
(ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500 million.

- No more than 20% of the total portfolio may be invested in the shares of any one Money Market Mutual Fund.

c. No more than 20% of the total portfolio may be invested in these securities.

18. **SUPRANATIONALS**, provided that:

- Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 15% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

X. PROHIBITED INVESTMENT VEHICLES AND PRACTICES

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Under a provision sunsetting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted. Notification to the City Council, the Investment Advisory Committee, the City Treasurer, and the Administrative Services Director and/or designee will be given within two (2) business days when securities of this type are being added to the portfolio, this allows for full disclosure and understanding of the strategy given the market conditions.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The purchase of foreign currency denominated securities is prohibited.
- The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

XI. INVESTMENT POOLS/MUTUAL FUNDS

The City shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. Administrative Services Director and/or designee shall develop a questionnaire 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, and 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?

XII. COLLATERALIZATION

CERTIFICATES OF DEPOSIT (CDS). The City shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable

Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

COLLATERALIZATION OF BANK DEPOSITS. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The City shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

REPURCHASE AGREEMENTS. The City requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The City shall receive monthly statements of collateral.

XIII. DELIVERY, SAFEKEEPING AND CUSTODY

DELIVERY-VERSUS-PAYMENT (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.

SAFEKEEPING AND CUSTODY. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the City's portfolio shall be held in safekeeping in the City's name by a third-party custodian, acting as agent for the City under the terms of a custody agreement executed by the bank and the City. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the City from the custodian listing all securities held in safekeeping with current market data and other information.

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.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) mutual funds and money market mutual funds, since these securities are not deliverable.

XIV. MAXIMUM MATURITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

The City will not invest in securities maturing more than five (5) years from the date of trade settlement, unless the City Council has by resolution granted authority to make such an investment.

XV. RISK MANAGEMENT AND DIVERSIFICATION

MITIGATING CREDIT RISK IN THE PORTFOLIO

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The City will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the "Authorized Investments" section of this policy is designed to mitigate credit risk in the portfolio.

- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.

- The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or City's risk preferences.

- 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 City Council, the Investment Advisory Committee, Administrative Services Director and/or designee within two (2) business days.

  - If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.

MITIGATING MARKET RISK IN THE PORTFOLIO

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The City recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The City will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The City further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The City, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The City will maintain a minimum of six months of budgeted operating expenditures in short-term investments to provide sufficient liquidity for expected disbursements.

- The maximum stated final maturity of individual securities in the portfolio will be five (5) 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.

- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the City based on the City's investment objectives, constraints and risk tolerances.

- When possible, a minimum of 25% of the portfolio should be in maturities of one year or less.

XVI. REVIEW OF INVESTMENT PORTFOLIO

The Administrative Services Director and/or designee shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this investment policy and establish protocols for reporting major and critical incidences of noncompliance to the City Council.

XVII. PERFORMANCE EVALUATION

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 and/or designee shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Monthly/Quarterly Report of Investments or a similar type of report. With the advisement of the City's outside Investment Manager (if applicable), the Administrative Services Director and/or designee shall select an appropriate, readily available index to use as a market benchmark.

XVIII. REPORTING

MONTHLY REPORTS

Monthly transaction reports will be submitted by the Administrative Services Director and/or designee to the City Council within 30 days of the end of the reporting period in accordance with California Government Code Section 53607.

These reports will disclose, at a minimum, the following information about the City's portfolio:

1. An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date and interest rate.

2. Transactions for the period.

3. A description of the funds, investments and programs (including lending programs) managed by contracted parties (i.e. LAIF; investment pools, outside money managers and securities lending agents)

4. A one-page summary report that shows:
   a. Average maturity of the portfolio and modified duration of the portfolio;
   b. Maturity distribution of the portfolio;
   c. Percentage of the portfolio represented by each investment category;
   d. Average portfolio credit quality; and,
   e. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to the City's market benchmark returns for the same periods;

5. 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.

6. 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.

QUARTERLY REPORTS
The Administrative Services Director and/or designee will submit a quarterly investment report to the City Council which provides full disclosure of the City's investment activities within 45 days after the end of the quarter.

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

XIX. REVIEW OF INVESTMENT POLICY

The investment policy will be reviewed and adopted at least annually within 120 days of the end of the fiscal year, to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

Any recommended modifications or amendments shall be presented by Staff to the City Council for their consideration and adoption.

SEGREGATION OF RESPONSIBILITIES
(when an Outside Investment Manager is utilized)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
Recommend modifications to Investment Policy	City Treasurer Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
Review formal Statement of Investment Policy and recommend a Council action	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	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue Outside Investment Manager
Investment verification (match broker confirmation to trade information provided by outside Investment Manager to City investment records)	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
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 Administrative Services Director.

SEGREGATION OF RESPONSIBILITIES
(when Investment transactions are performed by City Staff)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
Recommend modifications to Investment Policy	Administrative Services Director Deputy Director of Administrative Services Investment Advisory Committee
Review formal Statement of Investment Policy and recommend a Council action	Investment Advisory Committee
Annually review and adopt a formal Statement of Investment Policy	City Council
Select investments	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
Approve transactions	Administrative Services Director Deputy Director of Administrative Services
Execute investment transactions	Administrative Services Director Deputy Director of Administrative Services
Investment verification (match broker confirmation to City investment records)	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
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	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 Administrative Services Director.

Glossary of Investment Terms

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

- **FFCB.** The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.
- **FHLB.** The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.
- **FHLMC.** Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.
- **FNMA.** Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.
- **GNMA.** The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.
- **PEFCO.** The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.
- **TVA.** The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

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 their own position.

Callable. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, 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. 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 OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

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.

COMMERCIAL 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.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for their own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a security to changes interest rates.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC). The Federal Deposit Insurance Corporation (FDIC) is an independent federal City 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.

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 CITY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State City Treasurer and/or Administrative Services Director's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State City Treasurer and/or Administrative Services Director's Office Local City 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.

MATURITY. The final date upon which the principal of a security becomes due and payable. The investment's term or remaining maturity is measured from the settlement date to final maturity.

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

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

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

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 City 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.

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

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

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

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

SECURITIES AND EXCHANGE COMMISSION (SEC). The U.S. Securities and Exchange Commission (SEC) is an independent federal government City 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 requirement 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.

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

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

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

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

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

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

CITY OF BREA / SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY

INVESTMENT POLICY

~~ADOPTED~~ PROPOSED
~~SEPTEMBER 16, 2025~~

CONTENTS

I. INTRODUCTION

The purpose of this investment policy is to identify various policies and procedures that will foster a prudent and systematic investment program designed to seek the City of Brea/Successor Agency to the Brea Redevelopment Agency's ("City") objectives of safety, liquidity and return on investment through a diversified investment portfolio. The ultimate goal is to enhance the economic status of the City while protecting its pooled funds. This policy also serves to organize and formalize the City's investment-related activities, while complying with all applicable statutes governing the investment of public funds. This policy is written to incorporate industry best practices and recommendations from sources such as the Government Finance Officers Association (GFOA), California Municipal City Treasurer and/or Administrative Services Directors Association (CMTA), California Debt and Investment Advisory Commission (CDIAC) and the Association of Public City Treasurer and/or Administrative Services Directors (APT).

This investment policy was endorsed and adopted by the City Council and is effective as of the 18th day of August, 2026, and replaces any previous versions.

II. SCOPE

This policy covers all funds and investment activities under the direct authority of the City, as set forth in the State Government Code, Sections 53600 et seq., including: General Fund, Special Revenue Funds, Assessment Funds, Enterprise Funds, Internal Service Funds, Capital Projects Funds, Debt Service Funds, Reserve Funds, Fiduciary Funds, Trust and Agency Funds, and any other funds that may be created from time to time.

Proceeds of debt issuance shall be invested in accordance with the City's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.

This policy does not apply to retiree health care savings/trust/plan(s) or deferred compensation plans.

POOLING OF FUNDS

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

III. PRUDENCE

Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the City are trustees and therefore fiduciaries subject to the *Prudent Investor Standard*:

> "…all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

The Administrative Services Director (may also be referred to as the Director of Administrative Services) and/or designee and other authorized persons responsible for managing City funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided that the Administrative Services Director and/or designee or other authorized persons acted in good faith. Deviations from expectations of a security's credit or market risk should be reported to the City Council in a timely fashion and appropriate action should be taken to control adverse developments.

IV. OBJECTIVES

The City's overall investment program shall be designed and managed with a degree of professionalism worthy of the public trust. The overriding objectives of the program are to preserve principal, provide sufficient liquidity, and manage investment risks, while seeking a market-rate of return.

- **SAFETY.** Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City will diversify its investments by investing funds among a variety of securities with independent returns.

- **LIQUIDITY.** The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

- **RETURN ON INVESTMENTS.** The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

V. DELEGATION OF AUTHORITY

Authority to manage the City's investment program is derived from California Government Code, Sections 41006 and 53600 *et seq.*

The City Council is responsible for the management of the City's funds, including the administration of this investment policy. Management responsibility for the cash management of the City's funds is hereby delegated to the Administrative Services Director and/or designee.

The Administrative Services Director and/or designee will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate officials and employees. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Administrative Services Director and/or designee.

The City may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

The City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the City.

VI. ETHICS AND CONFLICTS OF INTEREST

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to any material interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the City.

VII. INTERNAL CONTROLS

The Administrative Services Director and/or designee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Periodically, as deemed appropriate by the City and/or the City Council, an independent analysis by an external auditor shall be conducted to review internal controls, account activity and compliance with policies and procedures.

~~**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. ~~Four (4) Brea Citizens (selected by the City Council)~~

~~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~~Investment Officials 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.

VIII. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

To the extent practicable, the Administrative Services Director and/or designee shall endeavor to complete investment transactions using a competitive bid process whenever possible. The Administrative Services Director and/or designee will determine which financial institutions are authorized to provide investment services to the City. It shall be the City's policy to purchase securities only from authorized institutions and firms.

The Administrative Services Director and/or designee shall maintain procedures for establishing a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by the City. Due inquiry shall determine whether such authorized broker/dealers, and the individuals covering the City are reputable and trustworthy, knowledgeable and experienced in Public City investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

In accordance with Section 53601.5, institutions eligible to transact investment business with the City include:

- Institutions licensed by the state as a broker-dealer.
- Institutions that are members of a federally regulated securities exchange.
- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the City, except where the City utilizes an external investment adviser in which case the City may rely on the adviser for selection.

All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Administrative Services Director and/or designee with audited financials and a statement certifying that the institution has reviewed the California Government Code, Section 53600 *et seq*. and the City's investment policy. The Investment Advisory Committee will conduct an annual review of the financial condition and registrations of such qualified bidders.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

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.

IX. AUTHORIZED INVESTMENTS

The City's investments are governed by California Government Code, Sections 53600 *et seq*. Within the investments permitted by the Code, the City seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

1. **MUNICIPAL SECURITIES** include obligations of the City, the State of California and any local City within the State of California, provided that:

    - The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
    - No more than 5% of the portfolio may be invested in any single issuer.
    - No more than 30% of the portfolio may be in Municipal Securities.
    - The maximum maturity does not exceed five (5) years.

2. **MUNICIPAL SECURITIES (REGISTERED TREASURY NOTES OR BONDS)** of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, City, or authority of any of the other 49 states, in addition to California.

    - The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
    - No more than 5% of the portfolio may be invested in any single issuer.
    - No more than 30% of the portfolio may be in Municipal Securities.
    - The maximum maturity does not exceed five (5) years.

3. **U.S. TREASURIES** and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the City may invest in U.S. Treasuries, provided that:

- The maximum maturity does not exceed five (5) years.

4. **FEDERAL AGENCIES** or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the City may invest in Federal City or Government-Sponsored Enterprises (GSEs), provided that:

- No more than 25% of the portfolio may be invested in any single City/GSE issuer.
- The maximum maturity does not exceed five (5) years.
- The maximum percentage of callable Agency securities in the portfolio will be 5%.

5. **BANKER'S ACCEPTANCES,** provided that**:**

- They are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 40% of the portfolio may be invested in Banker's Acceptances.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 180 days.

6. **COMMERCIAL PAPER**, provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (a) or (b) and other requirements specified below:

a. **SECURITIES** issued by corporations:

(i) A corporation organized and operating in the United States with assets more than $500 million.
(ii) The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
(iii) If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

b. **SECURITIES** issued by other entities:

(i) The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
(ii) The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
(iii)The securities are rated "A-1" or its equivalent or better by at least one NRSRO.

- No more than 10% of the outstanding commercial paper of any single issuer.
- No more than 25% of the City's investment assets under management may be invested in Commercial Paper.

- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed ~~270~~397 days.

7. **Negotiable Certificates of Deposit (NCDs)**, issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

   - The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
   - Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
   - No more than 30% of the total portfolio may be invested in NCDs (combined with CDARS).
   - No more than 5% of the portfolio may be invested in any single issuer.
   - The maximum maturity does not exceed five (5) years.

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

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

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

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

10. **~~Certificate of Deposit~~ Placement Service Deposits~~(CDARS)~~**, provided that:

    - No more than 30% of the total portfolio may be invested in a combination of Certificates of Deposit, including CDARS.
    - The maximum maturity does not exceed five (5) years.

11. **Collateralized Bank Deposits.** City's deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651. There are no limits on the dollar amount or percentage that the City may invest in collateralized bank deposits.

12. **Repurchase Agreements** collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that the City may invest, provided that:

- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third-party custodian.
- Repurchase Agreements are subject to a Master Repurchase Agreement between the City and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
- The maximum maturity does not exceed one (1) year.

13. **Local Government Investment Pools (LGIP)** ~~**State of California Local City Investment Fund (LAIF)**, provided that:~~
~~13.~~

a. State of California Local Agency Investment Fund (LAIF), created by California Government Code Section 16429.1, provided that:
   - The City may invest up to the maximum amount permitted by LAIF.
   - LAIF's investments in instruments prohibited by or not specified in the City's policy do not exclude the investment in LAIF itself from the City's list of allowable investments, provided LAIF's reports allow the ~~Finance~~Administrative Services Director to adequately judge the risk inherent in LAIF's portfolio.

b. Shares of Beneficial Interest Issued by a Joint Powers Authority (JPA), provided that:
   - The JPA is organized pursuant to California Government Code Section 6509.7 and invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive.
   - Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA.
   - The JPA has retained an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (q).

c. Other Local Government Investment Pools (LGIP)
   - Other LGIPs permitted by the agency (such as a County Pool as defined by California Government Code Section 27000.3).
   - No more than 20% of the total portfolio may be invested in LGIPs other than LAIF and JPAs.

- ~~The City may invest up to the maximum amount permitted by LAIF.~~
- ~~LAIF's investments in instruments prohibited by or not specified in the City's policy do not exclude the investment in LAIF itself from the City's list of allowable~~

~~investments, provided LAIF's reports allow the Administrative Services Director and/or designee to adequately judge the risk inherent in LAIF's portfolio.~~

~~**14. Local Government Investment Pools**~~

- ~~Approved State and County Investment Pools, including the County of Orange Investment Fund, together cannot exceed 60% of the maturity value of the portfolio at 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.~~

~~15.~~14. **Corporate Medium Term Notes (MTNs)**, provided that:

- The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- The securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in MTNs.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

~~16.~~15. **Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations from issuers not defined in sections 3 and 4 of the Authorized Investments section of this policy**, provided that:

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 15% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum legal final maturity does not exceed five (5) years.

~~17.~~16. **Mutual Funds and Money Market Mutual Funds** that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

a. **Mutual Funds** that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:

(i) Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
(ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of $500 million.

- No more than 10% of the total portfolio may be invested in shares of any one mutual fund.

b. **MONEY MARKET MUTUAL FUNDS** registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:

   (i) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
   (ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500 million.

- No more than 20% of the total portfolio may be invested in the shares of any one Money Market Mutual Fund.

c. No more than 20% of the total portfolio may be invested in these securities.

~~18.~~17. **SUPRANATIONALS**, provided that:

- Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 15% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

X. PROHIBITED INVESTMENT VEHICLES AND PRACTICES

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Under a provision sunsetting on January 1, 2031~~26~~, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted. Notification to the City Council, the Investment Advisory Committee, the City Treasurer, and the Administrative Services Director and/or designee will be given within two (2) business days when securities of this type are being added to the portfolio, this allows for full disclosure and understanding of the strategy given the market conditions.

- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The purchase of foreign currency denominated securities is prohibited.
- The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

XI. INVESTMENT POOLS/MUTUAL FUNDS

The City shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. Administrative Services Director and/or designee shall develop a questionnaire 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, and 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?

XII. COLLATERALIZATION

CERTIFICATES OF DEPOSIT (CDS). The City shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

COLLATERALIZATION OF BANK DEPOSITS. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The City shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

REPURCHASE AGREEMENTS. The City requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third-party custodian.
- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The City shall receive monthly statements of collateral.

XIII. Delivery, Safekeeping and Custody

Delivery-versus-Payment (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.

Safekeeping and Custody. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the City's portfolio shall be held in safekeeping in the City's name by a third-party custodian, acting as agent for the City under the terms of a custody agreement executed by the bank and the City. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the City from the custodian listing all securities held in safekeeping with current market data and other information.

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.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) mutual funds and money market mutual funds, since these securities are not deliverable.

XIV. Maximum Maturity

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

The City will not invest in securities maturing more than five (5) years from the date of trade settlement, unless the City Council has by resolution granted authority to make such an investment.

XV. RISK MANAGEMENT AND DIVERSIFICATION

MITIGATING CREDIT RISK IN THE PORTFOLIO

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The City will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the "Authorized Investments" section of this policy is designed to mitigate credit risk in the portfolio.

- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.

- The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or City's risk preferences.

- 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 City Council, the Investment Advisory Committee, Administrative Services Director and/or designee within two (2) business days.

  - If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.

MITIGATING MARKET RISK IN THE PORTFOLIO

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The City recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The City will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The City further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The City, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The City will maintain a minimum of six months of budgeted operating expenditures in short-term investments to provide sufficient liquidity for expected disbursements.

- The maximum stated final maturity of individual securities in the portfolio will be five (5) 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.

- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the City based on the City's investment objectives, constraints and risk tolerances.

- When possible, a minimum of 25% of the portfolio should be in maturities of one year or less.

XVI. REVIEW OF INVESTMENT PORTFOLIO

The Administrative Services Director and/or designee shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this investment policy and establish protocols for reporting major and critical incidences of noncompliance to the City Council.

XVII. PERFORMANCE EVALUATION

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 and/or designee shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Monthly/Quarterly Report of Investments or a similar type of report. With the advisement of the City's outside Investment Manager (if applicable), the Administrative Services Director and/or designee shall select an appropriate, readily available index to use as a market benchmark.

XVIII. Reporting

Monthly Reports

Monthly transaction reports will be submitted by the Administrative Services Director and/or designee to the City Council within 30 days of the end of the reporting period in accordance with California Government Code Section 53607.

These reports will disclose, at a minimum, the following information about the City's portfolio:

1. An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date and interest rate.

2. Transactions for the period.

3. A description of the funds, investments and programs (including lending programs) managed by contracted parties (i.e. LAIF; investment pools, outside money managers and securities lending agents)

4. A one-page summary report that shows:
   a. Average maturity of the portfolio and modified duration of the portfolio;
   b. Maturity distribution of the portfolio;
   c. Percentage of the portfolio represented by each investment category;
   d. Average portfolio credit quality; and,
   e. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to the City's market benchmark returns for the same periods;

5. 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.

6. 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.

Quarterly Reports

The Administrative Services Director and/or designee will submit a quarterly investment report to the City Council which provides full disclosure of the City's investment activities within 45 days after the end of the quarter.

Annual Reports

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

XIX. Review of Investment Policy

The investment policy will be reviewed and adopted at least annually within 120 days of the end of the fiscal year, to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

Any recommended modifications or amendments shall be presented by Staff to the City Council for their consideration and adoption.

SEGREGATION OF RESPONSIBILITIES
(when an Outside Investment Manager is utilized)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
Recommend modifications to Investment Policy	City Treasurer Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
Review formal Statement of Investment Policy and recommend a Council action	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	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue Outside Investment Manager
Investment verification (match broker confirmation to trade information provided by outside Investment Manager to City investment records)	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
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 Administrative Services Director.

SEGREGATION OF RESPONSIBILITIES
(when Investment transactions are performed by City Staff)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
Recommend modifications to Investment Policy	Administrative Services Director Deputy Director of Administrative Services Investment Advisory Committee
Review formal Statement of Investment Policy and recommend a Council action	Investment Advisory Committee
Annually review and adopt a formal Statement of Investment Policy	City Council
Select investments	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
Approve transactions	Administrative Services Director Deputy Director of Administrative Services
Execute investment transactions	Administrative Services Director Deputy Director of Administrative Services
Investment verification (match broker confirmation to City investment records)	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
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	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 Administrative Services Director.

GLOSSARY OF INVESTMENT TERMS

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

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

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

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

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

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

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

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

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 their own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, 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. 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 OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

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.

COMMERCIAL 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.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for their own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a security to changes interest rates.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC). The Federal Deposit Insurance Corporation (FDIC) is an independent federal City 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.

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 CITY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State City Treasurer and/or Administrative Services Director's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State City Treasurer and/or Administrative Services Director's Office Local City 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.

MATURITY. The final date upon which the principal of a security becomes due and payable. The investment's term or remaining maturity is measured from the settlement date to final maturity.

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

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

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

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 City 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.

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

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

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

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

SECURITIES AND EXCHANGE COMMISSION (SEC). The U.S. Securities and Exchange Commission (SEC) is an independent federal government City 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 requirement 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.

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

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

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

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

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

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

CITY OF BREA / SUCCESSOR AGENCY TO THE BREA REDEVELOPMENT AGENCY

INVESTMENT POLICY

PROPOSED

CONTENTS

I. INTRODUCTION

The purpose of this investment policy is to identify various policies and procedures that will foster a prudent and systematic investment program designed to seek the City of Brea/Successor Agency to the Brea Redevelopment Agency's ("City") objectives of safety, liquidity and return on investment through a diversified investment portfolio. The ultimate goal is to enhance the economic status of the City while protecting its pooled funds. This policy also serves to organize and formalize the City's investment-related activities, while complying with all applicable statutes governing the investment of public funds. This policy is written to incorporate industry best practices and recommendations from sources such as the Government Finance Officers Association (GFOA), California Municipal City Treasurer and/or Administrative Services Directors Association (CMTA), California Debt and Investment Advisory Commission (CDIAC) and the Association of Public City Treasurer and/or Administrative Services Directors (APT).

This investment policy was endorsed and adopted by the City Council and is effective as of the 18th day of August, 2026, and replaces any previous versions.

II. SCOPE

This policy covers all funds and investment activities under the direct authority of the City, as set forth in the State Government Code, Sections 53600 et seq., including: General Fund, Special Revenue Funds, Assessment Funds, Enterprise Funds, Internal Service Funds, Capital Projects Funds, Debt Service Funds, Reserve Funds, Fiduciary Funds, Trust and Agency Funds, and any other funds that may be created from time to time.

Proceeds of debt issuance shall be invested in accordance with the City's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.

This policy does not apply to retiree health care savings/trust/plan(s) or deferred compensation plans.

POOLING OF FUNDS

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

III. PRUDENCE

Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the City are trustees and therefore fiduciaries subject to the *Prudent Investor Standard*:

> "…all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

The Administrative Services Director (may also be referred to as the Director of Administrative Services) and/or designee and other authorized persons responsible for managing City funds acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided that the Administrative Services Director and/or designee or other authorized persons acted in good faith. Deviations from expectations of a security's credit or market risk should be reported to the City Council in a timely fashion and appropriate action should be taken to control adverse developments.

IV. OBJECTIVES

The City's overall investment program shall be designed and managed with a degree of professionalism worthy of the public trust. The overriding objectives of the program are to preserve principal, provide sufficient liquidity, and manage investment risks, while seeking a market-rate of return.

- **SAFETY.** Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City will diversify its investments by investing funds among a variety of securities with independent returns.

- **LIQUIDITY.** The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

- **RETURN ON INVESTMENTS.** The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

V. DELEGATION OF AUTHORITY

Authority to manage the City's investment program is derived from California Government Code, Sections 41006 and 53600 *et seq.*

The City Council is responsible for the management of the City’s funds, including the administration of this investment policy. Management responsibility for the cash management of the City’s funds is hereby delegated to the Administrative Services Director and/or designee.

The Administrative Services Director and/or designee will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate officials and employees. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Administrative Services Director and/or designee.

The City may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the City’s investment portfolio in a manner consistent with the City’s objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

The City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio’s return and the cash flow requirements of the City.

VI. ETHICS AND CONFLICTS OF INTEREST

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Thus employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to any material interests in financial institutions with which they conduct business, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the City.

VII. INTERNAL CONTROLS

The Administrative Services Director and/or designee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Periodically, as deemed appropriate by the City and/or the City Council, an independent analysis by an external auditor shall be conducted to review internal controls, account activity and compliance with policies and procedures.

Disclosure: Investment Officials 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.

VIII. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

To the extent practicable, the Administrative Services Director and/or designee shall endeavor to complete investment transactions using a competitive bid process whenever possible. The Administrative Services Director and/or designee will determine which financial institutions are authorized to provide investment services to the City. It shall be the City's policy to purchase securities only from authorized institutions and firms.

The Administrative Services Director and/or designee shall maintain procedures for establishing a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by the City. Due inquiry shall determine whether such authorized broker/dealers, and the individuals covering the City are reputable and trustworthy, knowledgeable and experienced in Public City investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

In accordance with Section 53601.5, institutions eligible to transact investment business with the City include:

- Institutions licensed by the state as a broker-dealer.
- Institutions that are members of a federally regulated securities exchange.
- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the City, except where the City utilizes an external investment adviser in which case the City may rely on the adviser for selection.

All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Administrative Services Director and/or designee with audited financials and a statement certifying that the institution has reviewed the California Government Code, Section 53600 *et seq*. and the City's investment policy. The Investment Advisory Committee will conduct an annual review of the financial condition and registrations of such qualified bidders.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

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.

IX. AUTHORIZED INVESTMENTS

The City's investments are governed by California Government Code, Sections 53600 *et seq*. Within the investments permitted by the Code, the City seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

1. **MUNICIPAL SECURITIES** include obligations of the City, the State of California and any local City within the State of California, provided that:

   - The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
   - No more than 5% of the portfolio may be invested in any single issuer.
   - No more than 30% of the portfolio may be in Municipal Securities.
   - The maximum maturity does not exceed five (5) years.

2. **MUNICIPAL SECURITIES (REGISTERED TREASURY NOTES OR BONDS)** of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state

or by a department, board, City, or authority of any of the other 49 states, in addition to California.

- The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
- No more than 5% of the portfolio may be invested in any single issuer.
- No more than 30% of the portfolio may be in Municipal Securities.
- The maximum maturity does not exceed five (5) years.

3. **U.S. TREASURIES** and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the City may invest in U.S. Treasuries, provided that:

- The maximum maturity does not exceed five (5) years.

4. **FEDERAL AGENCIES** or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the City may invest in Federal City or Government-Sponsored Enterprises (GSEs), provided that:

- No more than 25% of the portfolio may be invested in any single City/GSE issuer.
- The maximum maturity does not exceed five (5) years.
- The maximum percentage of callable Agency securities in the portfolio will be 5%.

5. **BANKER'S ACCEPTANCES,** provided that**:**

- They are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 40% of the portfolio may be invested in Banker's Acceptances.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 180 days.

6. **COMMERCIAL PAPER**, provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (a) or (b) and other requirements specified below:

   a. **SECURITIES** issued by corporations:

      (i) A corporation organized and operating in the United States with assets more than $500 million.
      (ii) The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
      (iii) If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

b. **SECURITIES** issued by other entities:

(i) The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
(ii) The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
(iii) The securities are rated "A-1" or its equivalent or better by at least one NRSRO.

- No more than 10% of the outstanding commercial paper of any single issuer.
- No more than 25% of the City's investment assets under management may be invested in Commercial Paper.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 397 days.

7. **NEGOTIABLE CERTIFICATES OF DEPOSIT (NCDs)**, issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

- The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
- Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in NCDs (combined with CDARS).
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

8. **FEDERALLY INSURED TIME DEPOSITS** (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:

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

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

- No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.

- The maximum maturity does not exceed five (5) years.

10. PLACEMENT SERVICE DEPOSITS, provided that:

- No more than 30% of the total portfolio may be invested in a combination of Certificates of Deposit, including CDARS.
- The maximum maturity does not exceed five (5) years.

11. COLLATERALIZED BANK DEPOSITS. City's deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651. There are no limits on the dollar amount or percentage that the City may invest in collateralized bank deposits.

12. REPURCHASE AGREEMENTS collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that the City may invest, provided that:

- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third-party custodian.
- Repurchase Agreements are subject to a Master Repurchase Agreement between the City and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
- The maximum maturity does not exceed one (1) year.

13. LOCAL GOVERNMENT INVESTMENT POOLS (LGIP)

a. State of California Local Agency Investment Fund (LAIF), created by California Government Code Section 16429.1, provided that:
   - The City may invest up to the maximum amount permitted by LAIF.
   - LAIF's investments in instruments prohibited by or not specified in the City's policy do not exclude the investment in LAIF itself from the City's list of allowable investments, provided LAIF's reports allow the Administrative Services Director to adequately judge the risk inherent in LAIF's portfolio.

b. Shares of Beneficial Interest Issued by a Joint Powers Authority (JPA), provided that:
   - The JPA is organized pursuant to California Government Code Section 6509.7 and invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive.
   - Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA.
   - The JPA has retained an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (q).

c. Other Local Government Investment Pools (LGIP)
   - Other LGIPs permitted by the agency (such as a County Pool as defined by California Government Code Section 27000.3).
   - No more than 20% of the total portfolio may be invested in LGIPs other than LAIF and JPAs.

14. CORPORATE MEDIUM TERM NOTES (MTNS), provided that:

- The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- The securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in MTNs.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

15. ASSET-BACKED, MORTGAGE-BACKED, MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATIONS FROM ISSUERS NOT DEFINED IN SECTIONS 3 AND 4 OF THE AUTHORIZED INVESTMENTS SECTION OF THIS POLICY, provided that:

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 15% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum legal final maturity does not exceed five (5) years.

16. MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

a. **MUTUAL FUNDS** that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:

   (i) Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
   (ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of $500 million.

   - No more than 10% of the total portfolio may be invested in shares of any one mutual fund.

b. **MONEY MARKET MUTUAL FUNDS** registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:

   (i) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
   (ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500 million.

   - No more than 20% of the total portfolio may be invested in the shares of any one Money Market Mutual Fund.

c. No more than 20% of the total portfolio may be invested in these securities.

17. SUPRANATIONALS, provided that:

- Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 15% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

X. PROHIBITED INVESTMENT VEHICLES AND PRACTICES

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Under a provision sunsetting on January 1, 2031, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted. Notification to the City Council, the Investment Advisory Committee, the City Treasurer, and the Administrative Services Director and/or designee will be given within two (2) business days when securities of this type are being added to the portfolio, this allows for full disclosure and understanding of the strategy given the market conditions.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The purchase of foreign currency denominated securities is prohibited.

- The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited.

XI. INVESTMENT POOLS/MUTUAL FUNDS

The City shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. Administrative Services Director and/or designee shall develop a questionnaire 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, and 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?

XII. COLLATERALIZATION

CERTIFICATES OF DEPOSIT (CDS). The City shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

COLLATERALIZATION OF BANK DEPOSITS. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The City shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

REPURCHASE AGREEMENTS. The City requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.

- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third-party custodian.
- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The City shall receive monthly statements of collateral.

XIII. Delivery, Safekeeping and Custody

Delivery-versus-Payment (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.

Safekeeping and Custody. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the City's portfolio shall be held in safekeeping in the City's name by a third-party custodian, acting as agent for the City under the terms of a custody agreement executed by the bank and the City. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the City from the custodian listing all securities held in safekeeping with current market data and other information.

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.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) mutual funds and money market mutual funds, since these securities are not deliverable.

XIV. Maximum Maturity

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

The City will not invest in securities maturing more than five (5) years from the date of trade settlement, unless the City Council has by resolution granted authority to make such an investment.

XV. RISK MANAGEMENT AND DIVERSIFICATION

MITIGATING CREDIT RISK IN THE PORTFOLIO

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The City will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the "Authorized Investments" section of this policy is designed to mitigate credit risk in the portfolio.

- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.

- The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or City's risk preferences.

- 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 City Council, the Investment Advisory Committee, Administrative Services Director and/or designee within two (2) business days.

  - If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.

MITIGATING MARKET RISK IN THE PORTFOLIO

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The City recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The City will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The City further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The City, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The City will maintain a minimum of six months of budgeted operating expenditures in short-term investments to provide sufficient liquidity for expected disbursements.

- The maximum stated final maturity of individual securities in the portfolio will be five (5) 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.

- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the City based on the City's investment objectives, constraints and risk tolerances.

- When possible, a minimum of 25% of the portfolio should be in maturities of one year or less.

XVI. REVIEW OF INVESTMENT PORTFOLIO

The Administrative Services Director and/or designee shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this investment policy and establish protocols for reporting major and critical incidences of noncompliance to the City Council.

XVII. PERFORMANCE EVALUATION

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 and/or designee shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Monthly/Quarterly Report of Investments or a similar type of report. With the advisement of the City's outside Investment Manager (if applicable), the Administrative Services Director and/or designee shall select an appropriate, readily available index to use as a market benchmark.

XVIII. REPORTING

MONTHLY REPORTS

Monthly transaction reports will be submitted by the Administrative Services Director and/or designee to the City Council within 30 days of the end of the reporting period in accordance with California Government Code Section 53607.

These reports will disclose, at a minimum, the following information about the City's portfolio:

1. An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date and interest rate.

2. Transactions for the period.

3. A description of the funds, investments and programs (including lending programs) managed by contracted parties (i.e. LAIF; investment pools, outside money managers and securities lending agents)

4. A one-page summary report that shows:
   a. Average maturity of the portfolio and modified duration of the portfolio;
   b. Maturity distribution of the portfolio;
   c. Percentage of the portfolio represented by each investment category;
   d. Average portfolio credit quality; and,
   e. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to the City's market benchmark returns for the same periods;

5. 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.

6. 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.

QUARTERLY REPORTS

The Administrative Services Director and/or designee will submit a quarterly investment report to the City Council which provides full disclosure of the City's investment activities within 45 days after the end of the quarter.

ANNUAL REPORTS

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

XIX. REVIEW OF INVESTMENT POLICY

The investment policy will be reviewed and adopted at least annually within 120 days of the end of the fiscal year, to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

Any recommended modifications or amendments shall be presented by Staff to the City Council for their consideration and adoption.

SEGREGATION OF RESPONSIBILITIES
(when an Outside Investment Manager is utilized)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
Recommend modifications to Investment Policy	City Treasurer Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
Review formal Statement of Investment Policy and recommend a Council action	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	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue Outside Investment Manager
Investment verification (match broker confirmation to trade information provided by outside Investment Manager to City investment records)	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
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 Administrative Services Director.

SEGREGATION OF RESPONSIBILITIES
(when Investment transactions are performed by City Staff)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
Recommend modifications to Investment Policy	Administrative Services Director Deputy Director of Administrative Services Investment Advisory Committee
Review formal Statement of Investment Policy and recommend a Council action	Investment Advisory Committee
Annually review and adopt a formal Statement of Investment Policy	City Council
Select investments	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
Approve transactions	Administrative Services Director Deputy Director of Administrative Services
Execute investment transactions	Administrative Services Director Deputy Director of Administrative Services
Investment verification (match broker confirmation to City investment records)	Administrative Services Director Deputy Director of Administrative Services Financial Services Manager, Revenue
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	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 Administrative Services Director.

GLOSSARY OF INVESTMENT TERMS

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

- **FFCB.** The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.
- **FHLB.** The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.
- **FHLMC.** Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.
- **FNMA.** Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.
- **GNMA.** The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.
- **PEFCO.** The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.
- **TVA.** The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

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 their own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, 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. 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 OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

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.

COMMERCIAL 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.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for their own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a security to changes interest rates.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC). The Federal Deposit Insurance Corporation (FDIC) is an independent federal City 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.

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 CITY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State City Treasurer and/or Administrative Services Director's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State City Treasurer and/or Administrative Services Director's Office Local City 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.

MATURITY. The final date upon which the principal of a security becomes due and payable. The investment's term or remaining maturity is measured from the settlement date to final maturity.

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

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

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

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 City 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.

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

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

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

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

SECURITIES AND EXCHANGE COMMISSION (SEC). The U.S. Securities and Exchange Commission (SEC) is an independent federal government City 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 requirement 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.

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

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

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

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

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

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

CITY of BREA

Communication
July 27, 2026
Item No. 3D.

Investment Policy Guidelines for the City of Brea's Employee Benefits Fund Pension Plan

TO	PREPARED BY
Chair and Members of the Investment Advisory Committee	Faith Madrazo, Financial Services Manager, Revenue
DEPARTMENT HEAD APPROVAL	**CITY MANAGER APPROVAL**
Monica Lo, Administrative Services Director	Kristin Griffith, City Manager

RECOMMENDATION

Staff recommends that the Investment Advisory Committee take the following action.

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

BACKGROUND/DISCUSSION

On November 17, 2015, the Brea City Council approved participation in the Public Agencies Post-Employment Benefit Trust Program, establishing the City's Employee Benefits Fund Pension Plan. The Plan is administered by Public Agencies Retirement Services (PARS) through an irrevocable Section 115 Trust, enabling the City to pre-fund its pension obligations.

Key Benefits of Participation

- City Oversight: The City retains full control over the investment strategy and portfolio risk tolerance.
- Enhanced Investment Flexibility: Trust assets can be invested in a broader range and higher-yielding potential than those available to General Fund assets.
- Pension Rate Stabilization: Funds can be used to offset unexpected increases in CalPERS contribution rates.
- Improved Credit Profile: Participation may positively influence the City's bond rating.
- Asset Accessibility: Funds remain accessible at any time, provided they are used to meet pension-related obligations.

Investment Policy Guidelines

- Collaborative Development: Guidelines are established by PARS, PFM Asset Management (the Plan's Investment Advisor), and the City's Investment Advisory Committee (IAC).
- Purpose: To clearly define investment objectives, guide long-term strategy through market fluctuations, and establish roles and responsibilities for:

- Trustee
- Investment Manager
- Investment Advisory Committee

Ongoing Oversight

- The Investment Advisory Committee, in coordination with PARS and PFM, conducts an annual review of the Investment Policy Guidelines.
- The current strategy follows a "Balanced Objective"—aiming for both income growth and principal appreciation.
- No changes have been recommended for the upcoming review cycle.

FISCAL IMPACT/SUMMARY

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

Attachments

2026-07 Investment Policy Statement - 115 Pension Brea - Balanced.pdf

INVESTMENT POLICY STATEMENT

FOR

CITY OF BREA

SECTION 115 TRUST PENSION FUND

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The City of Brea "City" has established a section 115 Trust known as the City of Brea Section 115 Pension Trust (the "Trust"). This Trust will be used to invest monies to fund the City's unfunded liability in the California Public Employee Retirement System ("CalPERS"). The City Council of Brea ("Council") has given authority to the Plan Administrator to establish and adopt the investment Policy Statement ("Policy Statement") for the following purposes.

Purpose

Funds set aside in the Section 115 Trust are safeguarded from diversion to other budgetary uses and generally may be invested in a broader range of securities than would typically be permitted for public agency operating funds, potentially increasing earnings. Therefore, higher returns can improve the City's ability to meet future pension obligations. An additional advantage of holding funds in the Trust rather than contributing an equivalent amount directly to CalPERS is that the City retains control over the timing and amount of disbursements from the Trust. Retaining control of the funds in the Trust provides the flexibility to meet current or accrued liabilities based on the financial circumstances at that time. The City also controls the timing of contributions to the Trust.

The main investment objective of the Trust is to achieve long-term growth of Trust assets by maximizing long-term rate of return on investments and minimizing risk of loss.

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations, and investment guidelines for Fund assets.

2. Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges, and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust.

3. Establish investment guidelines to control overall risk and liquidity.

4. Establish periodic performance reporting requirements to monitor investment results and confirm that the investment policy is being followed.

5. Comply with fiduciary, prudence, due diligence, and legal requirements for Trust assets.

Investment Authority

The Council has appointed the City Manager to be the Plan Administrator, (the "Administrator") to oversee certain policies and procedures related to the operation and administration of the Trust. The Administrator will have authority to implement the investment policy and guidelines in the best interest of the Trust to best satisfy the purposes of the Trust. In implementing this Policy Statement, the Administrator believes it may delegate certain functions to:

1. An investment advisor ("Advisor") to assist the Administrator in the investment process and to maintain compliance with this Policy Statement. The Advisor may assist the Administrator in establishing investment policy objectives and guidelines. The Advisor will adjust asset allocation for the Trust subject to the guidelines and limitations set forth in this Policy Statement. The Advisor will also select investment managers ("Managers") and strategies consistent with its role as a fiduciary for the Trust. The investment vehicles allowed may include mutual funds, commingled trusts, separate accounts, limited partnerships and other investment vehicles deemed to be appropriate by the Advisor. The Advisor is also responsible for monitoring and reviewing investment managers; measuring and evaluating performance; and other tasks as deemed appropriate in its role as Advisor for Trust assets. The Advisor may also select investments with discretion to purchase, sell, or hold specific securities, such as Exchange Traded Funds, that will be used to meet the Trust's investment objectives. The Advisor shall never take possession of securities, cash or other assets of the Trust, all of which shall be held by the custodian. The Advisor must be registered with the Securities and Exchange Commission.
2. A custodian selected by the Trust to maintain possession of physical securities and records of street name securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust.
3. A trustee appointed by the Trust, such as a bank trust department, if the Trust does not have its own Trustees, to assume fiduciary responsibility for the administration of Trust assets; provided, however, that if the Administrator shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.
4. Specialists such as attorneys, auditors, actuaries and, retirement plan consultants to assist the Administrator in meeting its responsibilities and obligations to administer Trust assets prudently.

Statement of Investment Objectives

The investment objectives of the Trust are as follows:

1. To invest assets of the Trust in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Trust beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. To provide for funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the Trust.
3. To enhance the value of Trust assets in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Subject to performance expectations over the long-term, to minimize principal fluctuations over the Time Horizon (as defined below).

5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled "Performance Expectations".

Investment Guidelines

Within this section of the Policy Statement, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:

"Growth Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Growth Assets category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: domestic and international equities or equity funds, private or leveraged equity, and certain real estate investments.

"Income Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities, guaranteed investment contracts, and certain real estate investments.

"Real Return Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns, net of inflation. Investments within the Real Return category may include, but are not limited to, inflation protected securities, commodities, certain real estate investments, natural resources, and liquid alternatives.

Time Horizon

The Trust's investment objectives are based on a long-term investment horizon ("Time Horizon") of five years or longer. Interim fluctuations should be viewed with appropriate perspective. The Administrator has adopted a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. However, this portfolio of assets is viewed by the City as the first pool of assets that would be utilized to support pension expenses. As such, the time horizon for this portfolio could be less than five years based on budget conditions, or any increase in expenses arising from CalPERS.

Liquidity and Diversification

In general, the Trust may hold some cash, cash equivalent, and/or money market funds for near-term Trust benefits and expenses (the "Trust Distributions"). Remaining assets will be invested in longer-term investments and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

Asset Allocation: Balanced (Strategic Blend)

The Administrator believes that to achieve the greatest likelihood of meeting the Trust's investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of return that is equal to or greater than the Trust's target rate of return over the long-term, as described in the section titled "Performance Expectations".

	Asset Weightings	
Asset Classes	**Range**	**Target**
Growth Assets		
Domestic Equity	20% - 50%	36%
International Equity	10% - 36%	18%
Other	0% - 20%	6%
Income Assets		
Fixed Income	25% - 50%	38%
Other	0% - 20%	0%
Real Return Assets	0% - 20%	0%
Cash Equivalents	0% - 20%	2%

The Advisor and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When allocations breach the specified ranges, the Advisor will rebalance the assets within the specified ranges. The Advisor may also rebalance based on market conditions.

Risk Tolerance

Subject to investment objectives and performance expectations, the Trust will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

Over the long-term, five years or longer, the performance objective for the Trust will be to achieve an average total annual rate of return that is equal to or greater than the Trust's blended benchmark target rate. Additionally, it is expected that the annual rate of return on Trust assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Trust investments and blended benchmark comparisons for the Trust in its entirety.

Selection of Investment Managers

The Advisor shall prudently select appropriate Managers to invest the assets of the Trust. Managers must meet the following criteria:

- The Manager must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS®), Securities & Exchange Commission ("SEC"), Financial Industry Regulatory Agency ("FINRA") or industry recognized standards, as appropriate.
- The Manager must provide detailed information on the history of the firm, key personnel, support personnel, key clients, and fee schedule (including most-favored-nation clauses). This information can be a copy of a recent Request for Proposal ("RFP") completed by the Manager or regulatory disclosure.
- The Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- The investment professionals making the investment decisions must have a minimum of three (3) years of experience managing similar strategies either at their current firm or at previous firms.
- Where other than common funds such as mutual funds or commingled trusts are utilized, the Manager must confirm receipt, understanding and adherence to this Policy Statement and any investment specific policies by signing a consent form provided to the Manager prior to investment of Trust assets.

Guidelines for Portfolio Holdings

Direct Investments by Advisor

Every effort shall be made, to the extent practical, prudent and appropriate, to select investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in the following sub-sections of the "Guidelines for Portfolio Holdings"). However, given the nature of the investments, it is recognized that there may be deviations between this Policy Statement and the objectives of these investments.

Limitations on Portfolio Holdings

EQUITIES

No more than 5% of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 5% of those outstanding; and not more than 40% of Equity valued at Market may be held in any one sector [excluding Mutual Funds and/or ETFs], as defined by Bloomberg (BB) Sector standards.

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions and sectors.

FIXED INCOME

Fixed Income

The fixed income portion of the account will use individual bonds for the core bond portfolio.

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.

OTHER ASSETS (ALTERNATIVES)

Diversifying (Liquid Alternatives): Primary objective shall be to enhance the risk-return profile of the overall portfolio. This can be accomplished by using liquid alternative strategies that may enhance returns at a reasonable level of risk or reduce volatility while providing a reasonable level of return. These asset classes may differ from traditional public market asset classes due to the use of certain strategies including short-selling, leverage, and derivatives. Liquid alternatives may also invest across asset classes. For purposes of asset allocation targets and limitations, liquid alternatives funds will be categorized under the specific asset class of the fund. For example, a long/short U.S. equity fund will be categorized as “Other” in the Growth Assets category while a long/short credit fund will be categorized as “Other” in the Income Assets category. Multi-strategy liquid alternatives funds that cannot be easily categorized under one asset class will be included in “Other” under either the Growth Assets or Income Assets category depending on the risk-return profile of the strategy.

Real Assets: Real assets are typically physical assets that have intrinsic worth due to their substance and properties. Real assets are primarily used for their lower correlation to traditional assets (i.e. stocks and bonds) and their inflation hedging properties. Categories of real asset investments include, but are not limited to, real estate, infrastructure, land, farmland, timberland, precious metals, and commodities. Public real assets are publicly traded and liquid. The benefit of lower correlation investments is that, when implemented correctly, these investments can potentially improve a portfolio's expected risk-adjusted return over the long-term. The real assets category can be extended to include other forms of assets that offer similar inflation hedging properties such as pooled vehicles holding: commodities contracts, Treasury Inflation Protected Securities ("TIPS"), index-linked derivative contracts, certain forms of intellectual property, and the equity of companies in businesses thought to hedge inflation. For purposes of asset allocation targets and limitations, real assets may be categorized as "Other" under either the Growth Assets or Income Assets category or in the Real Return Assets category, depending on the nature and risk/return profile of the investment.

CASH EQUIVALENTS

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

Portfolio Risk Hedging

Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the investments are not used for the sole purpose of leveraging Trust assets. One example of a hedge vehicle is an exchange traded fund ("ETF") which takes short positions.

Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct/physical ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

Safekeeping

All assets of the Trust shall be held by a custodian approved by the Administrator for safekeeping of Trust assets. The custodian shall produce statements on a monthly basis, listing the name and value of all assets held, and the dates and nature of all transactions in accordance with the terms in the Trust Agreement. Investments of the Trust not held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

Control Procedures

Review of Investment Objectives

The Advisor shall review annually and report to the Administrator the appropriateness of this Policy Statement for achieving the Trust's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

Review of Investment Performance

The Advisor shall report on a quarterly basis to the Administrator to review the investment performance of the Trust. In addition, the Advisor will be responsible for keeping the Administrator advised of any material change in investment strategy, Managers, and other pertinent information potentially affecting performance of the Trust.

The Advisor shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for broad U.S. equity strategies; S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex-U.S. Index for broad based non-U.S. equity strategies, MSCI Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Bloomberg US Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The Russell 3000 Index will be used to benchmark the U.S. equities portfolio; the MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio; the Bloomberg US Aggregate Bond Index will be used to benchmark the fixed income portfolio. The categories "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

Voting of Proxies

The Administrator recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the Advisor.

Adoption of Investment Policy Statement

Any changes and exceptions to this Policy Statement will be made in writing and adopted by the Administrator. Once adopted, changes and exceptions will be delivered to each Manager, as appropriate, by the Advisor.

Approved by the City of Brea Plan Administrator:

____
Member

____
Date

CITY of BREA

Communication
July 27, 2026
Item No. 3E.

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

TO	PREPARED BY
Chair and Members of the Investment Advisory Committee	Faith Madrazo, Financial Services Manager, Revenue
DEPARTMENT HEAD APPROVAL	**CITY MANAGER APPROVAL**
Monica Lo, Administrative Services Director	Kristin Griffith, City Manager

RECOMMENDATION

Staff recommends that the Investment Advisory Committee take the following action.

1. 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

On May 5, 2020, the City Council approved the Investment Guidelines for the City's OPEB Trust Program ("Plan"), adopting the Moderate Investment Objective recommended by the Investment Advisory Committee (IAC).

Strategic Asset Allocation

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

Investment Goals & Objectives:

- Achieve a reasonable level of growth to fund both current and future obligations.
- Outperform the policy benchmark over the life of the Plan.
- Manage assets on a total return basis, considering both income and capital appreciation.

- While capital preservation is important, the Plan embraces measured risk-taking to pursue higher long-term returns.

Purpose of the Investment Guidelines:

- Ensure clear communication between the Plan sponsor and fiduciaries.
- Confirm investment goals, objectives, and management policies.
- Guide the construction of a diversified asset mix aligned with the Plan's needs, risk tolerance, and liquidity requirements.
- Identify any investment restrictions or unique considerations.
- Encourage a long-term perspective, especially during periods of short-term market volatility.

Contributions & Updates:

- Due to the COVID-19 pandemic, the initial contribution was delayed.
- The first contribution of $250,000 was made on May 13, 2024, followed by $175,000 on June 24, 2024.
- At the April 22, 2024 IAC meeting, it was determined that the original 2020 recommendation for 12 month dollar cost averaging is no longer applicable due to the current low balance. Ongoing contributions will naturally achieve a dollar cost averaging effect over time.

Current Status:

- There are no changes to the Investment Policy Guidelines for this year.

FISCAL IMPACT/SUMMARY

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

Attachments

2026-07 Template IPS City of Brea- OPEB - Moderate SB.pdf

INVESTMENT POLICY STATEMENT

FOR

CITY OF BREA

OTHER POST-EMPLOYMENT BENEFITS TRUST

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The City of Brea has established the City of Brea Other Post-Employment Benefits Trust (the "Trust"). This Trust is intended to provide funding of non-pension post-employment benefits ("OPEB") for those employees who meet the age and service requirements outlined in the plan document. The Trustees of the Trust hereby adopt this Investment Policy Statement ("Policy Statement") for the following purposes.

Purpose

The main investment objective of the Trust is to achieve long-term growth of Trust assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the City's current and long-term OPEB obligations.

The purpose of this Policy Statement is to achieve the following:

1. Document investment objectives, performance expectations and investment guidelines for Trust assets.

2. Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust.

3. Establish investment guidelines to control overall risk and liquidity.

4. Establish periodic performance reporting requirements to monitor investment results and confirm that the investment policy is being followed.

5. Comply with fiduciary, prudence, due diligence and legal requirements for Trust assets.

Investment Authority

The City Council has appointed a Plan Administrator (the "Administrator") to oversee certain policies and procedures related to the operation and administration of the Trust. The Administrator will have authority to implement the investment policy and guidelines in the best interest of the Trust to best satisfy the purposes of the Trust. In implementing this Policy Statement, the Administrator believes it may delegate certain functions to:

1. An investment advisor ("Advisor") to assist the Administrator in the investment process and to maintain compliance with this Policy Statement. The Advisor may assist the Administrator in establishing investment policy objectives and guidelines. The Advisor will adjust asset allocation for the Trust subject to the guidelines and limitations set forth in this Policy Statement. The Advisor will also select investment managers ("Managers") and strategies consistent with its role as a fiduciary for the Trust. The investment vehicles allowed may include mutual funds, commingled trusts, separate accounts, limited partnerships and other investment vehicles deemed to be appropriate by the Advisor. The Advisor is also responsible

for monitoring and reviewing investment managers; measuring and evaluating performance; and other tasks as deemed appropriate in its role as Advisor for Trust assets. The Advisor may also select investments with discretion to purchase, sell, or hold specific securities, such as Exchange Traded Funds, that will be used to meet the Trust's investment objectives. The Advisor shall never take possession of securities, cash or other assets of the Trust, all of which shall be held by the custodian. The Advisor must be registered with the Securities and Exchange Commission.

2. A custodian selected by the Trust to maintain possession of physical securities and records of street name securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust.
3. A trustee appointed by the Trust, such as a bank trust department, if the Trust does not have its own Trustees, to assume fiduciary responsibility for the administration of Trust assets; provided, however, that if the Administrator shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.
4. Specialists such as attorneys, auditors, actuaries and, retirement plan consultants to assist the Administrator in meeting its responsibilities and obligations to administer Trust assets prudently.

Statement of Investment Objectives

The investment objectives of the Trust are as follows:

1. To invest assets of the Trust in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Trust beneficiaries, and (b) assets are to be diversified in order to minimize the impact of large losses from individual investments.
2. To provide for funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of the Trust.
3. To enhance the value of Trust assets in real terms over the long-term through asset appreciation and income generation, while maintaining a reasonable investment risk profile.
4. Subject to performance expectations over the long-term, to minimize principal fluctuations over the Time Horizon (as defined below).
5. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this Policy Statement under the section labeled "Performance Expectations".

Investment Guidelines

Within this section of the Policy Statement, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:

"Growth Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within the Growth Assets category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: domestic and international equities or equity funds, private or leveraged equity, and certain real estate investments.

"Income Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities, guaranteed investment contracts, and certain real estate investments.

"Real Return Assets" - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns, net of inflation. Investments within the Real Return category may include, but are not limited to, inflation protected securities, commodities, certain real estate investments, natural resources, and liquid alternatives.

Time Horizon

The Trust's investment objectives are based on a long-term investment horizon ("Time Horizon") of five years or longer. Interim fluctuations should be viewed with appropriate perspective. The Administrator has adopted a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Liquidity and Diversification

In general, the Trust may hold some cash, cash equivalent, and/or money market funds for near-term Trust benefits and expenses (the "Trust Distributions"). Remaining assets will be invested in longer-term investments and shall be diversified with the intent to minimize the risk of long-term investment losses. Consequently, the total portfolio will be constructed and maintained to provide diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

Asset Allocation: Moderate (Strategic Blend)

The Administrator believes that to achieve the greatest likelihood of meeting the Trust's investment objectives and the best balance between risk and return for optimal diversification, assets will be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of return that is equal to or greater than the Trust's target rate of return over the long-term, as described in the section titled "Performance Expectations".

	Asset Weightings	
Asset Classes	**Range**	**Target**
Growth Assets		
Domestic Equity	15% -5%	30%
International Equity	1% - 25%	15%
Other	0%-15%	5%
Income Assets		
Fixed Income	33% - 60%	48%
Other	0%- 15%	0%
Real Return Assets	0% - 15%	0%
Cash Equivalents	0% - 20%	2%

The Advisor and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

Rebalancing Philosophy

The asset allocation range established by this Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside Policy Statement ranges. When allocations breach the specified ranges, the Advisor will rebalance the assets within the specified ranges. The Advisor may also rebalance based on market conditions.

Risk Tolerance

Subject to investment objectives and performance expectations, the Trust will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon.

Performance Expectations

Over the long-term, five years or longer, the performance objective for the Trust will be to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate. Additionally, it is expected that the annual rate of return on Trust assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Trust investments and blended benchmark comparisons for the Trust in its entirety.

Selection of Investment Managers

The Advisor shall prudently select appropriate Managers to invest the assets of the Trust. Managers must meet the following criteria:

- The Manager must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS®), Securities & Exchange Commission ("SEC"), Financial Industry Regulatory Agency ("FINRA") or industry recognized standards, as appropriate.
- The Manager must provide detailed information on the history of the firm, key personnel, support personnel, key clients, and fee schedule (including most-favored-nation clauses). This information can be a copy of a recent Request for Proposal ("RFP") completed by the Manager or regulatory disclosure.
- The Manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- The investment professionals making the investment decisions must have a minimum of three (3) years of experience managing similar strategies either at their current firm or at previous firms.
- Where other than common funds such as mutual funds or commingled trusts are utilized, the Manager must confirm receipt, understanding and adherence to this Policy Statement and any investment specific policies by signing a consent form provided to the Manager prior to investment of Trust assets.

Guidelines for Portfolio Holdings

Direct Investments by Advisor

Every effort shall be made, to the extent practical, prudent and appropriate, to select investments that have investment objectives and policies that are consistent with this Policy Statement (as outlined in the following sub-sections of the "Guidelines for Portfolio Holdings"). However, given the nature of the investments, it is recognized that there may be deviations between this Policy Statement and the objectives of these investments.

Limitations on Portfolio Holdings

EQUITIES

No more than 5% of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 5% of those outstanding; and not more than 40% of Equity valued at Market may be held in any one sector [excluding Mutual Funds and/or ETFs], as defined by Bloomberg (BB) Sector standards.

Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Manager.

International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions and sectors.

FIXED INCOME

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies.

OTHER ASSETS (ALTERNATIVES)

Diversifying (Liquid Alternatives): Primary objective shall be to enhance the risk-return profile of the overall portfolio. This can be accomplished by using liquid alternative strategies that may enhance returns at a reasonable level of risk or reduce volatility while providing a reasonable level of return. These asset classes may differ from traditional public market asset classes due to the use of certain strategies including short-selling, leverage, and derivatives. Liquid alternatives may also invest across asset classes. For purposes of asset allocation targets and limitations, liquid alternatives funds will be categorized under the specific asset class of the fund. For example, a long/short U.S. equity fund will be categorized as "Other" in the Growth Assets category while a long/short credit fund will be categorized as "Other" in the Income Assets category. Multi-strategy liquid alternatives funds that cannot be easily categorized under one asset class will be included in "Other" under either the Growth Assets or Income Assets category depending on the risk-return profile of the strategy.

Real Assets: Real assets are typically physical assets that have intrinsic worth due to their substance and properties. Real assets are primarily used for their lower correlation to traditional assets (i.e. stocks and bonds) and their inflation hedging properties. Categories of real asset investments include, but are not limited to, real estate, infrastructure, land, farmland, timberland, precious metals, and commodities. Public real assets are publicly traded and liquid. The benefit of lower correlation investments is that, when implemented correctly, these investments can potentially improve a portfolio's expected risk-adjusted return over the long-term. The real assets category can be extended to include other forms of assets that offer similar inflation hedging properties such as pooled vehicles holding: commodities contracts, Treasury Inflation Protected Securities ("TIPS"), index-linked derivative contracts, certain forms of intellectual property, and the equity of companies in businesses thought to hedge inflation. For purposes of asset allocation targets and limitations, real assets may be categorized as "Other" under either the Growth Assets or Income Assets category or in the Real Return Assets category, depending on the nature and risk/return profile of the investment.

CASH EQUIVALENTS

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

Portfolio Risk Hedging

Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the investments are not used for the sole purpose of leveraging Trust assets. One example of a hedge vehicle is an exchange traded fund ("ETF") which takes short positions.

Prohibited Investments

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct/physical ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

Safekeeping

All assets of the Trust shall be held by a custodian approved by the Administrator for safekeeping of Trust assets. The custodian shall produce statements on a monthly basis, listing the name and value of all assets held, and the dates and nature of all transactions in accordance with the terms in the Trust Agreement. Investments of the Trust not held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

Control Procedures

Review of Investment Objectives

The Advisor shall review annually and report to the Administrator the appropriateness of this Policy Statement for achieving the Trust's stated objectives. It is not expected that this Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Policy Statement.

Review of Investment Performance

The Advisor shall report on a quarterly basis to the Administrator to review the investment performance of the Trust. In addition, the Advisor will be responsible for keeping the Administrator advised of any material change in investment strategy, Managers, and other pertinent information potentially affecting performance of the Trust.

The Advisor shall compare the investment results on a quarterly basis to appropriate peer universe benchmarks, as well as market indices in both equity and fixed income markets. Examples of benchmarks and indexes that will be used include the Russell 3000 Index for broad U.S. equity strategies; S&P 500 Index for large cap U.S. equities, Russell 2000 Index for small cap U.S. equities, MSCI ACWI ex-U.S. Index for broad based non-U.S. equity strategies, MSCI Europe, Australasia, and Far East (EAFE) Index for developed markets international equities, Bloomberg U.S. Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill for cash equivalents. The Russell 3000 Index will be used to benchmark the U.S. equities portfolio; the MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio; the Bloomberg U.S. Aggregate Bond Index will be used to benchmark the fixed income portfolio. The categories "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used.

Voting of Proxies

The Administrator recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the Advisor.

Adoption of Investment Policy Statement

Any changes and exceptions to this Policy Statement will be made in writing and adopted by the Administrator. Once adopted, changes and exceptions will be delivered to each Manager, as appropriate, by the Advisor.

Approved by the City of Brea Plan Administrator:

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Member

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Date