

INVESTMENT POLICY

CALENDAR YEAR 2019

ADOPTED DECEMBER 19, 2018



Orange County Sanitation District





**ORANGE COUNTY SANITATION
DISTRICT
INVESTMENT
POLICY
STATEMENT**

**Proposed for
Review and Approval
By
Administration Committee
On
December 12, 2018**

**And for Adoption
By
Board of Directors
On
December 19, 2018**

CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION

Investment Policy Certification



Orange County Sanitation District

The California Municipal Treasurers Association certifies that the investment policy of the Orange County Sanitation District complies with the current State statutes governing the investment practices of local government entities located within the State of California. This Policy shall be certified for the duration of one calendar year beginning December 12, 2012.



Gina Sharani

President

December 11, 2012

Date

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ORANGE COUNTY SANITATION DISTRICT

INVESTMENT POLICY STATEMENT

1.0 **Policy:**

It is the policy of the Orange County Sanitation District (OCSD) to invest public funds in a manner which ensures the safety and preservation of capital while meeting reasonably anticipated operating expenditure needs, achieving a reasonable rate of return and conforming to all state and local statutes governing the investment of public funds.

1.1. This Investment Policy is set forth by OCSD for the following purposes:

1.1.1. To establish a clear understanding for the Board of Directors, OCSD management, responsible employees and third parties of the objectives, policies and guidelines for the investment of the OCSD's idle and surplus funds.

1.1.2. To offer guidance to investment staff and any external investment advisors on the investment of OCSD funds (see Appendix "A").

1.1.3. To establish a basis for evaluating investment results.

1.2. OCSD establishes investment policies which meet its current investment goals. OCSD shall review this policy annually, and may change its policies as its investment objectives change.

2.0 **Scope:**

This Investment Policy applies to all financial assets of OCSD; except for the proceeds of OCSD's capital projects financing program, which are invested in accordance with provisions of their specific bond indentures; and such other funds excluded by law or other Board-approved covenant or agreement.

These funds are accounted for by OCSD as Enterprise Funds as represented in OCSD's Comprehensive Annual Financial Report.

3.0 **Standard of Prudence:**

The standard of prudence to be used by OCSD internal staff, and any authorized investment advisor(s), shall be as described in Section 53600.3 of the California Government Code as follows: Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the **prudent investor** standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic

conditions and the anticipated needs of the agency, that a **prudent 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 agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

4.0 **Investment Objectives:**

The primary objectives of OCSD's investment activities, in priority order, and as described in Section 53600.5 of the California Government Code, shall be:

- 4.1 **Safety:** The safety and preservation of principal is the foremost objective of the investment program of OCSD. Investments shall be selected in a manner that seeks to ensure the preservation of capital in OCSD's overall portfolio. This will be accomplished through a program of diversification, more fully described in Section 13.0, and maturity limitations, more fully described in Section 14.0, in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- 4.2 **Liquidity:** The investment program will be administered in a manner that will ensure that sufficient funds are available for OCSD to meet its reasonably anticipated operating expenditure needs.
- 4.3 **Return on Investments:** The OCSD investment portfolio will be structured and managed with the objective of achieving a rate of return throughout budgetary and economic cycles, commensurate with legal, safety, and liquidity considerations.

5.0 **Delegation of Authority:**

- 5.1 Authority to manage OCSD's investment program is derived from the California Government Code Sections 53600 *et seq.* and Sections 53635 *et seq.* The Board of Directors hereby delegates management responsibility for the OCSD investment program to its Assistant General Manager & Director of Finance and Administrative Services/Treasurer, who shall establish written procedures for the operation of the investment program, consistent with this Policy. The Controller/Assistant Treasurer shall be responsible for day-to-day administration, monitoring, and the development of written administrative procedures for the operation of the investment program, consistent with this Policy. The current treasury management procedures are presented in Appendix "B." No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken by OCSD internal staff, and shall establish a system of controls to regulate the activities of internal staff and external investment advisors engaged in accordance with Section 5.3.

- 5.2 The administrative procedures for the operation of OCSD's investment program will provide for, but not be limited to, the following:
 - 5.2.1 Formats for monthly and quarterly reports to the Administration Committee, and the Board of Directors.
 - 5.2.2 Compliance with generally accepted accounting principles of the Government Accounting Standards Board.
 - 5.2.3 Establishment of benchmarks for performance measurement.
 - 5.2.4 Establishment of a system of written internal controls.
 - 5.2.5 Establishment of written procedures for competitive bids and offerings of securities that may be purchased or sold by internal OCSD staff.
 - 5.2.6 Establishment of a Desk Procedures Manual for treasury operations and management.
- 5.3 The Board of Directors of OCSD may, in its discretion, engage the services of one or more registered investment advisors to assist in the management of OCSD's investment portfolio in a manner consistent with OCSD's objectives. Such external investment advisors, which shall be selected through a competitive process, shall be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such advisors must be registered under the Investment Advisers Act of 1940, or be exempt from such registration.

6.0 **Ethics and Conflicts of Interest:**

Officers and employees of OCSD involved in the investment process shall refrain from personal business activities that could conflict with proper execution of OCSD's investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the General Manager any material financial interests in financial institutions that conduct business within OCSD's boundaries, and they shall further disclose any large personal financial/investment positions, the performance of which could be related to the performance of positions in OCSD's portfolio.

7.0 **Authorized Financial Dealers and Institutions:**

- 7.1 For investment transactions conducted by OCSD internal staff, the Treasurer will maintain a list of financial institutions authorized to provide investment services to OCSD, including "primary" or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital rule), and Federal or State of California chartered banks. No public deposit shall be made except in a qualified public depository as established by State law.

All financial institutions which desire to become qualified bidders for investment transactions with OCSD must supply the following for evaluation by the Treasurer:

7.1.1. Audited financial statements for the institution's three (3) most recent fiscal years.

7.1.2. A statement, in the format prescribed by the Government Finance Officers Association (GFOA), certifying that the institution has reviewed OCSD's Investment Policy and that all securities offered to the Districts shall comply fully and in every instance with all provisions of the California Government Code and with this Investment Policy. The current statement is presented in Appendix "C."

7.1.3. A statement describing the regulatory status of the dealer, and the background and expertise of the dealer's representatives.

Selection of financial institutions, broker/dealers, and banks authorized to engage in transactions with OCSD shall be made through a competitive process. An annual review of the financial condition of qualified institutions will be conducted by the Treasurer.

7.2 Selection of broker/dealers used by external investment advisors retained by OCSD, shall be in compliance with contract provisions between OCSD and any external investment advisors, and shall be in substantially the following form:

Use of Securities Brokers: Neither the Investment Advisor nor any parent, subsidiary or related firm shall act as a securities broker with respect to any purchases or sales of securities which may be made on behalf of OCSD, provided that this limitation shall not prevent the Investment Advisor from utilizing the services of a securities broker which is a parent, subsidiary or related firm, provided such broker effects transactions on a "cost only" or "nonprofit" basis to itself and provides competitive execution. The Investment Advisor shall provide the Districts with a list of suitable independent brokerage firms (including names and addresses) meeting the requirements of Government Code Section 53601.5, and, unless otherwise directed by OCSD, the Investment Advisor may utilize the service of any of such independent securities brokerage firms it deems appropriate to the extent that such firms are competitive with respect to price of services and execution.

8.0 **Authorized and Suitable Investments:**

All investments shall be made in accordance with the California Government Code including Sections 16429.1 *et seq.*, 53600 *et seq.*, and 53684, and as described within this Investment Policy. Permitted investments under this Policy shall include:

- 8.1 **Securities, obligations, participations, or other instruments of, or issued by, or fully guaranteed as to principal and interest by the US Government**, a federal agency, or a US Government-sponsored enterprise pursuant to Section 53601 (f) of the California Government Code. US Treasury securities must make up at least 10% of the portfolio.
- 8.2 **Supranational Obligations** issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. Securities must be eligible for purchase in the United States and be US dollar denominated senior unsecured unsubordinated obligations, with a maximum maturity of five years. Securities eligible for purchase under this section must be rated "AA" or better by a Nationally Recognized Statistical Rating Organization (NRSRO) and shall not exceed 30% of the total portfolio.
- 8.3 **Mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond.** Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section. Purchase of mortgage derivatives, which include interest-only payments (IOs) and principal-only payments (POs); inverse floaters, and RE-REMICs (Real Estate Mortgage Investment Conduits), is hereby prohibited.
- 8.4 **Commercial paper** of "prime" quality of the highest ranking or of the highest letter and number rating as provided by an NRSRO, and issued by a domestic corporation organized and operating in the United States with assets in excess of \$500 million and having a rating of "A" or better on its long-term debt as provided by an NRSRO. Purchases of eligible commercial paper may not exceed 270 days to maturity from the date of purchase. Purchases of commercial paper shall not exceed 25% of the market value of the portfolio. No more than 5% of the market value of the portfolio, or 10% of the issuer's outstanding paper, may be invested in commercial paper issued by any one (1) eligible corporation.
- 8.5 **Banker's acceptances** issued by institutions, the short-term obligations of which are rated of the highest ranking or the highest letter and number rating as provided by an NRSRO provided that: (a) the acceptance is eligible for purchase by the Federal Reserve System; (b) the maturity does not exceed 180 days; (c) no more than 40% of the total portfolio may be invested in banker's acceptances; and (d) no more than 5% of the total portfolio may be invested in the banker's acceptances of any one (1) commercial bank.

- 8.6 **Medium term (or corporate) notes** of a maximum of five (5) years maturity issued by corporations organized and operating within the United States, or issued by depository institutions licensed by the United States, or any state, and operating within the United States with assets in excess of \$500 million, and which is rated in a rating category of “A” or better on its long-term debt as provided by an NRSRO. If, after purchase, the rating of an eligible note falls below the minimum rating category stipulated above, the external investment advisor shall notify the District of the downgrade, and shall present an analysis and recommendations as to the disposition of the note consistent with the investment objectives of this Investment Policy. No more than 30% of the portfolio may be invested in medium term notes.
- 8.7 **Notes, bonds, or other obligations** that are at all times secured by a valid first priority security interest in securities of the types listed by California Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by California Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
- 8.8 **Shares of mutual funds** investing in securities permitted under this policy and under Section 53601 (l) of the California Government Code. Such funds must either: (1) attain the highest ranking, or the highest letter and numerical rating, provided by not less than two of the three largest nationally recognized rating services; or (2) have an Investment Advisor registered with the Securities and Exchange Commission with not less than five (5) years of experience investing in the securities and obligations authorized under this Policy and under California Government Code Section 53601, and with assets under management in excess of \$500 million. The purchase price of shares of beneficial interest purchased pursuant to this policy, and the California Government Code may not include any commission that the companies may charge, and shall not exceed 20% of the District’s surplus money that may be invested pursuant to this section. No more than 10% of the District’s surplus funds may be invested in shares of beneficial interest of any one (1) mutual fund pursuant to this section. Money market mutual funds are limited to 20% per issuer and are not subject to the 10% stipulation.
- 8.9 **Certificates of deposit:**
- 8.9.1 **Secured (collateralized) time deposits** issued by a nationally or state-chartered bank or state or federal savings and loan association, as defined by Section 5102 of the California Financial Code, and having a net

operating profit in the two (2) most recently completed fiscal years. Collateral must comply with Chapter 4, Bank Deposit Law, Section 16500 *et seq.*, and Chapter 4.5, Savings and Loan Association and Credit Union Deposit Law, Section 16600 *et seq.*, of the California Government Code.

8.9.2 **Negotiable certificates of deposit (NCDs)** issued by a nationally or state-chartered bank or state of federal savings and loan association, as defined by Section 5102 of the California Financial Code; and which shall have a rating of "A" or better on its long-term debt as provided by a NRSRO; or which shall have the highest letter and number rating for deposits as provided by a NRSRO; or as otherwise approved by the District's Board of Directors. No more than 30% of the portfolio may be invested in securities pursuant to this section.

8.9.3 To be eligible to receive local agency money, a bank, savings association, federal association, or federally insured individual loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low and moderate income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code.

8.10 **Taxable or tax-exempt municipal bonds** issued by any of the 50 United States. Such securities must be rated "A" or higher by a NRSRO; or as otherwise approved by the Districts' Board of Directors.

8.11 **The State of California Local Agency Investment Fund (LAIF).** The LAIF is an investment alternative for California's local governments and special districts managed by the State Treasurer's Office. LAIF is more fully described in the Glossary (See Appendix "H.") The District shall use LAIF as a short-term cash management facility. Investment of District funds in LAIF shall be subject to investigation and due diligence prior to investing, and on a continual basis to a level of review pursuant to Section 3.0, Standard of Prudence, of this Policy. See Appendix "D" for investment pool questionnaire.

8.12 **The Orange County Treasurer's Money Market Commingled Investment Pool (OCCIP).** The OCCIP is a money market investment pool managed by the Orange County Treasurer's Office. OCCIP is more fully described in the Glossary. (See Appendix "H.") The District has no funds invested in OCCIP at this time. Investment of District funds in OCCIP would be subject to investigation and due diligence prior to investing, and on a continual basis to a level of review pursuant to Section 3.0, Standard of Prudence, of this Policy.

8.13 **Repurchase agreements** provided that:

8.13.1 All repurchase agreements shall be collateralized with securities eligible for purchase under this Policy. In order to anticipate

market changes and to provide a level of security for all repurchase agreement transactions, collateralization shall be maintained at a level of at least 102% of the market value of the repurchase agreements, and shall be adjusted no less than weekly.

8.13.2 All repurchase agreements must be the subject of a Master Repurchase Agreement between OCSD and the provider of the repurchase agreement. The Master Repurchase Agreement shall be substantially in the form developed by The Bond Market Association.

8.14 **Reverse repurchase agreements** provided that:

8.14.1 No more than five percent (5%) of OCSD's portfolio shall be invested in reverse repurchase agreements, and there shall be no long-term reverse repurchase agreements unless otherwise authorized by the Districts' Board of Directors.

8.14.2 The maximum maturity of reverse repurchase agreements shall be ninety (90) days.

8.14.3 Reverse repurchase agreements shall mature on the exact date of a known cash flow which will be unconditionally available to repay the maturing reverse repurchase agreement.

8.14.4 Proceeds of reverse repurchase agreements shall be used solely to supplement portfolio income or to provide portfolio liquidity, and shall not be used to speculate on market movements.

8.14.5 All reverse repurchase agreements must be the subject of a Master Repurchase Agreement between OCSD and the provider of the reverse repurchase agreement. The Master Repurchase Agreement shall be substantially in the form developed by The Bond Market Association.

8.15 Sales of OCSD-owned securities in the secondary market may incur losses in order to improve the risk or return characteristics of the portfolio, to prevent anticipated further erosion of principal, or when trading for securities that result in an expected net economic gain to OCSD.

8.16 If securities owned by the OCSD are downgraded below the quality required by this Investment Policy, it shall be OCSD's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. If a decision is made to retain the downgraded securities in the portfolio, their presence in the portfolio will be monitored and reported monthly to the OCSD General Manager, the Administration Committee and Board of Directors.

9.0 **Review of Investment Portfolio:**

The securities held by OCSD must be in compliance with Section 8.0 “Authorized and Suitable Investments” at time of purchase. If at a later date, a security is no longer in compliance with Section 8.0, the Treasurer shall report the non-compliant security to the Administration Committee and Board of Directors and shall include a disclosure in the quarterly Treasurer’s Report if the security is held at the date the report is prepared.

10.0 **Investment Pools/Mutual Funds:**

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. A questionnaire shall be developed that will provide the following information:

- 10.1 A description of eligible investment securities, and a written statement of investment policy and objectives.
- 10.2 A description of interest calculations and how they are distributed, and how gains and losses are treated.
- 10.3 A description of how the securities are safeguarded (including the settlement processes) and how often the securities are priced and the program audited.
- 10.4 A description of who may invest in the program, how often, and what size deposits and withdrawals are allowed.
- 10.5 A schedule for receiving statements and portfolio listings.
- 10.6 A description of the utilization and level of reserves, retained earnings or other collateral and how they are used by the fund.
- 10.7 A fee schedule, and when and how is it assessed.
- 10.8 Whether the pool/fund is eligible for bond proceeds and/or whether it will accept such proceeds.

11.0 **Collateralization:**

Generally, the value to secure deposits under this Policy shall comply with Section 53652 of the California Government Code. Collateralization will be required for secured time deposits, as more fully described in Section 8.9.1; and repurchase agreements, as more fully described in Section 8.13.1. Collateral will always be held by an independent third-party, as more fully described in Section 12.0. The right of collateral substitution is granted.

12.0 **Safekeeping and Custody:**

All securities transactions, including collateral for repurchase agreements, entered into by, or on behalf of OCSD, shall be conducted on a **delivery-versus-payment (DVP)** basis. Securities will be held by OCSD's third-party custodian bank, which shall be selected through a competitive process, or that agent's representative, or in the agent's account at the Federal Reserve Bank, **or within clearing corporations in the U.S.**, and evidenced by book entry statements.

13.0 **Diversification:**

OCSD will diversify its investments by security type, issuer, and financial institution in accordance with the following:

- 13.1 There is no limit on investment in securities issued by or guaranteed by the full faith and credit of the U.S. government.
- 13.2 No more than 20% of the portfolio may be invested in securities of a single agency of the U.S. government, which does not provide the full faith and credit of the U.S. government.
- 13.3 No more than 5% of the portfolio may be invested in securities of any one issuer, other than Supranationals, the U.S. government or its agencies. Investment in mutual funds is not governed by this Section 13.3. See Section 13.8 for conditions of purchase of mutual funds.
- 13.4 No individual holding shall constitute more than 5% of the total debt outstanding of any issuer.
- 13.5 No more than 40% of the portfolio may be invested in banker's acceptances.
- 13.6 No more than 25% of the portfolio may be invested in commercial paper.
- 13.7 No more than 30% of the portfolio may be invested in medium-term (corporate) notes.
- 13.8 No more than 20% of the portfolio may be invested in mutual funds. No more than 10% of the District's portfolio may be invested in shares of beneficial interest of any one (1) mutual fund. Money market mutual funds are limited to 20% per issuer and are not subject to the 10% stipulation.
- 13.9 No more than 30% of the portfolio may be invested in negotiable certificates of deposit.
- 13.10 No more than 10% of the portfolio may be invested in eligible municipal bonds.

- 13.11 No more than 20% of the Long Term Operating Monies portfolio may be invested in a combination of mortgage-backed securities, CMOs and asset-backed securities.
- 13.12 No more than the lesser of 15% of the portfolio or the statutory maximum may be invested in LAIF.
- 13.13 No more than 15% of the portfolio may be invested in the Orange County Investment Pool.
- 13.14 No more than 20% of the portfolio may be invested in repurchase agreements.
- 13.15 No more than 5% of the portfolio may be invested in reverse repurchase agreements.

14.0 **Maximum Maturities:**

To the extent possible, OCSD will attempt to match its investments with reasonably anticipated cash flow requirements. The Treasurer shall develop a five-year cash flow forecast, which shall be updated quarterly. Based on this forecast, the Treasurer shall designate, from time-to-time, the amounts to be allocated to the investment portfolio. OCSD monies invested in accordance with this Policy are divided into two (2) categories:

14.1 **Liquid Operating Monies.** Funds needed for current operating and capital expenditures are known as Liquid Operating Monies.

14.1.1 The maximum final stated maturity of individual securities in the Liquid Operating Monies account portfolio shall be one (1) year from the date of settlement.

14.1.2 The average duration of the Liquid Operating Monies account portfolio shall be recommended by the Treasurer based on the Districts' cash flow requirements, but may never exceed 180 days.

14.2 **Long Term Operating Monies.** Funds needed for longer term purposes are known as the Long Term Operating Monies.

14.2.1 The maximum final stated maturity of individual securities in the Long Term Operating Monies account portfolio shall be five (5) years from the date of settlement.

14.2.2 The duration of the Long Term Operating Monies account portfolio shall be recommended by the Treasurer based on the District's five-year cash flow forecast, but may never exceed 60 months.

14.2.3 The duration of the Long Term Operating Monies account portfolio shall never exceed 120% of the duration as established in accordance with Section 14.2.2.

14.2.4 The duration of the Long Term Operating Monies account portfolio shall never be less than 80% of the duration as established in accordance with Section 14.2.2.

15.0 **Internal Control:**

The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures. The current treasury management procedures are presented in Appendix "B."

16.0 **Performance Objectives and Benchmarks:**

16.1 **Overall objective.** The investment portfolio of OCSD shall be designed with the overall objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with investment risk constraints and reasonably anticipated cash flow needs.

16.2 **The Liquid Operating Monies.** The investment performance objective for the Liquid Operating Monies shall be to earn a total rate of return over a market cycle which exceeds the return on a market index approved by the Administration Committee, and by the District's Board of Directors, when the duration of the portfolio is established. This market index is more fully described in Board Resolution No. OCSD18-23 (see Appendix "E").

16.3 **The Long Term Operating Monies.** The investment performance objective for the Long Term Operating Monies shall be to earn a total rate of return over a market cycle which exceeds the return on a market index selected by the Administration Committee and approved by the District's Board of Directors, when the duration of the portfolio is established. This market index is more fully described in Board Resolution No. OCSD 18-23 (See Appendix "E").

17.0 **Reporting:**

17.1 Monthly transaction reports in accordance with California Government Code Section 53607 shall be submitted by the Treasurer to the District's Board of Directors.

17.2 Quarterly investment reports will be submitted by the Treasurer to the Administration Committee which shall forward the reports to the District's Board of Directors. The quarterly reports shall provide clear and concise status information on the District's portfolios at the end of each reporting period, including performance measures using the benchmarks described

in Section 14.0 of this Investment Policy. Sample quarterly reports are presented in Appendix "F." These reports shall contain listings of individual securities held at the end of each reporting period, and shall disclose, at a minimum, the following information about the risk characteristics of OCSD's portfolio:

17.2.1 Cost and accurate and complete market value of the portfolio.

17.2.2 Modified duration of the portfolio compared to Benchmark.

17.2.3 Dollar change in value of the portfolio for a one-percent (1%) change in interest rates.

17.2.4 Percent of portfolio invested in reverse repurchase agreements, and a schedule which matches the maturity of such reverse repurchase agreements with the cash flows which are available to repay them at maturity.

17.2.5 For the Liquid Operating Monies account only, the percent of portfolio maturing within 90 days.

17.2.6 Average portfolio credit quality.

17.2.7 Percent of portfolio with credit ratings below "A" by any rating agency, and a description of such securities.

17.2.8 State that all investments are in compliance with this policy and the California Government Code, or provide a listing of any transactions or holdings which do not comply with this policy or with the California Government Code.

17.2.9 Time-weighted total rate of return for the portfolio for the prior three months, twelve months, year to date, and since inception compared to the Benchmark returns for the same periods.

17.2.10 State that sufficient funds are available for OCSD to meet its operating expenditure requirements for the next six months, or if not, state the reasons for the shortfall.

17.3 OCSD's Treasurer shall meet quarterly with the Administration Committee to review investment performance, proposed strategies and compliance with this Investment Policy. External investment advisors may be required to attend said meetings at the discretion of the Chairman of the Administration Committee.

18.0 **Investment Policy Adoption and Revision:**

18.1 The Investment Policy of OCSD shall be reviewed by the Administration Committee and shall be adopted by resolution of the Board of Directors of

OCSD. The Policy shall be reviewed on an annual basis in accordance with California Government Code Section 53646, and this Investment Policy, by the Administration Committee, which shall recommend revisions, as appropriate, to the Board of Directors. Any modifications made thereto shall be approved by the Board of Directors.

- 18.2 The Administration Committee shall serve as the oversight committee for the District's Investment program and shall adopt guidelines for the ongoing review of duration, quality and liquidity of the District's portfolio.

APPENDIX "A"
SUMMARY OF INVESTMENT AUTHORIZATION
INTERNAL AND EXTERNAL MANAGERS

SHORT TERM OPERATING FUND

INVESTMENT	INTERNAL	EXTERNAL
U.S. Treasuries	OK	OK
Federal Agencies	Fixed coupon, fixed maturity	OK
Supranational	NO	OK
Mortgage-backed	NO	NO
Commercial paper	OK	OK
Banker's Accept.	OK	OK
Medium Term Notes	Fixed coupon, fixed maturity*	OK
Mutual Funds	Money Market Only**	Money Market Only
Negotiable CDs	Fixed coupon, fixed maturity*	OK
Municipal Bonds	OK*	NO
LAIF	OK	NO
OCIP	OK	NO
CMOs	NO	OK
Asset-backed	NO	OK
Repurchase Agreements	OK	OK
Reverse Repurchase Agreements	OK*	OK

LONG TERM OPERATING PORTFOLIO

INVESTMENT	INTERNAL	EXTERNAL
U.S. Treasuries	OK	OK
Federal Agencies	Fixed coupon, fixed maturity	OK
Supranational	NO	OK
Mortgage-backed	NO	OK
Commercial Paper	OK	OK
Banker's Acceptances	OK	OK
Medium Term Notes	Fixed coupon, fixed maturity*	OK
Mutual Funds	Money Market Only**	OK
Negotiable CDs	Fixed coupon, fixed maturity*	OK
Municipal Bonds	OK*	OK
LAIF	OK	NO
OCIP	OK	NO
CMOs	NO	OK
Asset-backed	NO	OK
Repurchase Agreements	OK	OK
Reverse Repurchase Agreements	OK*	OK

*With prior approval of the Administration Committee.

**Using financial institutions approved by the Administration Committee.

Revised: November 26, 2018

Orange County Sanitation District Treasury Management Procedures

- 1.0 Purpose
 - 1.1 The purpose of this policy is to establish uniform guidelines and procedures for use in the administration of the District’s Treasury functions consistent with the California Government Code and the District’s adopted Investment Policy Statement.
- 2.0 Authority to Investment and/or Reinvestment of District Funds:
 - 2.1 Is delegated annually to the Director of Finance/Treasurer in accordance with California Government Code Section 53607.
- 3.0 Formal Investment Policy Statement:
 - 3.1 Is prepared by the Treasurer.
 - 3.2 Is reviewed by the District’s Administration Committee (ADM), in its role as the finance oversight committee.
 - 3.3 Is submitted to and adopted by the District’s Board of Directors annually at a public meeting in accordance with California Government Code Section 53646.
- 4.0 Delegation of some or all of the investment portfolio management to one or more registered investment advisors (external money managers):
 - 4.1 Is authorized by the District’s Investment Policy;
 - 4.2 Applies to the District’s entire investment portfolio except for:
 - 4.2.1 A maximum of \$65 million that is maintained within the State Local Agency Investment Fund (LAIF) for managing cash flows (i.e., deposits of large revenues, such as property tax and user fee proceeds, and the bi-weekly disbursements of payroll and accounts payable);
 - 4.2.2 A peg amount of approximately \$50,000 is maintained within the District’s checking account at Banc of California to serve as compensating balances to offset banking charges (note: the District’s Board of Directors has selected Banc of California to serve as the District’s commercial bank (the “Bank”); and

4.2.3 Based on a determination by the District's Treasurer on what is most advantageous to the District, the checking account residual amounts may be invested as follows:

4.2.3.1 Bank balances exceeding the peg balance (as a result of outstanding accounts payable and payroll warrants) may be invested overnight under a repurchase agreement with the Bank; or

4.2.3.2 The District may elect to receive earnings credit against bank charges on all bank balances including the peg amount equal to the 91 Day T-Bill Average.

5.0 Investment transactions involving the LAIF are approved by the Treasurer prior to their execution by the Controller. The approval function indicates that the transactions are in accordance with the District's Investment Policy. The Accounting Supervisor will serve as backup for the approval function upon the absence of any either of these two employees.

5.1 Specific Procedures involving LAIF include (note: all deposits and withdrawals of funds to/from LAIF may only be processed through the District's checking account with the Bank):

5.1.1 A "State Treasurer's Local Agency Investment Fund Authorization Form" (see Attachment "A") must be completed prior to the execution of the transaction indicating:

5.1.1.1 The effective date of the transaction;

5.1.1.2 The dollar amount to be withdrawn from or deposited into LAIF;

5.1.1.3 The date and signature approval by the Controller authorizing the transaction; and

5.1.1.4 The date and signature approval of the Treasurer approving the transaction.

5.1.2 The execution of the transaction will be done in accordance with the "State Treasurer's Local Agency Investment Fund Wire Transfer Instructions" (see Attachment "B"). Key internal control features include:

5.1.2.1 The requirement of the District's Personnel Identification Number (PIN) for either deposits or withdrawals, known only by the Treasurer and Controller.

- 5.1.2.2 Secondary confirmation requirement by the Bank for the withdrawals/deposits from/to the Bank or LAIF. The confirmation can be made by the Controller or Treasurer (the person that didn't make the original request), the Accounting Supervisor, or the Principal Accountant.
 - 5.1.3 Each transaction is confirmed the next day by the Bank's Previous Day Reporting modem service by the Senior Accountant and Controller.
- 6.0 Investment transactions involving the District's external investment program and performed by the independent investment firms are as follows:
 - 6.1 The District's Board of Directors has selected Chandler Asset Management (Chandler) to manage two portfolios: the Districts' Liquid Operating Monies Fund and the Long-term Operating Monies Fund.
 - 6.1.1 Chandler has authorization to purchase and sell investment securities in accordance with the strict investment guidelines set forth in the District's Investment Policy (Section 8.0).
 - 6.1.2 Hard copy confirmation reporting to the District is required on all transactions.
 - 6.2 The District's Board of Directors has selected U.S. Bank (the "Custodian") to serve as the District's master custodian and safekeeping bank. In their capacity as Custodian, U.S. Bank shall perform the following duties to settle purchases and sales and engage in other transactions in the administration of the District's accounts:
 - 6.2.1 Upon execution of any transaction by Chandler, all investment securities are recorded in book entry by the Custodian through either the Depository Trust Company or the Federal Reserve Bank;
 - 6.2.2 Hold the property in safekeeping facilities of the Custodian or of other custodian banks or clearing corporations in the U.S.;
 - 6.2.3 Collect all income payable to and all distributions due to the District's account and sign on the District's behalf all declarations, affidavits, and certificates of ownership required to collect income and principal payments;
 - 6.2.4 Collect all proceeds from securities, certificates of deposit or other investments which may mature or be called;
 - 6.2.5 Submit or cause to be submitted to the District or the external money manager, as designated by the District, on a best effort basis all

information received by the Custodian regarding the ownership rights pertaining to property held in the account;

- 6.2.6 Attend to involuntary corporation actions;
 - 6.2.7 Determine the fair market value of the District's account on a monthly basis as of such dates as the Districts and the Custodian may agree upon, in accordance with methods consistently followed and uniformly applied;
 - 6.2.8 Render to District, with copies to the external money manager, monthly statements for securities held hereunder; and
 - 6.2.9 Provide the District with copies of the Custodian's financial statements filed with the State of California, or any agency thereof, within thirty (30) days after such filing.
- 6.3 The District's Board of Directors has selected Callan Associates as the District's Independent Investment Advisor (the "Advisor"). In their capacity as Advisor, Callan shall perform the following duties on behalf of the District:
- 6.3.1 Monitor and report on Chandler's compliance with the investment requirements of the Districts' Investment Policy, using data from transaction reports prepared by U.S. Bank, on a quarterly basis;
 - 6.3.2 Review Chandler's investment strategy quarterly;
 - 6.3.3 Monitor and report on the performance of Chandler against the performance benchmark standards established in the District's Investment Policy for both the Liquid Operating Monies Fund and the Long-term Operating Monies Fund on a quarterly basis; and
 - 6.3.4 Review both Liquid and Long-term Operating Funds by asset allocation, asset flow, quarterly factors and cumulative results on a quarterly basis.
- 6.4 Specific procedures in depositing to or withdrawing funds from the investment portfolio managed by the District's external money manager include: (note: all deposits and withdrawals of funds from the District's investment portfolio managed by Chandler and U.S. Bank may only be processed through the District's checking account at the Bank):
- 6.4.1 A "Wire Transfer Form" (see Attachment" C") must be completed by the Controller prior to the execution of the transaction indicating:
 - 6.4.1.1 The dollar amount to be withdrawn/deposited from/to the Bank checking account to/from the Chandler Liquid

Operating or Chandler Long-term Operating Monies Funds;

6.4.1.2 The effective date of the transaction;

6.4.1.3 The date and signature or electronic review by the Controller; and

6.4.1.4 The date and signature or electronic approval of the Treasurer approving the transaction.

6.4.2 The execution of the transaction requires a verbal confirmation call from the Custodian to the Controller at the time of the transaction, and a written confirmation the following day.

6.4.3 Each transaction is confirmed the next day by the Bank's Previous Day Reporting modem service by the Senior Accountant and Controller.

7.0 Recording of investment transactions:

7.1 For investment transactions conducted by District staff with the LAIF, and with the transfer/withdrawal of funds with the Custodian:

7.1.1 Is done by the Controller who maintains a file of all investment transactions.

7.1.2 Is done within the accounting records by the Senior Accountant, who receives a signed copy of all investment transactions from the Controller.

7.2 For investment transactions conducted by the external money manager:

7.2.1 Is done by the Custodian who posts all investment transactions daily within their record keeping system and provides the District with a monthly report that provides both a summary and detail listing of all investment transactions.

7.2.2 Is done on a monthly basis by the Senior Accountant within the accounting records at a summary level using Monthly Transaction Reports prepared by the Custodian.

8.0 Verification of external money manager transactions is performed by:

8.1 The Custodian within their record keeping system (i.e., matching broker confirmations to custodian records), and is reported to the District and Chandler on a monthly basis.

- 8.2 Chandler through their internal compliance office and reported monthly to the District as required by the District's Investment Policy.
 - 8.3 The Senior Accountant through reconciliation of Chandler's monthly investment transaction report against the monthly transaction report provided by the Custodian.
- 9.0 Safeguarding of Assets and Records:
- 9.1 Reconciliation of investment records to the accounting records is done by the Senior Accountant (or in their absence, the Principal Accountant) on a monthly basis.
 - 9.2 Reconciliation of investment records to bank statements is performed by the Senior Accountant (or in their absence, the Principal Accountant) within one week following the receipt of the bank statement.
 - 9.3 Review of financial condition, safety, liquidity, and potential yields of investment instruments and reputation and financial condition of investment brokers is done by the District's external money manager, who is authorized to utilize the services of independent securities brokerage firms as deemed appropriate, and which meets the requirements of Government Code Section 53601.5.
- 10.0 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 monthly by the Controller, quarterly by the Advisor, and annually by the District's external independent auditors.
- 11.0 The District's Administration Committee will serve as the Oversight Investment Advisory Committee to assist the Board of Directors in monitoring treasury management activities.
- 11.1 The District's Treasurer submits a Quarterly Investment Program Performance Report which includes, but is not limited to, the following information:
- 11.1.1 Quarterly interest earnings and rates of return;
 - 11.1.2 The market value of the portfolios;
 - 11.1.3 The annualized earnings of the portfolios;
 - 11.1.4 Market recap;
 - 11.1.5 Comparisons with pre-determined benchmarks;

11.1.6 Market forecast; and

11.1.7 Proposed investment strategy for the upcoming quarter.

Internal Control Strengths

1. The specific responsibility for the performance of duties is assigned and lines of authority and reporting are clearly identified.
2. Responsibilities are commensurate with the capabilities of the personnel assigned.
3. Incompatible functions have been properly segregated to prevent errors or fraud.
4. All transactions are authorized by an appropriate responsible individual.
5. Safeguards over assets and records are in place to ensure that recorded assets exist and are properly recorded.
6. Management controls are in place to ensure that significant transactions are properly performed and recorded.

Orange County Sanitation District

**State Treasurer's Local Agency Investment Fund
Transaction Authorization Form
LAIF Account No. 70-30-006**

Effective Date of Transaction _____

Confirmation Number _____

LAIF Representative _____

BOC Representative _____

Wire transfer deposit from Banc of California
Checking Account #2030249645 in the amount of _____

Wire transfer (withdrawal) to Banc of California
Checking Account #2030249645 in the amount of _____

Prepared by:

Authorized by:

Approved by:

Name

Name

Name

Senior Accountant
Position

Controller
Position

AGM/Director of Finance/Treasurer
Position

Date

Date

Date

**State Treasurer's Local Agency Investment Fund
Wiring Instructions Form**

Deposits or withdrawals that are to take place by the end of the banking day must be initiated by 10:00 a.m.

Deposits or withdrawals that are to take place on a future date can be made between 7:30 a.m. and 4:00 p.m. if calling LAIF or between 7:00 a.m. and 7:00 p.m. via LAIF Online. You must be sure to give the effective date of the future transaction.

To Deposit Funds:

- Step 1:
1. Call LAIF at (916)-653-3001 or log in to LAIF Online, and let them know:
 - a. That you would like to make a wire transfer deposit.
 - b. The Sanitation District's LAIF account #70-30-006.
 - c. Your PIN number.
 - d. The dollar amount of deposit.
 - e. That the money will be coming from Banc of California Account No. 2030249645.
 2. LAIF will give you a confirmation number.
- Step 2:
1. Enter Banc of California LAIF wire transfer online and submit for approval.
- Step 3:
1. Give the above information to the Senior Accountant who will confirm this transaction with Banc of California.

To Withdraw Funds:

- Step 1:
1. Call LAIF at (916)-653-3001 or log in to LAIF Online, and let them know:
 - a. That you would like to make a wire transfer withdrawal.
 - b. The Sanitation District's LAIF account #70-30-006.
 - c. Your PIN number.
 - d. The dollar amount of withdrawal.
 - e. The Banc of California account receiving the funds is No. 2030249645.
 2. LAIF will give you a confirmation number.

ATTACHMENT "C" (Deposit)



TO: SEE DISTRIBUTION LIST
FROM: Controller
DATE: *MONTH DAY, 2019*
SUBJECT: RECEIPT AND INVESTMENT OF WIRE TRANSFER OF FUNDS IN THE AMOUNT OF ***\$XX MILLION, DAY OF WEEK, DAY, MONTH 2019***

On *Day of Week, Day Month 2019*, you will receive a wire transfer of funds in the exact sum of ***\$XX million***, for immediate investment in the District's Liquid Operating Monies Portfolio, as follows:

FROM: Banc of California, N.A.
ABA No: 322274527
Debit to: General Account
Account No: XXXXXX9645

TO: U.S. Bank IT&C California
ABA No: 0910000222
Credit to: OCS Chandler Liquid Operating Port 6745046600
Account No: XXXXXXXX5775

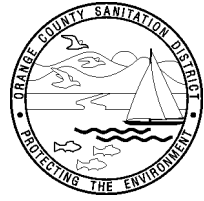
DATE: *Day of Week, Day Month 2019*

NOTE: **WIRE TRANSFER MUST BE COMPLETED AND CONFIRMED NO LATER THAN 2:00 P.M. ON *Day Month 2019*.**

Please confirm transfer completion with Controller (XX@ocsd.com) & Senior Accountant (XX@ocsd.com).

DISTRIBUTION LIST

- ___ Amy Marks/Tim Banach, U.S. Bank
- ___ Operations Team, Chandler Asset Management
- ___ William Dennehy/Ted Piorkowski, Chandler Asset Management



TO: SEE DISTRIBUTION LIST
FROM: Controller
DATE: *MONTH DAY, 2019*
SUBJECT: WIRE TRANSFER WITHDRAWAL OF FUNDS IN THE AMOUNT OF **\$XX MILLION, DAY OF WEEK, DAY, MONTH 2019**

On *Day of Week, Day Month 2019*, you are instructed to wire transfer the exact sum of **\$XX million**, from the District's Liquid Operating Monies Portfolio to the District's general bank account with Banc of California, as follows:

FROM: U.S. Bank IT&C California
ABA No: 091000022
Credit to: OCS Chandler Liquid Operating Port 6745046600
Account No: XXXXXXXX5775

TO: Banc of California, N.A.
ABA No: 322274527
Debit to: General Account
Account No: XXXXXX9645

DATE: *Day of Week, Day Month 2019*

NOTE: **WIRE TRANSFER MUST BE COMPLETED AND CONFIRMED NO LATER THAN 9:00 A.M. ON *Day Month 2019*.**

Please confirm transfer completion with Controller (XX@ocsd.com) & Senior Accountant (XX@ocsd.com).

DISTRIBUTION LIST

- ___ Amy Marks/Tim Banach, U.S. Bank
- ___ Operations Team, Chandler Asset Management
- ___ William Dennehy/Ted Piorkowski, Chandler Asset Management



December 21, 2018

Mr. Lorenzo Tyner
Assistant General Manager
Orange County Sanitation District
Administration Building
10844 Ellis Avenue
Fountain Valley, CA 92708-7018

Re: Investment Policy certification

Dear Lorenzo:

Please accept this letter as confirmation that we have received and reviewed the District's 2019 Investment Policy Statement. We have consulted with District representatives and have agreed to manage the portfolio to the selected benchmarks in accordance with the current investment policy, California Government Code, and the District's objectives of safety, liquidity and yield.

Sincerely,

A handwritten signature in black ink that reads 'William Dennehy II'. The signature is fluid and cursive, with a prominent 'W' and 'D'.

William Dennehy II, CFA
Executive Vice President, Portfolio Manager

A handwritten signature in blue ink that reads 'Nicole Dragoo'. The signature is cursive and stylized, with a large 'N' and 'D'.

Nicole Dragoo, JD, IACCP
COO, Chief Compliance Officer

Frequently Asked Questions About LAIF

QUESTIONS	YES	NO	EXPLANATION
<p>I. SECURITIES</p> <p>a. Does the pool provide a written statement of investment policy and objectives?</p> <p>b. Does the statement contain:</p> <ul style="list-style-type: none"> i. A description of authorized securities? ii. The credit standards of investments? iii. The allowable maturity range of investments? iv. The maximum allowable dollar weighted average portfolio maturity? v. The limits of portfolio concentration permitted for each type of security vi. The policy on reverse repos? <p>c. Are changes in the policies communicated to the pool participants?</p> <p>d. Is the pool rated?</p> <p>II. INTEREST</p> <p>a. Interest Calculations</p> <ul style="list-style-type: none"> i. Does the pool disclose the following about yield calculations? <ol style="list-style-type: none"> 1. Which methodology us used to calculate interest? (simple maturity, yield to maturity, etc.) 2. What is the frequency of interest payments? 3. How is interest paid? (credited to principal at the end of the month, each quarter, mailed?) 4. How are gain/losses reported? (factored monthly or only when realized?) 	<p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p>	<p>NO</p>	<p>On dollars per day.</p> <p>Quarterly.</p> <p>Credited to principal on the 15th of the month after quarter end.</p> <p>When realized.</p>

Frequently Asked Questions About LAIF

QUESTIONS	YES	NO	EXPLANATION
<p>b. Reporting</p> <p>i. Is the yield reported to participants of the pool monthly? If not, how often?</p> <p>ii. Are administrative fees of the pool deducted before quoting the yield?</p> <p>iii. Is the yield generally in line with the market yields for securities in which you usually invest?</p>	<p>YES</p> <p>YES</p> <p>YES</p>	<p></p> <p>NO</p> <p></p>	<p></p> <p>The yield is quoted prior to deduction of administrative fees.</p> <p></p>
<p>III. SECURITY</p> <p>a. Does the pool disclose safekeeping practices? If yes, what are they?</p> <p>b. Is the pool subject to audit by an independent auditor?</p> <p>c. Is the copy of the audit available to participants?</p> <p>d. Who makes the portfolio decisions?</p> <p>e. How do the investment managers monitor the credit risk of the securities in the pool?</p> <p>f. Is the pool monitored by someone on the board or a separate, neutral party external to the investment function to ensure compliance with written policies?</p> <p>g. Does the pool have specific policies with regard to repurchase agreements?</p>	<p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p> <p>YES</p>	<p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p>	<p>The Treasurer may place and maintain for safekeeping as a trust deposit with any qualified trust company, other than the depositor bank, or with the federal reserve bank or any branch thereof any securities that have been received by the Treasurer. (Government Code Section 16551) The Treasurer utilizes a custodian bank.</p> <p>State Treasurer and Investment Division Staff of the State Treasurer's Office.</p> <p>Written statement of portfolio management goals, objectives and policies, along with independent market valuations.</p> <p>Pooled Money Investment Board, Local Investment Advisory Board, and the Bureau of State Audits.</p>

Frequently Asked Questions About LAIF

QUESTIONS	YES	NO	EXPLANATION
<ul style="list-style-type: none"> i. What are those policies? 			Government Code 16430/16480, Treasurer's Statement of Investment Policies, Goals, and Objectives.
<ul style="list-style-type: none"> h. Does the pool report the portfolio's market value? 	YES		Quarterly.
<ul style="list-style-type: none"> i. Does the pool disclose the following about portfolio valuations: 			
<ul style="list-style-type: none"> <ul style="list-style-type: none"> i. The frequency with which the portfolio securities are valued? 	YES		Quarterly.
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ii. The method used to value the portfolio (cost, current value, or some other method)? 	YES		Amortized cost and current value.
<p>IV. STATEMENTS</p>			
<ul style="list-style-type: none"> a. Are statements for each account available online? 	YES		Go to www.treasurer.ca.gov/pmia-laif/laif.asp
<ul style="list-style-type: none"> <ul style="list-style-type: none"> i. Do statements show balances and transactions? 	YES		
<ul style="list-style-type: none"> b. Does the pool distribute detailed reports of its holdings? (regularly or on request only?) 	YES		On a regular monthly basis.
<p>V. FEES</p>			
<ul style="list-style-type: none"> a. Is there a written schedule of administrative costs? 	YES		
<ul style="list-style-type: none"> <ul style="list-style-type: none"> i. What are the fees? 			Statute 16429.1 requires administrative costs not to exceed 5% of earnings quarterly. However, the fees are directly correlated to the costs of operation only.
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ii. How often are they assessed? 			Quarterly.
<ul style="list-style-type: none"> <ul style="list-style-type: none"> iii. How are they paid? 			Prior to interest allocation.
<ul style="list-style-type: none"> <ul style="list-style-type: none"> iv. Are there additional fees for wiring funds? 		NO	
<ul style="list-style-type: none"> b. Are expenses deducted before quoting the yield? 		NO	

Frequently Asked Questions About LAIF

QUESTIONS	YES	NO	EXPLANATION
<p>VI. OPERATIONS</p> <p>a. Does the pool limit eligible participants?</p> <p style="padding-left: 40px;">i. What entities are permitted to invest in the pool?</p> <p>b. Does the pool allow multiple accounts and subaccounts?</p> <p>c. Is there a minimum or maximum account size?</p> <p>d. Does the pool limit the number of transactions each month?</p> <p style="padding-left: 40px;">i. What is the number of transactions permitted each month?</p> <p>e. Is there a limit in transaction amounts for withdrawals and deposits?</p> <p style="padding-left: 40px;">i. What is the minimum and maximum withdrawal amount permitted?</p> <p style="padding-left: 40px;">ii. What is the minimum and maximum deposit amount permitted?</p> <p>f. Does the pool require advance notice for deposits and/or withdrawals?</p> <p>g. Is there a cutoff time for deposits and withdrawals</p> <p>h. Are the funds 100% withdrawable at any time?</p> <p>i. Are there procedures for making deposits and withdrawals?</p>	<p></p> <p></p> <p>YES</p> <p>YES</p> <p>YES</p> <p></p> <p></p> <p>YES</p> <p>YES</p> <p>YES</p>	<p></p> <p>NO</p> <p></p> <p></p> <p></p> <p></p> <p></p> <p>NO</p> <p></p> <p></p> <p></p> <p></p>	<p>Local government units, non-profit corporations whose membership is confined to public agencies or public officials, qualified quasi-governmental agencies.</p> <p>**\$65 million maximum. No minimum account balance requirement.</p> <p>**15 transactions per regular account.</p> <p>**\$65 million maximum. \$5 thousand minimum.</p> <p>**\$65 million maximum. \$5 thousand minimum.</p> <p>However, LAIF asks that withdrawals of \$10 million or more give 24-hour notice.</p> <p>Call by 10:00 a.m. for same day credit.</p>

Frequently Asked Questions About LAIF

QUESTIONS	YES	NO	EXPLANATION
<p>i. What paperwork is required, if any?</p> <p>ii. What are the wiring procedures?</p> <p>j. Can an account remain open with a zero balance?</p> <p>k. Are confirmations sent following transactions?</p>	<p></p> <p></p> <p>YES</p> <p>YES</p>	<p></p> <p></p> <p></p> <p></p>	<p>Once resolution is authorized by governing body and banking information has been filed, authorized caller needs pin # and sending bank name for deposits plus receiving bank name and account # to be credited for withdrawals.</p> <p>Authorized caller needs pin # to be credited for interbranch transfers or fed wires.</p> <p></p> <p>Included as part of monthly statement.</p>

Revised November 21, 2018

**BOND PROCEEDS ARE ONE-TIME DEPOSIT, HAVE NO MAXIMUM DEPOSIT AMOUNT, AND ARE MAINTAINED ON THIRTY DAY INCREMENTS.

RESOLUTION NO. OCSD 18-23

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ORANGE COUNTY SANITATION DISTRICT, AUTHORIZING THE DISTRICT'S TREASURER TO INVEST AND/OR REINVEST DISTRICT'S FUNDS, ADOPTING DISTRICT'S INVESTMENT POLICY STATEMENT AND PERFORMANCE BENCHMARKS, AND REPEALING RESOLUTION NO. OCSD 17-17

WHEREAS, on December 20, 2017, the Board of Directors adopted Resolution No. 17-17, readopting the District's Investment Policy Statement, and establishing specific performance benchmarks and objectives, together with a schedule of frequency of investment performance reports; and

WHEREAS, pursuant to California Government Code Section 53607, the Board of Directors may delegate authority to invest and/or reinvest District's funds to the Treasurer for a one-year period; and

WHEREAS, pursuant to California Government Code Section 53646, the District is required to review its Investment Policy annually and readopt its Policy at a public meeting, which Policy will establish specific performance benchmarks and objectives, and specific monitoring and reports.

NOW, THEREFORE, the Board of Directors of the Orange County Sanitation District, DOES HEREBY RESOLVE, DETERMINE AND ORDER:

Section 1: That the authority of the Board of Directors to invest or reinvest District's surplus funds, or to sell or exchange securities so purchased, or to deposit for safekeeping the funds and investments of the Districts with depositories, as provided for in California Government Code Sections 53608 and 53630, is hereby delegated to the District's Treasurer for a one-year period, January 1, 2019 through December 31, 2019, as authorized by California Government Code Section 53607.

Section 2: That the Board of Directors hereby adopts the Investment Policy Statement of the Orange County Sanitation District, as set forth in Exhibit "A", attached hereto and incorporated herein by reference.

Section 3: That the Board of Directors hereby adopts the following specific performance benchmarks for their two investment funds in accordance with Section 14.0 of the District's Investment Policy:

LIQUID OPERATING MONIES: The Short-Term Operating Fund will be compared to the three-month T-Bill rate, and the Callan Active Cash Flow Income Style Group. The Callan Active Cash Flow Income Style Group represents a peer group of managers who operate with a maximum maturity of one year.

LONG-TERM OPERATING MONIES: The Long-Term Operating Fund will be compared to the Merrill Lynch Government and Corporate One-to-Five Year Maturity Index and to the Callan Defensive Fixed Income Style Group.

Section 4: That the Board of Directors hereby adopts a performance monitoring and reporting schedule, as required by Section 15.0 of the District's Investment Policy, which schedule is attached hereto as Exhibit "B", and incorporated herein by reference.

Section 5: That Resolution No. OCSD 17-17 is hereby repealed.

PASSED AND ADOPTED at regular meeting of the Board of Directors, Orange County Sanitation District held December 19, 2018.



David John Shawver
Board Chairman

ATTEST:



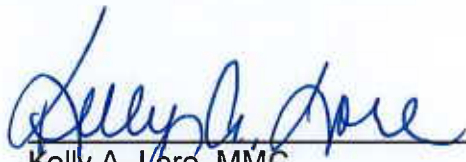
Kelly A. Lore, MMC
Clerk of the Board

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

I, Kelly A. Lore, Clerk of the Board of Directors of the Orange County Sanitation District, do hereby certify that the foregoing Resolution No. OCSD 18-23 was passed and adopted at a regular meeting of said Board on the 19th day of December 2018, by the following vote, to wit:

AYES: Avery (Alternate); Bernstein; Collacott; Deaton; Ferryman; Hawkins; Kim; Kring; R. Murphy; Nagel; Nguyen; Parker; Peterson; Shaw; Shawver; Silva; F. Smith; Wagner; Wanke; Withers and Yarc
NOES: None
ABSTENTIONS: None
ABSENT: Jones; M. Murphy (Alternate); Steel; and VACANT (Santa Ana)

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of Orange County Sanitation District this 19th day of December 2018.



Kelly A. Lore, MMC
Clerk of the Board of Directors
Orange County Sanitation District

EXHIBIT “B”

Calendar Year 2019 Performance Monitoring & Reporting Schedule

For the Administration Committee and Board of Directors meetings of:		The Quarterly Investment Management Program Report to be presented for the period of:
January 2019 (Board Only)		
February		Oct – Dec 2018
March		
April		
May		Jan – March 2019
June		
July		
August (Board only)		April – June 2019
September		
October		
November		July – Sept 2019
December		

EXHIBIT "B"
ORANGE COUNTY SANTIATION DISTRICT
PERFORMANCE MONITORING & REPORTING SUMMARY
FOR THE DISTRICT'S INVESTMENT PROGRAM

POLICY REFERENCE	PERFORMANCE CHARACTERISTIC	REPORTING PARTY*		
		Chandler	U.S. Bank	Callan
17.2.1	Cost and market value of the portfolio (monthly mark-to-market).	M, Q	M, Q	Q
17.2.2	Modified duration of the portfolio compared to benchmark.	M, Q		Q
17.2.3	Dollar change in value of the portfolio for a 1% change in interest rate.	M, Q		Q
17.2.4	Percent of portfolio invested in reverse repurchase agreements, and a schedule which matches the maturity of such reverse repurchase agreements with the cash flows which are available to repay them at maturity.	M, Q		
17.2.5	For the Liquid Operating Monies account only, the percent of portfolio maturing within 90 days.	M, Q		Q
17.2.6	Average portfolio credit quality.	M, Q		Q
17.2.7	Percent of portfolio with credit ratings below "A" by any rating agency, and a description of such securities.	M, Q		Q
17.2.8	Listing of any transaction or holdings which do not comply with this policy or with the California Government Code.	M, Q		
17.2.9	Time-weighted total rate of return for the portfolio for the prior three months, twelve months, year-to-date, and since inception compared to the benchmark returns for the same periods.	M, Q		Q
ADDL**	Comparison of portfolio performance to market index benchmark.	M, Q		Q
ADDL**	Comparison of Manager's performance to peer group benchmark.			Q
ADDL**	Monitoring of organizational and structural changes of investment management firm.			Q
ADDL**	Audit portfolios for compliance with investment policy guidelines.			Q
17.2.10	OCSD will report if sufficient funds are available for it to meet operating expenditure requirements for the next six months, or if not, state the reason for the shortfall.			

Notes

*M = Monthly

*Q = Quarterly

**ADDL = Monitoring of Additional Performance Characteristics



October 31, 2018

STAFF REPORT

Quarterly Treasurer's Report
For the Three Months Ended September 30, 2018

SUMMARY

Section 15.0 of the Sanitation District's Investment Policy includes quarterly reporting requirements for the Sanitation District's two investment portfolios. These two funds, the "Liquid Operating Monies," and the "Long-Term Operating Monies" are managed by Chandler Asset Management, the Sanitation District's external money manager.

The ongoing monitoring of the Sanitation District's investment program by staff and Callan Associates, the Sanitation District's independent investment advisor, indicates that the Sanitation District's investments are in compliance with the Sanitation District's adopted Investment Policy and the California Government Code, and that overall performance has tracked with benchmark indices. In addition, sufficient liquidity and anticipated revenues are available for the Sanitation District to meet budgeted expenditures for the next six months. The Sanitation District's portfolios do not include any reverse repurchase agreements or derivative securities.

ADDITIONAL INFORMATION

Performance Reports

The Quarterly Strategy Review, prepared by Chandler Asset Management, and the Investment Measurement Service Quarterly Review, prepared by Callan Associates, is attached for reference. Also attached are Long-Term and Liquid Operating Monies Summary of Performance Data and Portfolio Statistics charts that depict the performance results, estimated yield and duration, credit quality, and sector diversification of the Sanitation District's portfolios, as of September 30, 2018. The Liquid Operating Monies portfolio, with an average maturity of 80 days, consists entirely of high quality fixed income investments consistent with the Sanitation District's investment policy.

Portfolio Performance Summary

The following table presents a performance summary of the Sanitation District's portfolios as compared to their benchmarks for the period July 1 through September 30, 2018.

Quarterly Treasurer's Report
 For the Three Months Ended September 30, 2018
 Page 2 of 4

Portfolio Performance Summary Quarter Ended September 30, 2018				
	Liquid Operating Monies (%)		Long-Term Operating Monies (%)	
	Total Rate of Return	Benchmark ⁽¹⁾	Total Rate of Return	Benchmark ⁽¹⁾
3 Months	0.52	0.49	0.27	0.20
6 Months	0.97	0.95	0.52	0.37
9 Months	1.32	1.30	0.19	-0.08
12 Months	1.61	1.59	-0.05	-0.40
Annualized Since inception 30 Nov 2014	0.76	0.66	0.90	0.78
Market Value	\$75.2 M		\$462.1 M	
Average Quality	"AA+"/"Aa1"		"AA"/"Aa1"	
Current Yield (%)	1.8		2.1	
Estimated Yield to Maturity (%)	2.3		2.9	
Quarterly Deposits (Withdrawals)	(\$81.5 M)		\$0 M	
Estimated Annual Income	\$1.7 M		\$10.1 M	

(1) Benchmarks:

- Liquid Operating Portfolio: ICE BAML 3-Month Treasury Bill Index
- Long-Term Operating Portfolio: ICE BAML Corp/Govt. 1-5 Year Bond Index

Portfolio Market Values

Comparative marked-to-market quarter-end portfolio values are shown in the following table, and in the attached bar chart.

Quarter Ending	Liquid Operating Monies (\$M)	Long-Term Operating Monies (\$M)
31 Dec. 17	145.5	396.6
31 Mar. 18	92.9	412.8
30 Jun. 18	156.1	460.8
30 Sep. 18	75.2	462.1

The Sanitation District's Investment Account Balances as of September 30, 2018

Investment Accounts	Book Balances September 30, 2018	Estimated Yield (%)
State of California LAIF	\$52,566,663	2.06
Union Bank Checking Account	51,038	0.25
Union Bank Overnight Sweep Account	172,519	1.81
Banc of California Checking Account	50,000	0.85
Banc of California Overnight Sweep Account	2,782,939	0.20
Union Bank W/C Checking	66,795	0.25
Banc of California W/C Checking	119,826	0.85
Union Bank Mount Langley Account	249,969	0.80
Union Bank Bandilier Account	80,583	0.80
Chandler – Short-term Portfolio	74,915,852	2.25
Chandler – Long-term Portfolio	459,971,998	2.85
Petty Cash	3,000	N/A
BNY Mellon OCIP Reserve	<u>3,616,386</u>	0.87
TOTAL	<u>\$594,647,568</u>	2.68
Debt Service Reserves w/Trustees	<u>\$4,954,057</u>	1.95

The Sanitation District's Cost of Funds on Debt Issues as of September 30, 2018

Cost of Funds Issue Description	Outstanding COP Balance	Annual Interest Rate (%)
2009A Fixed	\$4,690,000	4.72
2010A Fixed	80,000,000	3.68
2010C Fixed	157,000,000	4.11
2011A Fixed	75,370,000	2.61
2012A Fixed	100,645,000	3.54
2012B Fixed	66,395,000	1.50
2014A Fixed	78,375,000	2.34
2015A Fixed	127,510,000	3.30
2016A Fixed	145,880,000	3.02
2016B Fixed	109,875,000	0.87
2017A Fixed	<u>66,370,000</u>	2.55
TOTAL	<u>\$1,012,110,000</u>	
Weighted Avg. Cost of Funds		2.89

ATTACHMENTS

1. Chandler Quarterly Report
2. Summary of Performance Data and Portfolio Statistics – Liquid Operating Monies
3. Summary of Performance Data and Portfolio Statistics – Long Term Operating Monies
4. Investment Transactions and Balances in LAIF
5. Asset Summary by Asset Type – Liquid Operating Portfolio
6. Asset Summary by Asset Type – Long Term Portfolio
7. Asset Summary by Asset Type – Owner Controlled Insurance Program Escrow Account
8. Investment Listing (Yield Analysis Report)
9. Asset Detail – Consolidated
10. Custody Transaction History – Consolidated
11. Callan Quarterly Review
12. Chandler Quarterly Review
13. Rating Agency Comparisons

September 30, 2018

Mr. Lorenzo Tyner
Assistant General Manager
Director of Finance and Administrative Services
Orange County Sanitation District
10844 Ellis Avenue
Fountain Valley CA 92708-7018

Dear Lorenzo,

Bond Market Recap

As expected, the Federal Open Market Committee (FOMC) voted to raise the fed funds target rate by 25 basis points to a range of 2.00%-2.25% at the September 26th meeting. The vote was unanimous, including a vote from the new Board of Governors Vice Chair, Richard Clarida. The Fed raised its median forecast for GDP growth in 2018 and 2019 and left its forecasts for unemployment and inflation relatively unchanged. The Fed also kept its fed funds rate forecasts unchanged with the exception of the longer-run target which increased slightly to 3.0%. The Fed's forecast points to one more fed funds rate hike this year and three more hikes next year. Once again, in its policy statement, the FOMC noted that economic activity has been rising at a "strong rate" and policymakers expect that further gradual increases in the fed funds rate will be appropriate. The FOMC continues to believe risks to the economic outlook are roughly balanced. Market participants believe there is a very high probability that there will be another rate hike in December.

Although the labor market is strong and consumer confidence remains high, we do not believe the economy is close to overheating. The Core PCE Index suggests that inflation is in line with the Fed's 2.0% target. Market participants are forecasting annualized GDP growth of about 3.0% in the third quarter, 2.8% in the fourth quarter, and 2.5% next year.

Treasury yields increased in September. At month-end, the 2-year Treasury yield was up 19 basis points to 2.82%, while the 10-year Treasury yield was up 20 basis points to 3.06%. The spread between 2- and 10-year Treasury yields remained narrow at just 24 basis points at month-end. Over the past 20 years, the average spread between 2- and 10-year Treasuries has been about 140 basis points. We foresee an upward bias to rates across the Treasury yield curve but believe that the yield curve will remain quite flat over the intermediate-term.

Consumer Prices

The Consumer Price Index (CPI) was up 2.7% year-over-year in August, versus up 2.9% year-over-year in July. Core CPI (CPI less food and energy) was up 2.2% year-over-year in August, down from 2.4% year-over-year in July. The Personal Consumption Expenditures (PCE) index was up 2.2% year-over-year in August, down slightly from 2.3% year-over-year in July. Core PCE (excluding food and energy) was up 2.0% on a year-over-year basis in August, unchanged from 2.0% in July. Core PCE inflation, which is the Fed's primary inflation gauge, remains in line with the Fed's 2.0% target.

Retail Sales

On a year-over-year basis, retail sales were up 6.6% in August, versus up 6.7% year-over-year in July. On a month-over-month basis, retail sales increased just 0.1% in August, following an upwardly revised increase of 0.7% in July. Strong sales in July were somewhat offset by softer trends in August, but the overall pace of consumer spending in the third quarter appears solid.

Labor Market

U.S. payrolls rose by 134,000 in September, below the consensus forecast of 185,000. However, July and August payrolls were revised up by a total of 87,000. On a trailing 3-month and 6-month basis payrolls increased by an average of 190,000 and 203,000 per month, respectively, more than enough to absorb new entrants into the labor market. The unemployment rate declined further in September to 3.7% from 3.8% in August. The labor participation rate was unchanged month-over-month at 62.7%. A broader measure of unemployment called the U-6, which includes those who are marginally attached to the labor force and employed part time for economic reasons, increased to 7.5% from 7.4% in August. Wages rose 0.3% in September on a month-over-month basis, in line with expectations. Wages were up 2.8% on a year-over-year basis in September, versus up 2.9% year-over-year in August. The average workweek was unchanged at 34.5 hours. Overall, the September employment report indicates the labor market remains strong, and there is steady but modest upward pressure on wages.

Housing Starts

Total housing starts increased 9.2% in August. Single-family starts increased 1.9% in August while multi-family starts surged 29%. However, permits fell 5.7% in August. Housing data tends to be volatile on a month-over-month basis. Broadly speaking, the housing sector is facing a few different headwinds including supply constraints, rising mortgage interest rates, and a shortage of skilled labor.

TREASURY YIELDS	9/30/2018	6/30/2018	CHANGE
3 Month	2.20	1.92	0.28
2 Year	2.82	2.53	0.29
3 Year	2.88	2.62	0.26
5 Year	2.95	2.74	0.21
7 Year	3.02	2.82	0.20
10 Year	3.06	2.86	0.20
30 Year	3.21	2.99	0.22

Economy Growth Remains Favorable

ECONOMIC INDICATOR	Current Release	Prior Release	One Year Ago
Trade Balance	(53.2) \$Bln AUG 18	(50.0) \$Bln JUL 18	(44.2) \$Bln AUG 17
GDP	4.2% JUN 18	2.2% MAR 18	3.0% JUN 17
Unemployment Rate	3.7% SEP 18	3.9% AUG 18	4.2% SEP 17
Prime Rate	5.25% SEP 18	5.0% AUG 18	4.25% SEP 17
CRB Index	195.16 SEP 18	192.96 AUG 18	183.09 SEP 17
Oil (West Texas Int.)	\$73.25 SEP 18	\$69.80 AUG 18	\$51.67 SEP 17
Consumer Price Index (y/o/y)	2.7% AUG 18	2.9% JUL 18	1.9% AUG 17
Producer Price Index (y/o/y)	3.0% SEP 18	3.6% AUG 18	3.3% SEP 17
Dollar/Euro	1.16 SEP 18	1.16 AUG 18	1.18 SEP 17

Source: Bloomberg

Performance Attribution

Long-Term Portfolio

The portfolio outperformed during the quarter, generating a total return of 0.27% compared to the 0.20% return for the ICE Bank of America Merrill Lynch 1-5 Year US Corporate and Government AAA-A Index, a positive differential of 0.07%. From a sector allocation perspective, the out of benchmark allocation to the Asset Backed sector, as well as the mix of securities making up the Corporate allocation, were additive to the relative performance differentiation of the portfolio. From a maturity distribution perspective, the out of benchmark positioning in securities with maturities shorter than the benchmark were additive to the results of the portfolio.

The Chandler team added several securities to the portfolio in the Treasury, Agency, Asset Backed and Corporate sectors of the market to keep the portfolio structure in-line with Chandler targets. The purchased securities ranged in maturity from October 2018 to July 2023. Four securities matured during the reporting period to facilitate the new holdings in the portfolio. The sector allocation remained relatively stable. Some of the notable adjustments include the 1.9% increase in the Asset Backed allocation, to 9.0% of the portfolio, mostly offset by the 1.8% decline in the Commercial Paper allocation, to 1.9% of the portfolio. The duration of the portfolio modestly contracted, currently 2.37 compared to 2.43 at the end of the prior reporting period. The Chandler team would like to increase the duration of the portfolio, but preferably in the Corporate sector, and the team remains patient in adding exposure to new names in the portfolio with the appropriate level of spread compensation.

Liquid Portfolio

The portfolio outperformed the ICE Bank of America Merrill Lynch 3 Month Treasury Bill Index by 0.03%, generating a return of 0.52% versus 0.49% for the benchmark. Multiple securities were purchased across the Treasury, Agency, Supranational, Certificate of Deposit and Corporate sectors to keep the portfolio fully invested. The purchased securities ranged in maturity from August 2018 to April 2019. Many securities matured and a net \$81.5 million was withdrawn from the portfolio during the reporting period. The sector allocation evolved with the large liquidity needs during the reporting period. Notably the Treasury allocation remains higher than the historical experience due to the increased issuance of the Treasury sector, improving valuations, offset by the light funding needs of both Fannie Mae and Freddie Mac, which is leading to unattractive valuations in the Agency sector. The duration of the portfolio modestly increased, as the next forecasted liquidity need is not until January 31, 2019.

Economic Outlook

The global economic backdrop remains bifurcated with better performance in developed market assets, in particular the US, and more pronounced weakness in emerging markets. The gradual normalization of domestic monetary policy is contributing to the downward pressure on emerging market currencies. So far this year the Federal Reserve has increased the Fed Funds rate three times, 0.25% per quarter, to a current target of 2.00% to 2.25%. The normalization of monetary policy domestically is in stark contrast to other developed market central banks, where policy remains stimulative and the normalization of traditional monetary policy has yet to commence. The US Treasury curve has continued to move higher and flatten, with short tenor interest rates moving higher than longer tenor interest rates, as fears of accelerating inflation remain muted keeping longer tenor interest rates contained despite the aforementioned increase in the Fed Funds rate.

Risk assets performed well in the third quarter, recovering from the lackluster performance in the second quarter of this year. Domestic equity market performance was strong and credit spreads moved modestly tighter as the economic data in the US remains constructive. Although the three-month moving average on non-farm payrolls decelerated to 190k per month, compared to a three-month moving average of 217k at the end of June, the pace of job growth remains comfortably above the amount required to continue to put downward pressure on the unemployment rate. The traditional measure of unemployment, the U-3 rate, edged down 0.3% to 3.7% at the end of the quarter, while the U-6 unemployment rate, which includes part time and marginally attached workers, also moved lower by 0.3% to 7.5%. Wage inflation, which Chandler quantifies as average hourly earnings on a year over year basis, increased by 0.1% to 2.8% compared to the 2.7% reading at the end of June. Wage inflation continues to underwhelm compared to the historical experience when the U-3 unemployment rate was below 4.0% and remains a conundrum for Federal Reserve policy going forward. In light of current demographic trends and the low US labor force participation rate, most recently reported at 62.7%, the U-6 unemployment rate may be a better indicator of the overall employment situation with the current reading above levels typically associated with accelerating wage inflation. Although the price of oil firmed in the quarter with the escalation of geopolitical conflicts, other commodity prices remained soft, in particular copper, traditionally a leading indicator of global economic growth.

Somewhat surprising to the Chandler team, financial conditions domestically remain accommodative despite the overall increase in interest rates, the continued shrinkage of the Federal Reserve's balance sheet (which will increase to \$50 billion per month starting in the fourth quarter), increased Treasury issuance to fund the tax cuts and growing deficit, and the tightening of financial conditions outside the US. The Chandler team questions how much longer financial conditions can remain accommodative domestically given the divergent trends in Europe and Asia. With the Fed Funds rate finally above 2.0%, and another 0.25% increase expected by market participants in December, the 'cost' of money and the overall increase in interest rates will ultimately tighten financial conditions. However, until financial conditions tighten domestically, the Federal Reserve will be reluctant to alter the current pace of monetary policy normalization.

Strategy

Strategy highlights for the Long-Term Portfolio in coming months:

- Increase the allocation to the Corporate sector
 - The current allocation is 24.5%; the Chandler team would like to add one or two additional names to the portfolio to bring the total allocation above 26.0%.
 - The team would prefer to add exposure to new names with attractive relative valuations and stable to improving fundamentals as opposed to addition to exposure in existing names and/or positions.
- Continue to expand the Asset Backed allocation to be above 10.0% of the total portfolio. Ideally the exposure would be obtained via the new issue market.
- Assuming issuance increases in the primary market, add to the Supranational asset allocation of the portfolio.
- Increase the overall duration of the portfolio to be closer to the benchmark considering the drift lower in the interest rate sensitivity of the portfolio in the third quarter.

Strategy highlights for the Liquidity Portfolio in coming months:

- Continue to ladder the Treasury and Agency exposure to coincide with forecasted liquidity needs.
- Opportunistically add Corporate, Negotiable CD, and Commercial Paper exposure to the portfolio where the additional spread compensation versus like maturity Treasury notes is attractive.
- Maintain a dedicated exposure to the Treasury sector on an ongoing basis to ensure ample liquidity in the portfolio.

Compliance Issues



Orange County Sanitation District Long Term
 September 30, 2018

COMPLIANCE WITH INVESTMENT POLICY

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

Category	Standard	Comment
Treasury Issues	5 years max maturity; Minimum allocation of 10%	Complies*
U.S. Agencies	20% max issuer; 5 years max maturity	Complies
Supranational	"AA" rated or better by a NRSRO; 30% maximum; 5 years max maturity; USD denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by IBRD, IFC, or IADB	Complies
Corporate (MTNs)	"A" rated or better long term debt by a NRSRO; 30% maximum; 5% max issuer; 5 years max maturity; Issued by corporations organized and operating within the U.S. or issued by depository institutions licensed by the U.S.	Complies
Municipal Securities	"A" rated or higher by a NRSRO; 10% maximum; 5% max issuer; 5 years max maturity	Complies
Asset Backed/ CMOs/ Mortgage-backed	"AA" rated or better by a NRSRO; "A" or higher issuer rating by a NRSRO; 20% maximum; 5% max issuer (excluding govt agency/mbs); 5 years max maturity	Complies*
Negotiable CDs	"A" rated or better long term debt by a NRSRO; or "A-1" highest short term rating by a NRSRO; 30% maximum; 5% max issuer; 5 years max maturity	Complies
Certificates of Deposit	5% max issuer; 5 years max maturity; Secured/ collateralized	Complies
Banker's Acceptances	A-1 rated or equivalent short term rating by a NRSRO; 40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1 rated or equivalent short term rating by a NRSRO; "A" or better long term debt issuer by a NRSRO; Issued by a domestic corporation organized and operating in the US with AUM > \$500million; 25% maximum; 5% max issuer; 270 days max maturity	Complies
Mutual Fund & Money Market Mutual Fund	Highest rating or "AAA" rated by two NRSROs; SEC registered adviser with AUM > \$500 million and experience greater than 5 years; 10% per one Mutual Fund; 20% max per issuer on Money Market Mutual Funds; 20% max of the District's surplus money	Complies
Repurchase Agreements	102% collateralization	Complies
Reverse Repurchase Agreements	5% maximum, 90 days max maturity	Complies
LAIF	Not used by investment adviser	Complies
OCIP	Not used by investment adviser	Complies
Avg Duration	Not to exceed 60 months - (80% to 120% of the benchmark)	Complies
Max Per Issuer	5% of portfolio (except Supranationals, U.S. Government, Agencies, Mutual Fund)	Complies
Maximum Maturity	5 years maximum maturity	Complies*

*The portfolio has twenty-one (21) securities with maturities greater than 5 years including four (3) CMOs, seventeen (17) MBS and one (1) treasury. All securities were inherited from the previous manager and complied at time of purchase.



Orange County Sanitation District Liquid
September 30, 2018

COMPLIANCE WITH INVESTMENT POLICY

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

Category	Standard	Comment
Treasury Issues	1 year max maturity; Minimum allocation of 10%	Complies
U.S. Agencies	20% max issuer; 1 year max maturity	Complies
Supranational	"AA" rated or better by a NRSRO; 30% maximum; 1 year max maturity; USD denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by IBRD, IFC, or IADB	Complies
Corporate (MTNs)	"A" rated or better long term debt by a NRSRO; 30% maximum; 5% max issuer; 1 year max maturity; Issued by corporations organized and operating within the U.S. or issued by depository institutions licensed by the U.S.	Complies
Asset Backed/ CMOs	"AA" rated or better by a NRSRO; "A" or higher issuer rating by a NRSRO; 20% maximum; 5% max issuer; 1 year max maturity	Complies
Negotiable CDs	"A" rated or better long term debt by a NRSRO; or "A-1"/ highest short term rating by a NRSRO; 30% maximum; 5% max issuer; 1 year max maturity	Complies
Certificates of Deposit	5% max issuer; 1 year max maturity; Secured/collateralized	Complies
Banker's Acceptances	A-1 rated or equivalent short term rating by a NRSRO; 40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1 rated or equivalent short term rating by a NRSRO; "A" or better long term debt issuer by a NRSRO; Issued by a domestic corporation organized and operating in the US with AUM > \$500million; 25% maximum; 5% max issuer; 270 days max maturity	Complies
Mutual Fund & Money Market Mutual Fund	Highest rating or "AAA" rated by two NRSROs; SEC registered adviser with AUM >\$500 million and experience greater than 5 years; 10% per one Mutual Fund; 20% max per issuer on Money Market Mutual Funds; 20% max of the District's surplus money	Complies
Repurchase Agreements	102% collateralization	Complies
Reverse Repurchase Agreements	5% maximum, 90 days max maturity	Complies
LAIF	Not used by investment adviser	Complies
OCIP	Not used by investment adviser	Complies
Prohibited	Municipal Securities	Complies
Prohibited	Mortgage Securities	Complies
Avg Duration	Not to exceed 180 days; Max duration of 1/2 year	Complies
Max Per Issuer	5% of portfolio (except Supranationals, U.S. Government, Agencies, Mutual Fund)	Complies
Maximum Maturity	1 year maximum maturity	Complies


OCSD Lehman Exposure
September 30, 2018
COMPLIANCE WITH INVESTMENT POLICY

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

Category	Standard	Comment
Treasury Issues	5 years maximum maturity	Complies
Supranational	"AA" or better by 1 of 3 NRSROs; 30% maximum; 5% max; 5 years maturity; Includes only: IADB, IBRD, and IFC per CGC	Complies
U.S. Agencies	20% max issuer; 5 years maximum maturity	Complies
U.S. Corporate (MTNs)	"A" or better long term rating by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years max maturity	Complies*
Municipal Securities	"A" or higher by 1 of 3 NRSROs; 10% maximum; 5% max issuer; 5 years maximum maturity	Complies
Asset Backed/ CMOs/ Mortgage-backed	"AA" or better by 1 of 3 NRSROs; "A" or higher issuer rating by 1 of 3 NRSROs; 20% maximum; 5% max issuer (excluding MBS/govt agency); 5 years max maturity	Complies
Negotiable CDs	"A" or better on its long term debt by 1 of 3 NRSROs; "A1/P1" or highest short term ratings by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years max maturity	Complies
CDs/ TDS	5% max issuer; 5 years max maturity	Complies
Banker's Acceptances	A-1, or equivalent highest short term rating by 1 of 3 NRSROs; 40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1, or equivalent by 1 of 3 NRSROs; "A" or better by 1 of 3 NRSROs, if long term debt issued; 25% maximum; 5% max issuer; 270 days max maturity	Complies
Money Market Fund	Highest rating by 2 of 3 NRSROs; 20% maximum; 10% max issuer	Complies
Repurchase Agreements	102% collateralization	Complies
Reverse Repurchase Agreements	5% maximum, 90 days max maturity	Complies
LAIF	Not used by investment adviser	Complies
Avg Duration	Not to exceed 60 months - (80% to 120% of the benchmark)	Complies
Maximum Maturity	5 years maximum maturity	Complies

* Account holds \$2 million face value (cusip 525ESC0Y6) and \$600,000 face value (cusip 525ESC1B7) of defaulted Lehman Bros Holdings that were purchased by the previous manager. Complied at time of purchase.

Defaulted Bonds

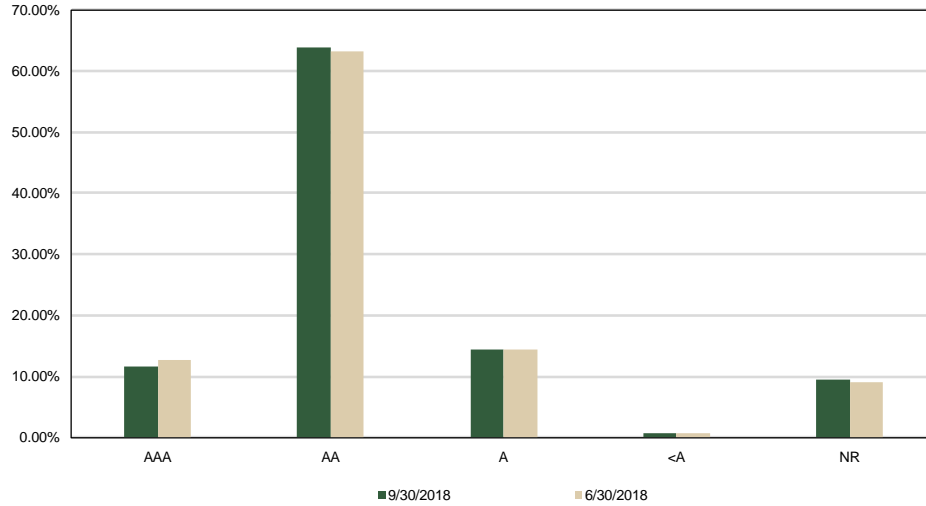
OCSD Lehman Exposure - Account #10284
For the Month Ending 9/30/2018

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
Common Stock									
SLHOPNTA4	Lehman Brothers, Inc Open Position Long Exposure 0.000% Due 09/30/2018	60,641.49	11/21/2014 0.00%	57,842.64 57,842.64	0.42 0.00%	25,621.03 0.00	26.00% (32,221.61)	NR / NR NR	0.00 0.00
Total Common Stock		60,641.49	0.00%	57,842.64	0.00%	25,621.03	26.00%	NR / NR	0.00
US Corporate									
525ESCIB7	Lehman Brothers Note-Def aulted 0.000% Due 01/24/2019	600,000.00	09/19/2008 0.00%	327,458.23 327,458.23	2.82 0.00%	16,920.00 0.00	17.17% (310,538.23)	NR / NR NR	0.32 0.00
525ESC0Y6	Lehman Brothers Note-Def aulted 0.000% Due 10/22/2049	2,000,000.00	09/18/2008 0.00%	1,056,016.56 1,056,016.56	2.80 0.00%	56,000.00 0.00	56.83% (1,000,016.56)	NR / NR NR	31.08 0.00
Total US Corporate		2,600,000.00	0.00%	1,383,474.79	0.00%	72,920.00	74.00%	NR / NR	23.94
TOTAL PORTFOLIO		2,660,641.49	0.00%	1,441,317.43	0.00%	98,541.03	100.00%	NR / NR	17.72
TOTAL MARKET VALUE PLUS ACCRUALS						98,541.03			

Ratings

Orange County Sanitation District Long Term

September 30, 2018 vs. June 30, 2018

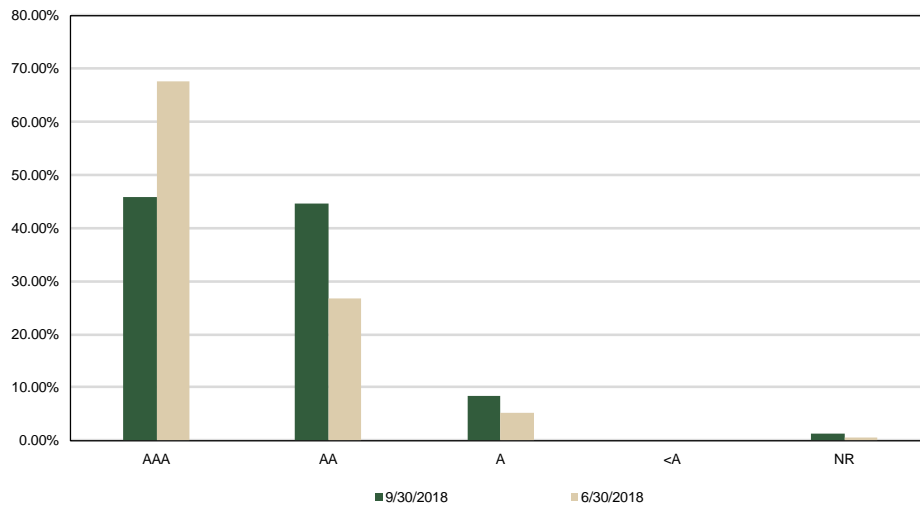


	AAA	AA	A	<A	NR
09/30/18	11.6%	63.8%	14.5%	0.6%	9.5%
06/30/18	12.7%	63.3%	14.4%	0.7%	9.0%

Source: S&P Ratings

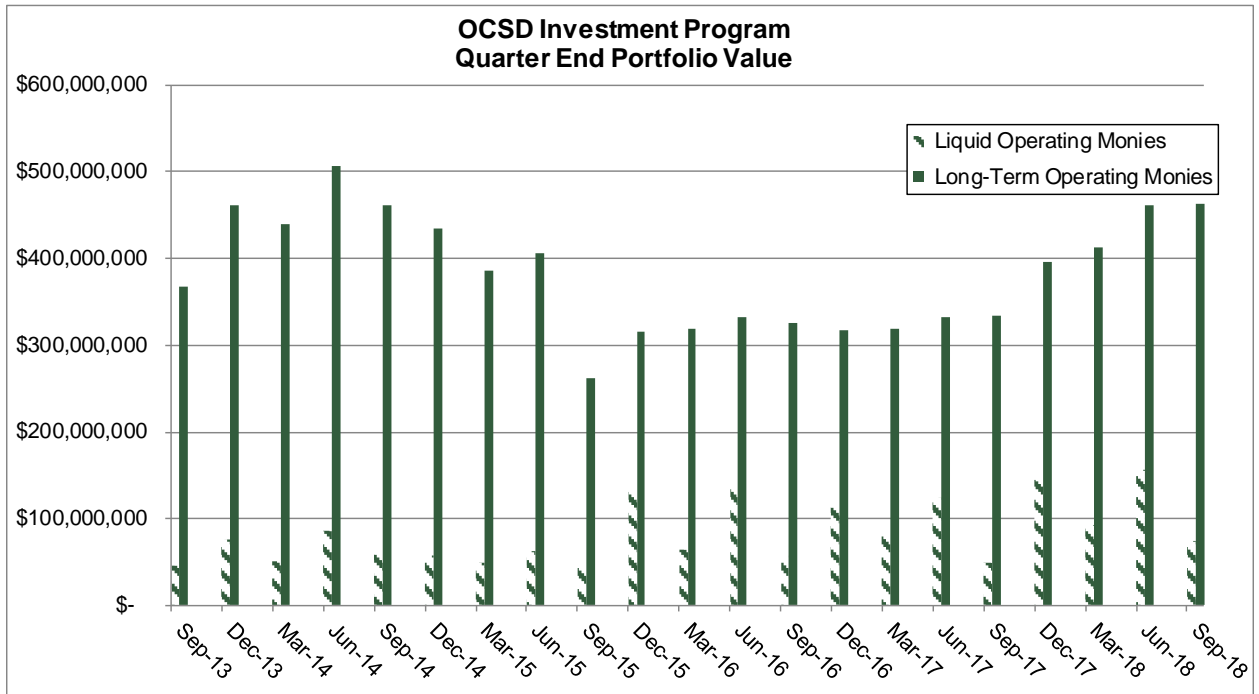
Orange County Sanitation District Liquid

September 30, 2018 vs. June 30, 2018

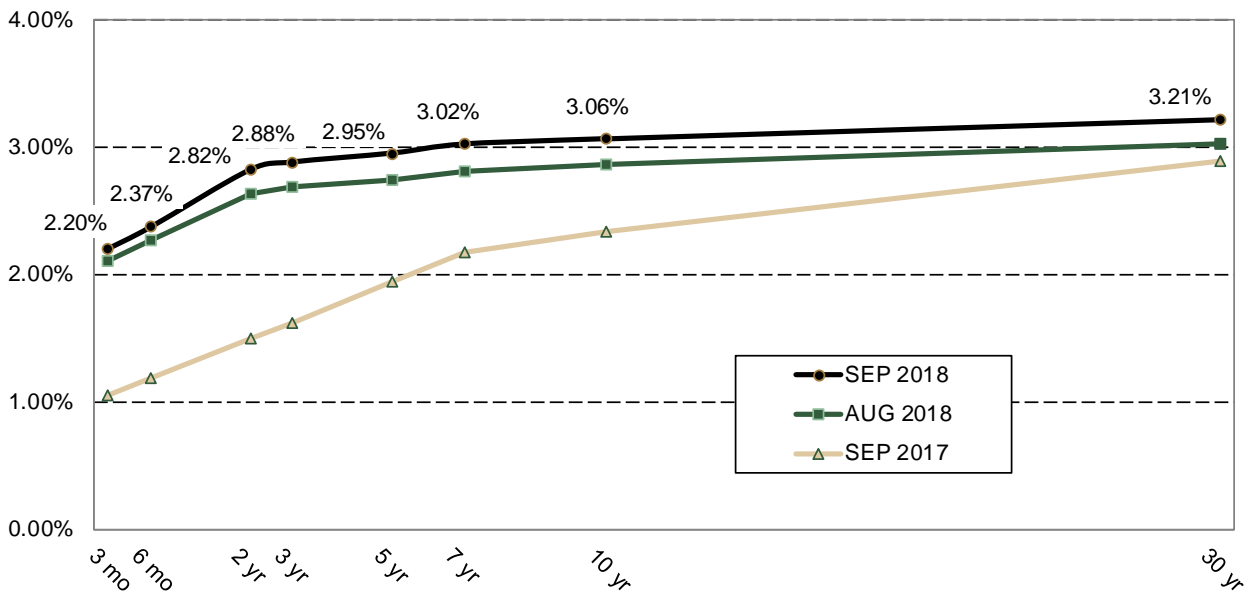


	AAA	AA	A	<A	NR
09/30/18	45.7%	44.6%	8.3%	0.0%	1.3%
06/30/18	67.5%	26.7%	5.2%	0.0%	0.6%

Source: S&P Ratings



HISTORICAL YIELD CURVE





PORTFOLIO CHARACTERISTICS

Average Modified Duration	0.22
Average Coupon	1.83%
Average Purchase YTM	2.23%
Average Market YTM	2.25%
Average S&P/Moody Rating	AA+/Aa1
Average Final Maturity	0.22 yrs
Average Life	0.17 yrs

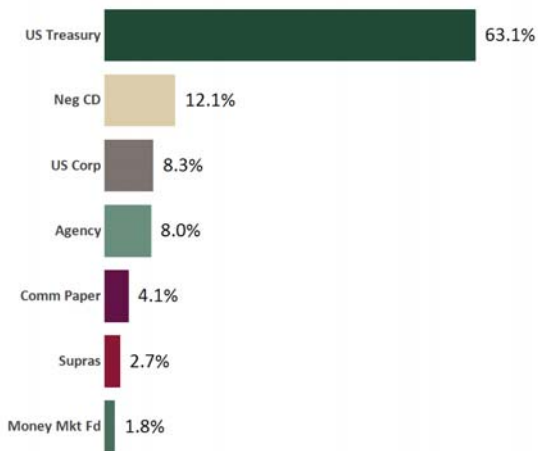
ACCOUNT SUMMARY

	Beg. Values as of 8/31/18	End Values as of 9/30/18
Market Value	107,833,985	74,948,329
Accrued Interest	198,635	228,957
Total Market Value	108,032,620	75,177,285
Income Earned	200,614	154,199
Cont/WD		-33,000,000
Par	107,980,140	75,106,706
Book Value	107,831,077	74,954,954
Cost Value	107,532,104	74,821,535

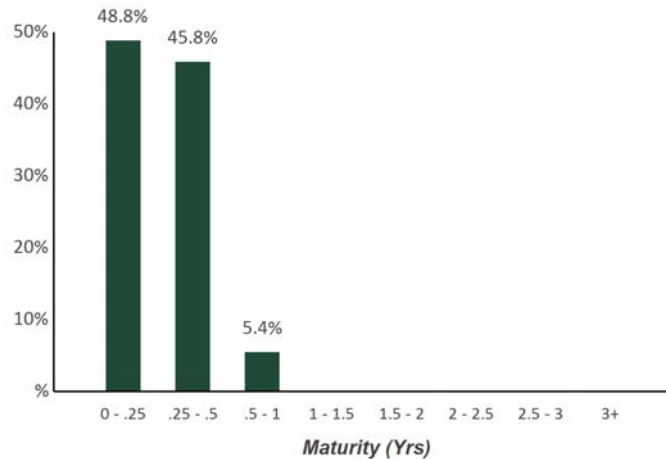
TOP ISSUERS

Government of United States	63.1%
Federal Home Loan Bank	8.0%
MUFG Bank Ltd/NY	4.1%
Toronto Dominion Holdings	4.0%
Bank of Montreal Chicago	4.0%
Royal Bank of Canada	2.7%
International Finance Corp	2.7%
Bank of America Corp	2.0%
Total	90.6%

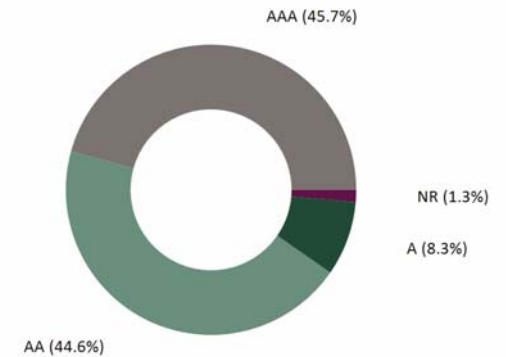
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

TOTAL RATE OF RETURN	Annualized								
	1M	3M	YTD	1YR	2YRS	3YRS	5YRS	10YRS	11/30/2014
Orange County Sanitation District Liquid	0.16%	0.52%	1.32%	1.61%	1.17%	0.92%	N/A	N/A	0.76%
ICE BAML 3-Month US Treasury Bill Index	0.15%	0.49%	1.30%	1.59%	1.12%	0.84%	N/A	N/A	0.66%



PORTFOLIO CHARACTERISTICS

Average Modified Duration	2.37
Average Coupon	2.05%
Average Purchase YTM	2.18%
Average Market YTM	2.85%
Average S&P/Moody Rating	AA/Aa1
Average Final Maturity	2.74 yrs
Average Life	2.49 yrs

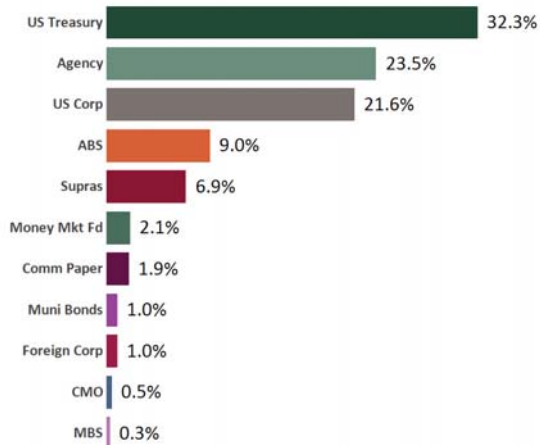
ACCOUNT SUMMARY

	Beg. Values as of 8/31/18	End Values as of 9/30/18
Market Value	461,006,841	460,354,557
Accrued Interest	1,938,103	1,745,181
Total Market Value	462,944,944	462,099,738
Income Earned	828,317	837,688
Cont/WD		1,352
Par	468,243,811	469,221,904
Book Value	466,374,599	467,406,562
Cost Value	466,215,638	467,247,812

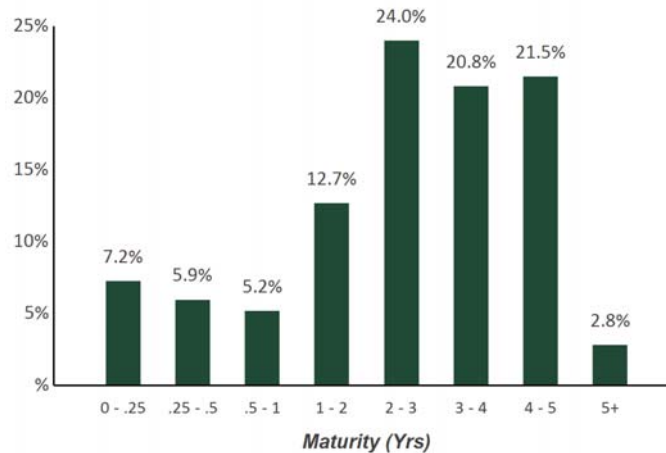
TOP ISSUERS

Government of United States	32.3%
Federal National Mortgage Assoc	10.5%
Federal Home Loan Bank	6.8%
Federal Home Loan Mortgage Corp	6.8%
Inter-American Dev Bank	3.7%
Honda ABS	2.7%
John Deere ABS	2.4%
Intl Bank Recon and Development	2.1%
Total	67.3%

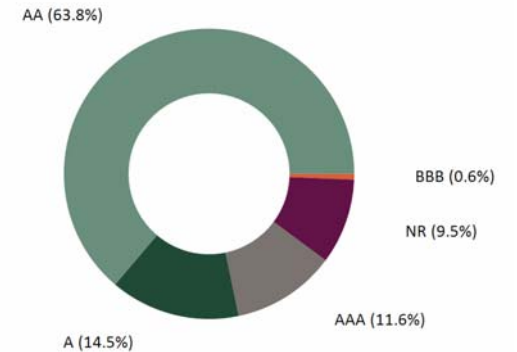
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

TOTAL RATE OF RETURN	Annualized								
	1M	3M	YTD	1YR	2YRS	3YRS	5YRS	10YRS	11/30/2014
Orange County Sanitation District Long Term	-0.18%	0.27%	0.19%	-0.05%	0.25%	0.83%	N/A	N/A	0.90%
ICE BAML 1-5 Yr US Corp/Govt Rated AAA-A Index	-0.23%	0.20%	-0.08%	-0.40%	-0.06%	0.56%	N/A	N/A	0.78%
ICE BAML US 1-5 Yr US Corp/Govt Rated AAA-BBB Indx	-0.19%	0.28%	-0.04%	-0.31%	0.11%	0.77%	N/A	N/A	0.92%

**Orange County Sanitation District
Investment Transactions and Balances in the
State of California Local Agency Investment Fund
September 30, 2018**

	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Rate</u>	<u>Yield</u>
Balance					
September 1, 2018	\$34,466,663	\$34,466,663	\$34,466,663	2.06	2.06
Deposits:					
9/14/2018	33,000,000	33,000,000	33,000,000	2.06	2.06
Total Deposits	33,000,000	33,000,000	33,000,000	2.06	2.06
Quarterly Interest Distribution	-	-	-	2.06	2.06
Withdrawals:					
9/6/2018	(3,400,000)	(3,400,000)	(3,400,000)	2.06	2.06
9/12/2018	(5,500,000)	(5,500,000)	(5,500,000)	2.06	2.06
9/20/2018	(1,800,000)	(1,800,000)	(1,800,000)	2.06	2.06
9/26/2018	(4,200,000)	(4,200,000)	(4,200,000)	2.06	2.06
Total Withdrawals	(14,900,000)	(14,900,000)	(14,900,000)	2.06	2.06
Balance					
September 30, 2018	\$52,566,663	\$52,566,663	\$52,566,663	2.06	2.06

U.S. Bank
Asset Summary - Liquid
As of 9/30/2018

Industry Name	Shares/Units	Cost Basis	Market Value	Percent of Total	Unrealized Gain/Loss
Cash Equivalents					
COMMERCIAL PAPER	3,100,000.0000	3,075,417.00	3,097,272.00	4.13	21,855.00
FIRST AMERICAN SHORT TERM FDS	1,320,456.3500	1,320,456.35	1,320,456.35	1.76	-
U. S. GOVERNMENT	20,000,000.0000	19,893,838.45	19,949,650.00	26.63	55,811.55
US AGY - SHORT TERM CASH EQUIV	6,000,000.0000	5,990,620.00	5,996,160.00	8.00	5,540.00
Cash Equivalents Total	30,420,456.3500	30,280,331.80	30,363,538.35	40.53	83,206.55
Fixed Income					
FINANCE	4,000,000.0000	3,992,810.00	3,994,480.00	5.33	1,670.00
FIXED INCOME FUNDS OTHER	2,950,000.0000	2,941,422.57	2,947,817.00	3.93	6,394.43
INDUSTRIAL	1,000,000.0000	997,500.00	998,970.00	1.33	1,470.00
MATERIALS TRANSPORTATION	1,205,000.0000	1,198,513.80	1,203,156.35	1.61	4,642.55
SHORT TERM FUNDS	6,000,000.0000	5,992,731.01	5,998,510.00	8.01	5,778.99
SUPRANATIONAL	2,000,000.0000	1,992,444.44	1,999,880.00	2.67	7,435.56
U. S. GOVERNMENT	27,500,000.0000	27,394,531.25	27,409,500.00	36.59	14,968.75
Fixed Income Total	44,655,000.0000	44,509,953.07	44,552,313.35	59.47	42,360.28
Grand Total	75,075,456.3500	74,790,284.87	74,915,851.70	100.00	125,566.83

U.S. Bank
Asset Summary - Long-Term

As of 9/30/2018

Industry Name	Shares/Units	Cost Basis	Market Value	Percent of Total	Unrealized Gain/Loss
Cash Equivalents					
COMMERCIAL PAPER	9,000,000.0000	8,937,870.00	8,992,080.00	1.95	54,210.00
FIRST AMERICAN SHORT TERM FDS	9,085,141.8200	9,085,141.82	9,085,141.82	1.98	-
U. S. GOVERNMENT	5,000,000.0000	4,996,302.22	4,997,150.00	1.09	847.78
US AGY - SHORT TERM CASH EQUIV	5,000,000.0000	4,992,012.50	4,993,250.00	1.09	1,237.50
Cash Equivalents Total	28,085,141.8200	28,011,326.54	28,067,621.82	6.10	56,295.28
Fixed Income					
CONSUMER DISCRETIONARY	4,845,000.0000	4,890,178.15	4,825,195.60	1.05	(64,982.55)
CONSUMER STAPLES	3,880,000.0000	3,878,991.40	3,896,878.00	0.85	17,886.60
ENERGY	8,850,000.0000	8,856,036.90	8,638,414.50	1.88	(217,622.40)
FINANCE	52,689,000.0000	51,846,706.71	49,479,509.54	10.76	(2,367,197.17)
FOREIGN CORPORATE	4,500,000.0000	4,429,980.00	4,369,815.00	0.95	(60,165.00)
HEALTH CARE	4,000,000.0000	4,009,675.00	3,982,280.00	0.87	(27,395.00)
INDUSTRIAL	8,160,000.0000	8,185,022.00	8,126,644.00	1.77	(58,378.00)
INFORMATION TECHNOLOGY	20,715,000.0000	20,582,924.95	20,256,549.25	4.40	(326,375.70)
INVESTMENT GRADE-MUNI REVENUE	4,240,000.0000	4,307,633.89	4,346,693.20	0.94	39,059.31
MTG RELATED SECURITY	45,232,066.4400	45,181,643.64	45,126,667.99	9.81	(54,975.65)
SUPRANATIONAL Total	33,005,000.0000	32,742,600.25	31,921,395.55	6.94	(821,204.70)
U. S. GOVERNMENT	137,307,842.5200	135,767,973.10	133,332,423.70	28.99	(2,435,549.40)
U.S. GOVERNMENT TIPS	11,037,728.0000	10,893,008.09	10,602,620.76	2.31	(290,387.33)
US AGY - LONG TERM ISSUES	104,865,000.0000	104,606,386.40	102,999,288.75	22.39	(1,607,097.65)
Fixed Income Total	443,326,636.9600	440,178,760.48	431,904,375.84	93.90	(8,274,384.64)
Grand Total	471,411,778.7800	468,190,087.02	459,971,997.66	100.00	(8,218,089.36)



Statement Period 09/01/2018 Through 09/30/2018
 Account 300282 Base Currency = USD
 OCSD LIBERTY MUTUAL



Statement of Assets Held by Asset Classification

Shares/Par Value	Asset Description	Market Price	Market Value	Cost	Average Cost	Accrued Income	Estimated Income	Market Yield
FIXED INCOME								
3,600,000.000	UNITED STATES TREASURY NOTE/BOND CUSIP: 912828Q52 MATURITY DATE: 04/15/2019 RATE: 0.875% MOODY'S Aaa	99.17200	3,570,192.00	3,553,031.25	98.69531	14,372.95	31,500.00	0.88%
Total FIXED INCOME			3,570,192.00	3,553,031.25		14,372.95	31,500.00	0.88%
CASH AND SHORT TERM								
	CASH BALANCE		46,194.16	46,194.16	0.00000	0.00	0.00	0.00%
Total CASH AND SHORT TERM			46,194.16	46,194.16		0.00	0.00	0.00%
ACCOUNT TOTALS			3,616,386.16	3,599,225.41		14,372.95	31,500.00	0.87%

Total Market Value Plus Total Accrued Income 3,630,759.11

Statement of Transactions by Transaction Date

Transaction Date	Transaction Description	Income	Principal	Cost	Realized Gains/Losses
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No Transactions This Period

Cumulative realized capital gain and loss position from 12/31/2017 for securities held in principal of account:

Short Term: 9,984.37 * Long Term: 0.00 *

* The above gain and loss position does not include transactions where tax cost information is incomplete or unavailable.

The Bank of New York Mellon may utilize subsidiaries and affiliates to provide services and certain products to the Account. Subsidiaries and affiliates may be compensated for their services and products.

The value of securities set forth on this Account Statement are determined by The Bank of New York Mellon for Corporate Trust on the basis of market prices and information obtained by The Bank of New York Mellon from unaffiliated third parties (including independent pricing vendors) ("third party pricing services"). The Bank of New York Mellon has not verified such market values or information and makes no assurances as to the accuracy or correctness of such market values or information or that the market values set forth on this Account Statement reflect the value of the securities that can be realized upon the sale of such securities. In addition, the market values for securities set forth in this Account Statement may differ from the market prices and information for the same securities used by other business units of The Bank of New York Mellon or its subsidiaries or affiliates based upon market prices and information received from other third party pricing services utilized by such other business units. Corporate Trust does not compare its market values with those used by, or reconcile different market values used by, other business units of The Bank of New York Mellon or its subsidiaries or its affiliates. The Bank of New York Mellon shall not be liable for any loss, damage or expense incurred as a result of or arising from or related to the market values or information provided by third party pricing services or the differences in market prices or information provided by other third party pricing services.

U.S. Bank
Investment Listing - Yield
As of 9/30/2018

Asset Category	CUSIP	Asset Short Name	Yield	Shares/Units	Moody's	S&P Rating	Price	Cost Basis	Market Value
Cash Equivalents	313385K39	F H L B DISC NTS 10/12/18	0.0000%	6,000,000.0000	N/A	N/A	99.94	5,990,620.00	5,996,160.00
Cash Equivalents	313385L79	F H L B DISC NTS 10/24/18	0.0000%	5,000,000.0000	N/A	N/A	99.87	4,992,012.50	4,993,250.00
Cash Equivalents	31846V567	FIRST AM GOVT OB FD CL Z	2.0509%	1,320,456.3500			100.00	1,320,456.35	1,320,456.35
Cash Equivalents	31846V567	FIRST AM GOVT OB FD CL Z	2.0509%	9,085,141.8200			100.00	9,085,141.82	9,085,141.82
Cash Equivalents	62479MKF9	MUFG BANK LTD NY BRAN C P 10/15/18	0.0000%	3,100,000.0000			99.91	3,075,417.00	3,097,272.00
Cash Equivalents	62479MKF9	MUFG BANK LTD NY BRAN C P 10/15/18	0.0000%	9,000,000.0000			99.91	8,937,870.00	8,992,080.00
Cash Equivalents	912796PP8	U S TREASURY BILL 1/31/19	2.2998%	5,000,000.0000	N/A	N/A	99.25	4,958,270.17	4,962,300.00
Cash Equivalents	912796NZ8	U S TREASURY BILL 10/11/18	2.0412%	5,000,000.0000	N/A	N/A	99.94	4,996,302.22	4,997,150.00
Cash Equivalents	912796NZ8	U S TREASURY BILL 10/11/18	2.0412%	10,000,000.0000	N/A	N/A	99.94	9,959,266.11	9,994,300.00
Cash Equivalents	912796QE2	U S TREASURY BILL 10/25/18	2.0829%	5,000,000.0000	N/A	N/A	99.86	4,976,302.17	4,993,050.00
Fixed Income	00440EAP2	ACE INA HOLDINGS 2.700% 3/13/23	2.7927%	2,000,000.0000	A3	A	96.68	1,937,000.00	1,933,580.00
Fixed Income	00440EAU1	ACE INA HOLDINGS 2.875% 11/03/22	2.9371%	4,169,000.0000	A3	A	97.89	4,232,453.17	4,080,867.34
Fixed Income	02587AAJ3	AMERICAN EXPRESS 1.930% 9/15/22	1.9571%	6,270,000.0000	AAA	N/A	98.61	6,174,085.15	6,183,097.80
Fixed Income	02665WAH4	AMERICAN HONDA MTN 2.250% 8/15/19	2.2605%	4,000,000.0000	A2	A+	99.54	4,046,640.00	3,981,480.00
Fixed Income	02665WCJ8	AMERICAN HONDA MTN 3.450% 7/14/23	3.4553%	845,000.0000	A2	A+	99.85	843,538.15	843,715.60
Fixed Income	03215PFN4	AMRESKO 3.15585% 6/25/29	3.3099%	133,743.2900	N/A	A+	95.35	100,432.85	127,517.54
Fixed Income	037833BS8	APPLE INC 2.250% 2/23/21	2.2908%	4,000,000.0000	AA1	AA+	98.22	4,050,840.00	3,928,720.00
Fixed Income	06406HCW7	BANK NY MELLON MTN 2.300% 9/11/19	2.3112%	2,120,000.0000	A1	A	99.52	2,142,175.20	2,109,739.20
Fixed Income	06051GFD6	BANK OF AMERICA CORP 2.650% 4/01/19	2.6498%	1,500,000.0000	A3	A-	100.01	1,499,910.00	1,500,105.00
Fixed Income	06371ERK5	BANK OF MONTREAL C D 1.750% 11/13/18	1.7513%	2,950,000.0000			99.93	2,941,422.57	2,947,817.00
Fixed Income	06406RAA5	BANK OF NY MTN 2.600% 2/07/22	2.6661%	2,500,000.0000	A1	A	97.52	2,504,475.00	2,437,975.00
Fixed Income	06406RAE7	BANK OF NY MTN 2.950% 1/29/23	3.0241%	1,500,000.0000	A1	A	97.55	1,486,065.00	1,463,235.00
Fixed Income	084670BR8	BERKSHIRE HATHAWAY 2.750% 3/15/23	2.8157%	2,500,000.0000	AA2	AA	97.67	2,440,950.00	2,441,625.00
Fixed Income	084664BT7	BERKSHIRE HATHAWAY 3.000% 5/15/22	3.0195%	4,000,000.0000	AA2	AA	99.36	4,131,120.00	3,974,200.00
Fixed Income	166764BG4	CHEVRON CORP 2.100% 5/16/21	2.1529%	2,500,000.0000	AA2	AA-	97.54	2,485,350.00	2,438,575.00
Fixed Income	532457BF4	ELI LILLY CO 1.950% 3/15/19	1.9587%	4,000,000.0000	A2	AA-	99.56	4,009,675.00	3,982,280.00
Fixed Income	30231GAV4	EXXON MOBIL 2.222% 3/01/21	2.2670%	3,000,000.0000	AAA	AA+	98.01	3,016,097.40	2,940,390.00
Fixed Income	3130A7CV5	F H L B DEB 1.375% 2/18/21	1.4238%	5,365,000.0000	AAA	AA+	96.58	5,343,325.40	5,181,248.75
Fixed Income	3133782M2	F H L B DEB 1.500% 3/08/19	1.5056%	7,500,000.0000	AAA	AA+	99.63	7,589,190.00	7,472,325.00
Fixed Income	313383HU8	F H L B DEB 1.750% 6/12/20	1.7822%	5,000,000.0000	AAA	AA+	98.19	5,008,950.00	4,909,700.00
Fixed Income	313379RB7	F H L B DEB 1.875% 6/11/21	1.9252%	4,000,000.0000	AAA	AA+	97.39	4,030,160.00	3,895,600.00
Fixed Income	313383QR5	F H L B DEB 3.250% 6/09/23	3.2161%	5,000,000.0000	AAA	AA+	101.06	5,083,350.00	5,052,750.00
Fixed Income	3137EAEN5	F H L M C 2.750% 6/19/23	2.7842%	10,000,000.0000	N/A	AA+	98.77	9,956,500.00	9,877,100.00
Fixed Income	3137EADM8	F H L M C MTN 1.250% 10/02/19	1.2675%	7,500,000.0000	AAA	AA+	98.62	7,399,650.00	7,396,650.00
Fixed Income	3137EAEK1	F H L M C MTN 1.875% 11/17/20	1.9132%	5,000,000.0000	N/A	AA+	98.00	4,986,225.00	4,900,100.00
Fixed Income	3137EAEL9	F H L M C MTN 2.375% 2/16/21	2.4026%	7,500,000.0000	AAA	AA+	98.85	7,484,475.00	7,413,750.00
Fixed Income	31348SWZ3	F H L M C #786064 3.427% 1/01/28	3.3508%	2,049.3700	N/A	N/A	102.28	1,999.48	2,095.99

**U.S. Bank
Investment Listing - Yield**

As of 9/30/2018

Asset Category	CUSIP	Asset Short Name	Yield	Shares/Units	Moody's	S&P Rating	Price	Cost Basis	Market Value
Fixed Income	3133TCE95	F H L M C MLTCL MTG 3.587% 8/15/32	3.5397%	15,013.8000			101.34	15,029.51	15,214.44
Fixed Income	31398VJ98	F H L M C MLTCL MTG 4.251% 1/25/20	4.1968%	900,000.0000	N/A	N/A	101.29	951,046.88	911,628.00
Fixed Income	31394JY35	F H L M C MLTCL MTG 6.500% 9/25/43	5.8088%	790,248.1800	N/A	N/A	111.90	894,956.06	884,287.71
Fixed Income	3135G0G72	F N M A 1.125% 12/14/18	1.1275%	5,000,000.0000	N/A	AA+	99.77	4,963,950.00	4,988,700.00
Fixed Income	3135G0F73	F N M A 1.500% 11/30/20	1.5434%	7,500,000.0000	AAA	AA+	97.19	7,370,726.00	7,289,250.00
Fixed Income	3135G0T45	F N M A 1.875% 4/05/22	1.9437%	5,000,000.0000	AAA	AA+	96.47	4,972,500.00	4,823,350.00
Fixed Income	3135G0S38	F N M A 2.000% 1/05/22	2.0595%	3,000,000.0000	AAA	AA+	97.11	2,994,570.00	2,913,390.00
Fixed Income	3135G0U35	F N M A 2.750% 6/22/21	2.7633%	7,500,000.0000	AAA	AA+	99.52	7,515,225.00	7,463,775.00
Fixed Income	31371NUC7	F N M A #257179 4.500% 4/01/28	4.3499%	18,054.8200	N/A	N/A	103.45	19,094.74	18,677.89
Fixed Income	31376KT22	F N M A #357969 5.000% 9/01/35	4.7077%	114,218.9500	N/A	N/A	106.21	122,785.35	121,311.95
Fixed Income	31381PDA3	F N M A #466397 3.400% 11/01/20	3.3842%	345,887.6300	N/A	N/A	100.47	338,402.41	347,502.93
Fixed Income	31403DJZ3	F N M A #745580 5.000% 6/01/36	4.7088%	111,245.5200	N/A	N/A	106.19	119,588.95	118,126.06
Fixed Income	31403GXF4	F N M A #748678 5.000% 10/01/33	4.7118%	2,572.5900	N/A	N/A	106.12	2,765.54	2,729.93
Fixed Income	31406PQY8	F N M A #815971 5.000% 3/01/35	4.7113%	196,758.2400	N/A	N/A	106.13	211,515.13	208,815.58
Fixed Income	31406XWT5	F N M A #823358 3.481% 2/01/35	3.3258%	120,591.1200	N/A	N/A	104.67	119,649.01	126,219.11
Fixed Income	31407BXH7	F N M A #826080 5.000% 7/01/35	4.7074%	22,349.5800	N/A	N/A	106.22	24,025.78	23,738.61
Fixed Income	31410F4V4	F N M A #888336 5.000% 7/01/36	4.7080%	219,725.3300	N/A	N/A	106.20	236,204.73	233,354.89
Fixed Income	3138EG6F6	F N M A #AL0869 4.500% 6/01/29	4.3495%	12,333.2900	N/A	N/A	103.46	13,043.67	12,760.02
Fixed Income	31417YAY3	F N M A #MA0022 4.500% 4/01/29	4.3498%	20,066.7500	N/A	N/A	103.45	21,222.56	20,759.45
Fixed Income	3135G0J20	F N M A DEB 1.375% 2/26/21	1.4243%	10,000,000.0000	AAA	AA+	96.54	10,040,950.00	9,654,000.00
Fixed Income	3135G0D75	F N M A DEB 1.500% 6/22/20	1.5327%	5,000,000.0000	AAA	AA+	97.87	4,955,650.00	4,893,250.00
Fixed Income	3135G0T94	F N M A DEB 2.375% 1/19/23	2.4362%	5,000,000.0000	AAA	AA+	97.49	4,910,990.00	4,874,350.00
Fixed Income	31397QRE0	F N M A GTD REMIC 1.113% 2/25/41	2.8410%	223,883.0100	N/A	N/A	101.93	223,813.05	228,203.95
Fixed Income	36225CAZ9	G N M A II #080023 3.125% 12/20/26	3.0384%	18,884.6500	N/A	N/A	102.85	19,196.64	19,422.67
Fixed Income	36225CC20	G N M A II #080088 3.625% 6/20/27	3.5223%	21,006.7800	N/A	N/A	102.92	21,466.32	21,619.55
Fixed Income	36225CNM4	G N M A II #080395 3.625% 4/20/30	3.5129%	7,842.5200	N/A	N/A	103.19	7,771.42	8,092.70
Fixed Income	36225CN28	G N M A II #080408 3.625% 5/20/30	3.5127%	60,675.1700	N/A	N/A	103.20	60,058.94	62,614.35
Fixed Income	36225DCB8	G N M A II #080965 2.750% 7/20/34	2.6535%	58,707.0000	N/A	N/A	103.64	58,670.31	60,842.17
Fixed Income	369550BE7	GENERAL DYNAMICS 3.000% 5/11/21	3.0161%	3,160,000.0000	A2	A+	99.47	3,138,038.00	3,143,094.00
Fixed Income	36962G7M0	GENERAL ELEC CA MTN 2.200% 1/09/20	2.2235%	5,000,000.0000	BAA1	BBB+	98.94	5,014,950.00	4,947,050.00
Fixed Income	43814RAC0	HONDA AUTO 1.210% 12/18/20	1.2211%	2,429,718.8000	N/A	AAA	99.09	2,403,048.84	2,407,632.66
Fixed Income	43814QAC2	HONDA AUTO 1.390% 4/15/20	1.3954%	714,560.8000	AAA	N/A	99.61	714,546.94	711,774.01
Fixed Income	43814PAB6	HONDA AUTO 1.570% 1/21/20	1.5744%	504,918.5000	N/A	AAA	99.72	504,873.61	503,519.88
Fixed Income	43814PAC4	HONDA AUTO 1.790% 9/20/21	1.8159%	3,090,000.0000	N/A	AAA	98.57	3,040,994.53	3,045,936.60
Fixed Income	43815HAC1	HONDA AUTO 2.950% 8/22/22	2.9597%	3,970,000.0000	AAA	N/A	99.67	3,969,455.32	3,956,938.70
Fixed Income	43814UAG4	HONDA AUTO 3.010% 5/18/22	3.0133%	1,710,000.0000	N/A	AAA	99.89	1,709,962.72	1,708,101.90
Fixed Income	404280BF5	HSBC HOLDINGS PLC 2.650% 1/05/22	2.7289%	4,500,000.0000	A2	A	97.11	4,429,980.00	4,369,815.00

U.S. Bank
Investment Listing - Yield
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Asset Category	CUSIP	Asset Short Name	Yield	Shares/Units	Moody's	S&P Rating	Price	Cost Basis	Market Value
Fixed Income	40428HPR7	HSBC USA INC MTN 2.350% 3/05/20	2.3760%	2,500,000.0000	A2	A	98.90	2,472,287.50	2,472,600.00
Fixed Income	44932HAH6	IBM CREDIT CORP 3.000% 2/06/23	3.0517%	5,670,000.0000	A1	A	98.31	5,603,264.40	5,574,006.90
Fixed Income	459515H96	IFC DISC NTS 10/02/18	0.0000%	2,000,000.0000	N/A	N/A	99.99	1,992,444.44	1,999,880.00
Fixed Income	4581X0CX4	INTER AMER DEV BK 1.625% 5/12/20	1.6574%	3,035,000.0000	AAA	AAA	98.04	3,027,807.05	2,975,605.05
Fixed Income	4581X0CZ9	INTER AMER DEV BK 1.750% 9/14/22	1.8385%	6,500,000.0000	N/A	N/A	95.18	6,249,655.00	6,186,960.00
Fixed Income	4581X0CW6	INTER AMER DEV BK 2.125% 1/18/22	2.1873%	3,000,000.0000	AAA	N/A	97.15	2,996,310.00	2,914,530.00
Fixed Income	4581X0CS5	INTER AMERICAN DEVEL 1.875% 3/15/21	1.9244%	5,000,000.0000	AAA	AAA	97.43	5,059,610.00	4,871,700.00
Fixed Income	459058FY4	INTL BK 2.000% 1/26/22	2.0674%	10,000,000.0000	AAA	N/A	96.74	10,006,350.00	9,674,100.00
Fixed Income	45950KCM0	INTL BK M T N 2.250% 1/25/21	2.2862%	2,970,000.0000	AAA	AAA	98.42	2,961,268.20	2,922,925.50
Fixed Income	45950KCJ7	INTL FINANCE CORP 1.125% 7/20/21	1.1839%	2,500,000.0000	AAA	AAA	95.02	2,441,600.00	2,375,575.00
Fixed Income	24422ESS9	JOHN DEERE CAP MTN 2.300% 9/16/19	2.3076%	5,000,000.0000	A2	A	99.67	5,046,984.00	4,983,550.00
Fixed Income	24422ESF7	JOHN DEERE MTN 1.950% 12/13/18	1.9520%	1,000,000.0000	A2	A	99.90	997,500.00	998,970.00
Fixed Income	47788MAC4	JOHN DEERE OWNER 1.360% 4/15/20	1.3644%	808,770.1600	AAA	N/A	99.68	808,642.87	806,165.92
Fixed Income	47788NAD0	JOHN DEERE OWNER 1.490% 5/15/23	1.5118%	1,151,000.0000	AAA	N/A	98.56	1,131,936.56	1,134,391.07
Fixed Income	47787XAB3	JOHN DEERE OWNER 1.500% 10/15/19	1.5011%	192,866.9800	AAA	N/A	99.93	192,866.21	192,730.04
Fixed Income	47788BAB0	JOHN DEERE OWNER 1.590% 4/15/20	1.5942%	437,905.0400	AAA	N/A	99.74	437,866.99	436,757.73
Fixed Income	47788BAD6	JOHN DEERE OWNER 1.820% 10/15/21	1.8453%	675,000.0000	AAA	N/A	98.63	674,950.59	665,752.50
Fixed Income	47788CAB8	JOHN DEERE OWNER 2.420% 10/15/20	2.4238%	1,800,000.0000	AAA	N/A	99.84	1,796,343.75	1,797,174.00
Fixed Income	47788CAC6	JOHN DEERE OWNER 2.660% 4/18/22	2.6796%	1,340,000.0000	AAA	N/A	99.27	1,339,903.65	1,330,177.80
Fixed Income	47788EAC2	JOHN DEERE OWNER 3.080% 11/15/22	3.0852%	4,630,000.0000	AAA	N/A	99.83	4,629,649.05	4,622,267.90
Fixed Income	46625HKA7	JPMORGAN CHASE CO 2.250% 1/23/20	2.2733%	2,000,000.0000	A2	A-	98.98	1,994,880.00	1,979,540.00
Fixed Income	46625HJR2	JPMORGAN CHASE CO 2.350% 1/28/19	2.3520%	1,000,000.0000	A2	A-	99.91	998,810.00	999,130.00
Fixed Income	525ESC0Y6	LEHMAN BRTH HLD ESC	0.0000%	2,000,000.0000			-	1,056,016.56	-
Fixed Income	525ESCIB7	LEHMAN BRTH MTN ES 0.00001% 1/24/13	0.0004%	600,000.0000	N/A	N/A	2.82	327,458.23	16,920.00
Fixed Income	594918BP8	MICROSOFT CORP 1.550% 8/08/21	1.6149%	3,045,000.0000	AAA	AAA	95.98	3,041,385.15	2,922,682.35
Fixed Income	61747WAL3	MORGAN STANLEY 5.500% 7/28/21	5.2249%	2,800,000.0000	A3	BBB+	105.27	3,200,848.00	2,947,448.00
Fixed Income	64971M5E8	NEW YORK NY CITY 4.075% 11/01/20	4.0026%	1,400,000.0000	AA1	AAA	101.81	1,400,000.00	1,425,340.00
Fixed Income	65478VAD9	NISSAN AUTO 1.320% 1/15/21	1.3304%	1,361,853.1000	AAA	N/A	99.22	1,350,947.64	1,351,217.03
Fixed Income	654747AB0	NISSAN AUTO 1.470% 1/15/20	1.4719%	340,612.6300	AAA	N/A	99.87	340,610.89	340,169.83
Fixed Income	65477UAD2	NISSAN AUTO 1.500% 9/15/21	1.5059%	1,616,346.7400	AAA	N/A	99.61	1,606,244.57	1,609,962.17
Fixed Income	65479GAD1	NISSAN AUTO 3.060% 3/15/23	3.0693%	3,560,000.0000	AAA	AAA	99.70	3,559,884.66	3,549,213.20
Fixed Income	674599CK9	OCCIDENTAL PETROLEUM 2.600% 4/15/22	2.6722%	3,350,000.0000	A3	A	97.30	3,354,589.50	3,259,449.50
Fixed Income	68389XBK0	ORACLE CORP 1.900% 9/15/21	1.9678%	3,000,000.0000	A1	AA-	96.55	2,892,240.00	2,896,590.00
Fixed Income	69353RFL7	PNC BANK NA 3.500% 6/08/23	3.5127%	5,000,000.0000	A2	A	99.64	4,993,318.05	4,981,950.00
Fixed Income	69353RFB9	PNC BANK NA MTN 2.625% 2/17/22	2.6950%	1,000,000.0000	A2	A	97.40	974,940.00	974,030.00
Fixed Income	73358WAG9	PORT AUTH NY NJ 5.309% 12/01/19	5.1743%	2,440,000.0000	AA3	AA-	102.60	2,507,633.89	2,503,513.20
Fixed Income	74005PBH6	PRAXAIR INC 1.250% 11/07/18	1.2519%	1,205,000.0000	A2	A	99.85	1,198,513.80	1,203,156.35

**U.S. Bank
Investment Listing - Yield**

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Asset Category	CUSIP	Asset Short Name	Yield	Shares/Units	Moody's	S&P Rating	Price	Cost Basis	Market Value
Fixed Income	747525AD5	QUALCOMM INC 2.250% 5/20/20	2.2798%	5,000,000.0000	A2	A-	98.69	4,995,195.40	4,934,550.00
Fixed Income	78009N2V7	ROYAL BK CANADA C D 1.700% 10/05/18	1.7002%	1,000,000.0000			99.99	996,762.00	999,900.00
Fixed Income	78012UAX3	ROYAL BK OF C D 2.320% 11/27/18	2.3202%	1,000,000.0000			99.99	1,000,000.00	999,930.00
Fixed Income	83162CLJ0	S B A GTD DEV PART 6.340% 3/01/21	6.1867%	23,619.2100	N/A	N/A	102.48	23,619.21	24,204.49
Fixed Income	78445JAA5	S L M A 3.92054% 4/25/23	3.8395%	26,879.4100	BAA3	A	102.11	26,770.35	27,446.57
Fixed Income	89113X7B4	TORONTO C D 2.260% 10/29/18	2.2599%	1,000,000.0000			100.00	1,000,000.00	1,000,040.00
Fixed Income	89113XUZ5	TORONTO DOMINION C D 2.150% 1/24/19	2.1524%	1,000,000.0000			99.89	997,312.00	998,900.00
Fixed Income	89113X3W2	TORONTO DOMINION C D 2.700% 6/07/19	2.7003%	1,000,000.0000	P-1	A-1+	99.99	1,000,000.00	999,890.00
Fixed Income	89238BAB8	TOYOTA AUTO 2.100% 10/15/20	2.1063%	5,170,000.0000	AAA	AAA	99.70	5,169,471.63	5,154,593.40
Fixed Income	912828WU0	U S TREASURY I P S 0.125% 7/15/24	0.1301%	11,037,728.0000	AAA	N/A	96.06	10,893,008.09	10,602,620.76
Fixed Income	912828T34	U S TREASURY NT 1.125% 9/30/21	1.1846%	7,000,000.0000	AAA	N/A	94.97	6,757,914.08	6,647,830.00
Fixed Income	912828W97	U S TREASURY NT 1.250% 3/31/19	1.2574%	5,000,000.0000	AAA	N/A	99.41	4,965,429.69	4,970,700.00
Fixed Income	912828T67	U S TREASURY NT 1.250% 10/31/21	1.3132%	6,000,000.0000	AAA	N/A	95.18	5,813,691.98	5,711,040.00
Fixed Income	912828N89	U S TREASURY NT 1.375% 1/31/21	1.4224%	6,000,000.0000	AAA	N/A	96.67	5,895,840.41	5,800,080.00
Fixed Income	912828L99	U S TREASURY NT 1.375% 10/31/20	1.4167%	10,000,000.0000	AAA	N/A	97.06	9,850,311.40	9,705,900.00
Fixed Income	912828B33	U S TREASURY NT 1.500% 1/31/19	1.5041%	11,000,000.0000	AAA	N/A	99.73	11,042,439.19	10,970,080.00
Fixed Income	912828B33	U S TREASURY NT 1.500% 1/31/19	1.5041%	22,500,000.0000	AAA	N/A	99.73	22,429,101.56	22,438,800.00
Fixed Income	912828SN1	U S TREASURY NT 1.500% 3/31/19	1.5069%	5,000,000.0000	AAA	N/A	99.54	5,016,423.00	4,976,950.00
Fixed Income	912828XE5	U S TREASURY NT 1.500% 5/31/20	1.5321%	5,000,000.0000	AAA	N/A	97.91	4,966,423.00	4,895,300.00
Fixed Income	912828G61	U S TREASURY NT 1.500% 11/30/19	1.5209%	7,500,000.0000	AAA	N/A	98.63	7,449,634.50	7,397,175.00
Fixed Income	912828R69	U S TREASURY NT 1.625% 5/31/23	1.7235%	5,000,000.0000	AAA	N/A	94.29	4,757,226.56	4,714,250.00
Fixed Income	912828WS5	U S TREASURY NT 1.625% 6/30/19	1.6360%	2,000,000.0000	AAA	N/A	99.33	1,996,861.44	1,986,560.00
Fixed Income	912828WW	U S TREASURY NT 1.625% 7/31/19	1.6380%	5,000,000.0000	AAA	N/A	99.21	5,012,388.70	4,960,350.00
Fixed Income	912828J76	U S TREASURY NT 1.750% 3/31/22	1.8200%	5,000,000.0000	AAA	N/A	96.16	4,976,383.94	4,807,800.00
Fixed Income	912828XW5	U S TREASURY NT 1.750% 6/30/22	1.8252%	5,000,000.0000	AAA	N/A	95.88	4,973,454.25	4,793,950.00
Fixed Income	912828F39	U S TREASURY NT 1.750% 9/30/19	1.7659%	5,800,000.0000	AAA	N/A	99.10	5,873,186.87	5,747,916.00
Fixed Income	912828L57	U S TREASURY NT 1.750% 9/30/22	1.8313%	13,000,000.0000	AAA	N/A	95.56	12,763,554.69	12,422,670.00
Fixed Income	912828U65	U S TREASURY NT 1.750% 11/30/21	1.8127%	7,000,000.0000	AAA	N/A	96.54	6,900,492.20	6,757,730.00
Fixed Income	912828V72	U S TREASURY NT 1.875% 1/31/22	1.9384%	3,000,000.0000	AAA	N/A	96.73	3,004,814.74	2,901,930.00
Fixed Income	912828L24	U S TREASURY NT 1.875% 8/31/22	1.9508%	6,000,000.0000	AAA	N/A	96.11	5,987,832.60	5,766,780.00
Fixed Income	912828M80	U S TREASURY NT 2.000% 11/30/22	2.0758%	8,000,000.0000	AAA	N/A	96.35	7,907,500.00	7,707,840.00
Fixed Income	912828N30	U S TREASURY NT 2.125% 12/31/22	2.1963%	5,000,000.0000	AAA	N/A	96.75	4,926,562.50	4,837,700.00
Fixed Income	9128284D9	U S TREASURY NT 2.500% 3/31/23	2.5473%	10,000,000.0000	AAA	N/A	98.15	9,887,265.63	9,814,500.00
Fixed Income	913366EJ5	UNIV OF CALIFORNIA 5.035% 5/15/21	4.8200%	400,000.0000	AA3	AA-	104.46	400,000.00	417,840.00
Fixed Income	90331HNL3	US BANK NA MTN 2.850% 1/23/23	2.9256%	5,000,000.0000	A1	AA-	97.42	4,981,600.00	4,870,800.00
Fixed Income	931142EK5	WALMART INC 3.400% 6/26/23	3.3853%	3,880,000.0000	AA2	AA	100.44	3,878,991.40	3,896,878.00
Fixed Income	94974BGM6	WELLS FARGO CO MTN 2.600% 7/22/20	2.6261%	5,000,000.0000	A2	A-	99.01	5,001,650.00	4,950,400.00

U.S. Bank
Investment Listing - Yield
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Asset Category	CUSIP	Asset Short Name	Yield	Shares/Units	Moody's	S&P Rating	Price	Cost Basis	Market Value
Fixed Income	94974BFU9	WELLS FARGO COM MTN 2.125% 4/22/19	2.1318%	1,500,000.0000	A2	A-	99.68	1,494,090.00	1,495,245.00
Fixed Income	95000U2B8	WELLS FARGO MTN 2.625% 7/22/22	2.7178%	3,000,000.0000	A2	A-	96.59	2,954,520.00	2,897,550.00
Fixed Income	96121T6G8	WESTPAC BKING C D 2.060% 11/01/18	2.0603%	1,000,000.0000			99.99	998,657.01	999,850.00
Total Consolidated									534,887,849.36

U.S. Bank
Asset Detail - Consolidated
As of 9/30/2018

CUSIP	Asset Short Name	Price	Shares/Units	Cost Basis	Market Value	Percent of Total	Unrealized Gain/Loss
Cash Equivalents Total							
313385K39	F H L B DISC NTS 10/12/18	99.94	6,000,000.0000	5,990,620.00	5,996,160.00	1.12	5,540.00
313385L79	F H L B DISC NTS 10/24/18	99.87	5,000,000.0000	4,992,012.50	4,993,250.00	0.93	1,237.50
31846V567	FIRST AM GOVT OB FD CL Z	100.00	1,320,456.3500	1,320,456.35	1,320,456.35	0.25	-
31846V567	FIRST AM GOVT OB FD CL Z	100.00	9,085,141.8200	9,085,141.82	9,085,141.82	1.70	-
62479MKF9	MUFG BANK LTD NY BRAN C P 10/15/18	99.91	3,100,000.0000	3,075,417.00	3,097,272.00	0.58	21,855.00
62479MKF9	MUFG BANK LTD NY BRAN C P 10/15/18	99.91	9,000,000.0000	8,937,870.00	8,992,080.00	1.68	54,210.00
912796PP8	U S TREASURY BILL 1/31/19	99.25	5,000,000.0000	4,958,270.17	4,962,300.00	0.93	4,029.83
912796NZ8	U S TREASURY BILL 10/11/18	99.94	5,000,000.0000	4,996,302.22	4,997,150.00	0.93	847.78
912796NZ8	U S TREASURY BILL 10/11/18	99.94	10,000,000.0000	9,959,266.11	9,994,300.00	1.87	35,033.89
912796QE2	U S TREASURY BILL 10/25/18	99.86	5,000,000.0000	4,976,302.17	4,993,050.00	0.93	16,747.83
Cash Equivalents Total			58,505,598.1700	58,291,658.34	58,431,160.17	10.92	139,501.83
Fixed Income							
00440EAP2	ACE INA HOLDINGS 2.700% 3/13/23	96.68	2,000,000.0000	1,937,000.00	1,933,580.00	0.36	(3,420.00)
00440EAU1	ACE INA HOLDINGS 2.875% 11/03/22	97.89	4,169,000.0000	4,232,453.17	4,080,867.34	0.76	(151,585.83)
02587AAJ3	AMERICAN EXPRESS 1.930% 9/15/22	98.61	6,270,000.0000	6,174,085.15	6,183,097.80	1.16	9,012.65
02665WAH4	AMERICAN HONDA MTN 2.250% 8/15/19	99.54	4,000,000.0000	4,046,640.00	3,981,480.00	0.74	(65,160.00)
02665WCJ8	AMERICAN HONDA MTN 3.450% 7/14/23	99.85	845,000.0000	843,538.15	843,715.60	0.16	177.45
03215PFN4	AMRESCO 3.15585% 6/25/29	95.35	133,743.2900	100,432.85	127,517.54	0.02	27,084.69
037833BS8	APPLE INC 2.250% 2/23/21	98.22	4,000,000.0000	4,050,840.00	3,928,720.00	0.73	(122,120.00)
06406HCW7	BANK NY MELLON MTN 2.300% 9/11/19	99.52	2,120,000.0000	2,142,175.20	2,109,739.20	0.39	(32,436.00)
06051GFD6	BANK OF AMERICA CORP 2.650% 4/01/19	100.01	1,500,000.0000	1,499,910.00	1,500,105.00	0.28	195.00
06371ERK5	BANK OF MONTREAL C D 1.750% 11/13/18	99.93	2,950,000.0000	2,941,422.57	2,947,817.00	0.55	6,394.43
06406RAA5	BANK OF NY MTN 2.600% 2/07/22	97.52	2,500,000.0000	2,504,475.00	2,437,975.00	0.46	(66,500.00)
06406RAE7	BANK OF NY MTN 2.950% 1/29/23	97.55	1,500,000.0000	1,486,065.00	1,463,235.00	0.27	(22,830.00)
084670BR8	BERKSHIRE HATHAWAY 2.750% 3/15/23	97.67	2,500,000.0000	2,440,950.00	2,441,625.00	0.46	675.00
084664BT7	BERKSHIRE HATHAWAY 3.000% 5/15/22	99.36	4,000,000.0000	4,131,120.00	3,974,200.00	0.74	(156,920.00)
166764BG4	CHEVRON CORP 2.100% 5/16/21	97.54	2,500,000.0000	2,485,350.00	2,438,575.00	0.46	(46,775.00)
532457BF4	ELI LILLY CO 1.950% 3/15/19	99.56	4,000,000.0000	4,009,675.00	3,982,280.00	0.74	(27,395.00)
30231GAV4	EXXON MOBIL 2.222% 3/01/21	98.01	3,000,000.0000	3,016,097.40	2,940,390.00	0.55	(75,707.40)
3130A7CV5	F H L B DEB 1.375% 2/18/21	96.58	5,365,000.0000	5,343,325.40	5,181,248.75	0.97	(162,076.65)
3133782M2	F H L B DEB 1.500% 3/08/19	99.63	7,500,000.0000	7,589,190.00	7,472,325.00	1.40	(116,865.00)
313383HU8	F H L B DEB 1.750% 6/12/20	98.19	5,000,000.0000	5,008,950.00	4,909,700.00	0.92	(99,250.00)
313379RB7	F H L B DEB 1.875% 6/11/21	97.39	4,000,000.0000	4,030,160.00	3,895,600.00	0.73	(134,560.00)
313383QR5	F H L B DEB 3.250% 6/09/23	101.06	5,000,000.0000	5,083,350.00	5,052,750.00	0.94	(30,600.00)
3137EAEN5	F H L M C 2.750% 6/19/23	98.77	10,000,000.0000	9,956,500.00	9,877,100.00	1.85	(79,400.00)
3137EADM8	F H L M C MTN 1.250% 10/02/19	98.62	7,500,000.0000	7,399,650.00	7,396,650.00	1.38	(3,000.00)
3137EAEK1	F H L M C MTN 1.875% 11/17/20	98.00	5,000,000.0000	4,986,225.00	4,900,100.00	0.92	(86,125.00)
3137EAEL9	F H L M C MTN 2.375% 2/16/21	98.85	7,500,000.0000	7,484,475.00	7,413,750.00	1.39	(70,725.00)
31348SWZ3	F H L M C #786064 3.427% 1/01/28	102.28	2,049.3700	1,999.48	2,095.99	0.00	96.51
3133TCE95	F H L M C MLTCL MTG 3.587% 8/15/32	101.34	15,013.8000	15,029.51	15,214.44	0.00	184.93

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31398VJ98	F H L M C MLTCL MTG 4.251% 1/25/20	101.29	900,000.0000	951,046.88	911,628.00	0.17	(39,418.88)
31394JY35	F H L M C MLTCL MTG 6.500% 9/25/43	111.90	790,248.1800	894,956.06	884,287.71	0.17	(10,668.35)
3135G0G72	F N M A 1.125% 12/14/18	99.77	5,000,000.0000	4,963,950.00	4,988,700.00	0.93	24,750.00
3135G0F73	F N M A 1.500% 11/30/20	97.19	7,500,000.0000	7,370,726.00	7,289,250.00	1.36	(81,476.00)
3135G0T45	F N M A 1.875% 4/05/22	96.47	5,000,000.0000	4,972,500.00	4,823,350.00	0.90	(149,150.00)
3135G0S38	F N M A 2.000% 1/05/22	97.11	3,000,000.0000	2,994,570.00	2,913,390.00	0.54	(81,180.00)
3135G0U35	F N M A 2.750% 6/22/21	99.52	7,500,000.0000	7,515,225.00	7,463,775.00	1.40	(51,450.00)
31371NUC7	F N M A #257179 4.500% 4/01/28	103.45	18,054.8200	19,094.74	18,677.89	0.00	(416.85)
31376KT22	F N M A #357969 5.000% 9/01/35	106.21	114,218.9500	122,785.35	121,311.95	0.02	(1,473.40)
31381PDA3	F N M A #466397 3.400% 11/01/20	100.47	345,887.6300	338,402.41	347,502.93	0.06	9,100.52
31403DJZ3	F N M A #745580 5.000% 6/01/36	106.19	111,245.5200	119,588.95	118,126.06	0.02	(1,462.89)
31403GXF4	F N M A #748678 5.000% 10/01/33	106.12	2,572.5900	2,765.54	2,729.93	0.00	(35.61)
31406PQY8	F N M A #815971 5.000% 3/01/35	106.13	196,758.2400	211,515.13	208,815.58	0.04	(2,699.55)
31406XWT5	F N M A #823358 3.481% 2/01/35	104.67	120,591.1200	119,649.01	126,219.11	0.02	6,570.10
31407BXH7	F N M A #826080 5.000% 7/01/35	106.22	22,349.5800	24,025.78	23,738.61	0.00	(287.17)
31410F4V4	F N M A #888336 5.000% 7/01/36	106.20	219,725.3300	236,204.73	233,354.89	0.04	(2,849.84)
3138EG6F6	F N M A #AL0869 4.500% 6/01/29	103.46	12,333.2900	13,043.67	12,760.02	0.00	(283.65)
31417YAY3	F N M A #MA0022 4.500% 4/01/29	103.45	20,066.7500	21,222.56	20,759.45	0.00	(463.11)
3135G0J20	F N M A DEB 1.375% 2/26/21	96.54	10,000,000.0000	10,040,950.00	9,654,000.00	1.80	(386,950.00)
3135G0D75	F N M A DEB 1.500% 6/22/20	97.87	5,000,000.0000	4,955,650.00	4,893,250.00	0.91	(62,400.00)
3135G0T94	F N M A DEB 2.375% 1/19/23	97.49	5,000,000.0000	4,910,990.00	4,874,350.00	0.91	(36,640.00)
31397QRE0	F N M A GTD REMIC 1.113% 2/25/41	101.93	223,883.0100	223,813.05	228,203.95	0.04	4,390.90
36225CAZ9	G N M A I I #080023 3.125% 12/20/26	102.85	18,884.6500	19,196.64	19,422.67	0.00	226.03
36225CC20	G N M A I I #080088 3.625% 6/20/27	102.92	21,006.7800	21,466.32	21,619.55	0.00	153.23
36225CNM4	G N M A I I #080395 3.625% 4/20/30	103.19	7,842.5200	7,771.42	8,092.70	0.00	321.28
36225CN28	G N M A I I #080408 3.625% 5/20/30	103.20	60,675.1700	60,058.94	62,614.35	0.01	2,555.41
36225DCB8	G N M A I I #080965 2.750% 7/20/34	103.64	58,707.0000	58,670.31	60,842.17	0.01	2,171.86
369550BE7	GENERAL DYNAMICS 3.000% 5/11/21	99.47	3,160,000.0000	3,138,038.00	3,143,094.00	0.59	5,056.00
36962G7M0	GENERAL ELEC CA MTN 2.200% 1/09/20	98.94	5,000,000.0000	5,014,950.00	4,947,050.00	0.92	(67,900.00)
43814RAC0	HONDA AUTO 1.210% 12/18/20	99.09	2,429,718.8000	2,403,048.84	2,407,632.66	0.45	4,583.82
43814QAC2	HONDA AUTO 1.390% 4/15/20	99.61	714,560.8000	714,546.94	711,774.01	0.13	(2,772.93)
43814PAB6	HONDA AUTO 1.570% 1/21/20	99.72	504,918.5000	504,873.61	503,519.88	0.09	(1,353.73)
43814PAC4	HONDA AUTO 1.790% 9/20/21	98.57	3,090,000.0000	3,040,994.53	3,045,936.60	0.57	4,942.07
43815HAC1	HONDA AUTO 2.950% 8/22/22	99.67	3,970,000.0000	3,969,455.32	3,956,938.70	0.74	(12,516.62)
43814UAG4	HONDA AUTO 3.010% 5/18/22	99.89	1,710,000.0000	1,709,962.72	1,708,101.90	0.32	(1,860.82)
404280BF5	HSBC HOLDINGS PLC 2.650% 1/05/22	97.11	4,500,000.0000	4,429,980.00	4,369,815.00	0.82	(60,165.00)
40428HPR7	HSBC USA INC MTN 2.350% 3/05/20	98.90	2,500,000.0000	2,472,287.50	2,472,600.00	0.46	312.50
44932HAH6	IBM CREDIT CORP 3.000% 2/06/23	98.31	5,670,000.0000	5,603,264.40	5,574,006.90	1.04	(29,257.50)
459515H96	IFC DISC NTS 10/02/18	99.99	2,000,000.0000	1,992,444.44	1,999,880.00	0.37	7,435.56
4581X0CX4	INTER AMER DEV BK 1.625% 5/12/20	98.04	3,035,000.0000	3,027,807.05	2,975,605.05	0.56	(52,202.00)
4581X0CZ9	INTER AMER DEV BK 1.750% 9/14/22	95.18	6,500,000.0000	6,249,655.00	6,186,960.00	1.16	(62,695.00)
4581X0CW6	INTER AMER DEV BK 2.125% 1/18/22	97.15	3,000,000.0000	2,996,310.00	2,914,530.00	0.54	(81,780.00)

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4581XOCS5	INTER AMERICAN DEVEL 1.875% 3/15/21	97.43	5,000,000.0000	5,059,610.00	4,871,700.00	0.91	(187,910.00)
459058FY4	INTL BK 2.000% 1/26/22	96.74	10,000,000.0000	10,006,350.00	9,674,100.00	1.81	(332,250.00)
45950KCM0	INTL BK M T N 2.250% 1/25/21	98.42	2,970,000.0000	2,961,268.20	2,922,925.50	0.55	(38,342.70)
45950KCJ7	INTL FINANCE CORP 1.125% 7/20/21	95.02	2,500,000.0000	2,441,600.00	2,375,575.00	0.44	(66,025.00)
24422ESS9	JOHN DEERE CAP MTN 2.300% 9/16/19	99.67	5,000,000.0000	5,046,984.00	4,983,550.00	0.93	(63,434.00)
24422ESF7	JOHN DEERE MTN 1.950% 12/13/18	99.90	1,000,000.0000	997,500.00	998,970.00	0.19	1,470.00
47788MAC4	JOHN DEERE OWNER 1.360% 4/15/20	99.68	808,770.1600	808,642.87	806,165.92	0.15	(2,476.95)
47788NAD0	JOHN DEERE OWNER 1.490% 5/15/23	98.56	1,151,000.0000	1,131,936.56	1,134,391.07	0.21	2,454.51
47787XAB3	JOHN DEERE OWNER 1.500% 10/15/19	99.93	192,866.9800	192,866.21	192,730.04	0.04	(136.17)
47788BAB0	JOHN DEERE OWNER 1.590% 4/15/20	99.74	437,905.0400	437,866.99	436,757.73	0.08	(1,109.26)
47788BAD6	JOHN DEERE OWNER 1.820% 10/15/21	98.63	675,000.0000	674,950.59	665,752.50	0.12	(9,198.09)
47788CAB8	JOHN DEERE OWNER 2.420% 10/15/20	99.84	1,800,000.0000	1,796,343.75	1,797,174.00	0.34	830.25
47788CAC6	JOHN DEERE OWNER 2.660% 4/18/22	99.27	1,340,000.0000	1,339,903.65	1,330,177.80	0.25	(9,725.85)
47788EAC2	JOHN DEERE OWNER 3.080% 11/15/22	99.83	4,630,000.0000	4,629,649.05	4,622,267.90	0.86	(7,381.15)
46625HKA7	JPMORGAN CHASE CO 2.250% 1/23/20	98.98	2,000,000.0000	1,994,880.00	1,979,540.00	0.37	(15,340.00)
46625HJR2	JPMORGAN CHASE CO 2.350% 1/28/19	99.91	1,000,000.0000	998,810.00	999,130.00	0.19	320.00
525ESC0Y6	LEHMAN BRTH HLD ESC	-	2,000,000.0000	1,056,016.56	-	-	(1,056,016.56)
525ESCIB7	LEHMAN BRTH MTN ES 0.00001% 1/24/13	2.82	600,000.0000	327,458.23	16,920.00	0.00	(310,538.23)
594918BP8	MICROSOFT CORP 1.550% 8/08/21	95.98	3,045,000.0000	3,041,385.15	2,922,682.35	0.55	(118,702.80)
61747WAL3	MORGAN STANLEY 5.500% 7/28/21	105.27	2,800,000.0000	3,200,848.00	2,947,448.00	0.55	(253,400.00)
64971M5E8	NEW YORK NY CITY 4.075% 11/01/20	101.81	1,400,000.0000	1,400,000.00	1,425,340.00	0.27	25,340.00
65478VAD9	NISSAN AUTO 1.320% 1/15/21	99.22	1,361,853.1000	1,350,947.64	1,351,217.03	0.25	269.39
65474TAB0	NISSAN AUTO 1.470% 1/15/20	99.87	340,612.6300	340,610.89	340,169.83	0.06	(441.06)
65477UAD2	NISSAN AUTO 1.500% 9/15/21	99.61	1,616,346.7400	1,606,244.57	1,609,962.17	0.30	3,717.60
65479GAD1	NISSAN AUTO 3.060% 3/15/23	99.70	3,560,000.0000	3,559,884.66	3,549,213.20	0.66	(10,671.46)
674599CK9	OCCIDENTAL PETROLEUM 2.600% 4/15/22	97.30	3,350,000.0000	3,354,589.50	3,259,449.50	0.61	(95,140.00)
68389XBK0	ORACLE CORP 1.900% 9/15/21	96.55	3,000,000.0000	2,892,240.00	2,896,590.00	0.54	4,350.00
69353RFL7	PNC BANK NA 3.500% 6/08/23	99.64	5,000,000.0000	4,993,318.05	4,981,950.00	0.93	(11,368.05)
69353RFB9	PNC BANK NA MTN 2.625% 2/17/22	97.40	1,000,000.0000	974,940.00	974,030.00	0.18	(910.00)
73358WAG9	PORT AUTH NY NJ 5.309% 12/01/19	102.60	2,440,000.0000	2,507,633.89	2,503,513.20	0.47	(4,120.69)
74005PBH6	PRAXAIR INC 1.250% 11/07/18	99.85	1,205,000.0000	1,198,513.80	1,203,156.35	0.22	4,642.55
747525AD5	QUALCOMM INC 2.250% 5/20/20	98.69	5,000,000.0000	4,995,195.40	4,934,550.00	0.92	(60,645.40)
78009N2V7	ROYAL BK CANADA C D 1.700% 10/05/18	99.99	1,000,000.0000	996,762.00	999,900.00	0.19	3,138.00
78012UAX3	ROYAL BK OF C D 2.320% 11/27/18	99.99	1,000,000.0000	1,000,000.00	999,930.00	0.19	(70.00)
83162CLJ0	S B A GTD DEV PART 6.340% 3/01/21	102.48	23,619.2100	23,619.21	24,204.49	0.00	585.28
78445JAA5	S L M A 3.92054% 4/25/23	102.11	26,879.4100	26,770.35	27,446.57	0.01	676.22
89113X7B4	TORONTO C D 2.260% 10/29/18	100.00	1,000,000.0000	1,000,000.00	1,000,040.00	0.19	40.00
89113XUZ5	TORONTO DOMINION C D 2.150% 1/24/19	99.89	1,000,000.0000	997,312.00	998,900.00	0.19	1,588.00
89113X3W2	TORONTO DOMINION C D 2.700% 6/07/19	99.99	1,000,000.0000	1,000,000.00	999,890.00	0.19	(110.00)
89238BAB8	TOYOTA AUTO 2.100% 10/15/20	99.70	5,170,000.0000	5,169,471.63	5,154,593.40	0.96	(14,878.23)
912828WU0	U S TREASURY I P S 0.125% 7/15/24	96.06	11,037,728.0000	10,893,008.09	10,602,620.76	1.98	(290,387.33)
912828T34	U S TREASURY NT 1.125% 9/30/21	94.97	7,000,000.0000	6,757,914.08	6,647,830.00	1.24	(110,084.08)

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912828W97	U S TREASURY NT 1.250% 3/31/19	99.41	5,000,000.0000	4,965,429.69	4,970,700.00	0.93	5,270.31
912828T67	U S TREASURY NT 1.250% 10/31/21	95.18	6,000,000.0000	5,813,691.98	5,711,040.00	1.07	(102,651.98)
912828N89	U S TREASURY NT 1.375% 1/31/21	96.67	6,000,000.0000	5,895,840.41	5,800,080.00	1.08	(95,760.41)
912828L99	U S TREASURY NT 1.375% 10/31/20	97.06	10,000,000.0000	9,850,311.40	9,705,900.00	1.81	(144,411.40)
912828B33	U S TREASURY NT 1.500% 1/31/19	99.73	11,000,000.0000	11,042,439.19	10,970,080.00	2.05	(72,359.19)
912828B33	U S TREASURY NT 1.500% 1/31/19	99.73	22,500,000.0000	22,429,101.56	22,438,800.00	4.20	9,698.44
912828SN1	U S TREASURY NT 1.500% 3/31/19	99.54	5,000,000.0000	5,016,423.00	4,976,950.00	0.93	(39,473.00)
912828XE5	U S TREASURY NT 1.500% 5/31/20	97.91	5,000,000.0000	4,966,423.00	4,895,300.00	0.92	(71,123.00)
912828G61	U S TREASURY NT 1.500% 11/30/19	98.63	7,500,000.0000	7,449,634.50	7,397,175.00	1.38	(52,459.50)
912828R69	U S TREASURY NT 1.625% 5/31/23	94.29	5,000,000.0000	4,757,226.56	4,714,250.00	0.88	(42,976.56)
912828WS5	U S TREASURY NT 1.625% 6/30/19	99.33	2,000,000.0000	1,996,861.44	1,986,560.00	0.37	(10,301.44)
912828WW6	U S TREASURY NT 1.625% 7/31/19	99.21	5,000,000.0000	5,012,388.70	4,960,350.00	0.93	(52,038.70)
912828J76	U S TREASURY NT 1.750% 3/31/22	96.16	5,000,000.0000	4,976,383.94	4,807,800.00	0.90	(168,583.94)
912828XW5	U S TREASURY NT 1.750% 6/30/22	95.88	5,000,000.0000	4,973,454.25	4,793,950.00	0.90	(179,504.25)
912828F39	U S TREASURY NT 1.750% 9/30/19	99.10	5,800,000.0000	5,873,186.87	5,747,916.00	1.07	(125,270.87)
912828L57	U S TREASURY NT 1.750% 9/30/22	95.56	13,000,000.0000	12,763,554.69	12,422,670.00	2.32	(340,884.69)
912828U65	U S TREASURY NT 1.750% 11/30/21	96.54	7,000,000.0000	6,900,492.20	6,757,730.00	1.26	(142,762.20)
912828V72	U S TREASURY NT 1.875% 1/31/22	96.73	3,000,000.0000	3,004,814.74	2,901,930.00	0.54	(102,884.74)
912828L24	U S TREASURY NT 1.875% 8/31/22	96.11	6,000,000.0000	5,987,832.60	5,766,780.00	1.08	(221,052.60)
912828M80	U S TREASURY NT 2.000% 11/30/22	96.35	8,000,000.0000	7,907,500.00	7,707,840.00	1.44	(199,660.00)
912828N30	U S TREASURY NT 2.125% 12/31/22	96.75	5,000,000.0000	4,926,562.50	4,837,700.00	0.90	(88,862.50)
9128284D9	U S TREASURY NT 2.500% 3/31/23	98.15	10,000,000.0000	9,887,265.63	9,814,500.00	1.83	(72,765.63)
913366EJ5	UNIV OF CALIFORNIA 5.035% 5/15/21	104.46	400,000.0000	400,000.00	417,840.00	0.08	17,840.00
90331HNL3	US BANK NA MTN 2.850% 1/23/23	97.42	5,000,000.0000	4,981,600.00	4,870,800.00	0.91	(110,800.00)
931142EK5	WALMART INC 3.400% 6/26/23	100.44	3,880,000.0000	3,878,991.40	3,896,878.00	0.73	17,886.60
94974BGM6	WELLS FARGO CO MTN 2.600% 7/22/20	99.01	5,000,000.0000	5,001,650.00	4,950,400.00	0.93	(51,250.00)
94974BFU9	WELLS FARGO COM MTN 2.125% 4/22/19	99.68	1,500,000.0000	1,494,090.00	1,495,245.00	0.28	1,155.00
95000U2B8	WELLS FARGO MTN 2.625% 7/22/22	96.59	3,000,000.0000	2,954,520.00	2,897,550.00	0.54	(56,970.00)
96121T6G8	WESTPAC BKING C D 2.060% 11/01/18	99.99	1,000,000.0000	998,657.01	999,850.00	0.19	1,192.99
Fixed Income Total			487,981,636.9600	484,688,713.55	476,456,689.19	89.08	(8,232,024.36)
Grand Total			546,487,235.1300	542,980,371.89	534,887,849.36	100.00	(8,092,522.53)

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ACQUISITIONS							
09/04/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	1,500,000.0000	1.000000	-1,500,000.00	1,500,000.00	0.00
09/04/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	13,125.0000	1.000000	-13,125.00	13,125.00	0.00
09/04/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	33,330.0000	1.000000	-33,330.00	33,330.00	0.00
09/04/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	16,736.1100	1.000000	-16,736.11	16,736.11	0.00
09/05/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	11,773.5300	1.000000	-11,773.53	11,773.53	0.00
09/05/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	51,853.8600	1.000000	-51,853.86	51,853.86	0.00
09/06/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	5,000,000.0000	1.000000	-5,000,000.00	5,000,000.00	0.00
09/10/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	8,056,250.0000	1.000000	-8,056,250.00	8,056,250.00	0.00
09/11/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	24,380.0000	1.000000	-24,380.00	24,380.00	0.00
09/12/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	4,000,000.0000	1.000000	-4,000,000.00	4,000,000.00	0.00
09/13/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	30,000,000.0000	1.000000	-30,000,000.00	30,000,000.00	0.00
09/13/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	27,000.0000	1.000000	-27,000.00	27,000.00	0.00
09/14/2018	313385K39	PURCHASED PAR VALUE OF F H L B DISC NTS 10/12/18 /NOMURA SECURITIES INTERNA/6,000,000 PAR VALUE AT 99.84366667 %	6,000,000.0000	0.998437	-5,990,620.00	5,990,620.00	0.00
09/14/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	12,400,000.0000	1.000000	-12,400,000.00	12,400,000.00	0.00
09/14/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	56,875.0000	1.000000	-56,875.00	56,875.00	0.00
09/17/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	964,443.2900	1.000000	-964,443.29	964,443.29	0.00
09/17/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	100,684.8000	1.000000	-100,684.80	100,684.80	0.00
09/18/2018	912828B33	PURCHASED PAR VALUE OF U S TREASURY NT 1.500% 1/31/19 /J.P. MORGAN SECURITIES LLC/7,500,000 PAR VALUE AT 99.71093747 %	7,500,000.0000	0.997109	-7,478,320.31	7,478,320.31	0.00
09/18/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	300,745.1900	1.000000	-300,745.19	300,745.19	0.00
09/19/2018	912796PP8	PURCHASED PAR VALUE OF U S TREASURY BILL 1/31/19 /J.P. MORGAN SECURITIES LLC/5,000,000 PAR VALUE AT 99.1654034 %	5,000,000.0000	0.991654	-4,958,270.17	4,958,270.17	0.00
09/20/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	5,373.2100	1.000000	-5,373.21	5,373.21	0.00
09/21/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	133,069.5100	1.000000	-133,069.51	133,069.51	0.00
09/24/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	2,127,124.3800	1.000000	-2,127,124.38	2,127,124.38	0.00
09/25/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	3,188.2500	1.000000	-3,188.25	3,188.25	0.00
09/25/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	36,433.9500	1.000000	-36,433.95	36,433.95	0.00
09/27/2018	313385L79	PURCHASED PAR VALUE OF F H L B DISC NTS 10/24/18 /JEFFERIES LLC/5,000,000 PAR VALUE AT 99.84025 %	5,000,000.0000	0.998403	-4,992,012.50	4,992,012.50	0.00
09/27/2018	912828B33	PURCHASED PAR VALUE OF U S TREASURY NT 1.500% 1/31/19 /BMO CAPITAL MARKETS CORP/BONDS/10,000,000 PAR VALUE AT 99.71875 %	10,000,000.0000	0.997188	-9,971,875.00	9,971,875.00	0.00
09/27/2018	31846V567	PURCHASED UNITS OF FIRST AM GOVT OB FD CL Z	5,000,000.0000	1.000000	-5,000,000.00	5,000,000.00	0.00

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09/28/2018	912796NZ8	PURCHASED PAR VALUE OF U S TREASURY BILL MARKETS, LLC/5,000,000 PAR VALUE AT 99.9260444 %	10/11/18 /RBC CAPITAL	5,000,000.0000	0.999260	-4,996,302.22	4,996,302.22	0.00
TOTAL ACQUISITIONS				108,362,386.0800		-108,249,786.28	108,249,786.28	0.00
DISPOSITIONS								
09/04/2018	45950KCA6	MATURED PAR VALUE OF INTL FINANCE CORP VALUE AT 100 %	1.750% 9/04/18 1,500,000 PAR	-1,500,000.0000	1.000000	1,500,000.00	-1,498,365.00	1,635.00
09/04/2018	83162CLJ0	PAID DOWN PAR VALUE OF S B A GTD DEV PART	6.340% 3/01/21	-15,496.1500	0.967982	15,496.15	-15,496.15	0.00
09/06/2018	912796PY9	MATURED PAR VALUE OF U S TREASURY BILL AT 100 %	9/06/18 5,000,000 PAR VALUE	-5,000,000.0000	1.000000	4,997,333.33	-4,997,333.33	0.00
09/10/2018	89233HJA3	MATURED PAR VALUE OF TOYOTA MOTOR CREDIT CO C P VALUE AT 100 %	9/10/18 8,000,000 PAR	-8,000,000.0000	1.000000	7,936,313.33	-7,936,313.33	0.00
09/12/2018	313385F50	MATURED PAR VALUE OF F H L B DISC NTS 100 %	9/12/18 4,000,000 PAR VALUE AT	-4,000,000.0000	1.000000	3,997,241.11	-3,997,241.11	0.00
09/13/2018	912796NV7	MATURED PAR VALUE OF U S TREASURY BILL AT 100 %	9/13/18 30,000,000 PAR VALUE	-30,000,000.0000	1.000000	29,798,784.98	-29,798,784.98	0.00
09/14/2018	313385F76	MATURED PAR VALUE OF F H L B DISC NTS 100 %	9/14/18 10,900,000 PAR VALUE AT	-10,900,000.0000	1.000000	10,888,795.56	-10,888,795.56	0.00
09/14/2018	89233HJE5	MATURED PAR VALUE OF TOYOTA MOTOR CREDIT CO C P VALUE AT 100 %	9/14/18 1,500,000 PAR	-1,500,000.0000	1.000000	1,487,573.33	-1,487,573.33	0.00
09/14/2018	31846V567	SOLD UNITS OF FIRST AM GOVT OB FD CL Z		-38,990,620.0000	1.000000	38,990,620.00	-38,990,620.00	0.00
09/17/2018	31348SWZ3	PAID DOWN PAR VALUE OF F H L M C #786064 DUE 9/15/18	3.427% 1/01/28 AUGUST FHLMC	-15.8600	0.000000	15.86	-15.47	0.39
09/17/2018	43814QAC2	PAID DOWN PAR VALUE OF HONDA AUTO	1.390% 4/15/20	-99,741.5700	0.000000	99,741.57	-99,739.63	1.94
09/17/2018	47788MAC4	PAID DOWN PAR VALUE OF JOHN DEERE OWNER	1.360% 4/15/20	-133,399.8600	7.603353	133,399.86	-133,378.86	21.00
09/17/2018	47787XAB3	PAID DOWN PAR VALUE OF JOHN DEERE OWNER	1.500% 10/15/19	-107,262.2700	9.456132	107,262.27	-107,261.84	0.43
09/17/2018	47788BAB0	PAID DOWN PAR VALUE OF JOHN DEERE OWNER	1.590% 4/15/20	-53,571.5700	18.933293	53,571.57	-53,566.92	4.65
09/17/2018	65478VAD9	PAID DOWN PAR VALUE OF NISSAN AUTO	1.320% 1/15/21	-116,535.6200	8.703658	116,535.62	-115,602.42	933.20
09/17/2018	654747AB0	PAID DOWN PAR VALUE OF NISSAN AUTO	1.470% 1/15/20	-100,169.5100	10.125698	100,169.51	-100,169.00	0.51
09/17/2018	65477UAD2	PAID DOWN PAR VALUE OF NISSAN AUTO	1.500% 9/15/21	-183,653.2600	5.522833	183,653.26	-182,505.43	1,147.83
09/18/2018	3133TCE95	PAID DOWN PAR VALUE OF F H L M C MLTCL MTG INT PYMT	3.587% 8/15/32 9/15/18 PRIN AND	-875.9500	0.000000	875.95	-876.87	-0.92
09/18/2018	43814RAC0	PAID DOWN PAR VALUE OF HONDA AUTO	1.210% 12/18/20	-206,514.6400	0.000000	206,514.64	-204,247.82	2,266.82
09/18/2018	43814PAB6	PAID DOWN PAR VALUE OF HONDA AUTO	1.570% 1/21/20	-80,982.9300	0.000000	80,982.93	-80,975.73	7.20
09/18/2018	31846V567	SOLD UNITS OF FIRST AM GOVT OB FD CL Z		-7,493,299.9300	1.000000	7,493,299.93	-7,493,299.93	0.00
09/19/2018	31846V567	SOLD UNITS OF FIRST AM GOVT OB FD CL Z		-4,958,270.1700	1.000000	4,958,270.17	-4,958,270.17	0.00

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09/20/2018	36225CAZ9	PAID DOWN PAR VALUE OF G N M A I I #080023 3.125% 12/20/26 AUGUST DUE 9/20/18	GNMA	-1,004.1500	0.000000	1,004.15	-1,020.74 -16.59
09/20/2018	36225CC20	PAID DOWN PAR VALUE OF G N M A I I #080088 3.625% 6/20/27 AUGUST DUE 9/20/18	GNMA	-201.0800	0.000000	201.08	-205.48 -4.40
09/20/2018	36225CNM4	PAID DOWN PAR VALUE OF G N M A I I #080395 3.625% 4/20/30 AUGUST DUE 9/20/18	GNMA	-161.5500	0.000000	161.55	-160.09 1.46
09/20/2018	36225CN28	PAID DOWN PAR VALUE OF G N M A I I #080408 3.625% 5/20/30 AUGUST DUE 9/20/18	GNMA	-2,094.2100	0.000000	2,094.21	-2,072.94 21.27
09/20/2018	36225DCB8	PAID DOWN PAR VALUE OF G N M A I I #080965 2.750% 7/20/34 AUGUST DUE 9/20/18	GNMA	-1,444.7100	0.000000	1,444.71	-1,443.81 0.90
09/21/2018	43814TAB8	PAID DOWN PAR VALUE OF HONDA AUTO 1.420% 7/22/19 CMO FINAL PAYDOWN		-125,438.7200	0.000000	125,438.72	-125,435.72 3.00
09/24/2018	21687BJQ5	MATURED PAR VALUE OF COOPERATIEVE CENTRALE C P 9/24/18 1,500,000 PAR VALUE AT 100 %		-1,500,000.0000	1.000000	1,482,252.50	-1,482,252.50 0.00
09/24/2018	40428HPJ5	MATURED PAR VALUE OF HSBC USA INC 2.625% 9/24/18 619,000 PAR VALUE AT 100 %		-619,000.0000	1.000000	619,000.00	-620,281.33 -1,281.33
09/25/2018	31394JY35	PAID DOWN PAR VALUE OF F H L M C MLTCL MTG 6.500% 9/25/43		-12,021.6000	0.000000	12,021.60	-13,614.46 -1,592.86
09/25/2018	31371NUC7	PAID DOWN PAR VALUE OF F N M A #257179 4.500% 4/01/28 AUGUST DUE 9/25/18	FNMA	-186.7800	0.000000	186.78	-197.54 -10.76
09/25/2018	31376KT22	PAID DOWN PAR VALUE OF F N M A #357969 5.000% 9/01/35 AUGUST DUE 9/25/18	FNMA	-1,908.8900	0.000000	1,908.89	-2,052.06 -143.17
09/25/2018	31381PDA3	PAID DOWN PAR VALUE OF F N M A #466397 3.400% 11/01/20 AUGUST DUE 9/25/18	FNMA	-665.1200	0.000000	665.12	-650.73 14.39
09/25/2018	31403DJZ3	PAID DOWN PAR VALUE OF F N M A #745580 5.000% 6/01/36 AUGUST DUE 9/25/18	FNMA	-2,352.4300	0.000000	2,352.43	-2,528.86 -176.43
09/25/2018	31403GXF4	PAID DOWN PAR VALUE OF F N M A #748678 5.000% 10/01/33 AUGUST DUE 9/25/18	FNMA	-10.8400	0.000000	10.84	-11.65 -0.81
09/25/2018	31406PQY8	PAID DOWN PAR VALUE OF F N M A #815971 5.000% 3/01/35 AUGUST DUE 9/25/18	FNMA	-876.4700	0.000000	876.47	-942.21 -65.74
09/25/2018	31406XWT5	PAID DOWN PAR VALUE OF F N M A #823358 3.481% 2/01/35 AUGUST DUE 9/25/18	FNMA	-470.3200	0.000000	470.32	-466.65 3.67
09/25/2018	31407BXH7	PAID DOWN PAR VALUE OF F N M A #826080 5.000% 7/01/35 AUGUST DUE 9/25/18	FNMA	-283.2400	0.000000	283.24	-304.48 -21.24
09/25/2018	31410F4V4	PAID DOWN PAR VALUE OF F N M A #888336 5.000% 7/01/36 AUGUST DUE 9/25/18	FNMA	-3,575.4200	0.000000	3,575.42	-3,843.58 -268.16
09/25/2018	3138EG6F6	PAID DOWN PAR VALUE OF F N M A #AL0869 4.500% 6/01/29 AUGUST DUE 9/25/18	FNMA	-278.3200	0.000000	278.32	-294.35 -16.03
09/25/2018	31417YAY3	PAID DOWN PAR VALUE OF F N M A #MA0022 4.500% 4/01/29 AUGUST DUE 9/25/18	FNMA	-575.6100	0.000000	575.61	-608.76 -33.15

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09/25/2018	31397QRE0	PAID DOWN PAR VALUE OF F N M A GTD REMIC 1.113% 2/25/41	-3,664.0200	0.000000	3,664.02	-3,662.88	1.14
09/27/2018	912796QA0	MATURED PAR VALUE OF U S TREASURY BILL 9/27/18 5,000,000 PAR VALUE AT 100 %	-5,000,000.0000	1.000000	4,984,594.44	-4,984,594.44	0.00
09/27/2018	31846V567	SOLD UNITS OF FIRST AM GOVT OB FD CL Z	-9,995,516.3000	1.000000	9,995,516.30	-9,995,516.30	0.00
09/27/2018	31846V567	SOLD UNITS OF FIRST AM GOVT OB FD CL Z	-4,992,012.5000	1.000000	4,992,012.50	-4,992,012.50	0.00
09/28/2018	31846V567	SOLD UNITS OF FIRST AM GOVT OB FD CL Z	-4,996,302.2200	1.000000	4,996,302.22	-4,996,302.22	0.00
TOTAL DISPOSITIONS			-140,700,453.7900		140,373,342.37	-140,370,909.16	2,433.21

OTHER TRANSACTIONS

09/04/2018	30231GAV4	INTEREST EARNED ON EXXON MOBIL 2.222% 3/01/21 \$1 PV ON 3000000.0000 SHARES DUE 9/1/2018	0.0000	0.000000	33,330.00	0.00	0.00
09/04/2018	31846V567	INTEREST EARNED ON FIRST AM GOVT OB FD CL Z UNIT ON 0.0000 SHARES DUE 8/31/2018 INTEREST FROM 8/1/18 TO 8/31/18	0.0000	0.000000	11,773.53	0.00	0.00
09/04/2018	31846V567	INTEREST EARNED ON FIRST AM GOVT OB FD CL Z UNIT ON 0.0000 SHARES DUE 8/31/2018 INTEREST FROM 8/1/18 TO 8/31/18	0.0000	0.000000	22,478.86	0.00	0.00
09/04/2018	45950KCA6	INTEREST EARNED ON INTL FINANCE CORP 1.750% 9/04/18 \$1 PV ON 1500000.0000 SHARES DUE 9/4/2018	0.0000	0.000000	13,125.00	0.00	0.00
09/04/2018	83162CLJ0	INTEREST EARNED ON S B A GTD DEV PART 6.340% 3/01/21 \$1 PV ON 1239.9600 SHARES DUE 9/1/2018 \$0.03170/PV ON 39,115.36 PV DUE 9/ 1/18	0.0000	0.000000	1,239.96	0.00	0.00
09/05/2018	40428HPR7	INTEREST EARNED ON HSBC USA INC MTN 2.350% 3/05/20 \$1 PV ON 2500000.0000 SHARES DUE 9/5/2018	0.0000	0.000000	29,375.00	0.00	0.00
09/06/2018	912796PY9	INTEREST EARNED ON U S TREASURY BILL 9/06/18 \$1 PV ON 5000000.0000 SHARES DUE 9/6/2018 5,000,000 PAR VALUE AT 100 %	0.0000	0.000000	2,666.67	0.00	0.00
09/10/2018	3133782M2	INTEREST EARNED ON F H L B DEB 1.500% 3/08/19 \$1 PV ON 7500000.0000 SHARES DUE 9/8/2018	0.0000	0.000000	56,250.00	0.00	0.00
09/10/2018	89233HJA3	INTEREST EARNED ON TOYOTA MOTOR CREDIT CO C P 9/10/18 \$1 PV ON 8000000.0000 SHARES DUE 9/10/2018 8,000,000 PAR VALUE AT 100 %	0.0000	0.000000	63,686.67	0.00	0.00
09/11/2018	06406HCW7	INTEREST EARNED ON BANK NY MELLON MTN 2.300% 9/11/19 \$1 PV ON 2120000.0000 SHARES DUE 9/11/2018	0.0000	0.000000	24,380.00	0.00	0.00
09/12/2018	313385F50	INTEREST EARNED ON F H L B DISC NTS 9/12/18 \$1 PV ON 4000000.0000 SHARES DUE 9/12/2018 4,000,000 PAR VALUE AT 100 %	0.0000	0.000000	2,758.89	0.00	0.00
09/13/2018	912828WU0	BOOK VALUE OF U S TREASURY I P S 0.125% 7/15/24 ADJUSTED BY 936.00 UNITS INCREASE TO ADJUST FOR CHANGE IN CPI	0.0000	0.000000	0.00	0.00	0.00
09/13/2018	912828WU0	FED BASIS OF U S TREASURY I P S 0.125% 7/15/24 ADJUSTED BY 936.00 UNITS INCREASE TO ADJUST FOR CHANGE IN CPI	0.0000	0.000000	0.00	936.00	0.00
09/13/2018	00440EAP2	INTEREST EARNED ON ACE INA HOLDINGS 2.700% 3/13/23 \$1 PV ON 2000000.0000 SHARES DUE 9/13/2018	0.0000	0.000000	27,000.00	0.00	0.00
09/13/2018	912796NV7	INTEREST EARNED ON U S TREASURY BILL 9/13/18 \$1 PV ON 30000000.0000 SHARES DUE 9/13/2018 30,000,000 PAR VALUE AT 100 %	0.0000	0.000000	201,215.02	0.00	0.00

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09/13/2018	912828WU0	PAR VALUE OF U S TREASURY I P S 0.125% 7/15/24 ADJUSTED BY 936.0000 UNITS INCREASE TO ADJUST FOR CHANGE IN CPI	936.0000	0.000000	0.00	0.00	0.00
09/13/2018	912828WU0	STATE COST OF U S TREASURY I P S 0.125% 7/15/24 ADJUSTED BY 936.00 UNITS INCREASE TO ADJUST FOR CHANGE IN CPI	0.0000	0.000000	0.00	0.00	0.00
09/14/2018	313385F76	INTEREST EARNED ON F H L B DISC NTS 9/14/18 \$1 PV ON 10900000.0000 SHARES DUE 9/14/2018 10,900,000 PAR VALUE AT 100 %	0.0000	0.000000	11,204.44	0.00	0.00
09/14/2018	4581X0CZ9	INTEREST EARNED ON INTER AMER DEV BK 1.750% 9/14/22 \$1 PV ON 6500000.0000 SHARES DUE 9/14/2018	0.0000	0.000000	56,875.00	0.00	0.00
09/14/2018	89233HJE5	INTEREST EARNED ON TOYOTA MOTOR CREDIT CO C P 9/14/18 \$1 PV ON 1500000.0000 SHARES DUE 9/14/2018 1,500,000 PAR VALUE AT 100 %	0.0000	0.000000	12,426.67	0.00	0.00
09/14/2018		CASH DISBURSEMENT PAID TO UNION BANK OUTGOING DOMESTIC WIRE PER DIR DTD 9/12/18	0.0000	0.000000	-33,000,000.00	0.00	0.00
09/17/2018	02587AAJ3	INTEREST EARNED ON AMERICAN EXPRESS 1.930% 9/15/22 \$1 PV ON 10084.2400 SHARES DUE 9/15/2018 \$0.00161/PV ON 6,270,000.00 PV DUE 9/15/18	0.0000	0.000000	10,084.24	0.00	0.00
09/17/2018	084670BR8	INTEREST EARNED ON BERKSHIRE HATHAWAY 2.750% 3/15/23 \$1 PV ON 2500000.0000 SHARES DUE 9/15/2018	0.0000	0.000000	34,375.00	0.00	0.00
09/17/2018	532457BF4	INTEREST EARNED ON ELI LILLY CO 1.950% 3/15/19 \$1 PV ON 4000000.0000 SHARES DUE 9/15/2018	0.0000	0.000000	39,000.00	0.00	0.00
09/17/2018	31348SWZ3	INTEREST EARNED ON F H L M C #786064 3.427% 1/01/28 \$1 PV ON 5.9000 SHARES DUE 9/15/2018 JULY FHLMC DUE 9/15/18	0.0000	0.000000	5.90	0.00	0.00
09/17/2018	43814QAC2	INTEREST EARNED ON HONDA AUTO 1.390% 4/15/20 \$1 PV ON 943.2300 SHARES DUE 9/15/2018 \$0.00116/PV ON 814,302.37 PV DUE 9/15/18	0.0000	0.000000	943.23	0.00	0.00
09/17/2018	4581X0CS5	INTEREST EARNED ON INTER AMERICAN DEVEL 1.875% 3/15/21 \$1 PV ON 5000000.0000 SHARES DUE 9/15/2018	0.0000	0.000000	46,875.00	0.00	0.00
09/17/2018	24422ESS9	INTEREST EARNED ON JOHN DEERE CAP MTN 2.300% 9/16/19 \$1 PV ON 5000000.0000 SHARES DUE 9/16/2018	0.0000	0.000000	57,500.00	0.00	0.00
09/17/2018	47788MAC4	INTEREST EARNED ON JOHN DEERE OWNER 1.360% 4/15/20 \$1 PV ON 1067.7900 SHARES DUE 9/15/2018 \$0.00113/PV ON 942,170.02 PV DUE 9/15/18	0.0000	0.000000	1,067.79	0.00	0.00
09/17/2018	47788NAD0	INTEREST EARNED ON JOHN DEERE OWNER 1.490% 5/15/23 \$1 PV ON 1429.1600 SHARES DUE 9/15/2018 \$0.00124/PV ON 1,151,000.00 PV DUE 9/15/18	0.0000	0.000000	1,429.16	0.00	0.00
09/17/2018	47787XAB3	INTEREST EARNED ON JOHN DEERE OWNER 1.500% 10/15/19 \$1 PV ON 375.1600 SHARES DUE 9/15/2018 \$0.00125/PV ON 300,129.25 PV DUE 9/15/18	0.0000	0.000000	375.16	0.00	0.00
09/17/2018	47788BAB0	INTEREST EARNED ON JOHN DEERE OWNER 1.590% 4/15/20 \$1 PV ON 651.2100 SHARES DUE 9/15/2018 \$0.00133/PV ON 491,476.61 PV DUE 9/15/18	0.0000	0.000000	651.21	0.00	0.00
09/17/2018	47788BAD6	INTEREST EARNED ON JOHN DEERE OWNER 1.820% 10/15/21 \$1 PV ON 1023.7500 SHARES DUE 9/15/2018 \$0.00152/PV ON 675,000.00 PV DUE 9/15/18	0.0000	0.000000	1,023.75	0.00	0.00
09/17/2018	47788CAB8	INTEREST EARNED ON JOHN DEERE OWNER 2.420% 10/15/20 \$1 PV ON 3630.0000 SHARES DUE 9/15/2018 \$0.00202/PV ON 1,800,000.00 PV DUE 9/15/18	0.0000	0.000000	3,630.00	0.00	0.00
09/17/2018	47788CAC6	INTEREST EARNED ON JOHN DEERE OWNER 2.660% 4/18/22 \$1 PV ON 2970.3300 SHARES DUE 9/15/2018 \$0.00222/PV ON 1,340,000.00 PV DUE 9/15/18	0.0000	0.000000	2,970.33	0.00	0.00

U.S. Bank
Transaction History
09/01/2018 Thru 09/30/2018

Entry Date	CUSIP Id	Explanation	Units	Price	Net Cash Amt	Cost	Gain/Loss
09/17/2018	47788EAC2	INTEREST EARNED ON JOHN DEERE OWNER 3.080% 11/15/22 \$1 PV ON 19806.1100 SHARES DUE 9/15/2018 \$0.00428/PV ON 4,630,000.00 PV DUE 9/15/18	0.0000	0.000000	19,806.11	0.00	0.00
09/17/2018	65478VAD9	INTEREST EARNED ON NISSAN AUTO 1.320% 1/15/21 \$1 PV ON 1626.2300 SHARES DUE 9/15/2018 \$0.00110/PV ON 1,478,388.72 PV DUE 9/15/18	0.0000	0.000000	1,626.23	0.00	0.00
09/17/2018	654747AB0	INTEREST EARNED ON NISSAN AUTO 1.470% 1/15/20 \$1 PV ON 539.9600 SHARES DUE 9/15/2018 \$0.00123/PV ON 440,782.14 PV DUE 9/15/18	0.0000	0.000000	539.96	0.00	0.00
09/17/2018	65477UAD2	INTEREST EARNED ON NISSAN AUTO 1.500% 9/15/21 \$1 PV ON 2250.0000 SHARES DUE 9/15/2018 \$0.00125/PV ON 1,800,000.00 PV DUE 9/15/18	0.0000	0.000000	2,250.00	0.00	0.00
09/17/2018	65479GAD1	INTEREST EARNED ON NISSAN AUTO 3.060% 3/15/23 \$1 PV ON 9078.0000 SHARES DUE 9/15/2018 \$0.00255/PV ON 3,560,000.00 PV DUE 9/15/18	0.0000	0.000000	9,078.00	0.00	0.00
09/17/2018	68389XBK0	INTEREST EARNED ON ORACLE CORP 1.900% 9/15/21 \$1 PV ON 3000000.0000 SHARES DUE 9/15/2018	0.0000	0.000000	28,500.00	0.00	0.00
09/17/2018	89238BAB8	INTEREST EARNED ON TOYOTA AUTO 2.100% 10/15/20 \$1 PV ON 9047.5000 SHARES DUE 9/15/2018 \$0.00175/PV ON 5,170,000.00 PV DUE 9/15/18	0.0000	0.000000	9,047.50	0.00	0.00
09/18/2018	912828B33	PAID ACCRUED INTEREST ON PURCHASE OF U S TREASURY NT 1.500% 1/31/19	0.0000	0.000000	-14,979.62	0.00	0.00
09/18/2018	3133TCE95	INTEREST EARNED ON F H L M C MLTCL MTG 3.587% 8/15/32 \$1 PV ON 48.4200 SHARES DUE 9/15/2018 \$0.00299/PV ON 15,889.75 PV DUE 9/15/18	0.0000	0.000000	48.42	0.00	0.00
09/18/2018	43814RAC0	INTEREST EARNED ON HONDA AUTO 1.210% 12/18/20 \$1 PV ON 2658.2000 SHARES DUE 9/18/2018 \$0.00101/PV ON 2,636,233.44 PV DUE 9/18/18	0.0000	0.000000	2,658.20	0.00	0.00
09/18/2018	43814PAB6	INTEREST EARNED ON HONDA AUTO 1.570% 1/21/20 \$1 PV ON 766.5500 SHARES DUE 9/18/2018 \$0.00131/PV ON 585,901.43 PV DUE 9/18/18	0.0000	0.000000	766.55	0.00	0.00
09/18/2018	43814PAC4	INTEREST EARNED ON HONDA AUTO 1.790% 9/20/21 \$1 PV ON 4609.2500 SHARES DUE 9/18/2018 \$0.00149/PV ON 3,090,000.00 PV DUE 9/18/18	0.0000	0.000000	4,609.25	0.00	0.00
09/18/2018	43814UAG4	INTEREST EARNED ON HONDA AUTO 3.010% 5/18/22 \$1 PV ON 1710000.0000 SHARES DUE 9/18/2018	0.0000	0.000000	4,289.25	0.00	0.00
09/20/2018	36225CAZ9	INTEREST EARNED ON G N M A I I #080023 3.125% 12/20/26 \$1 PV ON 51.7900 SHARES DUE 9/20/2018 AUGUST GNMA DUE 9/20/18	0.0000	0.000000	51.79	0.00	0.00
09/20/2018	36225CC20	INTEREST EARNED ON G N M A I I #080088 3.625% 6/20/27 \$1 PV ON 64.0700 SHARES DUE 9/20/2018 AUGUST GNMA DUE 9/20/18	0.0000	0.000000	64.07	0.00	0.00
09/20/2018	36225CNM4	INTEREST EARNED ON G N M A I I #080395 3.625% 4/20/30 \$1 PV ON 24.1800 SHARES DUE 9/20/2018 AUGUST GNMA DUE 9/20/18	0.0000	0.000000	24.18	0.00	0.00
09/20/2018	36225CN28	INTEREST EARNED ON G N M A I I #080408 3.625% 5/20/30 \$1 PV ON 189.6200 SHARES DUE 9/20/2018 AUGUST GNMA DUE 9/20/18	0.0000	0.000000	189.62	0.00	0.00
09/20/2018	36225DCB8	INTEREST EARNED ON G N M A I I #080965 2.750% 7/20/34 \$1 PV ON 137.8500 SHARES DUE 9/20/2018 AUGUST GNMA DUE 9/20/18	0.0000	0.000000	137.85	0.00	0.00
09/21/2018	43814TAB8	INTEREST EARNED ON HONDA AUTO 1.420% 7/22/19 \$1 PV ON 125438.7200 SHARES DUE 9/21/2018	0.0000	0.000000	148.44	0.00	0.00
09/21/2018	43815HAC1	INTEREST EARNED ON HONDA AUTO 2.950% 8/22/22 \$1 PV ON 3970000.0000 SHARES DUE 9/21/2018	0.0000	0.000000	7,482.35	0.00	0.00

U.S. Bank
Transaction History
09/01/2018 Thru 09/30/2018

Entry Date	CUSIP Id	Explanation	Units	Price	Net Cash Amt	Cost	Gain/Loss
09/24/2018	21687BJQ5	INTEREST EARNED ON COOPERATIEVE CENTRALE C P 9/24/18 \$1 PV ON 1500000.0000 SHARES DUE 9/24/2018 1,500,000 PAR VALUE AT 100 %	0.0000	0.000000	17,747.50	0.00	0.00
09/24/2018	40428HPJ5	INTEREST EARNED ON HSBC USA INC 2.625% 9/24/18 \$1 PV ON 619000.0000 SHARES DUE 9/24/2018	0.0000	0.000000	8,124.38	0.00	0.00
09/25/2018	03215PFN4	INTEREST EARNED ON AMRESCO 0.04227% 6/25/29 \$1 PV ON 323.7200 SHARES DUE 9/25/2018 \$0.00004/PV ON 133,743.29 PV DUE 9/25/18	0.0000	0.000000	323.72	0.00	0.00
09/25/2018	31398VJ98	INTEREST EARNED ON F H L M C MLTCL MTG 4.251% 1/25/20 \$1 PV ON 900000.0000 SHARES DUE 9/25/2018	0.0000	0.000000	3,188.25	0.00	0.00
09/25/2018	31394JY35	INTEREST EARNED ON F H L M C MLTCL MTG 6.500% 9/25/43 \$1 PV ON 4345.6300 SHARES DUE 9/25/2018 \$0.00542/PV ON 802,269.78 PV DUE 9/25/18	0.0000	0.000000	4,345.63	0.00	0.00
09/25/2018	31371NUC7	INTEREST EARNED ON F N M A #257179 4.500% 4/01/28 \$1 PV ON 68.4100 SHARES DUE 9/25/2018 AUGUST FNMA DUE 9/25/18	0.0000	0.000000	68.41	0.00	0.00
09/25/2018	31376KT22	INTEREST EARNED ON F N M A #357969 5.000% 9/01/35 \$1 PV ON 483.8700 SHARES DUE 9/25/2018 AUGUST FNMA DUE 9/25/18	0.0000	0.000000	483.87	0.00	0.00
09/25/2018	31381PDA3	INTEREST EARNED ON F N M A #466397 3.400% 11/01/20 \$1 PV ON 1014.6300 SHARES DUE 9/25/2018 AUGUST FNMA DUE 9/25/18	0.0000	0.000000	1,014.63	0.00	0.00
09/25/2018	31403DJZ3	INTEREST EARNED ON F N M A #745580 5.000% 6/01/36 \$1 PV ON 473.3200 SHARES DUE 9/25/2018 AUGUST FNMA DUE 9/25/18	0.0000	0.000000	473.32	0.00	0.00
09/25/2018	31403GXF4	INTEREST EARNED ON F N M A #748678 5.000% 10/01/33 \$1 PV ON 10.7600 SHARES DUE 9/25/2018 AUGUST FNMA DUE 9/25/18	0.0000	0.000000	10.76	0.00	0.00
09/25/2018	31406PQY8	INTEREST EARNED ON F N M A #815971 5.000% 3/01/35 \$1 PV ON 823.4800 SHARES DUE 9/25/2018 AUGUST FNMA DUE 9/25/18	0.0000	0.000000	823.48	0.00	0.00
09/25/2018	31406XWT5	INTEREST EARNED ON F N M A #823358 3.481% 2/01/35 \$1 PV ON 351.1800 SHARES DUE 9/25/2018 AUGUST FNMA DUE 9/25/18	0.0000	0.000000	351.18	0.00	0.00
09/25/2018	31407BXH7	INTEREST EARNED ON F N M A #826080 5.000% 7/01/35 \$1 PV ON 94.3000 SHARES DUE 9/25/2018 AUGUST FNMA DUE 9/25/18	0.0000	0.000000	94.30	0.00	0.00
09/25/2018	31410F4V4	INTEREST EARNED ON F N M A #888336 5.000% 7/01/36 \$1 PV ON 930.4200 SHARES DUE 9/25/2018 AUGUST FNMA DUE 9/25/18	0.0000	0.000000	930.42	0.00	0.00
09/25/2018	3138EG6F6	INTEREST EARNED ON F N M A #AL0869 4.500% 6/01/29 \$1 PV ON 47.2900 SHARES DUE 9/25/2018 AUGUST FNMA DUE 9/25/18	0.0000	0.000000	47.29	0.00	0.00
09/25/2018	31417YAY3	INTEREST EARNED ON F N M A #MA0022 4.500% 4/01/29 \$1 PV ON 77.4100 SHARES DUE 9/25/2018 AUGUST FNMA DUE 9/25/18	0.0000	0.000000	77.41	0.00	0.00
09/25/2018	31397QRE0	INTEREST EARNED ON F N M A GTD REMIC 1.113% 2/25/41 \$1 PV ON 520.4700 SHARES DUE 9/25/2018 \$0.00229/PV ON 227,547.03 PV DUE 9/25/18	0.0000	0.000000	520.47	0.00	0.00
09/26/2018	912828WU0	BOOK VALUE OF U S TREASURY I P S 0.125% 7/15/24 ADJUSTED BY 416.00 UNITS INCREASE TO ADJUST FOR CHANGE IN CPI	0.0000	0.000000	0.00	0.00	0.00
09/26/2018	912828WU0	FED BASIS OF U S TREASURY I P S 0.125% 7/15/24 ADJUSTED BY 416.00 UNITS INCREASE TO ADJUST FOR CHANGE IN CPI	0.0000	0.000000	0.00	416.00	0.00
09/26/2018	912828WU0	PAR VALUE OF U S TREASURY I P S 0.125% 7/15/24 ADJUSTED BY 416.0000 UNITS INCREASE TO ADJUST FOR CHANGE IN CPI	416.0000	0.000000	0.00	0.00	0.00

U.S. Bank
Transaction History
09/01/2018 Thru 09/30/2018

Entry Date	CUSIP Id	Explanation	Units	Price	Net Cash Amt	Cost	Gain/Loss
09/26/2018	912828WU0	STATE COST OF U S TREASURY I P S 0.125% 7/15/24 ADJUSTED BY 416.00 UNITS INCREASE TO ADJUST FOR CHANGE IN CPI	0.0000	0.000000	0.00	0.00	0.00
09/27/2018	912828B33	PAID ACCRUED INTEREST ON PURCHASE OF U S TREASURY NT 1.500% 1/31/19	0.0000	0.000000	-23,641.30	0.00	0.00
09/27/2018	912796QA0	INTEREST EARNED ON U S TREASURY BILL 9/27/18 \$1 PV ON 5000000.0000 SHARES DUE 9/27/2018 5,000,000 PAR VALUE AT 100 %	0.0000	0.000000	15,405.56	0.00	0.00
TOTAL OTHER TRANSACTIONS			1,352.0000		-32,123,556.09	1,352.00	0.00

September 30, 2018

Orange County Sanitation District



**Investment Measurement Service
Quarterly Review**

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Orange County Sanitation District Executive Summary for Period Ending September 30, 2018

Asset Allocation

	September 30, 2018		Net New Inv.	Inv. Return	June 30, 2018	
	Market Value	Weight			Market Value	Weight
Domestic Fixed Income						
Long Term Operating Fund*	462,141,157	86.01%	0	1,280,198	460,860,959	74.70%
Liquid Operating Monies*	75,188,355	13.99%	(81,500,000)	587,389	156,100,966	25.30%
Total Fund	\$537,329,511	100.0%	\$(81,500,000)	\$1,867,587	\$616,961,925	100.0%

Performance

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
Domestic Fixed Income					
Long Term Operating Fund [^]	0.28%	0.06%	0.89%	1.10%	1.11%
Chandler	0.28%	0.06%	0.89%	-	-
Blmbg Govt/Cred 1-5 Year Idx	0.26%	(0.38%)	0.72%	1.06%	1.16%
ML 1-5 Govt/Corp	0.28%	(0.31%)	0.77%	1.11%	1.23%
Liquid Operating Monies [^]	0.50%	1.62%	0.91%	0.60%	0.47%
Chandler	0.50%	1.62%	0.91%	-	-
Citigroup 3-Month Treasury Bill	0.50%	1.57%	0.80%	0.49%	0.37%
Total Fund	0.33%	0.40%	0.81%	0.98%	0.99%
Target*	0.33%	0.06%	0.78%	0.99%	1.06%

* Current Quarter Target = 80.0% ML 1-5 Govt/Corp and 20.0% Citi 3mo T-Bills.

[^]Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

Recent Developments

- During the quarter, \$81.5 million was withdrawn from the Liquid Operating Monies, while the Long Term Operating Fund experienced no net new investments.

Organizational Issues

- N/A

Fixed Income Market Snapshot

- Rates moved higher across the curve during the quarter, pushed up by strong U.S. economic data and increasingly hawkish monetary policy. As expected, the Federal Open Market Committee (FOMC) increased the Federal Funds rate by 25 basis points at their September meeting, bringing the target range to 2.00% - 2.25%. The Committee also removed language that referred to current monetary policy as "accommodative," although they downplayed the significance of the change. Further, the FOMC noted expectations for an additional hike in December and three more in 2019. The 2-year Treasury rate rose 29 bps to 2.81%, the 10-year Treasury rate increased 20 bps to 3.05%, and the 30-year Treasury rate climbed 21 bps

to 3.19%. The yield curve flattened over the quarter with the spread between the 2-year and 10-year rates falling from 33 bps to 24 bps.

- The Bloomberg Aggregate Index was flat for the quarter, returning only two bps as underlying sector returns were mixed. The more interest rate sensitive sectors detracted, with the Bloomberg U.S. Government Index falling 0.6%, the Bloomberg Long Gov/Credit Index losing 0.5%, and the Bloomberg Mortgage Backed Securities Index declining 0.1%. Conversely, credit (Bloomberg Credit Index: +0.9%) performed well as investment grade spreads tightened 17 bps. Strong corporate earnings and limited issuance boosted performance of the sector. Among sectors not represented in the Aggregate, high yield (ML U.S. High Yield Cash Pay Index: +2.4%) was the best performer followed by leveraged loans (CS Leveraged Loan Index: +1.9%). TIPS (Bloomberg U.S. TIPS Index: -0.8%) was the worst performer in the quarter amid rising real yields, but is also not included in the Aggregate.

Manager Performance

- The Long Term Operating Fund returned 0.28% during the quarter, performing in line with the ML U.S. 1-5 Corp/Gov Index (+0.28%) and ranking in the 92nd percentile versus peers. The portfolio's duration is lower than the benchmark (2.37 years versus 2.68 years), which was additive as interest rates increased. Positive attribution relative to the benchmark in the third quarter also stemmed from an overweight allocation to asset-backed securities and security selection in corporate credit. The lower effective yield of the Long Term Operating fund stems from the shorter duration position (2.85% versus the benchmark's 3.05%). The portfolio had less than 30% invested in credit (23%) and less than the permitted 20% invested in the combination of asset-backed securities (9%), commercial mortgage backed securities (0%), and CMOs (1%) as of September 30, 2018 (see page 20).
- The Liquid Operating Portfolio gained 0.46% (after fees) in the quarter, which modestly trailed the return of the 3-month Treasury (+0.50%). The Portfolio returned 1.46% (after fees) for the trailing 12-months and ranked in the 26th percentile versus peers.

Cordially,



Gordon M. Weightman, CFA
Senior Vice President

Capital Market Review

U.S. EQUITY

The U.S. equity market posted broad-based gains in the third quarter fueled by strong economic growth, robust corporate earnings, and heightened stock buybacks. Several major indices hit record levels during the quarter, and the 7.7% gain for the S&P 500 was its biggest since the fourth quarter of 2013. Volatility was muted in spite of persistent headlines around trade war threats and the ever-changing negotiations.

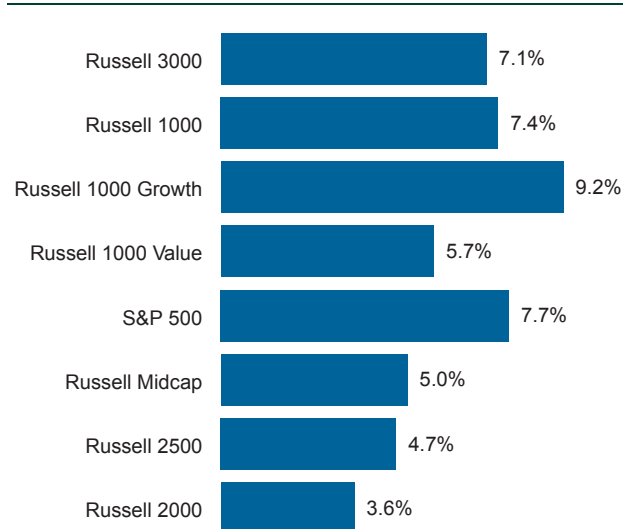
Large Cap Outpaced Small Cap (Russell 1000: +7.4%; Russell 2000: +3.6%)

- Tax reform and domestic prosperity contributed to an acceleration in corporate earnings growth, and valuations remained elevated as strong sentiment persisted given positive economic data.
- Amazon (+17.8%), Apple (+22.4%), and Microsoft (+16.4%) were strong contributors to large cap outperformance.
- FAANG stocks plus Microsoft had a more muted impact than in previous quarters, but still contributed nearly 25% of the S&P 500's quarterly return.
- All sectors landed in positive territory with Health Care (+14.5%), Industrials (+10%), and Communication Services (+9.9%) as the strongest performers.
- The new Communication Services sector represents 10% of the S&P 500 and includes several FAANG stocks such as Alphabet, Facebook, and Netflix; Tech and Consumer Discretionary now represent lower weightings in the index.

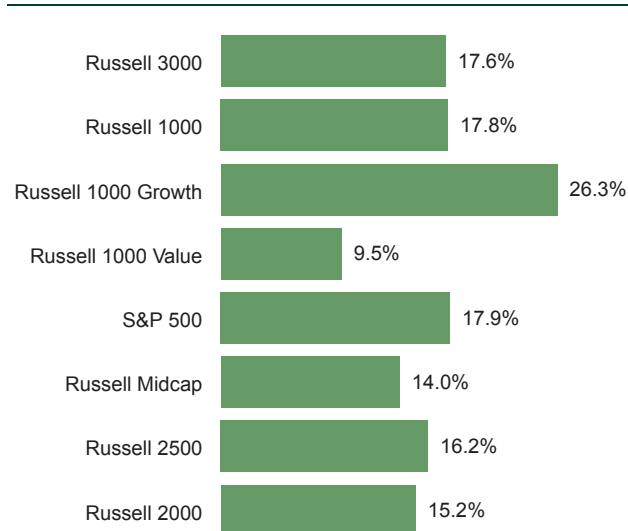
Growth Continued to Outperform Value (Russell 1000 Growth: +9.2%; Russell 1000 Value: +5.7%)

- Divergence between Growth and Value approaching historical high; Growth outpacing Value this year by the widest margin in 15 years within large cap (Russell 1000 Growth YTD: +17.1% vs. Russell 1000 Value YTD: +3.9%) due largely to ongoing euphoria of the FAANG stocks.
- Momentum continued as the leading factor for the quarter and year-to-date; value has been the worst-performing style for the last 18 months.

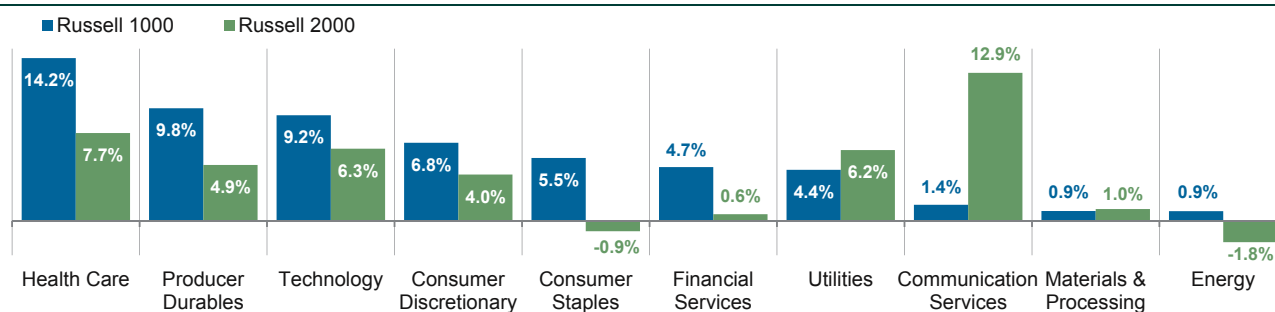
U.S. Equity: Quarterly Returns



U.S. Equity: One-Year Returns



Russell Sector Returns, Quarter ended September 30, 2018



Sources: FTSE Russell, Standard & Poor's

NON-U.S./GLOBAL EQUITY

Market divergence has emerged after synchronized growth in 2017. The U.S. continues to post positive returns while non-U.S. developed and emerging markets have rolled over year-to-date, dragged down by geopolitical and economic uncertainties.

Global/Non-US Developed (MSCI EAFE: +1.4%; MSCI Europe: +0.8%; MSCI Japan: +3.7%; MSCI World ex USA: +1.3%)

- The dollar rallied against the euro and yen given the fundamentals of the U.S. economy and Fed's contractionary monetary policy; other central banks maintained status quo
- Global trade tensions coupled with Brexit negotiation and Italy's populism concerns tempered the European market despite solid earnings growth; re-election of Prime Minister Shinzo Abe and GDP growth sparked the Japanese market
- Top sector performers were Health Care, Telecommunication Services, and Energy
- Real Estate, Financials, and Consumer Staples were hurt by rising interest rates and a flattening yield curve
- Style had a de minimis impact; however, Growth moderately outperformed Value. Volatility and small cap factors were out of favor given market uncertainties

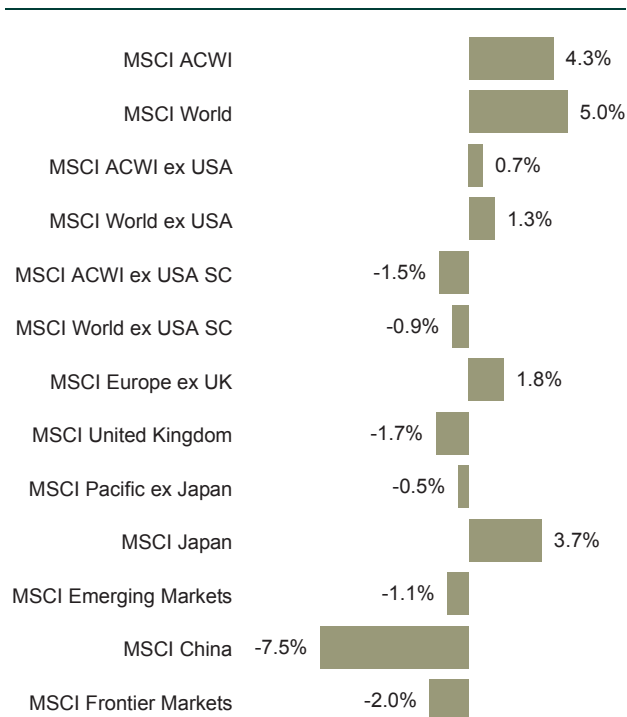
Emerging Markets (MSCI EM: -1.1%)

- Emerging markets were under pressure from a rising dollar, U.S. interest rates, and U.S.-China trade frictions
- Turkey was the worst-performing country within emerging markets as the lira and local currency bonds crashed due to the twin deficit, high level of dollar debt, and inflation
- The economic slowdown in China and trade tensions with the U.S. weakened the market
- Brazil and Russia were among the best performers due to climbing oil prices
- Energy was the best performer supported by rising oil prices; Consumer Discretionary was the worst sector performer weighed down by China and India
- Value and large cap factors were in favor as Energy gained traction with rising oil prices and momentum struggled as market leadership rotated away from Asian tech companies

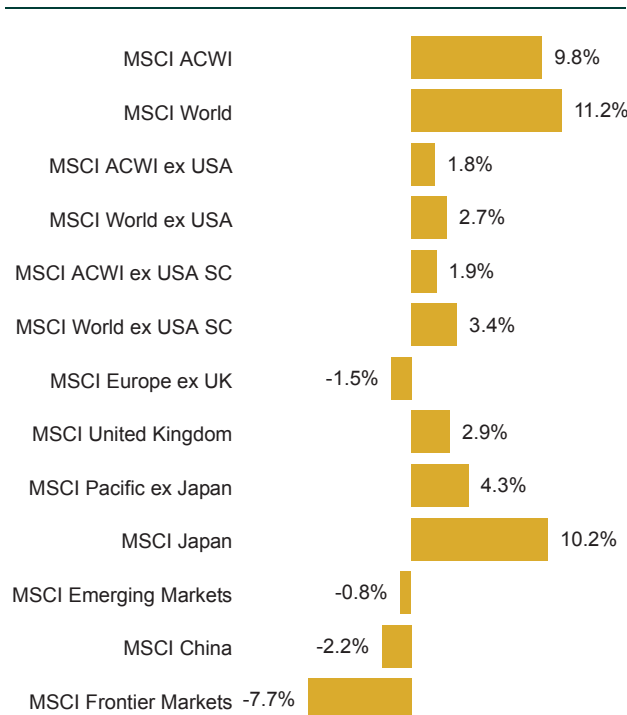
International Small Cap (MSCI World ex USA Small Cap: +0.9%; MSCI EM Small Cap: -4.2%)

- Both non-U.S. developed and emerging market small cap underperformed large cap as appetite for risk waned due to rising interest rates/dollar, global trade tensions, and geopolitical conflicts
- Value was favored in both non-U.S. developed and emerging market small cap as the value-oriented Energy sector thrived with rising oil prices

Global Equity: Quarterly Returns



Global Equity: One-Year Returns



Source: MSCI

U.S. FIXED INCOME

Fixed income performance was flat for the third quarter. The U.S. Treasury yield curve rose across the maturity spectrum on better-than-expected corporate earnings and solid U.S. economic data despite increased headline risks from U.S. trade tensions and European political uncertainties. The best-performing sector was investment grade corporate, while the worst was U.S. Treasuries. Investors searching for shorter duration spreads helped both the commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) markets as well, but higher interest rates slowed prepayments and extended the duration of agency MBS, resulting in its underperformance.

In other markets, U.S. below-investment grade debt and bank loans also provided strong results this quarter as a lack of new high yield issuance and demand for bank loans from collateralized loan obligation (CLO) formation provided strong support.

Bloomberg Barclays US Aggregate Bond Index: +0.02% in 3Q; -1.6% YTD

- 10-year U.S. Treasury yield rose steadily, reaching a high of 3.10%, before settling at 3.06% as strong economic data repriced investors' inflation expectations and increased the probability of a December rate hike by the Federal Reserve
- The yield curve flattened with short-term interest rates rising quicker than the longer-term rate. The spread between the 2-year and 10-year key rates narrowed 9 bps to 24 bps from last quarter, the tightest in 10 years

Investment Grade Corporates: +1.0% in 3Q; -2.3% YTD

- New issuance remained strong with an average of 2-3x oversubscribed demand throughout the quarter
- Spreads continued to narrow this quarter despite leverages increasing within the sector
- Higher rates and weaker overall fundamentals caused this sector to post negative results year to date

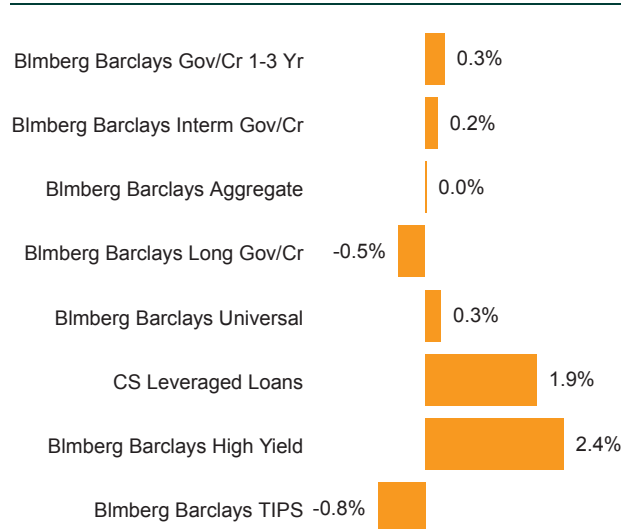
High Yield: +2.4% in 3Q; +2.6% YTD

- Low new issuance volume and stable fundamentals compressed spreads
- Bond issuance was \$41 billion, 33% lower than 3Q17

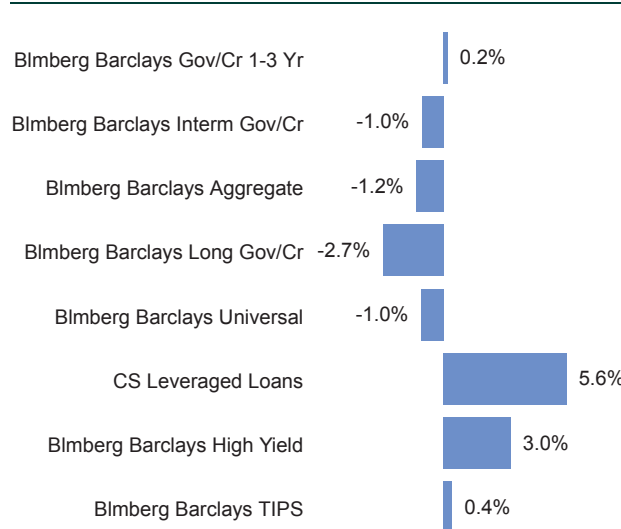
Bank Loans: +1.8% in 3Q; +4.0% YTD

- Demand continues for floating rate securities despite covenant-lite structures and higher spread duration
- Heavy issuance continued through the quarter; YTD leveraged loan issuance is above \$900 billion, driven by leveraged buyout and mergers-and-acquisitions activities
- CLO formation also increased demand in the third quarter

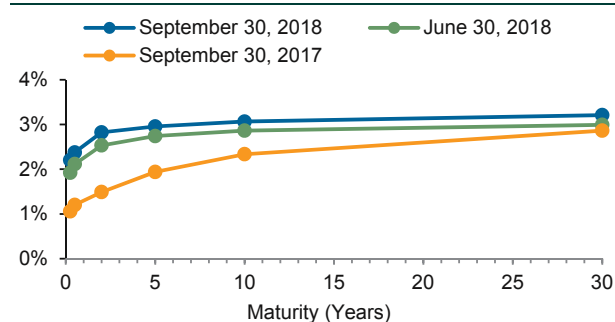
U.S. Fixed Income: Quarterly Returns



U.S. Fixed Income: One-Year Returns



U.S. Treasury Yield Curves



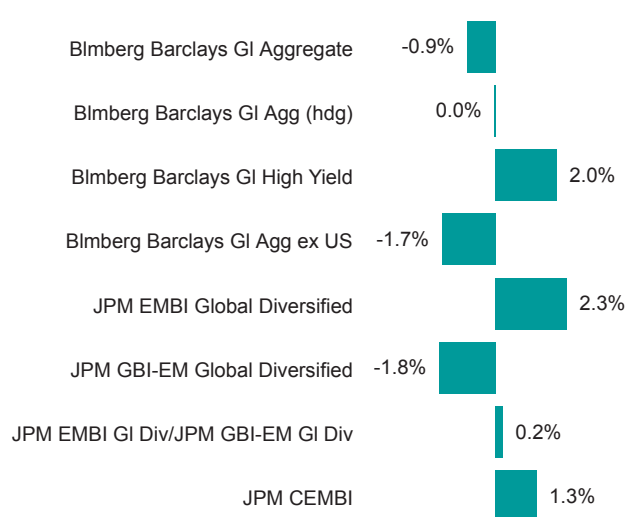
Sources: Bloomberg, Bloomberg Barclays, Credit Suisse

NON-U.S. FIXED INCOME

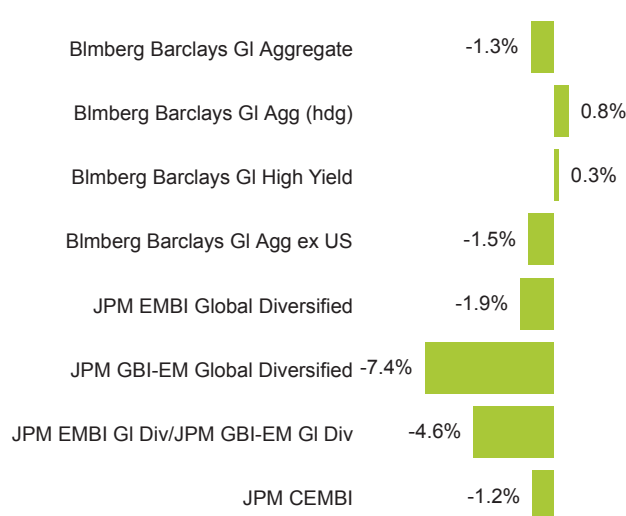
Volatility Hinders Local EM Debt

- The quarterly return for the JPM EMBI Global Diversified Index (USD denominated) was +2.3% with all sub-regions delivering positive results. Local currency emerging markets, however, fared more poorly. The JPM GBI-EM Global Diversified Index fell 1.8% for the quarter, but also endured significant intra-quarter volatility including a 6.1% drop in August.
- Further, return dispersion among countries was significant. Argentina (-35%) has seen its peso fall more than 50% this year to a record low as investors were spooked by previous currency debacles and worries over the economic picture. In addition to securing support from the International Monetary Fund, the country's central bank hiked short-term interest rates 15 percentage points to a global high of 60%. Turkey (-27%) endured a similar currency rout, though for different reasons. U.S.-imposed sanctions and concerns over central bank policy were the twin drivers of the lira's weakness. Turkey hiked short rates by 6.25 percentage points to 24% to stem its currency slide.
- Elsewhere, returns were far more modest (positive or negative) with only Russia (-6%) and Mexico (+6%) being noteworthy.
- Issuers in Europe faced a different challenge as political uncertainties surrounding Italy caused that market to weaken.

Global Fixed Income: Quarterly Returns

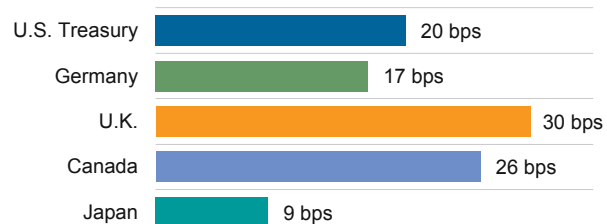


Global Fixed Income: One-Year Returns



Change in 10-Year Global Government Bond Yields

2Q18 to 3Q18



Sources: Bloomberg, Bloomberg Barclays, JP Morgan

Active Management Overview

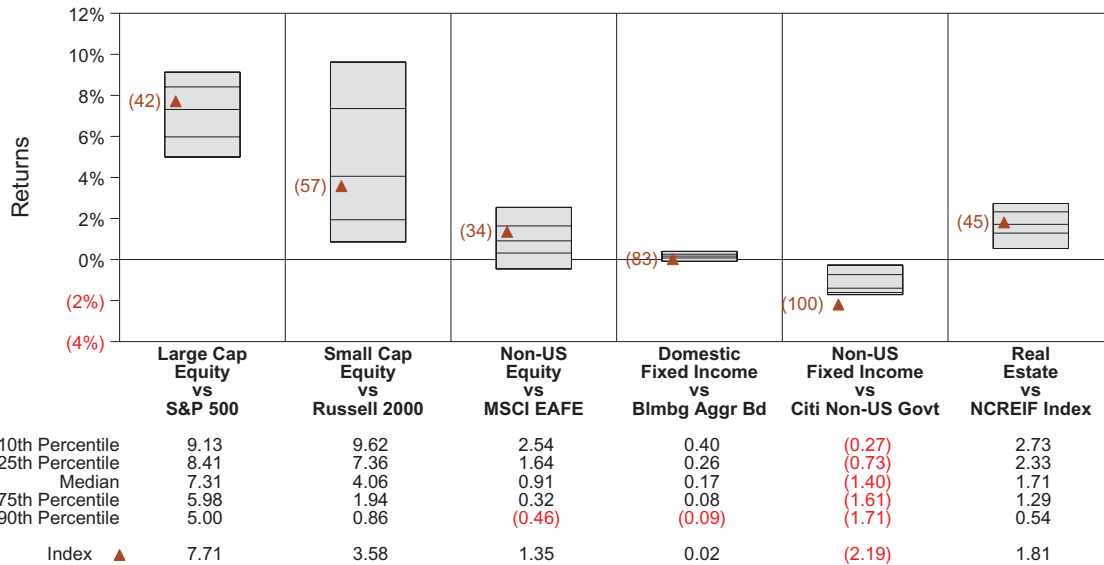
Market Overview

Active Management vs Index Returns

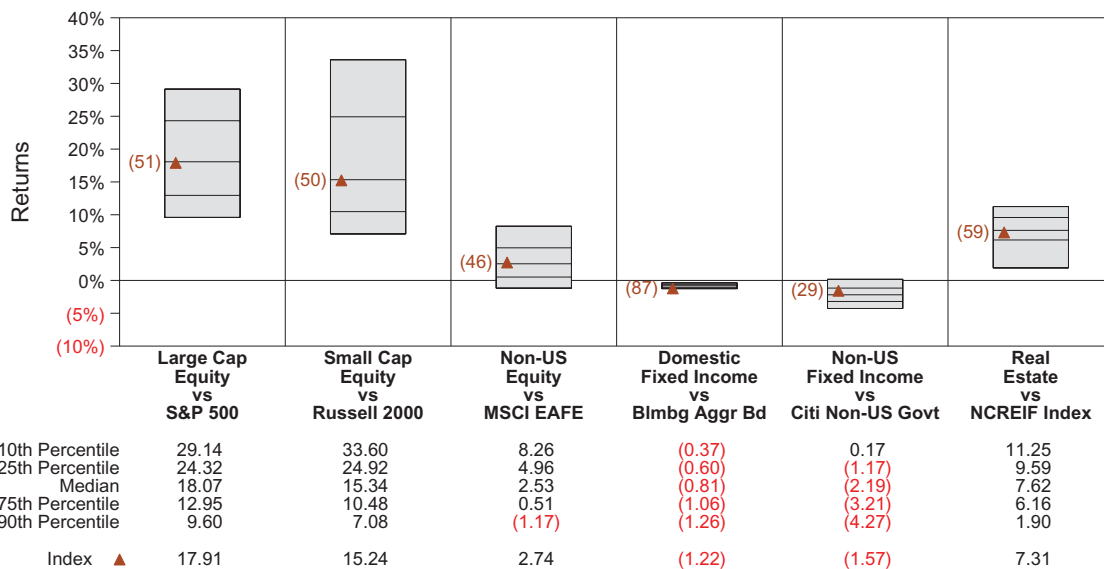
Market Overview

The charts below illustrate the range of returns across managers in Callan's Separate Account database over the most recent one quarter and one year time periods. The database is broken down by asset class to illustrate the difference in returns across those asset classes. An appropriate index is also shown for each asset class for comparison purposes. As an example, the first bar in the upper chart illustrates the range of returns for domestic equity managers over the last quarter. The triangle represents the S&P 500 return. The number next to the triangle represents the ranking of the S&P 500 in the Large Cap Equity manager database.

Range of Separate Account Manager Returns by Asset Class One Quarter Ended September 30, 2018



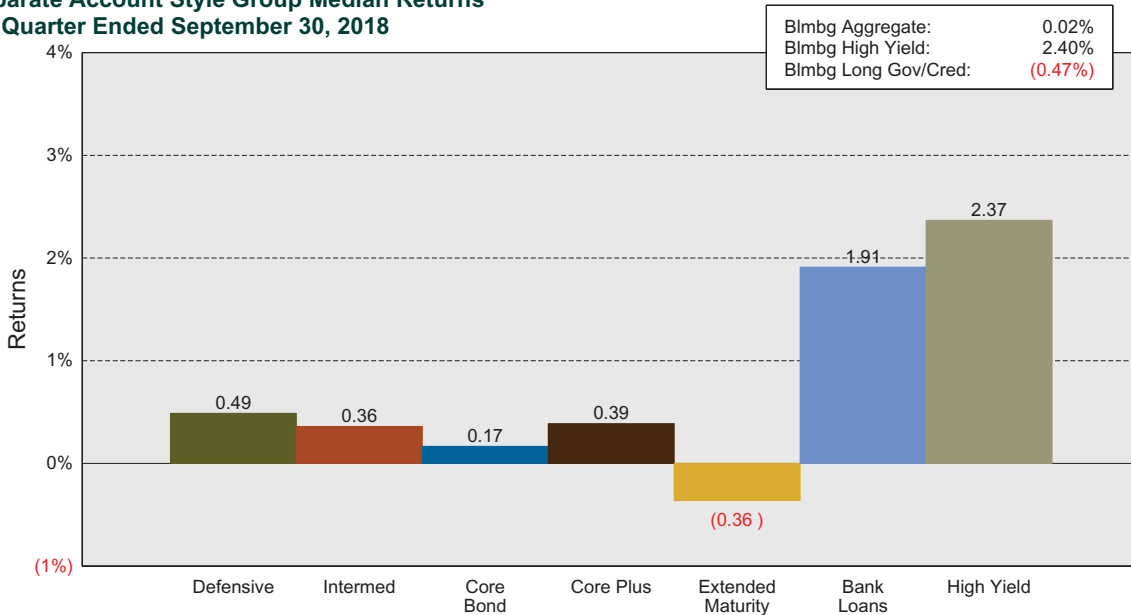
Range of Separate Account Manager Returns by Asset Class One Year Ended September 30, 2018



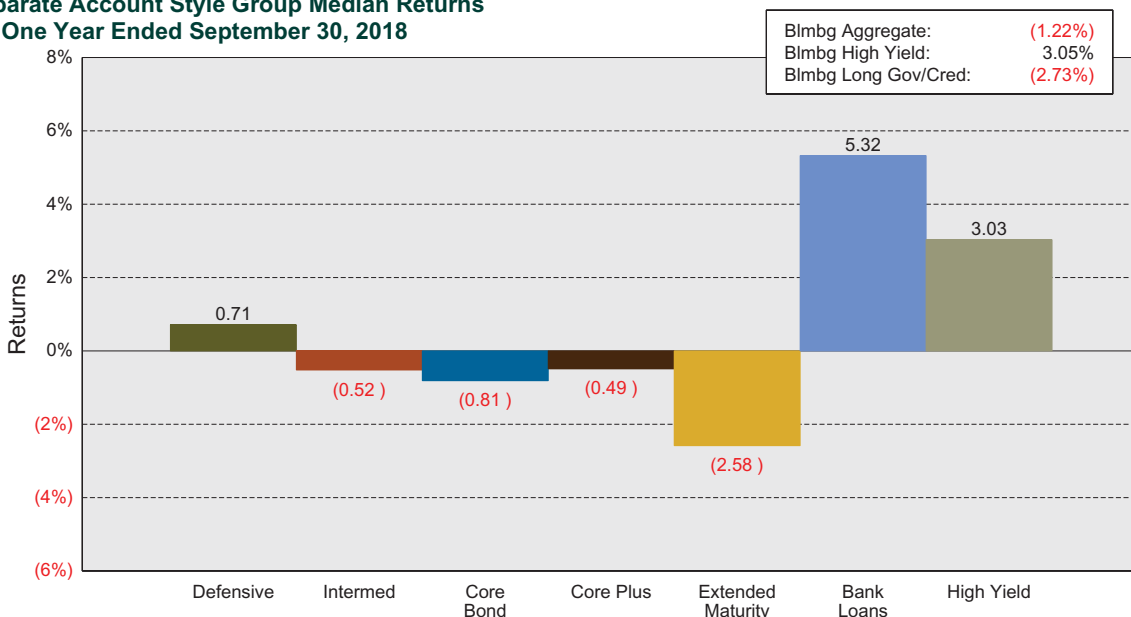
Domestic Fixed Income Active Management Overview

Yields rose during the quarter; the 2-year U.S. Treasury Note climbed nearly 30 bps to close at a multi-year high of 2.81% while the 10- and 30-year Treasury yields rose roughly 20 bps. The yield curve continued to flatten with the spread between the 2-year Treasury yield and the 10-year Treasury yield falling to 24 bps as of quarter-end. As expected, the Fed hiked short rates by 25 bps in September and one more hike in December 2018 appears likely. Markets expect two more hikes in 2019 while the median Fed projection is for three. The 10-year breakeven inflation rate rose modestly to 2.14% (9/30) from 2.11% (6/30). The Bloomberg Barclays TIPS Index fell 0.8% as rates rose. The Bloomberg Barclays Aggregate Index was flat (+0.0%) for the quarter with the U.S. Treasury sector (-0.6%) underperforming the Corporate bond sector (+1.0%). High yield (Bloomberg Barclays High Yield Index: +2.4%) outperformed and leveraged loans rose 1.8% (S&P: LSTA Leveraged Loan).

Separate Account Style Group Median Returns for Quarter Ended September 30, 2018



Separate Account Style Group Median Returns for One Year Ended September 30, 2018



Asset Allocation

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of September 30, 2018, with the distribution as of June 30, 2018. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	September 30, 2018		Net New Inv.	Inv. Return	June 30, 2018	
	Market Value	Weight			Market Value	Weight
Domestic Fixed Income						
Long Term Operating Fund*	462,141,157	86.01%	0	1,280,198	460,860,959	74.70%
Liquid Operating Monies*	75,188,355	13.99%	(81,500,000)	587,389	156,100,966	25.30%
Total Fund	\$537,329,511	100.0%	\$(81,500,000)	\$1,867,587	\$616,961,925	100.0%

*Chandler replaced PIMCO during the 4th quarter of 2014. Assets were transferred in-kind as of 12/01/2014.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended September 30, 2018. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2018

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
Domestic Fixed Income					
Long Term Operating Fund^	0.28%	0.06%	0.89%	1.10%	1.11%
Chandler	0.28%	0.06%	0.89%	-	-
Blmbg Govt/Cred 1-5 Year Idx	0.26%	(0.38%)	0.72%	1.06%	1.16%
ML 1-5 Govt/Corp	0.28%	(0.31%)	0.77%	1.11%	1.23%
Liquid Operating Monies^	0.50%	1.62%	0.91%	0.60%	0.47%
Chandler	0.50%	1.62%	0.91%	-	-
Citigroup 3-Month Treasury Bill	0.50%	1.57%	0.80%	0.49%	0.37%
Total Fund	0.33%	0.40%	0.81%	0.98%	0.99%
Target*	0.33%	0.06%	0.78%	0.99%	1.06%

* Current Quarter Target = 80.0% ML US Corp/Govt 1-5Y and 20.0% FTSE 3 Mo T-Bill.

^Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended September 30, 2018. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2018			
	Last 10 Years	Last 15 Years	Last 23 Years
Domestic Fixed Income			
Long Term Operating Fund^	2.54%	2.89%	4.19%
Blmbg Govt/Cred 1-5 Year Idx	2.30%	2.62%	4.00%
ML 1-5 Govt/Corp	2.33%	2.64%	4.03%
Liquid Operating Monies^			
Citigroup 3-Month Treasury Bill	0.32%	1.24%	2.28%
Total Fund	2.16%	2.60%	3.94%
Target*	1.93%	2.36%	3.68%

* Current Quarter Target = 80.0% ML US Corp/Govt 1-5Y and 20.0% FTSE 3 Mo T-Bill.

^Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	12/2017- 9/2018	2017	2016	2015	2014
Domestic Fixed Income					
Long Term Operating Fund^	0.26%	1.18%	1.58%	0.85%	1.98%
Chandler	0.26%	1.18%	1.58%	0.85%	-
Blmbg Govt/Cred 1-5 Year Idx	(0.07%)	1.27%	1.56%	0.97%	1.42%
ML 1-5 Govt/Corp	(0.04%)	1.28%	1.62%	1.05%	1.51%
Liquid Operating Monies^					
Chandler	1.31%	0.91%	0.47%	0.22%	0.09%
Citigroup 3-Month Treasury Bill	1.29%	0.84%	0.27%	0.03%	0.03%
Total Fund	0.52%	1.02%	1.15%	0.80%	1.73%
Target*	0.23%	1.19%	1.35%	0.85%	1.21%

* Current Quarter Target = 80.0% ML US Corp/Govt 1-5Y and 20.0% FTSE 3 Mo T-Bill.

^Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	2013	2012	2011	2010	2009
Domestic Fixed Income					
Long Term Operating Fund^	(1.77%)	3.06%	4.59%	4.42%	5.52%
Blmbg Govt/Cred 1-5 Year Idx	0.28%	2.24%	3.14%	4.08%	4.62%
ML 1-5 Govt/Corp	0.32%	2.47%	3.10%	4.17%	4.88%
Liquid Operating Monies^	0.13%	0.17%	0.24%	0.25%	0.58%
Citigroup 3-Month Treasury Bill	0.05%	0.07%	0.08%	0.13%	0.16%
Total Fund	(1.49%)	2.70%	3.70%	3.68%	4.65%
Target*	0.26%	1.99%	2.49%	3.36%	3.93%

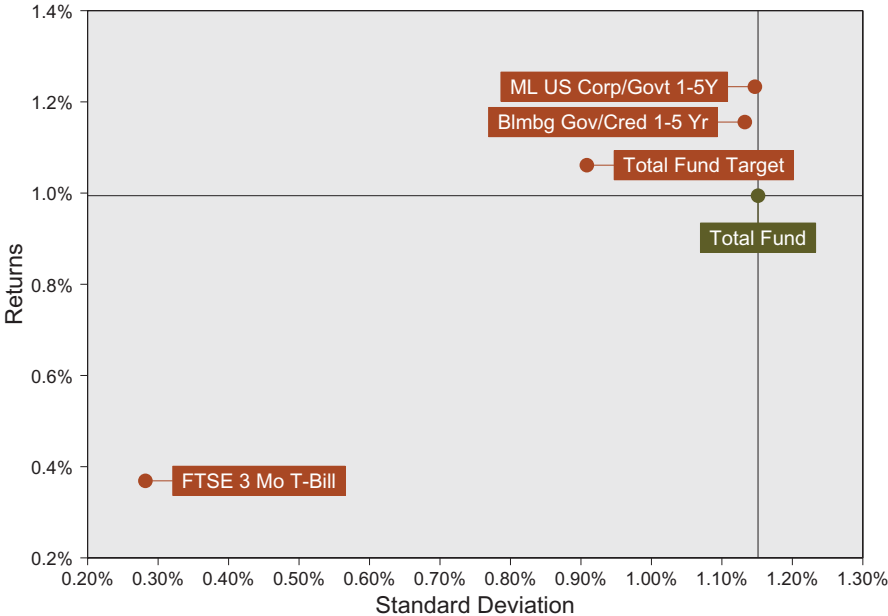
* Current Quarter Target = 80.0% ML US Corp/Govt 1-5Y and 20.0% FTSE 3 Mo T-Bill.

^Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

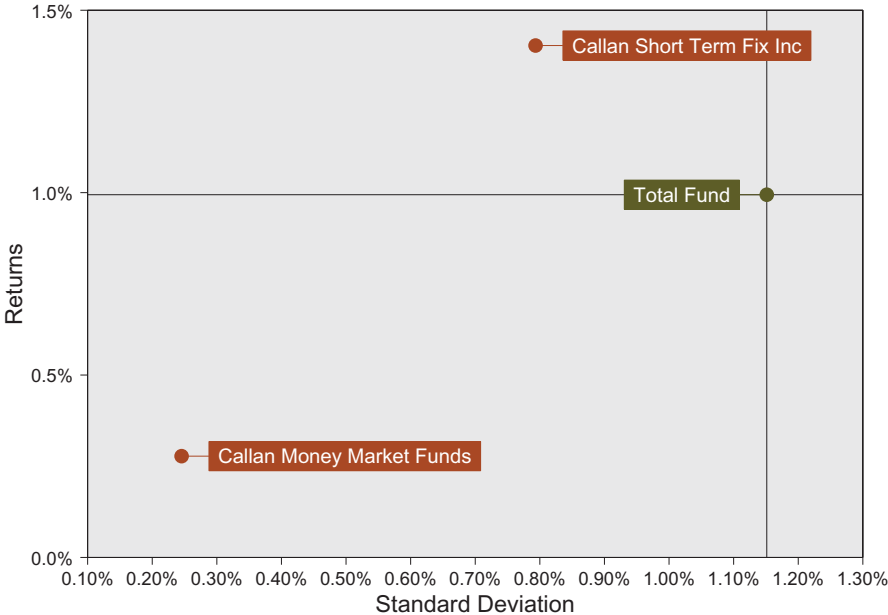
Asset Class Risk and Return

The charts below show the seven year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

**Seven Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices**



**Seven Year Annualized Risk vs Return
Asset Classes vs Asset Class Median**



Manager Analysis

Chandler-Long Term Operating Fund Period Ended September 30, 2018

Investment Philosophy

Chandler Asset Management's Short Term Bond strategy is driven by quantitative models and focuses on active duration management, sector selection and term structure. The strategy seeks to achieve consistent above-benchmark returns with low volatility relative to the style's performance benchmark. The firm has a unique focus on high quality fixed income management, and places risk control as a higher objective than return. Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

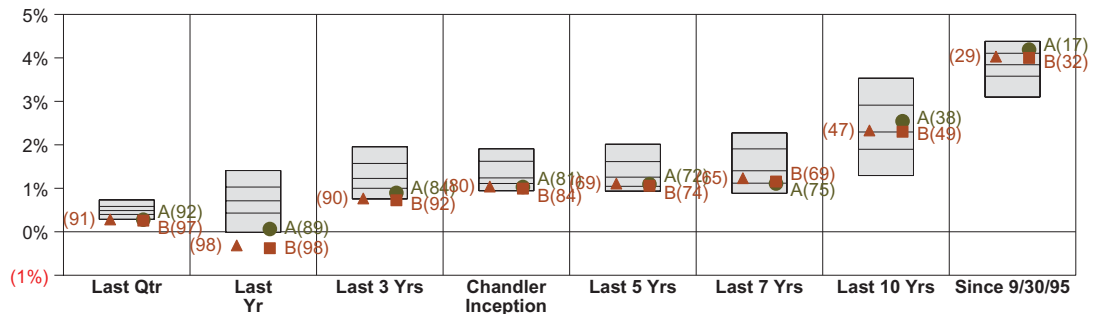
Quarterly Summary and Highlights

- Long Term Operating Fund's portfolio posted a 0.28% return for the quarter placing it in the 92 percentile of the Callan Short Term Fixed Income group for the quarter and in the 89 percentile for the last year.
- Long Term Operating Fund's portfolio underperformed the ML US Corp/Govt 1-5Y by 0.01% for the quarter and outperformed the ML US Corp/Govt 1-5Y for the year by 0.38%.

Quarterly Asset Growth

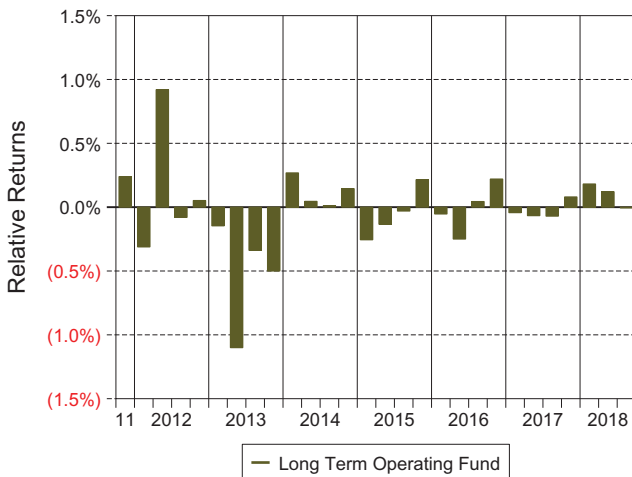
Beginning Market Value	\$460,860,959
Net New Investment	\$0
Investment Gains/(Losses)	\$1,280,198
Ending Market Value	\$462,141,157

Performance vs Callan Short Term Fixed Income (Gross)

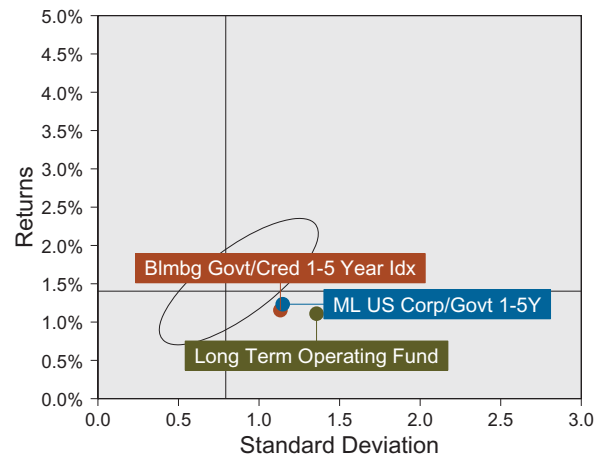


10th Percentile	0.73	1.41	1.96	1.91	2.01	2.27	3.53	4.38	
25th Percentile	0.58	1.03	1.57	1.62	1.61	1.91	2.91	4.11	
Median	0.49	0.71	1.23	1.24	1.26	1.40	2.30	3.84	
75th Percentile	0.40	0.43	1.00	1.11	1.05	1.12	1.90	3.58	
90th Percentile	0.29	(0.01)	0.76	0.94	0.94	0.89	1.29	3.10	
Long Term Operating Fund	● A	0.28	0.06	0.89	1.03	1.10	1.11	2.54	4.19
Blmbg Govt/Cred 1-5 Year Idx	■ B	0.26	(0.38)	0.72	0.99	1.06	1.16	2.30	4.00
ML US Corp/Govt 1-5Y	▲ C	0.28	(0.31)	0.77	1.04	1.11	1.23	2.33	4.03

Relative Return vs ML US Corp/Govt 1-5Y



Callan Short Term Fixed Income (Gross) Annualized Seven Year Risk vs Return



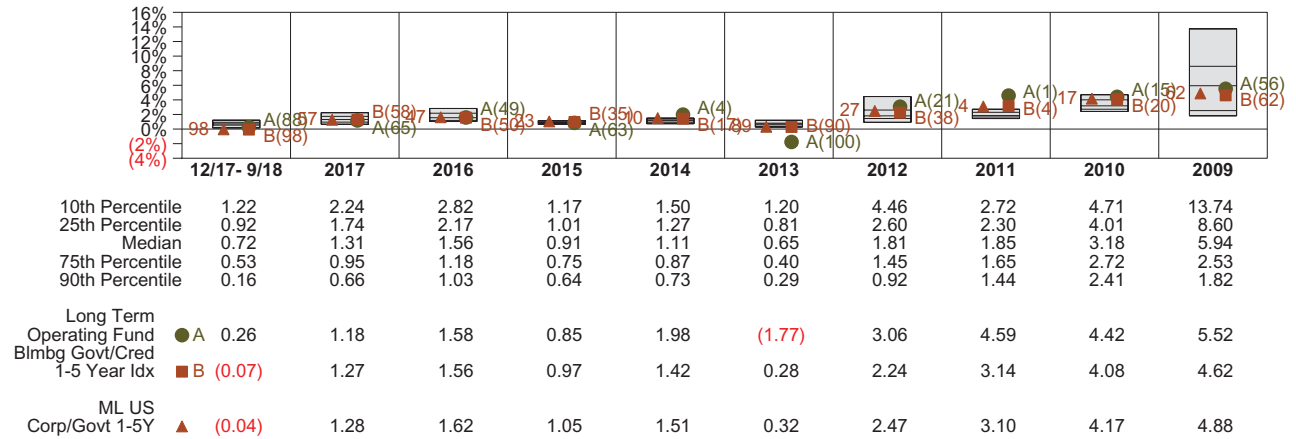
Long Term Operating Fund Return Analysis Summary

Return Analysis

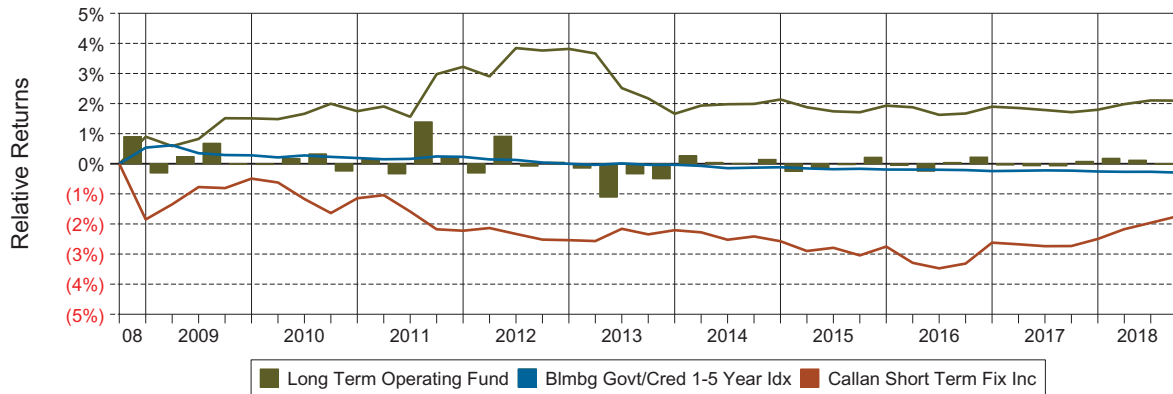
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last chart illustrates the manager's ranking relative to their style using various risk-adjusted return measures.

Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

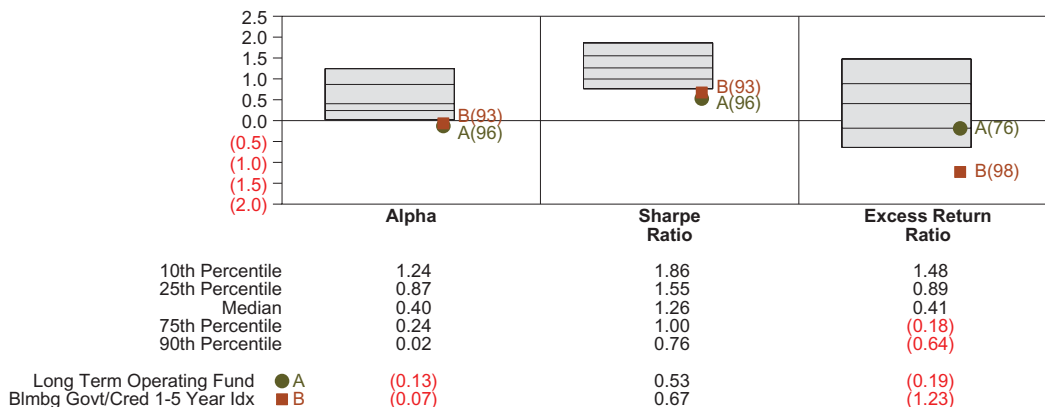
Performance vs Callan Short Term Fixed Income (Gross)



Cumulative and Quarterly Relative Return vs ML US Corp/Govt 1-5Y



Risk Adjusted Return Measures vs ML US Corp/Govt 1-5Y Rankings Against Callan Short Term Fixed Income (Gross) Seven Years Ended September 30, 2018

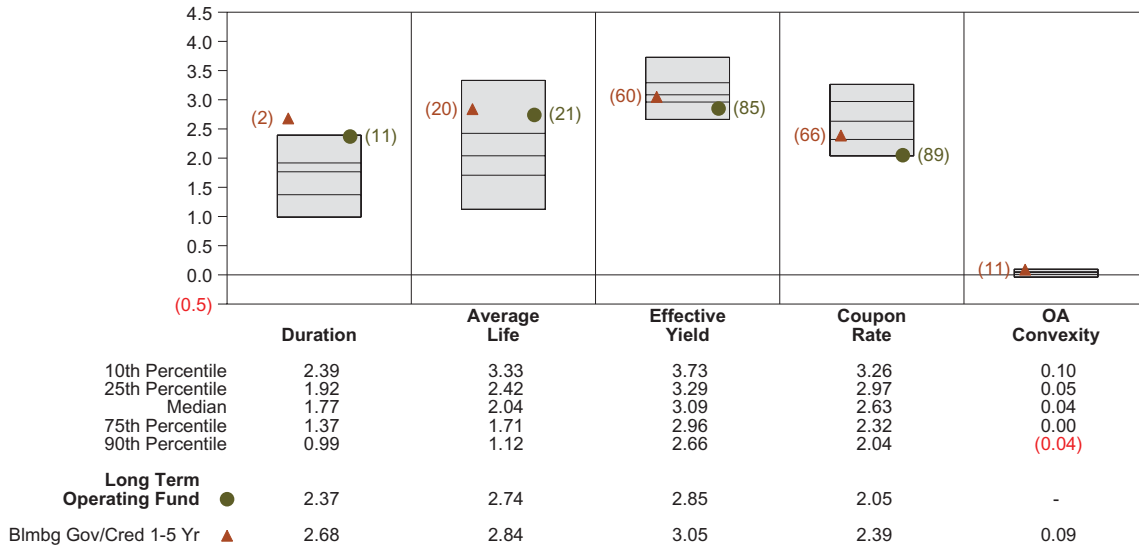


Long Term Operating Fund Bond Characteristics Analysis Summary

Portfolio Characteristics

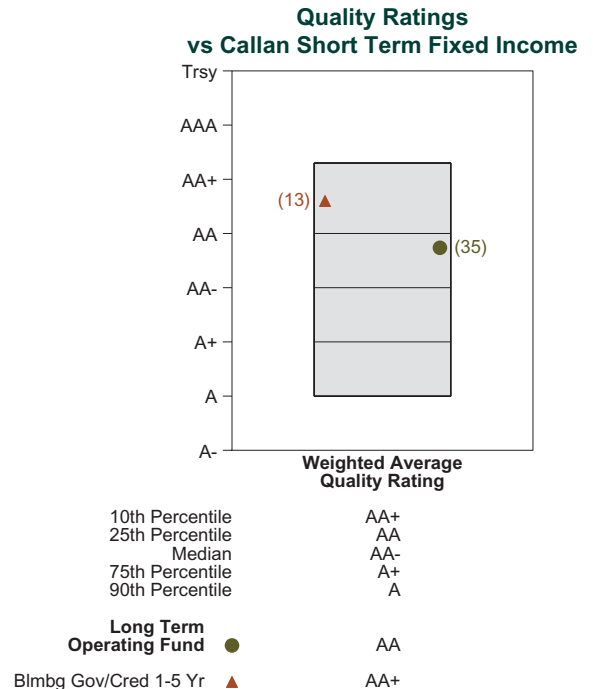
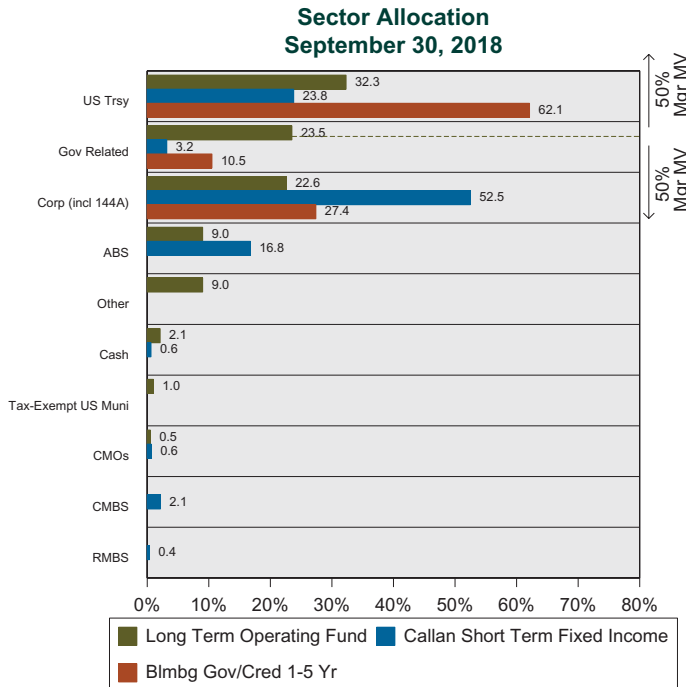
This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Fixed Income Portfolio Characteristics Rankings Against Callan Short Term Fixed Income as of September 30, 2018



Sector Allocation and Quality Ratings

The first graph compares the manager's sector allocation with the average allocation across all the members of the manager's style. The second graph compares the manager's weighted average quality rating with the range of quality ratings for the style.

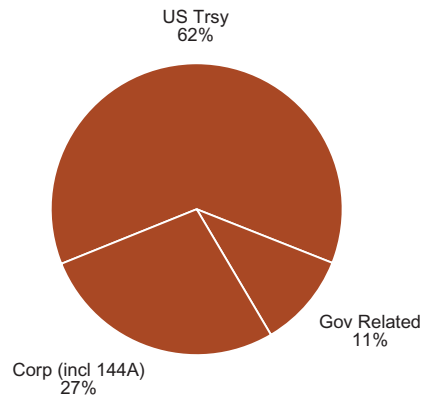
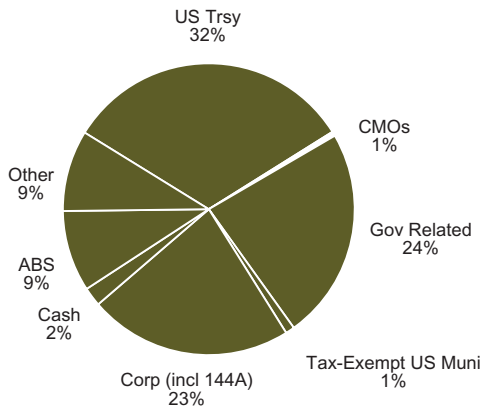


Long Term Operating Fund Portfolio Characteristics Summary As of September 30, 2018

Portfolio Structure Comparison

The charts below compare the structure of the portfolio to that of the index from the three perspectives that have the greatest influence on return. The first chart compares the two portfolios across sectors. The second chart compares the duration distribution. The last chart compares the distribution across quality ratings.

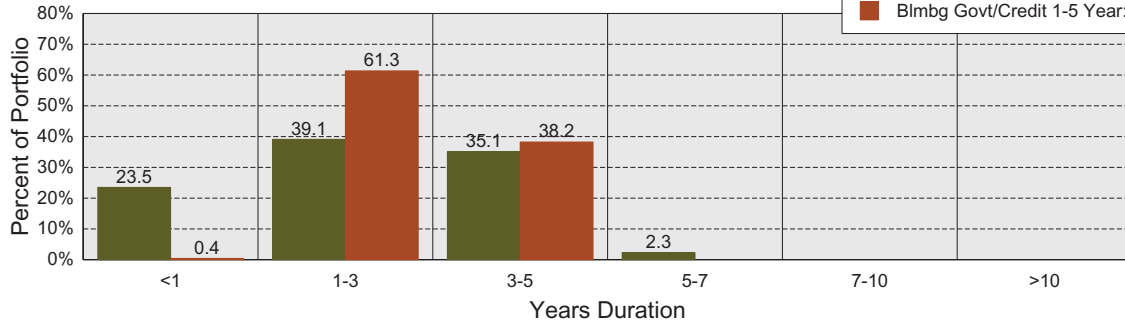
Sector Allocation



Long Term Operating Fund

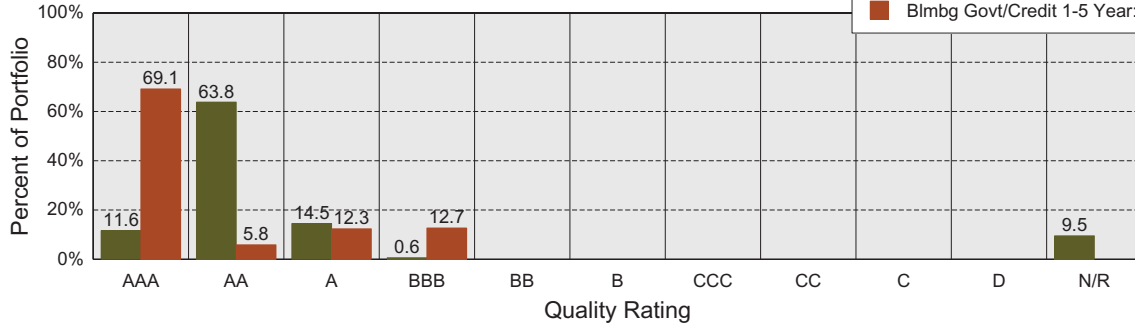
Blmbg Govt/Credit 1-5 Year

Duration Distribution



Weighted Average:	Duration
Long Term Operating Fund:	2.37
Blmbg Govt/Credit 1-5 Year:	2.68

Quality Distribution



Weighted Average:	Quality
Long Term Operating Fund:	AA
Blmbg Govt/Credit 1-5 Year:	AA+

Chandler-Liquid Operating Money Period Ended September 30, 2018

Investment Philosophy

Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

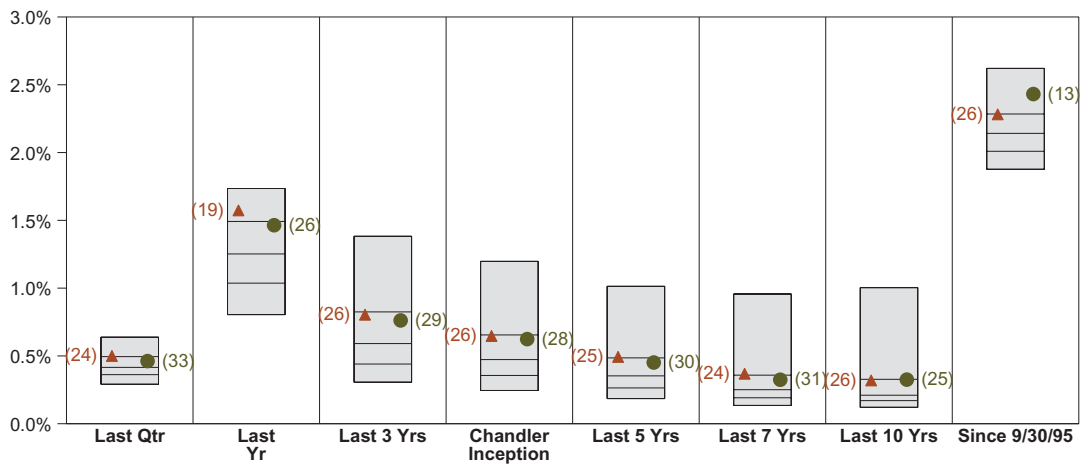
Quarterly Summary and Highlights

- Liquid Operating Money Net's portfolio posted a 0.46% return for the quarter placing it in the 33 percentile of the Callan Money Market Funds group for the quarter and in the 26 percentile for the last year.
- Liquid Operating Money Net's portfolio underperformed the Citigroup 3-Month Treasury Bill by 0.04% for the quarter and underperformed the Citigroup 3-Month Treasury Bill for the year by 0.11%.

Quarterly Asset Growth

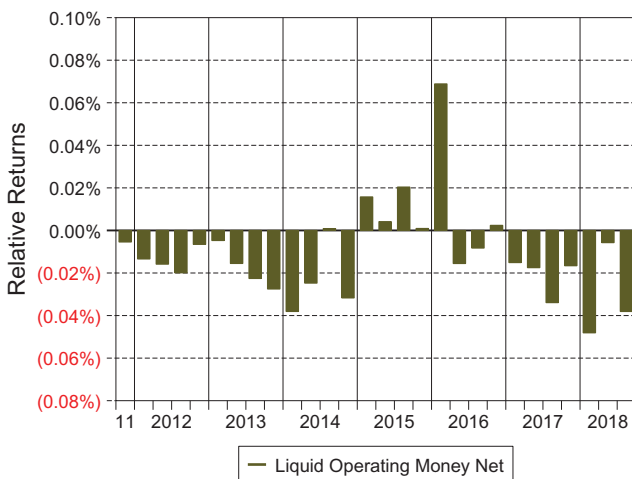
Beginning Market Value	\$156,100,966
Net New Investment	\$-81,500,000
Investment Gains/(Losses)	\$587,389
Ending Market Value	\$75,188,355

Performance vs Callan Money Market Funds (Net)

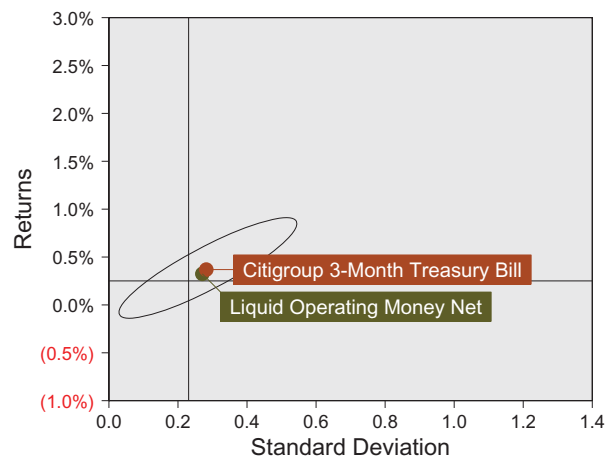


	Last Qtr	Last Yr	Last 3 Yrs	Chandler Inception	Last 5 Yrs	Last 7 Yrs	Last 10 Yrs	Since 9/30/95
10th Percentile	0.64	1.73	1.38	1.20	1.01	0.96	1.00	2.62
25th Percentile	0.49	1.49	0.82	0.65	0.49	0.36	0.33	2.28
Median	0.42	1.25	0.59	0.47	0.35	0.25	0.21	2.14
75th Percentile	0.36	1.04	0.44	0.36	0.26	0.19	0.17	2.01
90th Percentile	0.29	0.80	0.31	0.25	0.19	0.13	0.12	1.88
Liquid Operating Money Net ●	0.46	1.46	0.76	0.62	0.45	0.32	0.33	2.43
Citigroup 3-Month Treasury Bill ▲	0.50	1.57	0.80	0.65	0.49	0.37	0.32	2.28

Relative Returns vs Citigroup 3-Month Treasury Bill



Callan Money Market Funds (Net) Annualized Seven Year Risk vs Return



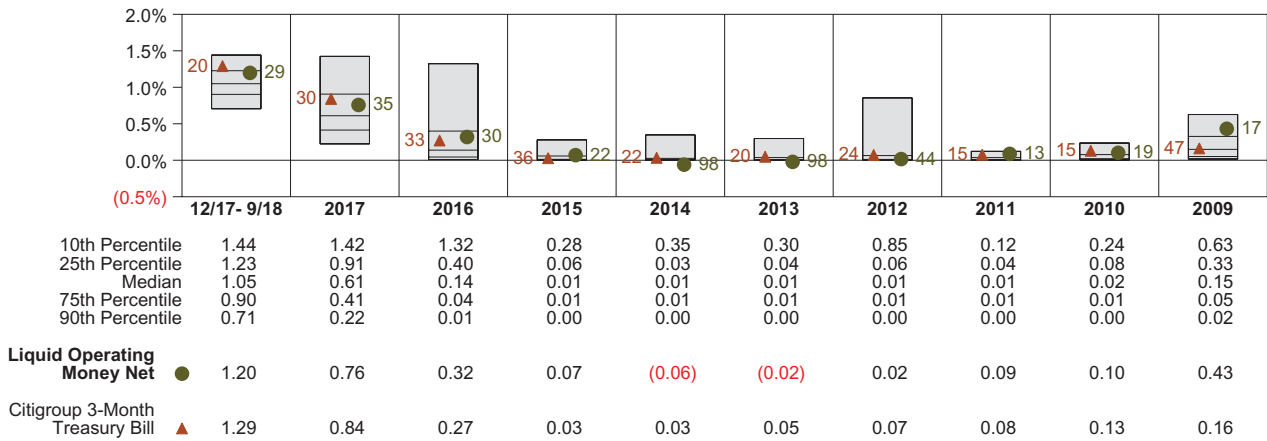
Liquid Operating Money Net Return Analysis Summary

Return Analysis

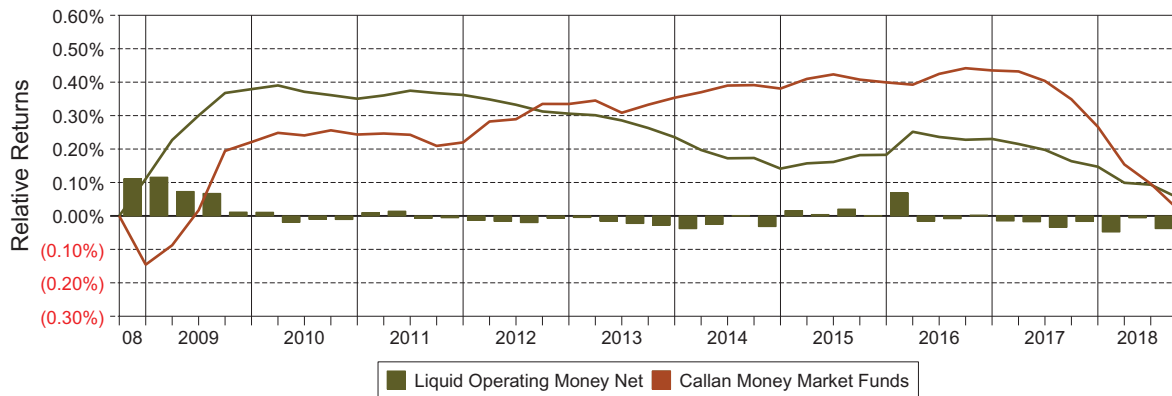
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last chart illustrates the manager's ranking relative to their style using various risk-adjusted return measures.

Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

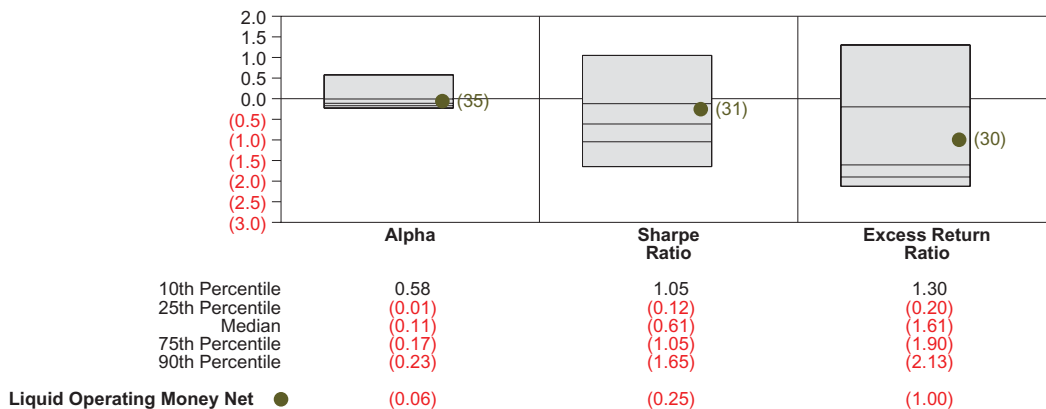
Performance vs Callan Money Market Funds (Net)



Cumulative and Quarterly Relative Return vs Citigroup 3-Month Treasury Bill



Risk Adjusted Return Measures vs Citigroup 3-Month Treasury Bill Rankings Against Callan Money Market Funds (Net) Seven Years Ended September 30, 2018



Callan Research/Education

Research and Educational Programs

The Callan Institute provides research to update clients on the latest industry trends and carefully structured educational programs to enhance the knowledge of industry professionals. Visit www.callan.com/library to see all of our publications, and www.callan.com/blog to view our blog “Perspectives.” For more information contact Corry Walsh at 312.346.3536 / institute@callan.com.

New Research from Callan’s Experts



An Investor Framework for Addressing Climate Change | Callan’s Anna West lays out the top issues for investors about this issue. We also identify solutions and areas of progress for those seeking to address climate-related risks as well as benefit from emerging opportunities.

Promoting Gender Diversity in the Investment Industry | Callan Executive Chairman Ron Peyton offers his observations on what has worked for gender inclusion at the firm over the last 45 years and what we have learned in the hope that it will inform others on how to progress toward equality in senior roles industry-wide.



Helping DC Plan Participants in the “Distribution” Phase | Callan’s Tom Shingler and James Veneruso discuss our research on the “distribution phase” of defined contribution plans, when participants are drawing down assets, and the issues that plan sponsors should address.

Picking Through the Alpha Graveyard: Correcting for Survivorship Bias in Investment Product Universes | In this paper from the *Journal of Investment Management*, Callan’s Greg Allen, Ivan Cliff, and Wally Meerschaert propose a technique to correct for survivorship bias in investment product universes. It uses all available data for survivors and non-survivors, corrects for bias across the full distribution (from 1st to 99th percentile), and can be applied to other return-based statistics such as the Sharpe ratio.

Infrastructure: No Longer a Niche Option | Callan’s Jan Mende discusses investing in infrastructure. Institutional investors are increasing allocations, managers are creating more investment options, and benchmarks are being refined.

The Shape of Risk: Making Cents of the Irrational With Options | In the third quarter’s *Hedge Fund Monitor*, Jim McKee discusses the use of options as insurance for institutional portfolios.

2018 ESG Survey | Callan’s sixth annual survey on the status of environmental, social, and governance (ESG) investing in the U.S. institutional investment market reveals more than 40% of investors are incorporating ESG factors into investment decisions.

Your Plan Will Face a Cyberattack; Here’s How to Prepare | The third quarter’s edition of the *DC Observer* is designed to assist plan sponsors with formulating and executing their cybersecurity strategy to protect their information and their assets.

Quarterly Periodicals

Private Equity Trends | This newsletter offers the latest data on private equity fundraising, buyouts, venture capital, and returns.

Market Pulse Flipbook | A quarterly market reference guide covering investment and fund sponsor trends in the U.S. economy, U.S. and non-U.S. equities and fixed income, alternatives, and defined contribution.

Capital Market Review | This quarterly publication provides analysis and a broad overview of the economy and public and private market activity across a wide range of asset classes.

Real Estate Indicators: Too Hot to Touch or Cool Enough to Handle? | Callan’s Real Assets Consulting group identifies seven indicators—based on spreads in real estate and fixed income markets—that, combined with an understanding of prevailing market dynamics, have helped signal when the institutional real estate market is overheated or cooled.

Events

Miss out on a Callan conference or workshop? Event summaries and speakers' presentations are available on our website: www.callan.com/library/

Callan's **2019 National Conference** will be held January 28-30, 2019. Mark your calendars for this upcoming event! And please visit the Events page on our website (www.callan.com/events/) for additional information as it becomes available.

For more information about events, please contact Barb Gerraty: 415.274.3093 / gerraty@callan.com

The Center for Investment Training Educational Sessions

The Center for Investment Training, better known as the "Callan College," provides a foundation of knowledge for industry professionals who are involved in the investment decision-making process. It was founded in 1994 to provide clients and non-clients alike with basic- to intermediate-level instruction. Our next sessions are:

Introduction to Investments

San Francisco, April 16-17, 2019

San Francisco, July 16-17, 2019

Chicago, October 22-23, 2019

This program familiarizes fund sponsor trustees, staff, and asset management advisers with basic investment theory, terminology, and practices. It lasts one-and-a-half days and is designed for individuals who have less than two years of experience with asset-management oversight and/or support responsibilities. Tuition for the Introductory "Callan College" session is \$2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Customized Sessions

The "Callan College" is equipped to customize a curriculum to meet the training and educational needs of a specific organization. These tailored sessions range from basic to advanced and can take place anywhere—even at your office.

Learn more at www.callan.com/events/callan-college-intro or contact Kathleen Cunnie: 415.274.3029 / cunnie@callan.com

Education: By the Numbers

525 Attendees (on average) of the Institute's annual National Conference

50+ Unique pieces of research the Institute generates each year

3,700 Total attendees of the "Callan College" since 1994

1980 Year the Callan Institute was founded



"Research is the foundation of all we do at Callan, and sharing our best thinking with the investment community is our way of helping to foster dialog to raise the bar across the industry."

Greg Allen, Chief Executive Officer and Chief Research Officer

Definitions

Risk/Reward Statistics

The risk statistics used in this report examine performance characteristics of a manager or a portfolio relative to a benchmark (market indicator) which assumes to represent overall movements in the asset class being considered. The main unit of analysis is the excess return, which is the portfolio return minus the return on a risk free asset (3 month T-Bill).

Alpha measures a portfolio's return in excess of the market return adjusted for risk. It is a measure of the manager's contribution to performance with reference to security selection. A positive alpha indicates that a portfolio was positively rewarded for the residual risk which was taken for that level of market exposure.

Beta measures the sensitivity of rates of portfolio returns to movements in the market index. A portfolio's beta measures the expected change in return per 1% change in the return on the market. If a beta of a portfolio is 1.5, a 1 percent increase in the return on the market will result, on average, in a 1.5 percent increase in the return on the portfolio. The converse would also be true.

Downside Risk stems from the desire to differentiate between "good risk" (upside volatility) and "bad risk" (downside volatility). Whereas standard deviation punishes both upside and downside volatility, downside risk measures only the standard deviation of returns below the target. Returns above the target are assigned a deviation of zero. Both the frequency and magnitude of underperformance affect the amount of downside risk.

Excess Return Ratio is a measure of risk adjusted relative return. This ratio captures the amount of active management performance (value added relative to an index) per unit of active management risk (tracking error against the index.) It is calculated by dividing the manager's annualized cumulative excess return relative to the index by the standard deviation of the individual quarterly excess returns. The Excess Return Ratio can be interpreted as the manager's active risk/reward tradeoff for diverging from the index when the index is mandated to be the "riskless" market position.

Information Ratio measures the manager's market risk-adjusted excess return per unit of residual risk relative to a benchmark. It is computed by dividing alpha by the residual risk over a given time period. Assuming all other factors being equal, managers with lower residual risk achieve higher values in the information ratio. Managers with higher information ratios will add value relative to the benchmark more reliably and consistently.

R-Squared indicates the extent to which the variability of the portfolio returns are explained by market action. It can also be thought of as measuring the diversification relative to the appropriate benchmark. An r-squared value of .75 indicates that 75% of the fluctuation in a portfolio return is explained by market action. An r-squared of 1.0 indicates that a portfolio's returns are entirely related to the market and it is not influenced by other factors. An r-squared of zero indicates that no relationship exists between the portfolio's return and the market.

Relative Standard Deviation is a simple measure of a manager's risk (volatility) relative to a benchmark. It is calculated by dividing the manager's standard deviation of returns by the benchmark's standard deviation of returns. A relative standard deviation of 1.20, for example, means the manager has exhibited 20% more risk than the benchmark over that time period. A ratio of .80 would imply 20% less risk. This ratio is especially useful when analyzing the risk of investment grade fixed-income products where actual historical durations are not available. By using this relative risk measure over rolling time periods one can illustrate the "implied" historical duration patterns of the portfolio versus the benchmark.

Residual Portfolio Risk is the unsystematic risk of a fund, the portion of the total risk unique to the fund (manager) itself and not related to the overall market. This reflects the "bets" which the manager places in that particular asset market. These bets may reflect emphasis in particular sectors, maturities (for bonds), or other issue specific factors which the manager considers a good investment opportunity. Diversification of the portfolio will reduce or eliminate the residual risk of that portfolio.

Risk/Reward Statistics

Rising Declining Periods refer to the sub-asset class cycles vis-a-vis the broader asset class. This is determined by evaluating the cumulative relative sub-asset class index performance to that of the broader asset class index. For example, to determine the Growth Style cycle, the S&P 500 Growth Index (sub-asset class) performance is compared to that of the S&P 500 Index (broader asset class).

Sharpe Ratio is a commonly used measure of risk-adjusted return. It is calculated by subtracting the "risk-free" return (usually 3 Month Treasury Bill) from the portfolio return and dividing the resulting "excess return" by the portfolio's risk level (standard deviation). The result is a measure of return gained per unit of risk taken.

Sortino Ratio is a downside risk-adjusted measure of value-added. It measures excess return over a benchmark divided by downside risk. The natural appeal is that it identifies value-added per unit of truly bad risk. The danger of interpretation, however, lies in these two areas: (1) the statistical significance of the denominator, and (2) its reliance on the persistence of skewness in return distributions.

Standard Deviation is a statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measures how wide the range of returns typically is. The wider the typical range of returns, the higher the standard deviation of returns, and the higher the portfolio risk. If returns are normally distributed (ie. has a bell shaped curve distribution) then approximately 2/3 of the returns would occur within plus or minus one standard deviation from the sample mean.

Total Portfolio Risk is a measure of the volatility of the quarterly excess returns of an asset. Total risk is composed of two measures of risk: market (non-diversifiable or systematic) risk and residual (diversifiable or unsystematic) risk. The purpose of portfolio diversification is to reduce the residual risk of the portfolio.

Tracking Error is a statistical measure of a portfolio's risk relative to an index. It reflects the standard deviation of a portfolio's individual quarterly or monthly returns from the index's returns. Typically, the lower the Tracking Error, the more "index-like" the portfolio.

Treynor Ratio represents the portfolio's average excess return over a specified period divided by the beta relative to its benchmark over that same period. This measure reflects the reward over the risk-free rate relative to the systematic risk assumed.

Note: Alpha, Total Risk, and Residual Risk are annualized.

Fixed Income Portfolio Characteristics

All Portfolio Characteristics are derived by first calculating the characteristics for each security, and then calculating the market value weighted average of these values for the portfolio.

Allocation by Sector - Sector allocation is one of the tools which managers often use to add value without impacting the duration of the portfolio. The sector weights exhibit can be used to contrast a portfolio's weights with those of the index to identify any significant sector bets.

Average Coupon - The average coupon is the market value weighted average coupon of all securities in the portfolio. The total portfolio coupon payments per year are divided by the total portfolio par value.

Average Moody's Rating for Total Portfolio - A measure of the credit quality as determined by the individual security ratings. The ratings for each security, from Moody's Investor Service, are compiled into a composite rating for the whole portfolio. Quality symbols range from Aaa+ (highest investment quality - lowest credit risk) to C (lowest investment quality - highest credit risk).

Average Option Adjusted (Effective) Convexity - Convexity is a measure of the portfolio's exposure to interest rate risk. It is a measure of how much the duration of the portfolio will change given a change in interest rates. Generally, securities with negative convexities are considered to be risky in that changes in interest rates will result in disadvantageous changes in duration. When a security's duration changes it indicates that the stream of expected future cash-flows has changed, generally having a significant impact on the value of the security. The option adjusted convexity for each security in the portfolio is calculated using models developed by Lehman Brothers and Salomon Brothers which determine the expected stream of cash-flows for the security based on various interest rate scenarios. Expected cash-flows take into account any put or call options embedded in the security, any expected sinking-fund paydowns or any expected mortgage principal prepayments.

Average Option Adjusted (Effective) Duration - Duration is one measure of the portfolio's exposure to interest rate risk. Generally, the higher a portfolio's duration, the more that its value will change in response to interest rate changes. The option adjusted duration for each security in the portfolio is calculated using models developed by Lehman Brothers and Salomon Brothers which determine the expected stream of cash-flows for the security based on various interest rate scenarios. Expected cash-flows take into account any put or call options embedded in the security, any expected sinking-fund paydowns or any expected mortgage principal prepayments.

Average Price - The average price is equal to the portfolio market value divided by the number of securities in the portfolio. Portfolios with an average price above par will tend to generate more current income than those with an average price below par.

Average Years to Expected Maturity - This is a measure of the market-value-weighted average of the years to expected maturity across all of the securities in the portfolio. Expected years to maturity takes into account any put or call options embedded in the security, any expected sinking-fund paydowns or any expected mortgage principal prepayments.

Average Years to Stated Maturity - The average years to stated maturity is the market value weighted average time to stated maturity for all securities in the portfolio. This measure does not take into account imbedded options, sinking fund paydowns, or prepayments.

Current Yield - The current yield is the current annual income generated by the total portfolio market value. It is equal to the total portfolio coupon payments per year divided by the current total portfolio market value.

Fixed Income Portfolio Characteristics

Duration Dispersion - Duration dispersion is the market-value weighted standard deviation of the portfolio's individual security durations around the total portfolio duration. The higher the dispersion, the more variable the security durations relative to the total portfolio duration ("barbellness"), and the smaller the dispersion, the more concentrated the holdings' durations around the overall portfolio's ("bulletness"). The purpose of this statistic is to gauge the "bulletness" or "barbellness" of a portfolio relative to its total duration and to that of its benchmark index.

Effective Yield - The effective yield is the actual total annualized return that would be realized if all securities in the portfolio were held to their expected maturities. Effective yield is calculated as the internal rate of return, using the current market value and all expected future interest and principal cash flows. This measure incorporates sinking fund paydowns, expected mortgage principal prepayments, and the exercise of any "in-the-money" imbedded put or call options.

Weighted Average Life - The weighted average life of a security is the weighted average time to payment of all remaining principal. It is calculated by multiplying each expected future principal payment amount by the time left to the payment. This amount is then divided by the total amount of principal remaining. Weighted average life is commonly used as a measure of the investment life for pass-through security types for comparison to non-pass-through securities.

Disclosures

List of Callan’s Investment Manager Clients

Confidential – For Callan Client Use Only

Callan takes its fiduciary and disclosure responsibilities to clients very seriously. We recognize that there are numerous potential conflicts of interest encountered in the investment consulting industry and that it is our responsibility to manage those conflicts effectively and in the best interest of our clients. At Callan, we employ a robust process to identify, manage, monitor and disclose potential conflicts on an on-going basis.

The list below is an important component of our conflicts management and disclosure process. It identifies those investment managers that pay Callan fees for educational, consulting, software, database or reporting products and services. We update the list quarterly because we believe that our fund sponsor clients should know the investment managers that do business with Callan, particularly those investment manager clients that the fund sponsor clients may be using or considering using. Please note that if an investment manager receives a product or service on a complimentary basis (e.g. attending an educational event), they are not included in the list below. Callan is committed to ensuring that we do not consider an investment manager’s business relationship with Callan, or lack thereof, in performing evaluations for or making suggestions or recommendations to its other clients. Please refer to Callan’s ADV Part 2A for a more detailed description of the services and products that Callan makes available to investment manager clients through our Institutional Consulting Group, Independent Adviser Group and Fund Sponsor Consulting Group. Due to the complex corporate and organizational ownership structures of many investment management firms, parent and affiliate firm relationships are not indicated on our list.

Fund sponsor clients may request a copy of the most currently available list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by particular fund manager clients. Per company policy, information requests regarding fees are handled exclusively by Callan’s Compliance Department.

Manager Name
Acadian Asset Management LLC
AEGON USA Investment Management
Aether Investment Partners
AEW Capital Management
Affiliated Managers Group, Inc.
Alcentra
AllianceBernstein
Allianz Global Investors
Allianz Life Insurance Company of North America
American Century Investments
Amundi Pioneer Asset Management
Apollo Global Management
AQR Capital Management
Ares Management LLC
Ariel Investments, LLC
Atlanta Capital Management Co., LLC
Aviva Investors Americas
AXA Investment Managers
Baillie Gifford International, LLC
Baird Advisors
Baron Capital Management, Inc.
Barrow, Hanley, Mewhinney & Strauss, LLC
Black Creek Investment Management, Inc.
BlackRock
BMO Global Asset Management
BNP Paribas Asset Management
BNY Mellon Asset Management
Boston Partners
Brandes Investment Partners, L.P.
Brandywine Global Investment Management, LLC
Breckinridge Capital Advisors, Inc.
BrightSphere Investment Group (FKA Old Mutual Asset)
Brown Brothers Harriman & Company
Cambiar Investors, LLC

Manager Name
Capital Group
Carillon Tower Advisers
CastleArk Management, LLC
Causeway Capital Management
CenterSquare Investment Management
Chartwell Investment Partners
Christian Brothers Investment Services
CIM Group
ClearBridge Investments, LLC
Cohen & Steers Capital Management, Inc.
Columbia Threadneedle Investments
Columbus Circle Investors
Credit Suisse Asset Management
CS McKee, L.P.
DePrince, Race & Zollo, Inc.
D.E. Shaw Investment Management, L.L.C.
Diamond Hill Capital Management, Inc.
Dimensional Fund Advisors LP
Doubleline
Duff & Phelps Investment Management Co.
DWS (Formerly Deutsche Asset Management)
EARNEST Partners, LLC
Eaton Vance Management
Epoch Investment Partners, Inc.
Fayez Sarofim & Company
Federated Investors
Fidelity Institutional Asset Management
Fiera Capital Corporation
First Eagle Investment Management, LLC
First Hawaiian Bank Wealth Management Division
Fisher Investments
Franklin Templeton
Fred Alger Management, Inc.
GAM (USA) Inc.

Manager Name
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GMO LLC
Goldman Sachs Asset Management
Green Square Capital LLC
Greenwich Investment Management, Inc.
Guggenheim Investments
GW&K Investment Management
Harbor Capital Group Trust
Harding Loevner L.P.
Hartford Funds
Hartford Investment Management Co.
Heitman LLC
Hotchkis & Wiley Capital Management, LLC
HSBC Global Asset Management
Income Research + Management, Inc.
Insight Investment Management Limited
Intech Investment Management, LLC
Invesco
Investec Asset Management
Ivy Investments
J.P. Morgan
Janus
Jennison Associates LLC
Jensen Investment Management
Jobs Peak Advisors
KeyCorp
Lazard Asset Management
Legal & General Investment Management America
Lincoln National Corporation
LMCG Investments, LLC
Longview Partners
Loomis, Sayles & Company, L.P.
Lord Abbett & Company
Los Angeles Capital Management
LSV Asset Management
MacKay Shields LLC
Macquarie Investment Management (MIM)
Manulife Asset Management
McKinley Capital Management, LLC
MFS Investment Management
MidFirst Bank
Mondrian Investment Partners Limited
Montag & Caldwell, LLC
Morgan Stanley Investment Management
Mountain Lake Investment Management LLC
MUFG Union Bank, N.A.
Natixis Investment Managers
Neuberger Berman
Newton Investment Management
Nikko Asset Management Co., Ltd.
Northern Trust Asset Management
Nuveen Investments, Inc.
OFI Global Asset Management
O'Shaughnessy Asset Management, LLC
P/E Investments

Manager Name
Pacific Investment Management Company
Pathway Capital Management
Peregrine Capital Management, Inc.
Perkins Investment Management
PGIM
PGIM Fixed Income
PineBridge Investments
Pictet Asset Management Ltd.
PNC Capital Advisors, LLC
Principal Global Investors
Private Advisors, LLC
Putnam Investments, LLC
QMA
RBC Global Asset Management
Reaves Asset Management
Regions Financial Corporation
Riverbridge Partners LLC
Robeco Institutional Asset Management, US Inc.
Rockefeller & Co., Inc.
Rothschild Asset Management Inc.
Russell Investments
Santander Global Facilities
Schroder Investment Management North America Inc.
Smith Graham & Co. Investment Advisors, L.P.
Smith Group Asset Management
South Texas Money Management, Ltd.
Sprucegrove Investment Management Ltd.
Standard Life Investments Limited
State Street Global Advisors
Stone Harbor Investment Partners, L.P.
Sun Life Investment Management
T. Rowe Price Associates, Inc.
The Boston Company Asset Management, LLC
The London Company
The TCW Group, Inc.
Thompson, Siegel & Walmsley LLC
Thornburg Investment Management, Inc.
Tri-Star Trust Bank
UBS Asset Management
VanEck
Velanne Asset Management Ltd.
Versus Capital Group
Victory Capital Management Inc.
Virtus Investment Partners, Inc.
Vontobel Asset Management, Inc.
Voya
WCM Investment Management
WEDGE Capital Management
Wedgewood Partners, Inc.
Wellington Management Company, LLP
Wells Capital Management
Western Asset Management Company LLC
Westfield Capital Management Company, LP
William Blair & Company LLC

Orange County Sanitation District

Period Ending
September 30, 2018



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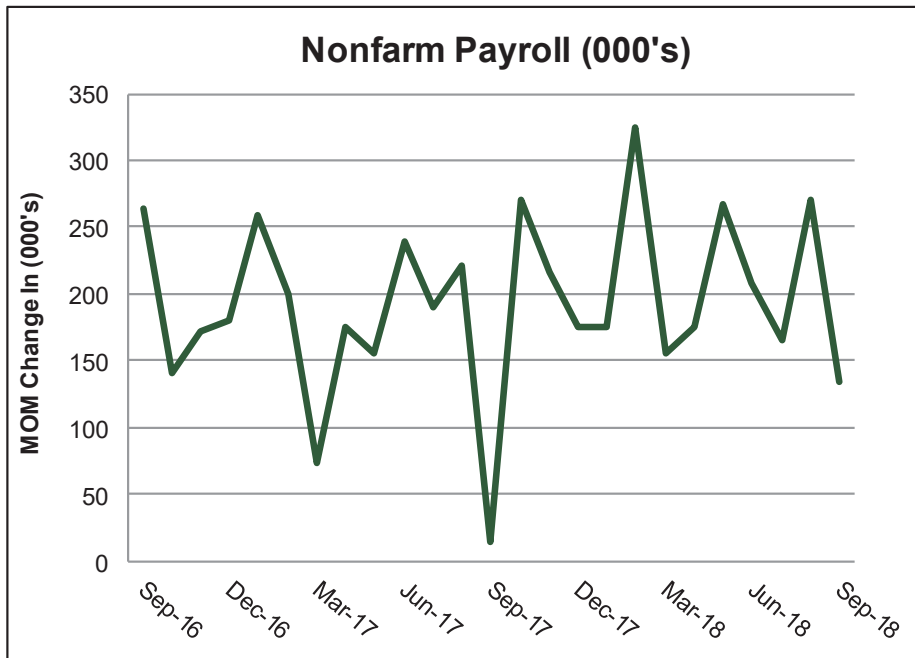
SECTION 1	Economic Update
SECTION 2	Account Profile
SECTION 3	Consolidated Information
SECTION 4	Portfolio Holdings
SECTION 5	Transactions

SECTION 1

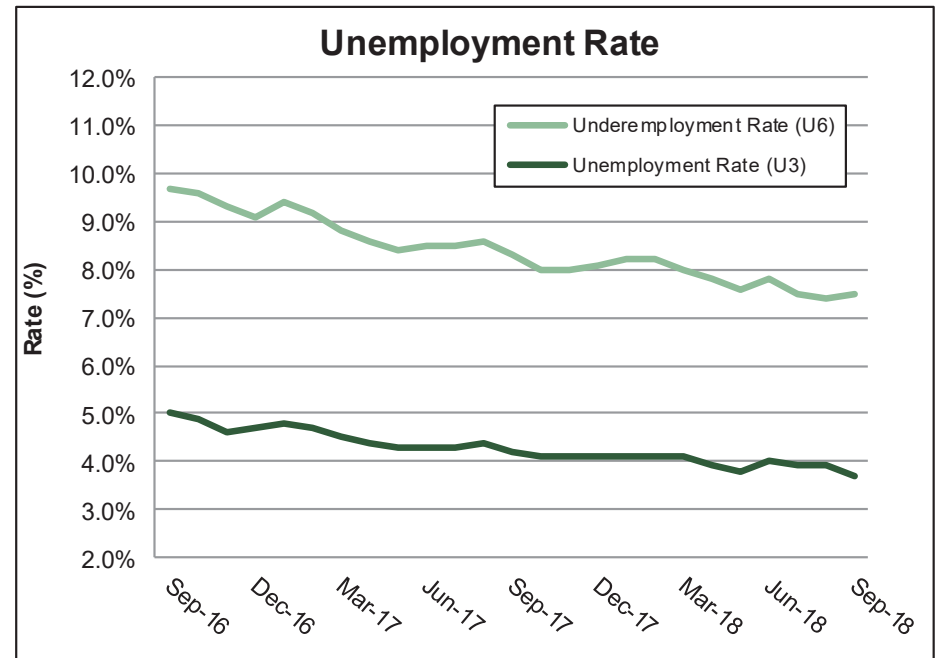
Economic Update



- As expected, the Federal Open Market Committee (FOMC) voted to raise the fed funds target rate by 25 basis points to a range of 2.00%-2.25% at the September 26th meeting. The vote was unanimous, including a vote from the new Board of Governors Vice Chair, Richard Clarida. The Fed raised its median forecast for GDP growth in 2018 and 2019 and left its forecasts for unemployment and inflation relatively unchanged. The Fed also kept its fed funds rate forecasts unchanged with the exception of the longer-run target which increased slightly to 3.0%. The Fed's forecast points to one more fed funds rate hike this year and three more hikes next year. Once again, in its policy statement, the FOMC noted that economic activity has been rising at a "strong rate" and policymakers expect that further gradual increases in the fed funds rate will be appropriate. The FOMC continues to believe risks to the economic outlook are roughly balanced. Market participants believe there is a very high probability that there will be another rate hike in December.
- Economic data remains favorable but predictive economic indicators suggest that economic growth is unlikely to accelerate. Although the labor market is strong and consumer confidence is high, we do not believe the economy is close to overheating. The Core PCE Index suggests that inflation is in line with the Fed's 2.0% target. Market participants are forecasting annualized GDP growth of about 3.2% in the third quarter, 2.8% in the fourth quarter, and 2.5% next year.
- Treasury yields increased in September. At month-end, the 2-year Treasury yield was up 19 basis points to 2.82%, while the 10-year Treasury yield was up 20 basis points to 3.06%. The spread between 2- and 10-year Treasury yields remained narrow at just 24 basis points at month-end. Over the past 20 years, the average spread between 2- and 10-year Treasuries has been about 140 basis points. We foresee an upward bias to rates across the Treasury yield curve but believe that the yield curve will remain quite flat over the intermediate-term.

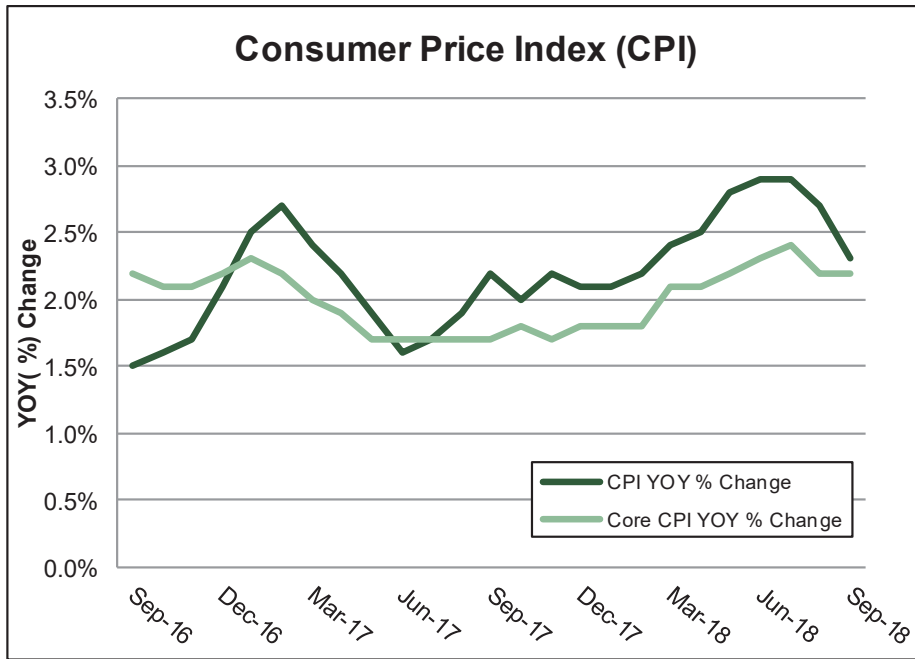


Source: US Department of Labor

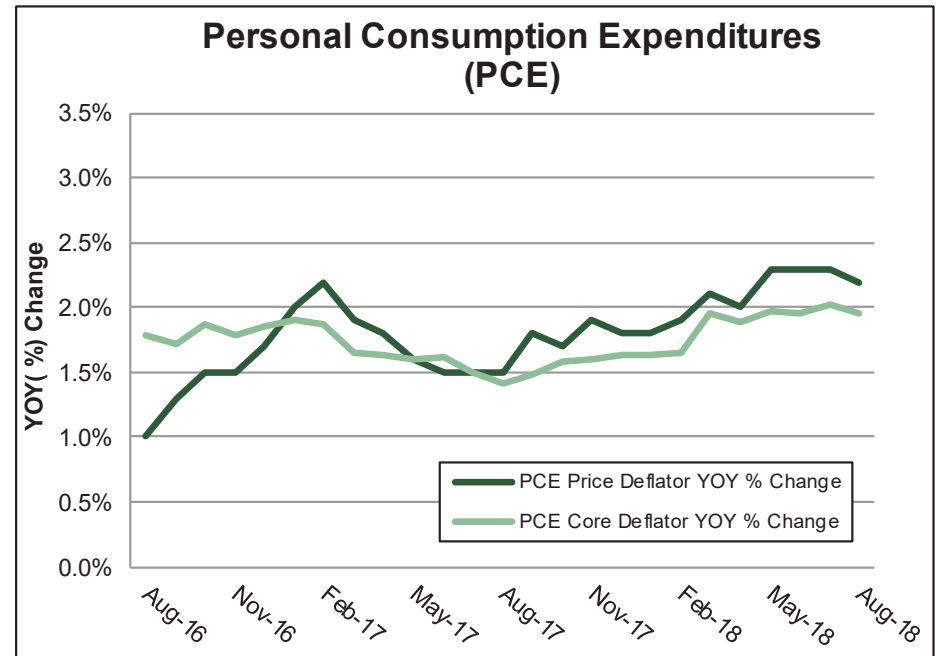


Source: US Department of Labor

U.S. payrolls rose by 134,000 in September, below the consensus forecast of 185,000. However, July and August payrolls were revised up by a total of 87,000. On a trailing 3-month and 6-month basis payrolls increased by an average of 190,000 and 203,000 per month, respectively, more than enough to absorb new entrants into the labor market. The unemployment rate declined further in September to 3.7% from 3.8% in August. The labor participation rate was unchanged month-over-month at 62.7%. A broader measure of unemployment called the U-6, which includes those who are marginally attached to the labor force and employed part time for economic reasons, increased to 7.5% from 7.4% in August. Wages rose 0.3% in September on a month-over-month basis, in line with expectations. Wages were up 2.8% on a year-over-year basis in September, versus up 2.9% year-over-year in August. The average workweek was unchanged at 34.5 hours. Overall, the September employment report indicates the labor market remains strong, and there is steady but modest upward pressure on wages.

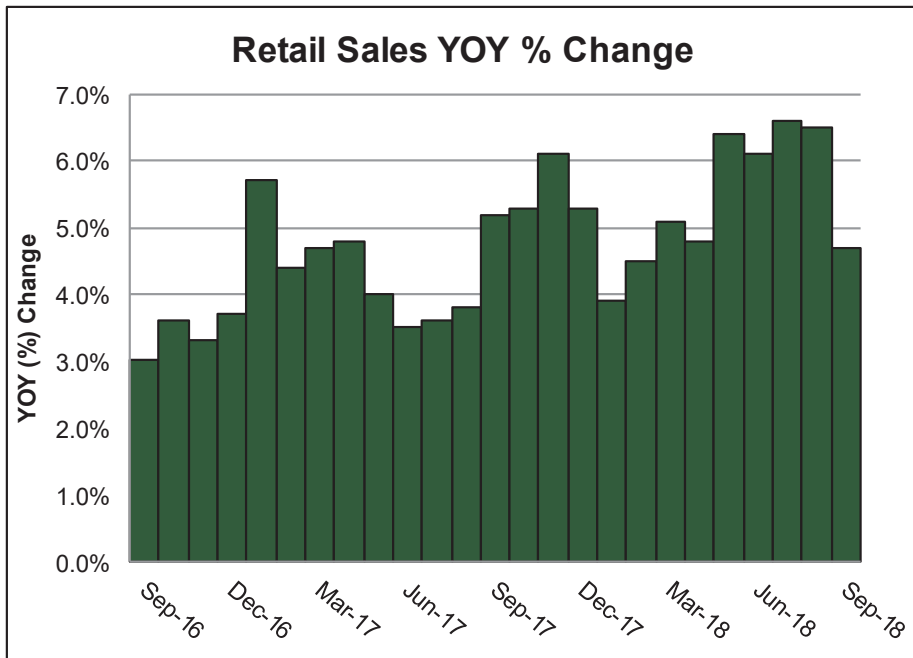


Source: US Department of Labor



Source: US Department of Commerce

The Consumer Price Index (CPI) was up 2.3% year-over-year in September, versus up 2.7% year-over-year in August. Core CPI (CPI less food and energy) was up 2.2% year-over-year in September, unchanged from 2.2% year-over-year in August. The Personal Consumption Expenditures (PCE) index was up 2.2% year-over-year in August, down slightly from 2.3% year-over-year in July. Core PCE (excluding food and energy) was up 2.0% on a year-over-year basis in August, unchanged from 2.0% in July. Core PCE inflation, which is the Fed's primary inflation gauge, remains in line with the Fed's 2.0% target.

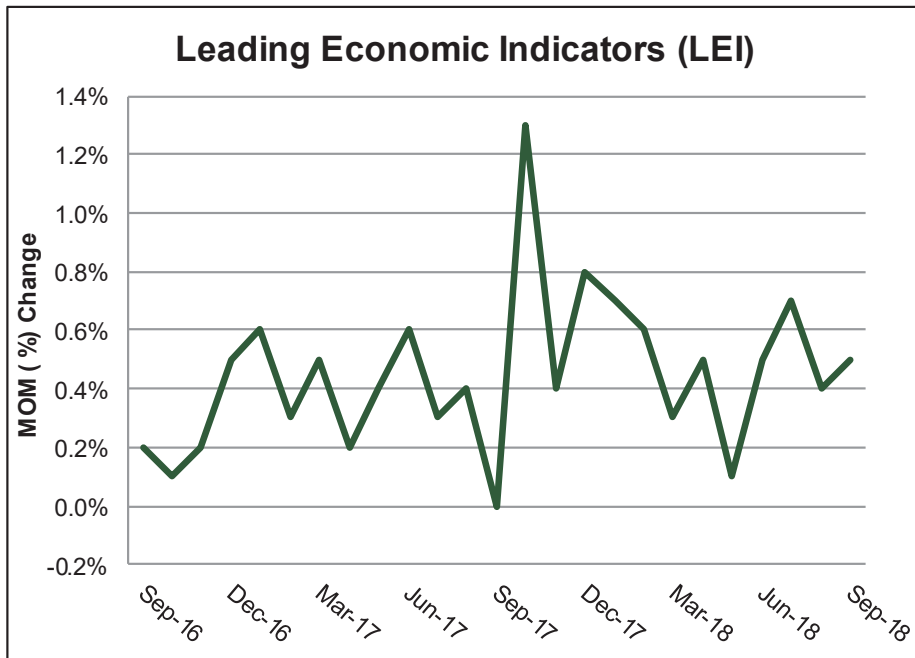


Source: US Department of Commerce

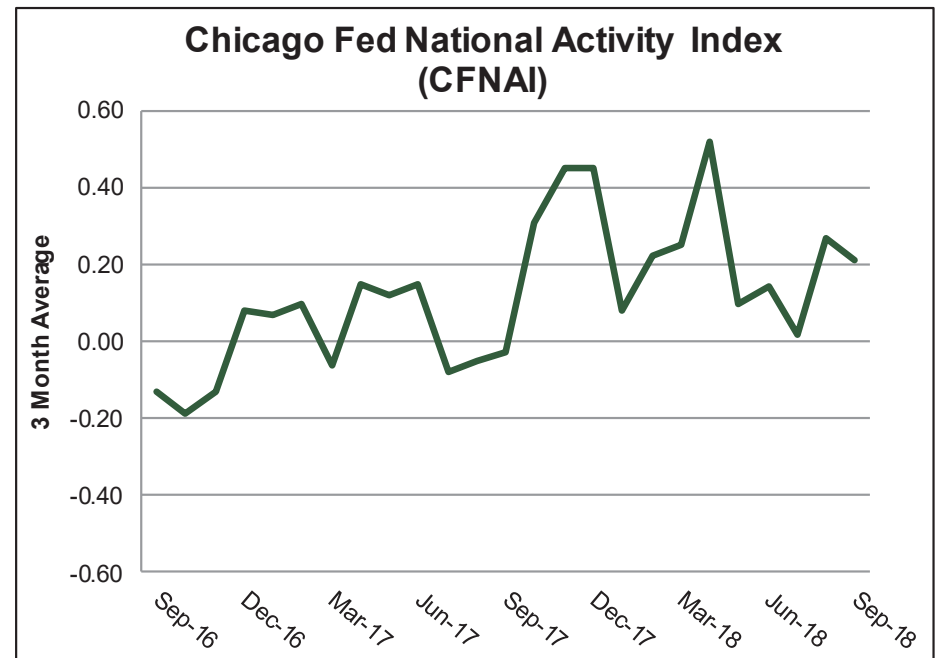


Source: The Conference Board

On a year-over-year basis, retail sales were up 4.7% in September, versus up 6.5% year-over-year in August. On a month-over-month basis, retail sales increased just 0.1% in September, well below expectations for a 0.6% increase. E-commerce and furniture sales were strong in September while department store sales declined. The Consumer Confidence Index remains very strong at 138.4 in September, up from 134.7 in August. Ongoing strength in the labor market continues to support consumer confidence and spending trends.

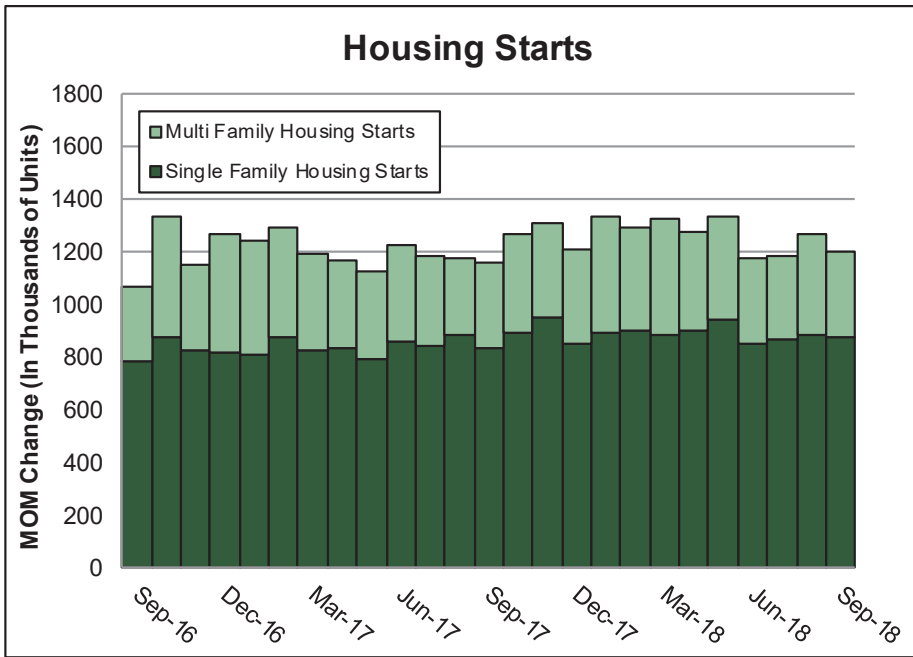


Source: The Conference Board

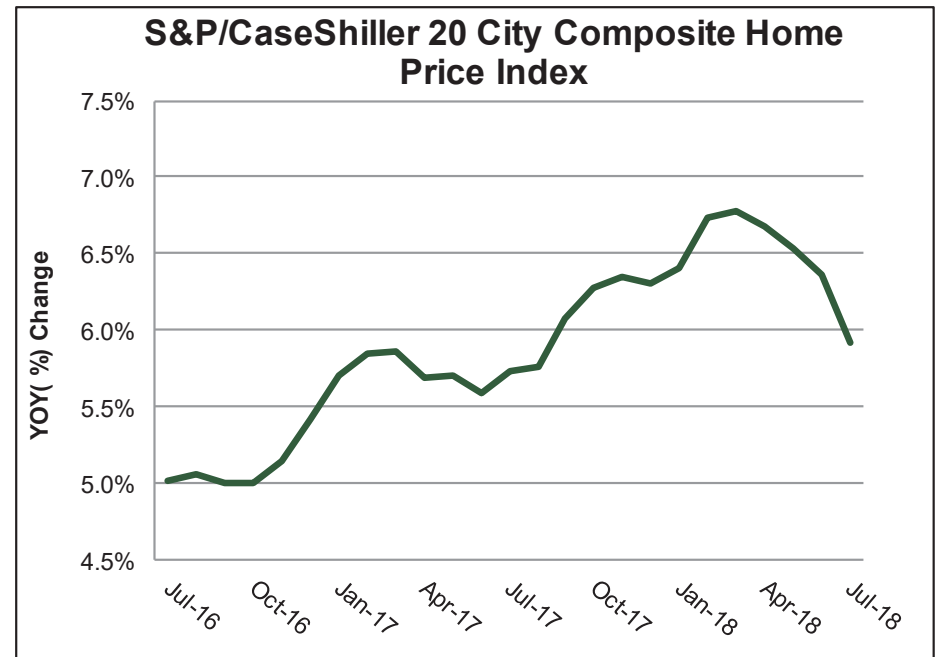


Source: Federal Reserve Bank of Chicago

The Index of Leading Economic Indicators (LEI) rose 0.5% month-over-month in September, following a 0.4% increase in August. According to the Conference Board, the index points to strong US economic growth heading into 2019. However, the Conference Board also warns that growth of index has slowed recently, suggesting that the economy may be facing capacity constraints. The Chicago Fed National Activity Index (CFNAI) declined to 0.17 in September from 0.27 in August. On a 3-month moving average basis, the index decreased to 0.21 in September from 0.27 in August. Although the index declined, it still points to above trend economic growth.

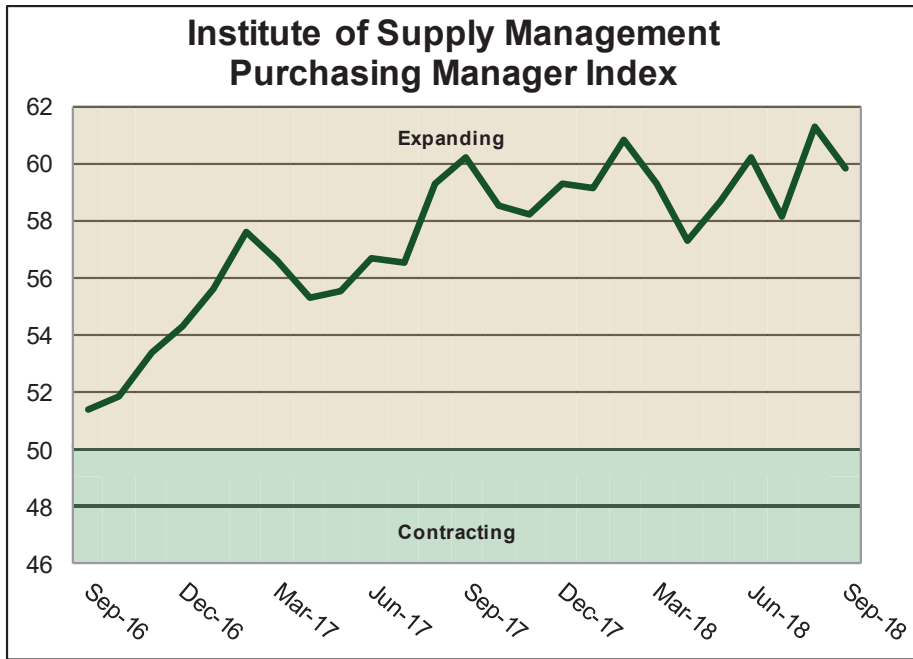


Source: US Department of Commerce

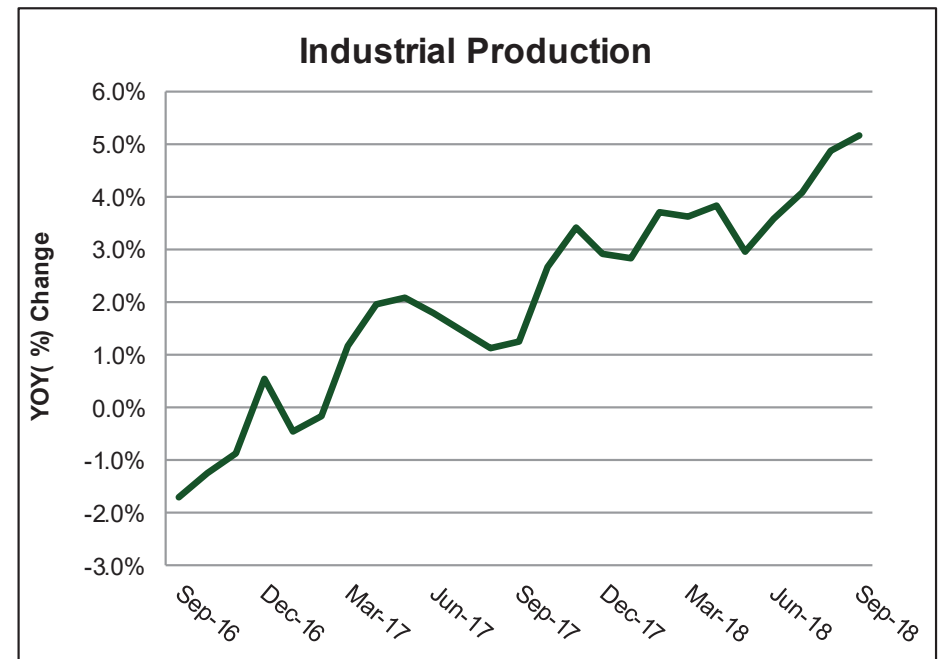


Source: S&P

Total housing starts decreased 5.3% in September. Single-family starts declined 0.9% in September and multi-family starts dropped 15.2%. Meanwhile, permits fell 0.6% in September. According to the Case-Shiller 20-City home price index, home prices were up 5.9% year-over-year in July, versus 6.4% in June. Housing data tends to be volatile on a month-over-month basis. Broadly speaking, the housing sector is facing a few different headwinds including supply constraints, rising mortgage interest rates, and a shortage of skilled labor, and housing trends have softened.



Source: Institute for Supply Management



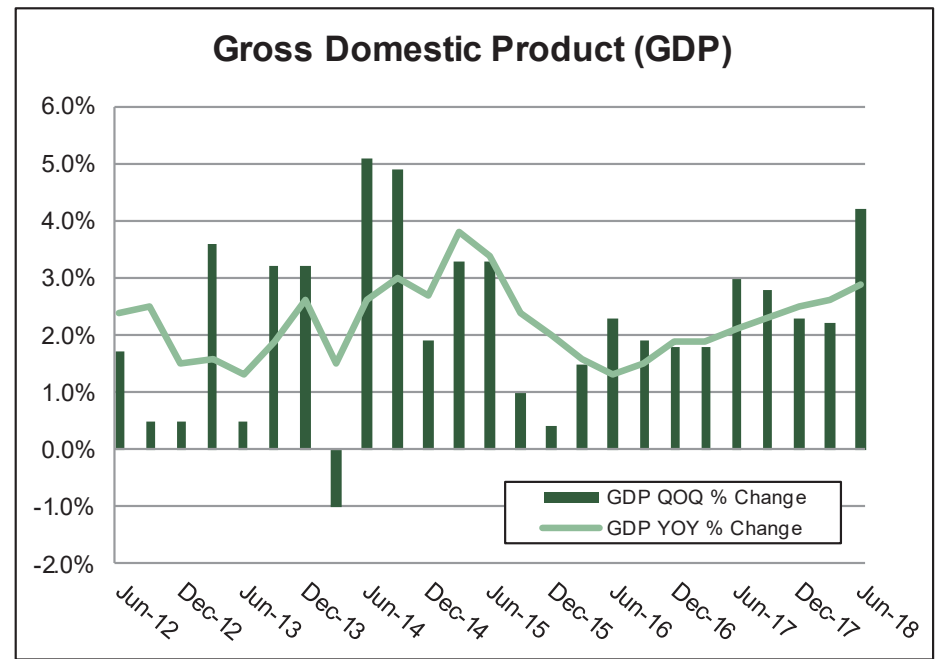
Source: Federal Reserve

The Institute for Supply Management (ISM) manufacturing index edged down to 59.8 in September from 61.3 in August (the highest level since May 2004). A reading above 50.0 suggests the manufacturing sector is expanding. The Industrial Production index was up 5.1% year-over-year in September versus up 4.9% year-over-year in August. On a month-over-month basis, the manufacturing component of the index edged up just 0.2% in September, following a 0.3% increase in August, pointing to modest growth in the sector. Capacity Utilization was unchanged at 78.1% in September, and remains below the long-run average of 79.8% indicating there is still excess capacity for growth.

CA | Gross Domestic Product (GDP)

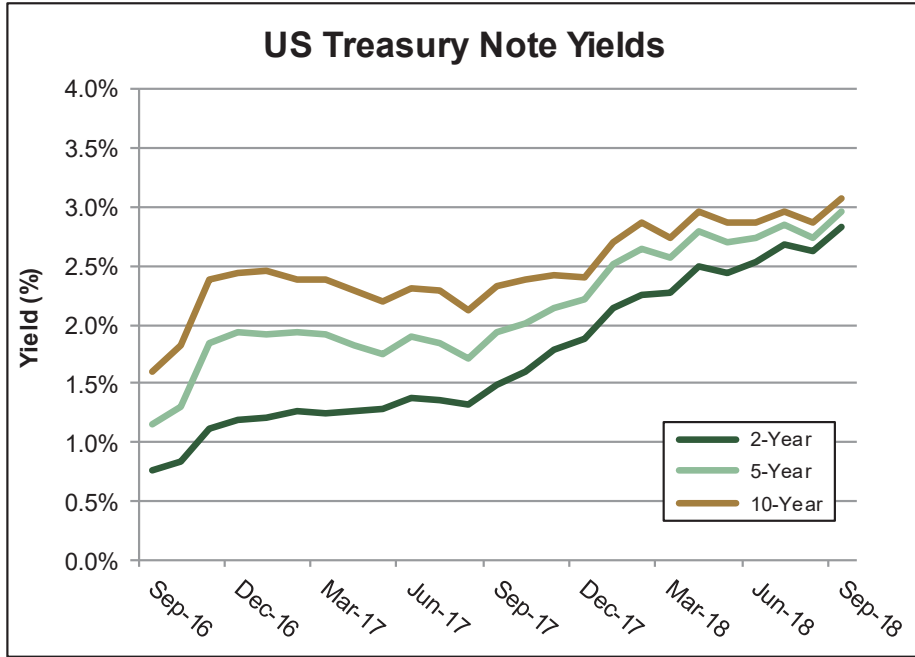
Components of GDP	9/17	12/17	3/18	6/18
Personal Consumption Expenditures	1.5%	2.6%	0.4%	2.6%
Gross Private Domestic Investment	1.5%	0.1%	1.6%	-0.1%
Net Exports and Imports	0.0%	-0.9%	0.0%	1.2%
Federal Government Expenditures	-0.1%	0.3%	0.2%	0.2%
State and Local (Consumption and Gross Investment)	-0.1%	0.2%	0.1%	0.2%
Total	2.8%	2.3%	2.2%	4.2%

Source: US Department of Commerce

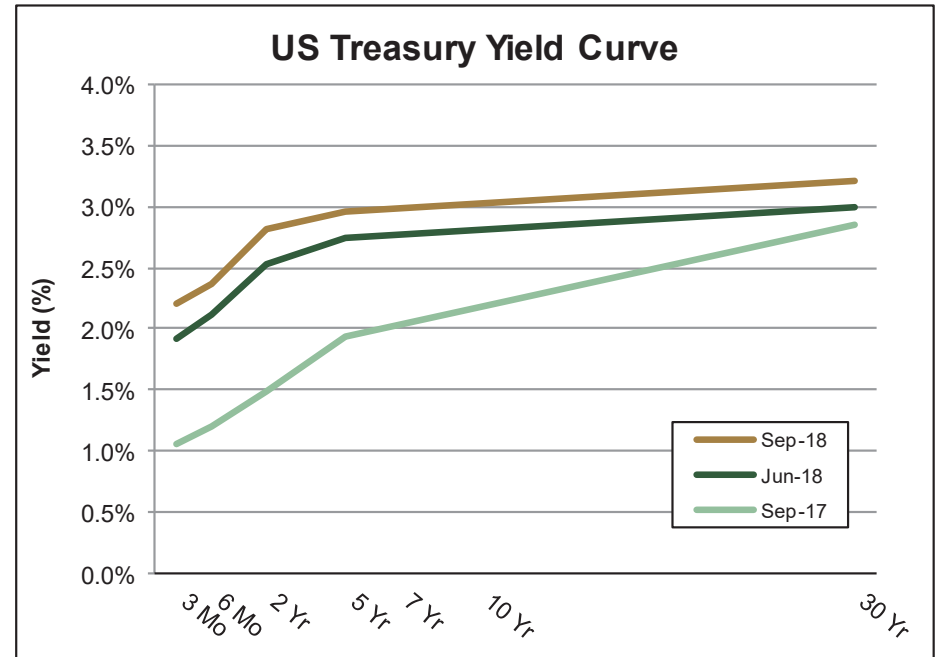


Source: US Department of Commerce

Annualized second quarter GDP grew at an annualized pace of 4.2%, according to the third estimate, following growth of 2.2% in the first quarter. Consumer spending and exports were particularly strong in the second quarter. Market participants estimate the economy grew 3.2% in the third quarter. GDP growth is expected to ease back toward the 2.5%-3.0% range in the fourth quarter.



Source: Bloomberg



Source: Bloomberg

On a year-over-year basis, Treasury yields have increased and the Treasury yield curve has flattened. The spread between 2-Year and 10-year Treasury yields has narrowed from 85 basis points to 24 basis points, year-over-year as of September month-end. Rate hikes by the Federal Reserve have put upward pressure on rates, while supply and demand imbalances, technical factors, and subdued inflation expectations have contributed to the curve flattening.



SECTION 2

Account Profile

Investment Objectives

The investment objectives of the Orange County Sanitation District are first, to provide safety of principal to ensure the preservation of capital in the overall portfolio; second, to provide sufficient liquidity to meet all operating requirements; and third, to earn a commensurate rate of return consistent with the constraints imposed by the safety and liquidity objectives.

Chandler Asset Management Performance Objective

Liquid Operating Monies – will be compared to the 3-month T-Bill rate and operate with a maximum maturity of one year.

Long-Term Operating Monies – will be compared to the ICE BAML 1-5 Year Corporate Government Rated AAA – A Index.

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.



Orange County Sanitation District Long Term September 30, 2018

COMPLIANCE WITH INVESTMENT POLICY

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

Category	Standard	Comment
Treasury Issues	5 years max maturity; Minimum allocation of 10%	Complies*
U.S. Agencies	20% max issuer; 5 years max maturity	Complies
Supranational	"AA" rated or better by a NRSRO; 30% maximum; 5 years max maturity; USD denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by IBRD, IFC, or IADB	Complies
Corporate (MTNs)	"A" rated or better long term debt by a NRSRO; 30% maximum; 5% max issuer; 5 years max maturity; Issued by corporations organized and operating within the U.S. or issued by depository institutions licensed by the U.S.	Complies
Municipal Securities	"A" rated or higher by a NRSRO; 10% maximum; 5% max issuer; 5 years max maturity	Complies
Asset Backed/ CMOs/ Mortgage-backed	"AA" rated or better by a NRSRO; "A" or higher issuer rating by a NRSRO; 20% maximum; 5% max issuer (excluding govt agency/mbs); 5 years max maturity	Complies*
Negotiable CDs	"A" rated or better long term debt by a NRSRO; or "A-1"/ highest short term rating by a NRSRO; 30% maximum; 5% max issuer; 5 years max maturity	Complies
Certificates of Deposit	5% max issuer; 5 years max maturity; Secured/ collateralized	Complies
Banker's Acceptances	A-1 rated or equivalent short term rating by a NRSRO; 40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1 rated or equivalent short term rating by a NRSRO; "A" or better long term debt issuer by a NRSRO; Issued by a domestic corporation organized and operating in the US with AUM > \$500 million; 25% maximum; 5% max issuer; 270 days max maturity	Complies
Mutual Fund & Money Market Mutual Fund	Highest rating or "AAA" rated by two NRSROs; SEC registered adviser with AUM > \$500 million and experience greater than 5 years; 10% per one Mutual Fund; 20% max per issuer on Money Market Mutual Funds; 20% max of the District's surplus money	Complies
Repurchase Agreements	102% collateralization	Complies
Reverse Repurchase Agreements	5% maximum, 90 days max maturity	Complies
LAIF	Not used by investment adviser	Complies
OCIP	Not used by investment adviser	Complies
Avg Duration	Not to exceed 60 months - (80% to 120% of the benchmark)	Complies
Max Per Issuer	5% of portfolio (except Supranationals, U.S. Government, Agencies, Mutual Fund)	Complies
Maximum Maturity	5 years maximum maturity	Complies*

*The portfolio has twenty-one (21) securities with maturities greater than 5 years including four (3) CMOs, seventeen (17) MBS and one (1) treasury. All securities were inherited from the previous manager and complied at time of purchase.



Portfolio Characteristics

Orange County Sanitation District Long Term

	9/30/2018		6/30/2018
	Benchmark*	Portfolio	Portfolio
Average Maturity (yrs)	2.69	2.74	2.79
Modified Duration	2.54	2.37	2.43
Average Purchase Yield	n/a	2.18%	2.12%
Average Market Yield	2.96%	2.85%	2.68%
Average Quality**	AAA	AA/Aa1	AA/Aa1
Total Market Value		462,099,738	460,812,924

*ICE BAML 1-5 Yr US Corp/Govt Rated AAA-A Index

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

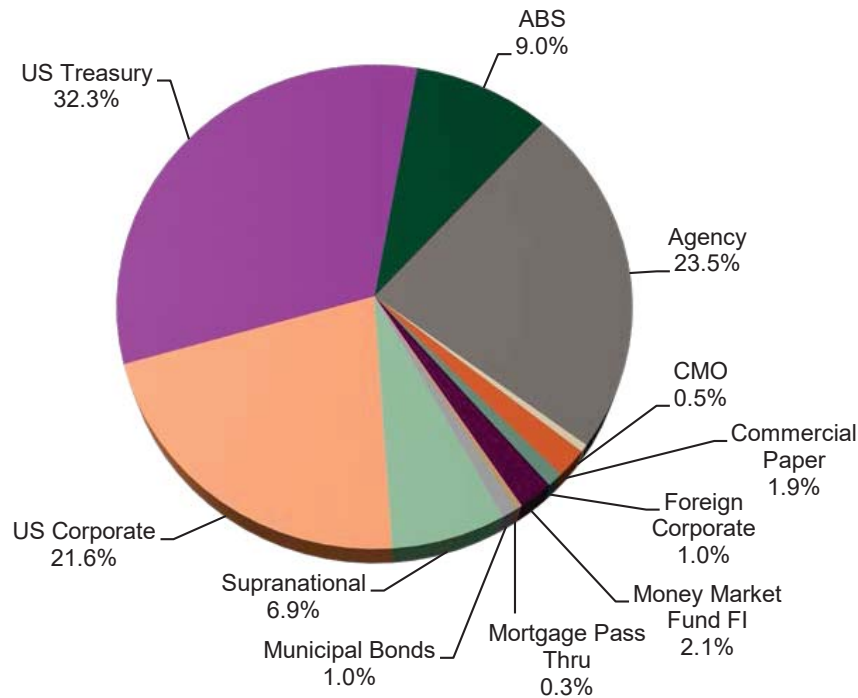
Several securities were added to the portfolio in the Treasury, Agency, Asset Backed and Corporate sectors of the market to keep the portfolio structure in-line with Chandler targets. The purchased securities ranged in maturity from October 2018 to July 2023. Four securities matured during the reporting period to facilitate the new holdings in the portfolio.



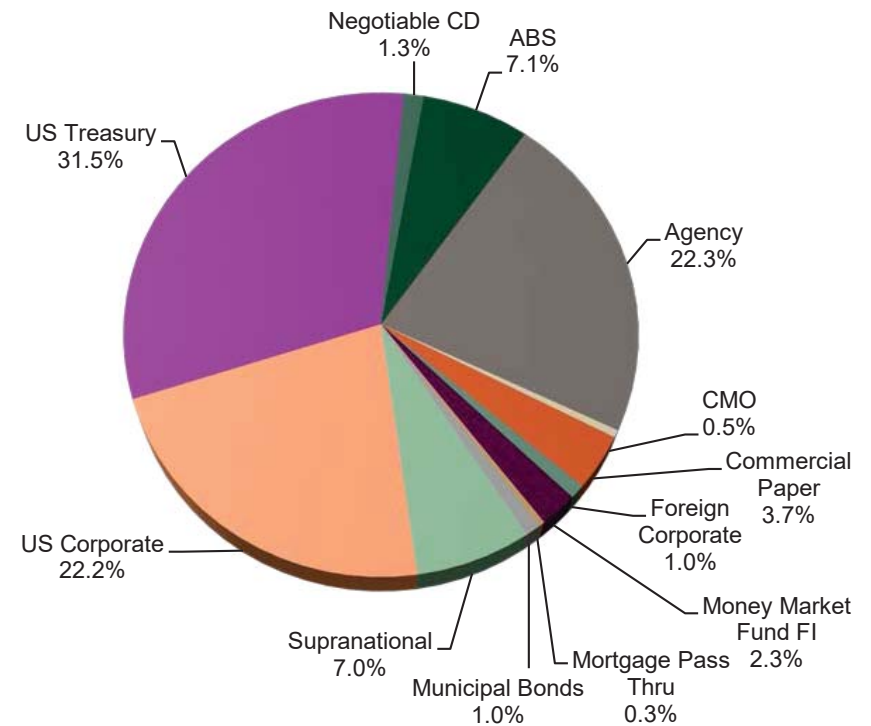
Sector Distribution

Orange County Sanitation District Long Term

September 30, 2018



June 30, 2018



The sector allocation was relative stable during the quarter. Some of the notable adjustments include the 1.9% increase in the Asset Backed allocation, to 9.0% of the portfolio, mostly offset by the 1.8% decline in the Commercial Paper allocation, to 1.9% of the portfolio.

Orange County Sanitation District Long Term – Account #10268
As of 9/30/2018

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	32.32%
Federal National Mortgage Association	Agency	10.20%
Federal Home Loan Bank	Agency	6.84%
Federal Home Loan Mortgage Corp	Agency	6.44%
Inter-American Dev Bank	Supranational	3.68%
Honda ABS	ABS	2.67%
John Deere ABS	ABS	2.38%
Intl Bank Recon and Development	Supranational	2.10%
First American Govt Obligation Fund Class-Z	Money Market Fund FI	2.05%
MUFG Bank Ltd/NY	Commercial Paper	1.95%
Wells Fargo Corp	US Corporate	1.71%
Nissan ABS	ABS	1.48%
Berkshire Hathaway	US Corporate	1.40%
American Express ABS	ABS	1.34%
Chubb Corporation	US Corporate	1.31%
Bank of New York	US Corporate	1.31%
PNC Financial Services Group	US Corporate	1.30%
IBM Corp	US Corporate	1.21%
International Finance Corp	Supranational	1.15%
Toyota ABS	ABS	1.12%
Deere & Company	US Corporate	1.08%
Qualcomm Inc	US Corporate	1.08%
General Electric Co	US Corporate	1.08%
US Bancorp	US Corporate	1.06%
Honda Motor Corporation	US Corporate	1.05%
HSBC Holdings PLC	Foreign Corporate	0.95%
Eli Lilly & Co	US Corporate	0.86%
Apple Inc	US Corporate	0.85%
Wal-Mart Stores	US Corporate	0.85%
Occidental Petroleum Corporation	US Corporate	0.71%

Orange County Sanitation District Long Term – Account #10268
As of 9/30/2018

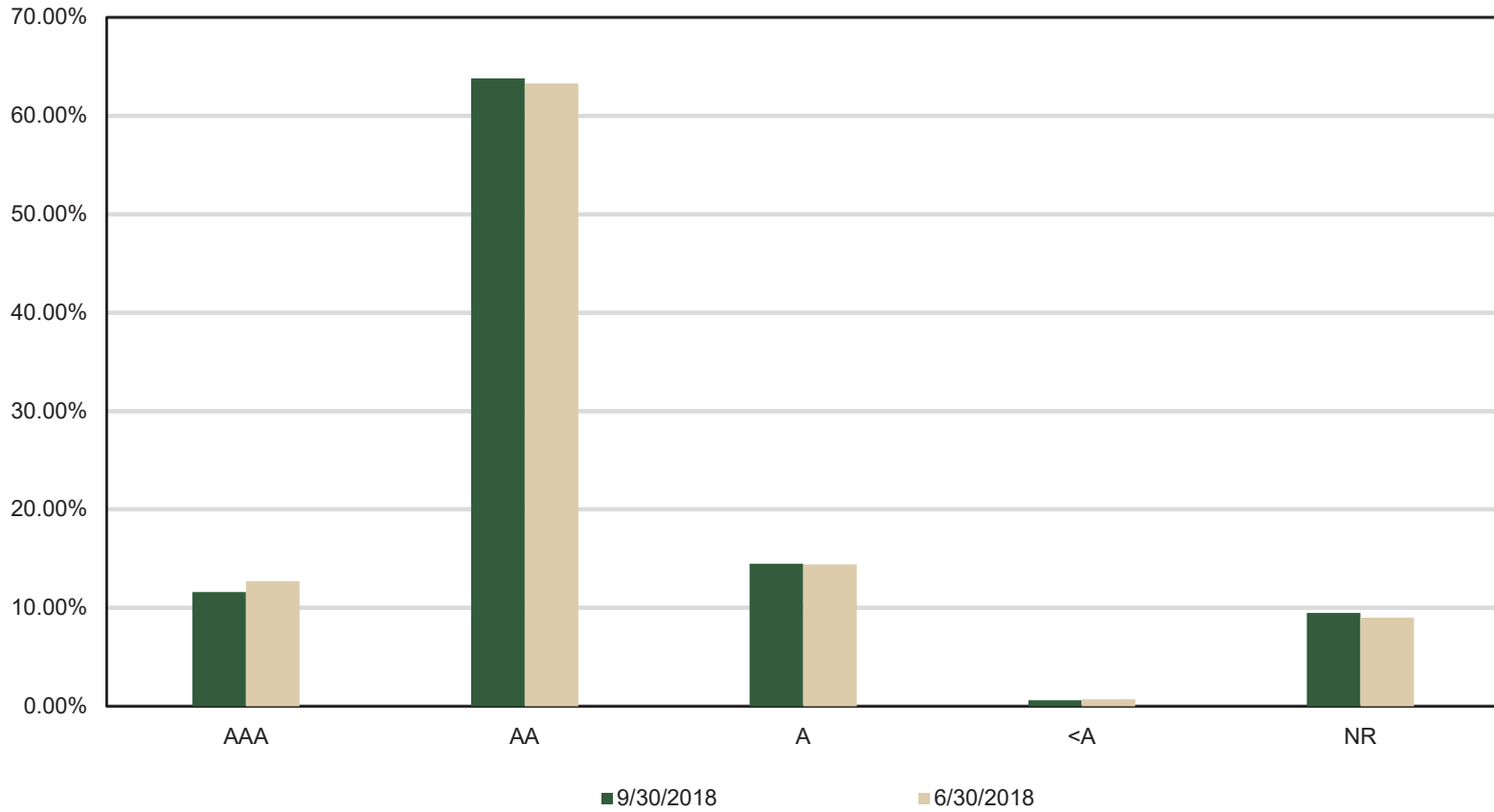
Issue Name	Investment Type	% Portfolio
General Dynamics Corp	US Corporate	0.69%
Morgan Stanley	US Corporate	0.64%
Exxon Mobil Corp	US Corporate	0.64%
Microsoft	US Corporate	0.63%
Oracle Corp	US Corporate	0.63%
Port Authority of New York and New Jersey	Municipal Bonds	0.55%
HSBC Holdings PLC	US Corporate	0.54%
ChevronTexaco Corp	US Corporate	0.53%
JP Morgan Chase & Co	US Corporate	0.43%
Federal Home Loan Mortgage Corp	CMO	0.39%
New York City Transitional Finance Authority	Municipal Bonds	0.31%
Federal National Mortgage Association	Mortgage Pass Thru	0.27%
University of California	Municipal Bonds	0.09%
Federal National Mortgage Association	CMO	0.05%
GNMA	Mortgage Pass Thru	0.04%
AMRESO Residential Securities Corp	CMO	0.03%
SLM Corp	ABS	0.01%
Small Business Administration	ABS	0.01%
Federal Home Loan Mortgage Corp	Mortgage Pass Thru	0.00%
Total		100.00%



Quality Distribution

Orange County Sanitation District Long Term

September 30, 2018 vs. June 30, 2018



	AAA	AA	A	<A	NR
09/30/18	11.6%	63.8%	14.5%	0.6%	9.5%
06/30/18	12.7%	63.3%	14.4%	0.7%	9.0%

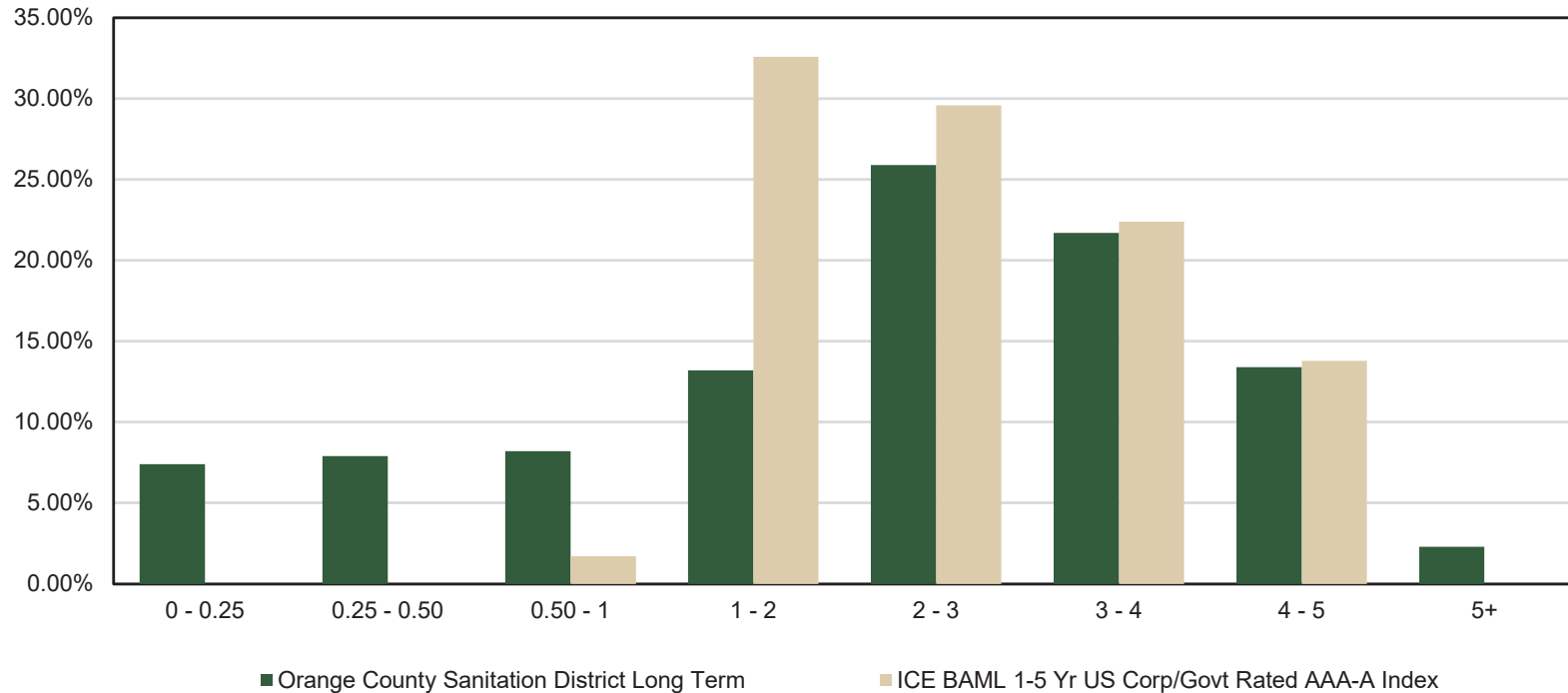
Source: S&P Ratings



Duration Distribution

Orange County Sanitation District Long Term

Portfolio Compared to the Benchmark as of September 30, 2018



	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
Portfolio	7.4%	7.9%	8.2%	13.2%	25.9%	21.7%	13.4%	2.3%
Benchmark*	0.0%	0.0%	1.7%	32.6%	29.6%	22.4%	13.8%	0.0%

*ICE BAML 1-5 Yr US Corp/Govt Rated AAA-A Index

The duration of the portfolio contracted modestly, currently 2.37 compared to 2.43 at the end of the prior quarter.

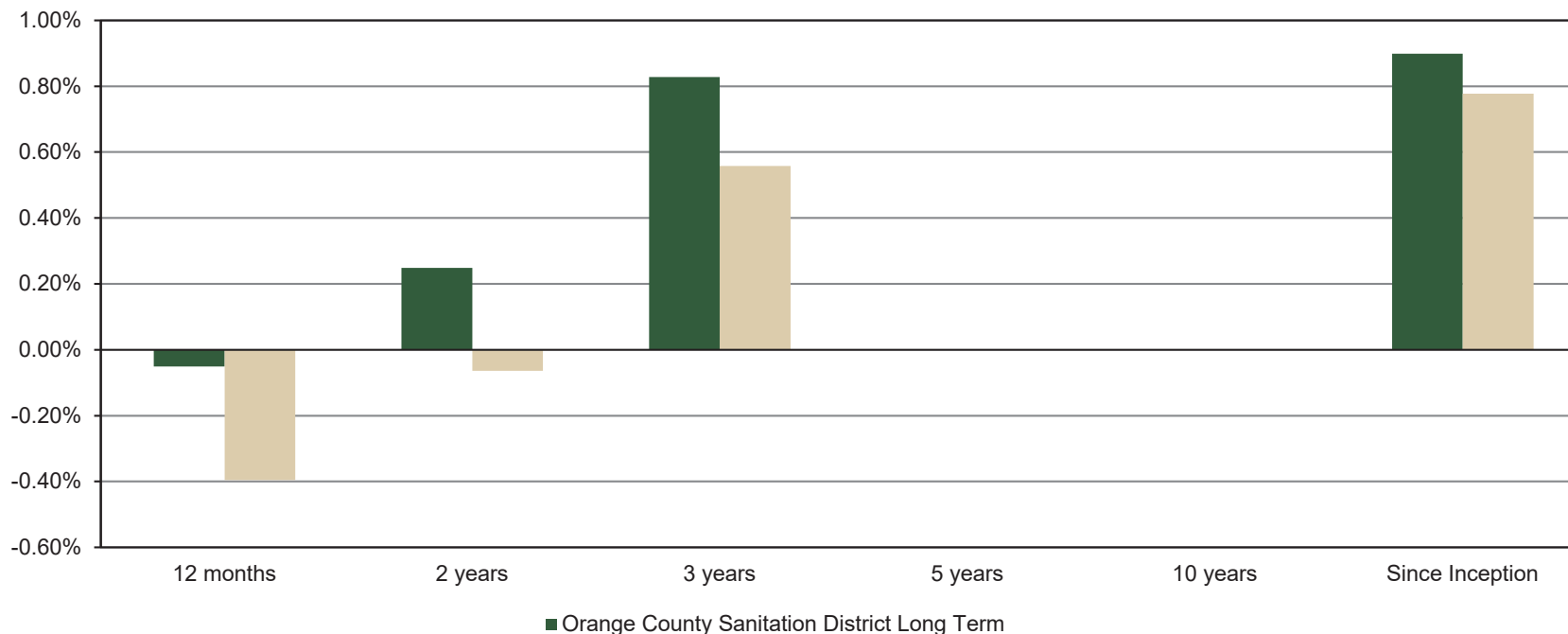


Investment Performance

Orange County Sanitation District Long Term

Period Ending
September 30, 2018

Total Rate of Return
Annualized Since Inception
November 30, 2014



	3 months	12 months	Annualized				Since Inception
			2 years	3 years	5 years	10 years	
Orange County Sanitation District Long Term	0.27%	-0.05%	0.25%	0.83%	N/A	N/A	0.90%
ICE BAML 1-5 Yr US Corp/Govt Rated AAA-A Index	0.20%	-0.40%	-0.06%	0.56%	N/A	N/A	0.78%

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.



Orange County Sanitation District Liquid

September 30, 2018

COMPLIANCE WITH INVESTMENT POLICY

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

Category	Standard	Comment
Treasury Issues	1 year max maturity; Minimum allocation of 10%	Complies
U.S. Agencies	20% max issuer; 1 year max maturity	Complies
Supranational	"AA" rated or better by a NRSRO; 30% maximum; 1 year max maturity; USD denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by IBRD, IFC, or IADB	Complies
Corporate (MTNs)	"A" rated or better long term debt by a NRSRO; 30% maximum; 5% max issuer; 1 year max maturity; Issued by corporations organized and operating within the U.S. or issued by depository institutions licensed by the U.S.	Complies
Asset Backed/ CMOs	"AA" rated or better by a NRSRO; "A" or higher issuer rating by a NRSRO; 20% maximum; 5% max issuer; 1 year max maturity	Complies
Negotiable CDs	"A" rated or better long term debt by a NRSRO; or "A-1"/ highest short term rating by a NRSRO; 30% maximum; 5% max issuer; 1 year max maturity	Complies
Certificates of Deposit	5% max issuer; 1 year max maturity; Secured/collateralized	Complies
Banker's Acceptances	A-1 rated or equivalent short term rating by a NRSRO; 40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1 rated or equivalent short term rating by a NRSRO; "A" or better long term debt issuer by a NRSRO; Issued by a domestic corporation organized and operating in the US with AUM > \$500million; 25% maximum; 5% max issuer; 270 days max maturity	Complies
Mutual Fund & Money Market Mutual Fund	Highest rating or "AAA" rated by two NRSROs; SEC registered adviser with AUM >\$500 million and experience greater than 5 years; 10% per one Mutual Fund; 20% max per issuer on Money Market Mutual Funds; 20% max of the District's surplus money	Complies
Repurchase Agreements	102% collateralization	Complies
Reverse Repurchase Agreements	5% maximum, 90 days max maturity	Complies
LAIF	Not used by investment adviser	Complies
OCIP	Not used by investment adviser	Complies
Prohibited	Municipal Securities	Complies
Prohibited	Mortgage Securities	Complies
Avg Duration	Not to exceed 180 days; Max duration of 1/2 year	Complies
Max Per Issuer	5% of portfolio (except Supranationals, U.S. Government, Agencies, Mutual Fund)	Complies
Maximum Maturity	1 year maximum maturity	Complies



Portfolio Characteristics

Orange County Sanitation District Liquid

	9/30/2018		6/30/2018
	Benchmark*	Portfolio	Portfolio
Average Maturity (yrs)	0.16	0.22	0.15
Modified Duration	0.16	0.22	0.15
Average Purchase Yield	n/a	2.23%	1.94%
Average Market Yield	2.11%	2.25%	1.96%
Average Quality**	AAA	AA+/Aa1	AAA/Aaa
Total Market Value		75,177,285	156,065,422

*ICE BAML 3-Month US Treasury Bill Index

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

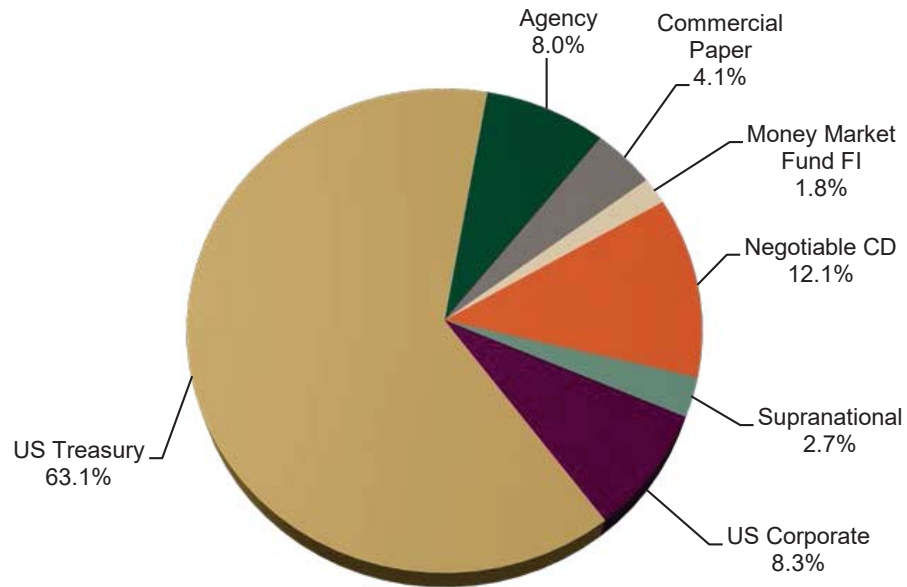
Multiple securities were purchased across the Treasury, Agency, Supranational, Certificate of Deposit and Corporate sectors to keep the portfolio fully invested. The purchased securities ranged in maturity from August 2018 to April 2019. Many securities matured and a net \$81.5 million was withdrawn from the portfolio during the reporting period.



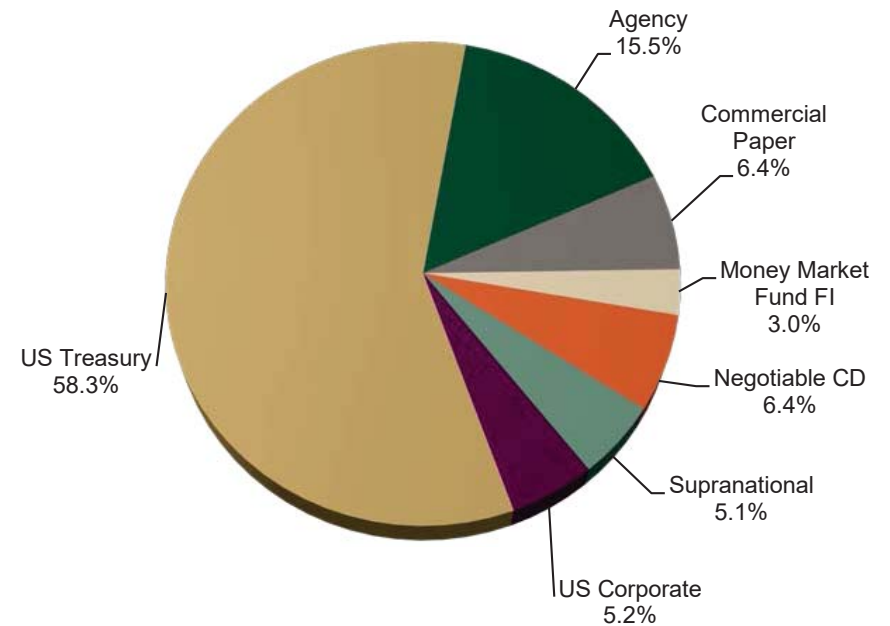
Sector Distribution

Orange County Sanitation District Liquid

September 30, 2018



June 30, 2018



The sector allocation evolved with the large liquidity needs during the reporting period. Notably the Treasury allocation remains higher than the historical experience due to the increased issuance of the Treasury sector, improving valuations, offset by the light funding needs of both Fannie Mae and Freddie Mac, which is leading to unattractive valuations in the Agency sector.

Orange County Sanitation District Liquid – Account #10282
As of 9/30/2018

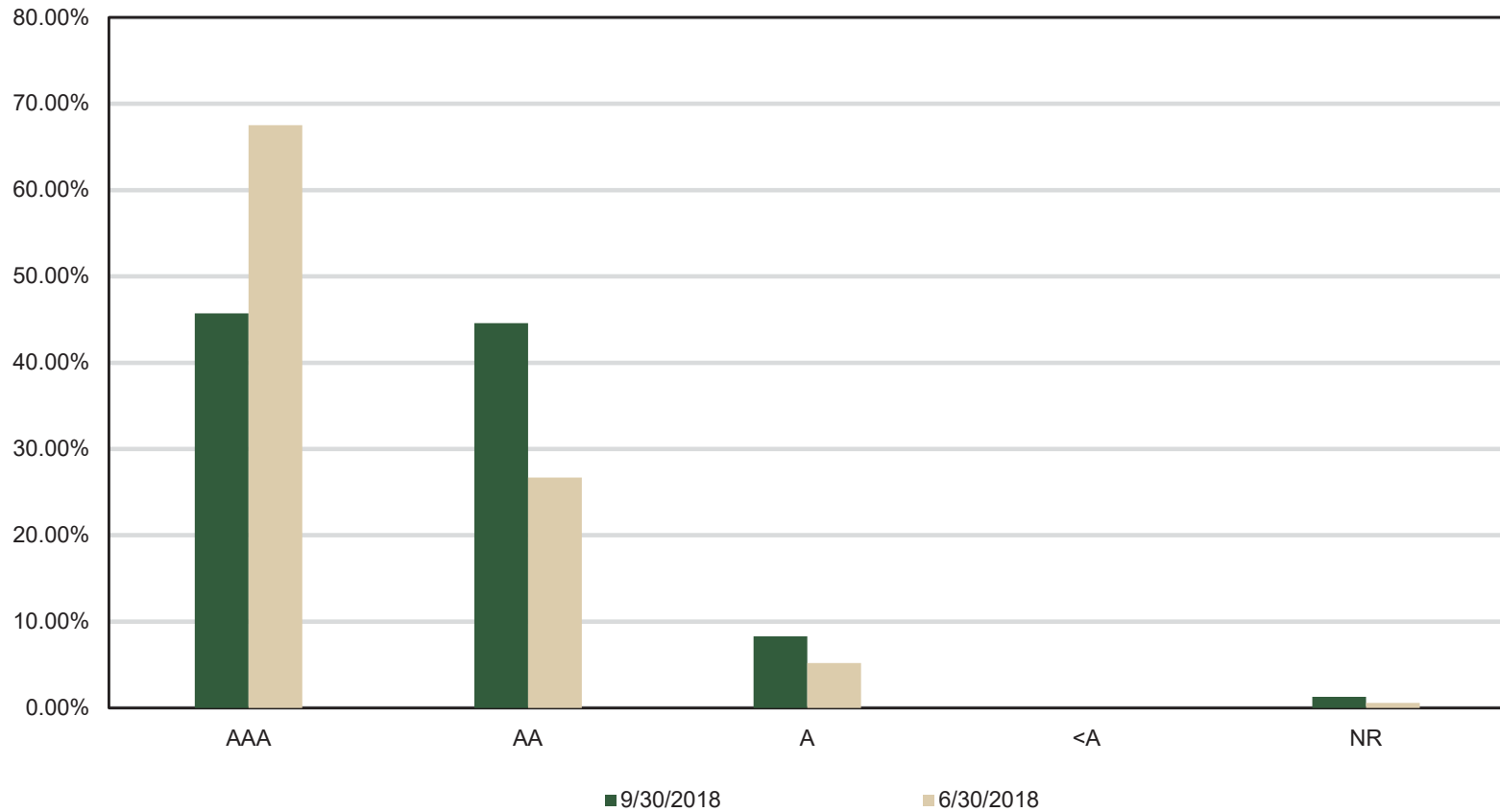
Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	63.07%
Federal Home Loan Bank	Agency	7.98%
MUFG Bank Ltd/NY	Commercial Paper	4.12%
Toronto Dominion Holdings	Negotiable CD	4.02%
Bank of Montreal Chicago	Negotiable CD	3.99%
Royal Bank of Canada	Negotiable CD	2.70%
International Finance Corp	Supranational	2.66%
Bank of America Corp	US Corporate	2.02%
Wells Fargo Corp	US Corporate	2.01%
First American Govt Obligation Fund Class-Z	Money Market Fund FI	1.80%
Praxair	US Corporate	1.61%
Westpac Banking Corp NY	Negotiable CD	1.35%
Deere & Company	US Corporate	1.34%
JP Morgan Chase & Co	US Corporate	1.33%
Total		100.00%



Quality Distribution

Orange County Sanitation District Liquid

September 30, 2018 vs. June 30, 2018



	AAA	AA	A	<A	NR
09/30/18	45.7%	44.6%	8.3%	0.0%	1.3%
06/30/18	67.5%	26.7%	5.2%	0.0%	0.6%

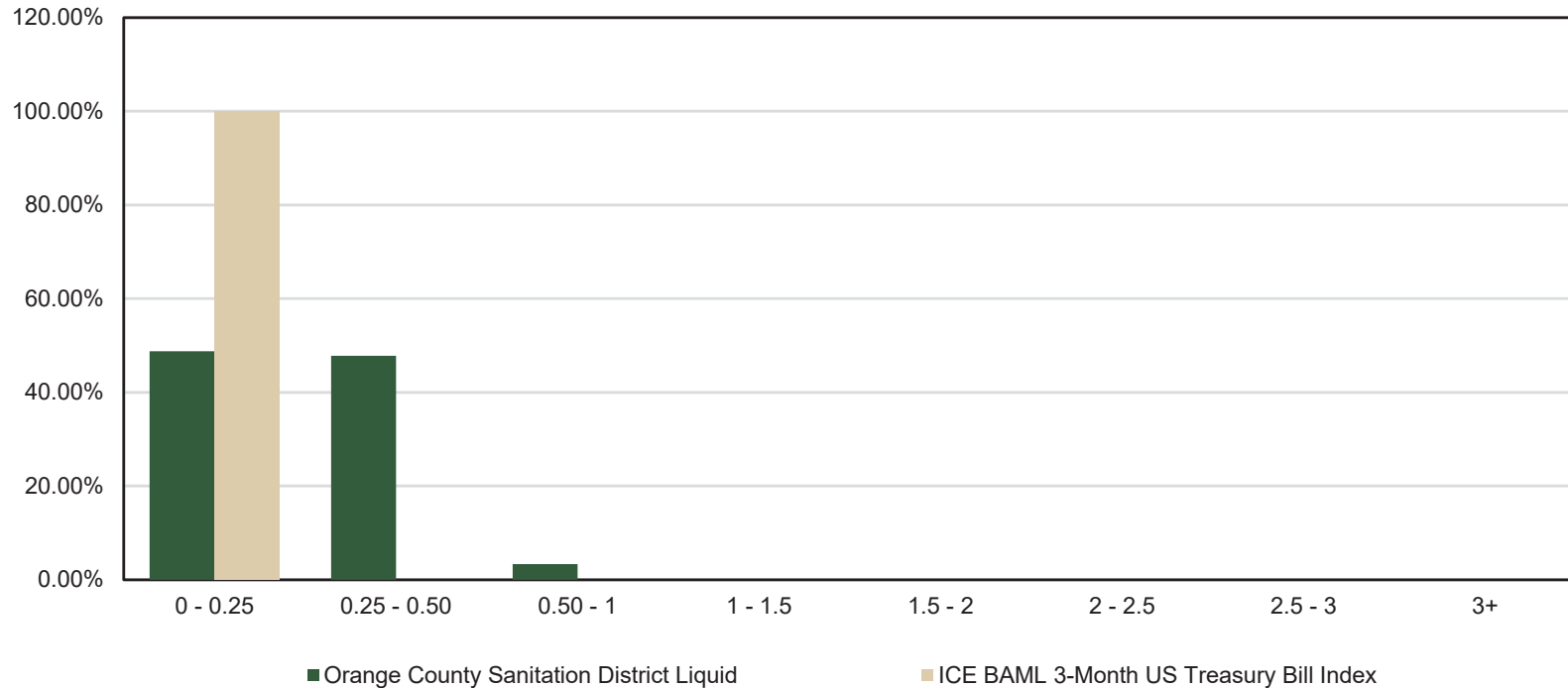
Source: S&P Ratings



Duration Distribution

Orange County Sanitation District Liquid

Portfolio Compared to the Benchmark as of September 30, 2018



	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 1.5	1.5 - 2	2 - 2.5	2.5 - 3	3+
Portfolio	48.8%	47.8%	3.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Benchmark*	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

*ICE BAML 3-Month US Treasury Bill Index

The duration of the portfolio modestly increased, as the next forecasted liquidity need is not until January 31, 2019.

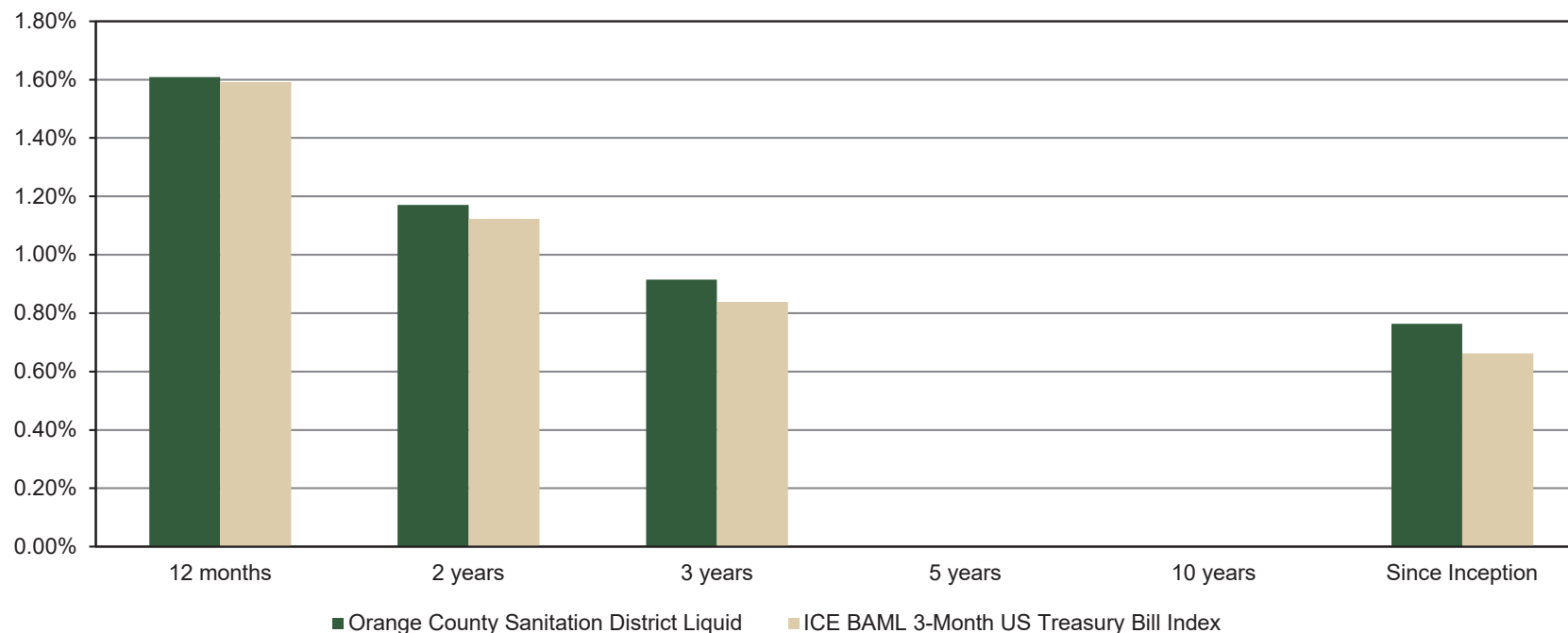


Investment Performance

Orange County Sanitation District Liquid

Period Ending
September 30, 2018

Total Rate of Return
Annualized Since Inception
November 30, 2014



	3 months	12 months	Annualized				Since Inception
			2 years	3 years	5 years	10 years	
Orange County Sanitation District Liquid	0.52%	1.61%	1.17%	0.92%	N/A	N/A	0.76%
ICE BAML 3-Month US Treasury Bill Index	0.49%	1.59%	1.12%	0.84%	N/A	N/A	0.66%

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.



OCSD Lehman Exposure September 30, 2018

COMPLIANCE WITH INVESTMENT POLICY

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

Category	Standard	Comment
Treasury Issues	5 years maximum maturity	Complies
Supranational	"AA" or better by 1 of 3 NRSROs; 30% maximum; 5% max; 5 years maturity; Includes only: IADB, IBRD, and IFC per CGC	Complies
U.S. Agencies	20% max issuer; 5 years maximum maturity	Complies
U.S. Corporate (MTNs)	"A" or better long term rating by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years max maturity	Complies*
Municipal Securities	"A" or higher by 1 of 3 NRSROs; 10% maximum; 5% max issuer; 5 years maximum maturity	Complies
Asset Backed/ CMOs/ Mortgage-backed	"AA" or better by 1 of 3 NRSROs; "A" or higher issuer rating by 1 of 3 NRSROs; 20% maximum; 5% max issuer (excluding MBS/govt agency); 5 years max maturity	Complies
Negotiable CDs	"A" or better on its long term debt by 1 of 3 NRSROs ; "A1/P1" or highest short term ratings by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years max maturity	Complies
CDs/ TDS	5% max issuer; 5 years max maturity	Complies
Banker's Acceptances	A-1, or equivalent highest short term rating by 1 of 3 NRSROs; 40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1, or equivalent by 1 of 3 NRSROs; "A" or better by 1 of 3 NRSROs, if long term debt issued; 25% maximum; 5% max issuer; 270 days max maturity	Complies
Money Market Fund	Highest rating by 2 of 3 NRSROs; 20% maximum; 10% max issuer	Complies
Repurchase Agreements	102% collateralization	Complies
Reverse Repurchase Agreements	5% maximum, 90 days max maturity	Complies
LAIF	Not used by investment adviser	Complies
Avg Duration	Not to exceed 60 months - (80% to 120% of the benchmark)	Complies
Maximum Maturity	5 years maximum maturity	Complies

* Account holds \$2 million face value (cusip 525ESC0Y6) and \$600,000 face value (cusip 525ESC1B7) of defaulted Lehman Bros Holdings that were purchased by the previous manager. Complied at time of purchase.



OCSD Lehman Exposure

	9/30/2018	6/30/2018
	Portfolio	Portfolio
Average Maturity (yrs)	17.72	18.32
Modified Duration	0.00	0.00
Average Purchase Yield	0.00%	0.00%
Average Market Yield	0.00%	0.00%
Average Quality	NR/NR	NR/NR
Total Market Value	98,541	104,921

SECTION 3

Consolidated Information



Portfolio Characteristics

Orange County Sanitation District Consolidated

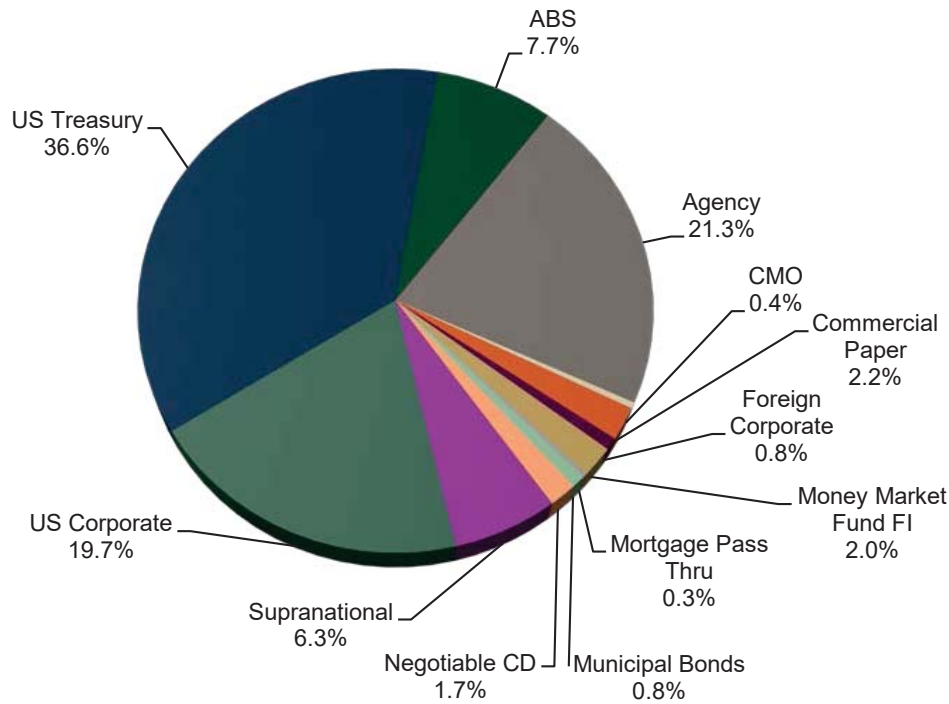
	9/30/2018	6/30/2018
	Portfolio	Portfolio
Average Maturity (yrs)	2.39	2.13
Modified Duration	2.07	1.85
Average Purchase Yield	2.18%	2.07%
Average Market Yield	2.76%	2.50%
Average Quality	AA+/Aa1	AA+/Aa1
Total Market Value	537,375,564	616,983,268



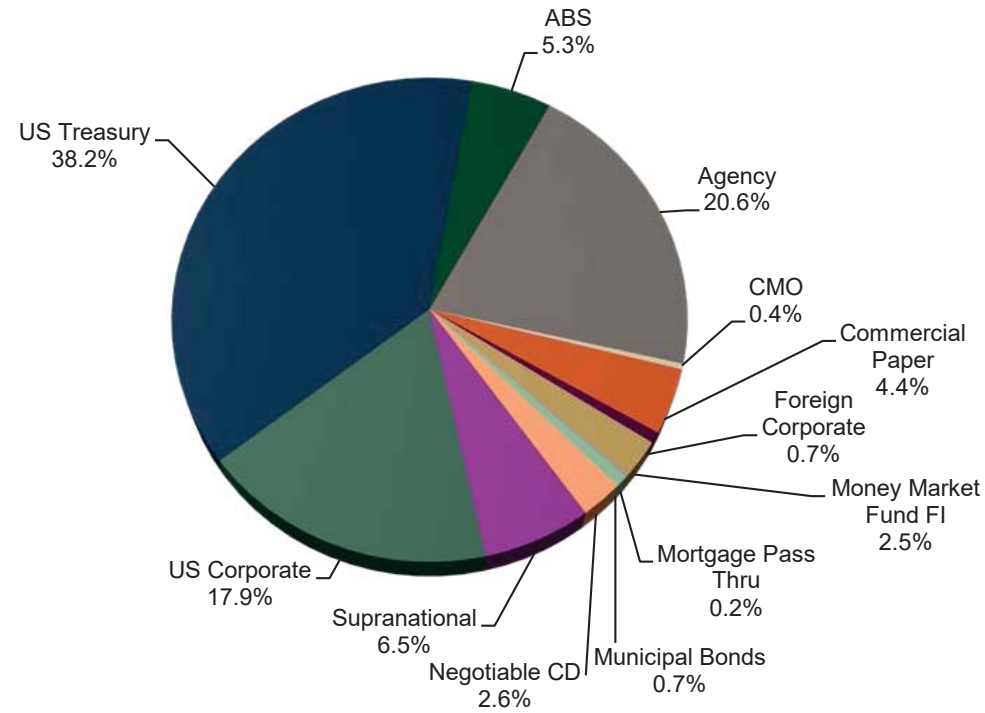
Sector Distribution

Orange County Sanitation District Consolidated

September 30, 2018



June 30, 2018



SECTION 4

Portfolio Holdings



Holdings Report

Orange County Sanitation District Long Term - Account #10268

For the Month Ending 9/30/2018

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
ABS									
47787XAB3	John Deere Owner Trust 2017-A A2 1.500% Due 10/15/2019	192,866.98	02/22/2017 1.50%	192,866.21 192,866.68	99.93 2.65%	192,730.21 128.58	0.04% (136.47)	Aaa / NR AAA	1.04 0.06
654747AB0	Nissan Auto Receivables 2017-A A2A 1.470% Due 01/15/2020	340,612.63	03/21/2017 1.47%	340,610.89 340,611.83	99.87 2.46%	340,170.37 222.53	0.07% (441.46)	Aaa / NR AAA	1.29 0.13
43814PAB6	Honda Auto Receivables Owner T 17-3 A2 1.570% Due 01/21/2020	504,918.50	09/25/2017 1.58%	504,873.61 504,893.13	99.72 2.58%	503,521.18 286.26	0.11% (1,371.95)	NR / AAA AAA	1.31 0.27
47788MAC4	John Deere Owner Trust 2016-A A3 1.360% Due 04/15/2020	808,770.16	02/23/2016 1.37%	808,642.87 808,722.63	99.68 2.62%	806,164.17 488.86	0.17% (2,558.46)	Aaa / NR AAA	1.54 0.26
43814QAC2	Honda Auto Receivables 2016-2 A3 1.390% Due 04/15/2020	714,560.80	05/24/2016 1.40%	714,546.94 714,555.30	99.61 2.61%	711,770.98 441.44	0.15% (2,784.32)	Aaa / NR AAA	1.54 0.32
47788BAB0	John Deere Owner Trust 2017-B A2A 1.590% Due 04/15/2020	437,905.04	07/11/2017 1.60%	437,866.99 437,883.70	99.74 2.58%	436,758.42 309.45	0.09% (1,125.28)	Aaa / NR AAA	1.54 0.26
89238BAB8	Toyota Auto Receivables Owner 2018-A A2A 2.100% Due 10/15/2020	5,170,000.00	01/23/2018 2.12%	5,169,471.63 5,169,601.58	99.70 2.70%	5,154,619.25 4,825.33	1.12% (14,982.33)	Aaa / AAA NR	2.04 0.50
47788CAB8	John Deere Owner Trust 2018-A A2 2.420% Due 10/15/2020	1,800,000.00	03/16/2018 2.59%	1,796,343.75 1,797,102.23	99.84 2.72%	1,797,166.80 1,936.00	0.39% 64.57	Aaa / NR AAA	2.04 0.55
43814RAC0	Honda Auto Receivables 2016-4 A3 1.210% Due 12/18/2020	2,429,718.80	02/07/2018 2.58%	2,403,048.84 2,409,032.32	99.09 2.80%	2,407,644.78 1,061.65	0.52% (1,387.54)	NR / AAA AAA	2.22 0.57
65478VAD9	NAROT 2016-B A3 1.320% Due 01/15/2021	1,361,853.10	02/12/2018 1.87%	1,350,947.64 1,353,290.37	99.22 2.77%	1,351,214.28 199.74	0.29% (2,076.09)	Aaa / NR AAA	2.30 0.54
83162CLJ0	Small Business Administration 2001-20C 6.340% Due 03/01/2021	23,619.21	03/06/2001 6.34%	23,619.21 23,619.21	102.48 5.57%	24,204.42 124.79	0.01% 585.21	Aaa / AA+ AAA	2.42 1.30
65477UAD2	NAROT 2015-A4 1.500% Due 09/15/2021	1,616,346.74	02/09/2018 1.86%	1,606,244.57 1,608,018.23	99.60 2.64%	1,609,954.09 1,077.56	0.35% 1,935.86	Aaa / NR AAA	2.96 0.35
43814PAC4	Honda Auto Receivables Owner T 17-3 A3 1.790% Due 09/20/2021	3,090,000.00	06/28/2018 2.78%	3,040,994.53 3,044,901.67	98.57 3.03%	3,045,936.60 1,997.34	0.66% 1,034.93	NR / AAA AAA	2.98 1.22
47788BAD6	John Deere Owner Trust 2017-B A3 1.820% Due 10/15/2021	675,000.00	07/11/2017 1.83%	674,950.59 674,964.62	98.63 3.01%	665,751.11 546.00	0.14% (9,213.51)	Aaa / NR AAA	3.04 1.16
47788CAC6	John Deere Owner Trust 2016-B A4 2.660% Due 04/18/2022	1,340,000.00	02/21/2018 2.68%	1,339,903.65 1,339,917.37	99.27 3.13%	1,330,172.44 1,584.18	0.29% (9,744.93)	Aaa / NR AAA	3.55 1.62
43814UAG4	Honda Auto Receivables 2018-2 A3 3.010% Due 05/18/2022	1,710,000.00	05/22/2018 3.03%	1,709,962.72 1,709,965.91	99.89 3.08%	1,708,103.61 1,858.68	0.37% (1,862.30)	NR / AAA AAA	3.63 2.02
43815HAC1	Honda Auto Receivables Owner 2018-3 A3 2.950% Due 08/22/2022	3,970,000.00	08/21/2018 2.98%	3,969,455.32 3,969,468.05	99.67 3.12%	3,956,950.61 3,253.19	0.86% (12,517.44)	Aaa / NR AAA	3.90 2.10
02587AAJ3	American Express Credit 2017-1 1.930% Due 09/15/2022	6,270,000.00	Various 2.91%	6,174,085.15 6,180,092.97	98.61 2.98%	6,183,078.93 5,378.27	1.34% 2,985.96	Aaa / NR AAA	3.96 1.33
47788EAC2	John Deere Owner Trust 2018-B A3 3.080% Due 11/15/2022	4,630,000.00	07/18/2018 3.10%	4,629,649.05 4,629,664.21	99.83 3.18%	4,622,263.18 6,337.96	1.00% (7,401.03)	Aaa / NR AAA	4.13 2.11
65479GAD1	Nissan Auto Receivables Owner 2018-B A3 3.060% Due 03/15/2023	3,560,000.00	07/17/2018 3.08%	3,559,884.66 3,559,889.29	99.70 3.21%	3,549,227.44 4,841.60	0.77% (10,661.85)	Aaa / AAA NR	4.46 2.35



Holdings Report

Orange County Sanitation District Long Term - Account #10268

For the Month Ending 9/30/2018

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
78445JAA5	SLMA 2008-9 A 3.837% Due 04/25/2023	26,879.41	08/22/2008 3.92%	26,770.35 26,845.45	102.11 3.28%	27,446.48 194.81	0.01% 601.03	Baa3 / A B	4.57 3.32
47788NAD0	John Deere Owner Trust 2016-B A4 1.490% Due 05/15/2023	1,151,000.00	06/27/2018 2.19%	1,131,936.56 1,132,942.72	98.56 3.06%	1,134,388.77 762.22	0.25% 1,446.05	Aaa / NR AAA	4.62 0.92
Total ABS		41,824,051.37	2.60%	41,606,675.73 41,628,849.47	2.95%	41,559,238.12 37,856.44	9.00% (69,611.35)	Aaa / AAA Aaa	3.22 1.27

Agency

313385L79	FHLB Discount Note 2.130% Due 10/24/2018	5,000,000.00	09/27/2018 2.16%	4,992,012.50 4,993,195.83	99.86 2.16%	4,993,195.83 0.00	1.08% 0.00	P-1 / A-1+ F-1+	0.07 0.07
3135G0G72	FNMA Note 1.125% Due 12/14/2018	5,000,000.00	12/18/2015 1.37%	4,963,950.00 4,997,550.32	99.77 2.22%	4,988,710.00 16,718.75	1.08% (8,840.32)	Aaa / AA+ AAA	0.21 0.20
3133782M2	FHLB Note 1.500% Due 03/08/2019	7,500,000.00	Various 1.14%	7,589,190.00 7,511,294.20	99.63 2.35%	7,472,347.50 7,187.50	1.62% (38,946.70)	Aaa / AA+ AAA	0.44 0.43
3137EADM8	FHLMC Note 1.250% Due 10/02/2019	7,500,000.00	Various 1.61%	7,399,650.00 7,473,598.57	98.62 2.65%	7,396,657.50 46,614.58	1.61% (76,941.07)	Aaa / AA+ AAA	1.01 0.98
313383HU8	FHLB Note 1.750% Due 06/12/2020	5,000,000.00	08/13/2015 1.71%	5,008,950.00 5,003,145.69	98.19 2.84%	4,909,705.00 26,493.06	1.07% (93,440.69)	Aaa / AA+ NR	1.70 1.65
3135G0D75	FNMA Note 1.500% Due 06/22/2020	5,000,000.00	11/16/2015 1.70%	4,955,650.00 4,983,358.84	97.86 2.77%	4,893,240.00 20,625.00	1.06% (90,118.84)	Aaa / AA+ AAA	1.73 1.68
3137EAEK1	FHLMC Note 1.875% Due 11/17/2020	5,000,000.00	Various 1.97%	4,986,225.00 4,990,040.75	98.00 2.85%	4,900,110.00 34,895.83	1.07% (89,930.75)	Aaa / AA+ AAA	2.13 2.05
3135G0F73	FNMA Note 1.500% Due 11/30/2020	7,500,000.00	Various 1.87%	7,370,726.00 7,443,523.07	97.19 2.85%	7,289,242.50 37,812.50	1.59% (154,280.57)	Aaa / AA+ AAA	2.17 2.10
3137EAEL9	FHLMC Note 2.375% Due 02/16/2021	7,500,000.00	02/26/2018 2.45%	7,484,475.00 7,487,565.69	98.85 2.88%	7,413,712.50 22,265.63	1.61% (73,853.19)	Aaa / AA+ AAA	2.38 2.29
3130A7CV5	FHLB Note 1.375% Due 02/18/2021	5,365,000.00	02/17/2016 1.46%	5,343,325.40 5,354,666.90	96.58 2.87%	5,181,264.85 8,811.27	1.12% (173,402.05)	Aaa / AA+ AAA	2.39 2.32
3135G0J20	FNMA Note 1.375% Due 02/26/2021	10,000,000.00	Various 1.28%	10,040,950.00 10,021,479.32	96.54 2.87%	9,654,040.00 13,368.06	2.09% (367,439.32)	Aaa / AA+ AAA	2.41 2.34
313379RB7	FHLB Note 1.875% Due 06/11/2021	4,000,000.00	08/30/2017 1.67%	4,030,160.00 4,021,505.39	97.39 2.89%	3,895,584.00 22,916.67	0.85% (125,921.39)	Aaa / AA+ AAA	2.70 2.59
3135G0U35	FNMA Note 2.750% Due 06/22/2021	7,500,000.00	06/28/2018 2.68%	7,515,225.00 7,513,910.81	99.52 2.93%	7,463,782.50 55,000.00	1.63% (50,128.31)	Aaa / AA+ AAA	2.73 2.59
3135G0S38	FNMA Note 2.000% Due 01/05/2022	3,000,000.00	01/30/2017 2.04%	2,994,570.00 2,996,404.13	97.11 2.93%	2,913,396.00 14,333.33	0.63% (83,008.13)	Aaa / AA+ AAA	3.27 3.11
3135G0T45	FNMA Note 1.875% Due 04/05/2022	5,000,000.00	05/05/2017 1.99%	4,972,500.00 4,980,337.42	96.47 2.94%	4,823,340.00 45,833.33	1.05% (156,997.42)	Aaa / AA+ AAA	3.52 3.33
3135G0T94	FNMA Note 2.375% Due 01/19/2023	5,000,000.00	Various 2.78%	4,910,990.00 4,919,755.12	97.49 3.00%	4,874,335.00 23,750.00	1.06% (45,420.12)	Aaa / AA+ AAA	4.31 4.03
313383QR5	FHLB Note 3.250% Due 06/09/2023	5,000,000.00	08/28/2018 2.87%	5,083,350.00 5,081,773.75	101.06 3.01%	5,052,755.00 50,555.56	1.10% (29,018.75)	Aaa / AA+ NR	4.69 4.28



Holdings Report

Orange County Sanitation District Long Term - Account #10268

For the Month Ending 9/30/2018

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
3137EAEN5	FHLMC Note 2.750% Due 06/19/2023	10,000,000.00	Various 2.84%	9,956,500.00 9,958,475.40	98.77 3.03%	9,877,060.00 84,027.78	2.16% (81,415.40)	Aaa / AA+ AAA	4.72 4.35
Total Agency		109,865,000.00	1.99%	109,598,398.90 109,731,581.20	2.79%	107,992,478.18 531,208.85	23.48% (1,739,103.02)	Aaa / AA+ Aaa	2.38 2.26

CMO									
31398VJ98	FHLMC FHMS K006 A2 4.251% Due 01/25/2020	900,000.00	11/23/2010 3.54%	951,046.88 907,342.57	101.29 2.89%	911,627.10 3,188.25	0.20% 4,284.53	Aaa / AA+ AAA	1.32 1.13
03215PFN4	AMRESCO Residential Securities 1999-1 A 3.170% Due 06/25/2029	133,743.29	05/20/2011 6.96%	100,432.85 113,979.87	100.03 3.36%	133,779.40 70.66	0.03% 19,799.53	NR / A+ BBB	10.74 6.98
3133TCE95	FHLMC FSPC E3 A 3.739% Due 08/15/2032	15,013.80	03/11/1998 3.70%	15,029.51 15,020.15	101.34 2.75%	15,214.44 46.78	0.00% 194.29	Aaa / AA+ AAA	13.88 1.25
31397QRE0	FNMA FNR 2011-3 FA 2.910% Due 02/25/2041	223,883.01	12/20/2010 2.92%	223,813.05 223,830.90	101.37 2.63%	226,961.40 108.59	0.05% 3,130.50	Aaa / AA+ AAA	22.42 4.39
31394JY35	FHLMC FSPC T-58 2A 6.500% Due 09/25/2043	790,248.18	06/09/2011 5.40%	894,956.06 871,281.12	109.95 3.64%	868,869.97 856.10	0.19% (2,411.15)	Aaa / AA+ AAA	25.00 3.50
Total CMO		2,062,888.28	4.43%	2,185,278.35 2,131,454.61	3.19%	2,156,452.31 4,270.38	0.47% 24,997.70	Aaa / AA+ Aaa	13.74 2.79

Commercial Paper									
62479MKF9	MUFG Bank Ltd/NY Discount CP 2.280% Due 10/15/2018	9,000,000.00	06/28/2018 2.33%	8,937,870.00 8,992,020.00	99.91 2.33%	8,992,020.00 0.00	1.95% 0.00	P-1 / A-1 NR	0.04 0.04
Total Commercial Paper		9,000,000.00	2.33%	8,937,870.00 8,992,020.00	2.33%	8,992,020.00 0.00	1.95% 0.00	P-1 / A-1 NR	0.04 0.04

Foreign Corporate									
404280BF5	HSBC Holdings PLC Note 2.650% Due 01/05/2022	4,500,000.00	Various 3.08%	4,429,980.00 4,440,830.29	97.11 3.60%	4,369,815.00 28,487.50	0.95% (71,015.29)	A2 / A AA-	3.27 3.07
Total Foreign Corporate		4,500,000.00	3.08%	4,429,980.00 4,440,830.29	3.60%	4,369,815.00 28,487.50	0.95% (71,015.29)	A2 / A AA-	3.27 3.07

Money Market Fund FI									
31846V567	First American Govt Obligation MMKT Class-Z	9,495,266.82	Various 1.94%	9,495,266.82 9,495,266.82	1.00 1.94%	9,495,266.82 0.00	2.05% 0.00	P-1 / A-1+ F-1	0.00 0.00
Total Money Market Fund FI		9,495,266.82	1.94%	9,495,266.82	1.94%	9,495,266.82 0.00	2.05% 0.00	Aaa / AAA AA	0.00 0.00

Mortgage Pass Thru									
31381PDA3	FNMA FN 466397 3.400% Due 11/01/2020	345,887.62	12/01/2010 3.80%	338,402.40 344,311.13	100.47 3.13%	347,501.88 228.67	0.08% 3,190.75	Aaa / AA+ AAA	2.09 1.99
36225CAZ9	GNMA Pool# G2 80023 3.230% Due 12/20/2026	18,884.65	08/08/1997 3.12%	19,197.43 18,972.33	102.85 3.37%	19,422.64 50.83	0.00% 450.31	Aaa / AA+ AAA	8.23 3.09



Holdings Report

Orange County Sanitation District Long Term - Account #10268

For the Month Ending 9/30/2018

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
36225CC20	GNMA Pool# G2 80088 3.860% Due 06/20/2027	21,006.77	08/11/1997 3.72%	21,466.31 21,141.12	102.92 3.61%	21,619.60 67.57	0.00% 478.48	Aaa / AA+ AAA	8.73 3.85
31348SWZ3	FHLMC FH 786064 3.447% Due 01/01/2028	2,049.36	02/18/2000 3.65%	1,999.47 2,032.79	102.27 3.97%	2,095.97 5.89	0.00% 63.18	Aaa / AA+ AAA	9.26 4.15
31371NUC7	FNMA FN 257179 4.500% Due 04/01/2028	18,054.81	12/05/2011 3.72%	19,094.73 18,660.78	103.45 3.29%	18,677.79 67.71	0.00% 17.01	Aaa / AA+ AAA	9.51 3.24
31417YAY3	FNMA Pool# FN MA0022 4.500% Due 04/01/2029	20,066.74	12/05/2011 3.76%	21,222.55 20,768.09	103.45 3.31%	20,759.34 75.25	0.00% (8.75)	Aaa / AA+ AAA	10.51 3.34
3138EG6F6	FNMA FN AL0869 4.500% Due 06/01/2029	12,333.29	12/05/2011 3.77%	13,043.67 12,767.02	103.46 3.33%	12,760.05 10.79	0.00% (6.97)	Aaa / AA+ AAA	10.68 3.41
36225CNM4	GNMA Pool# G2 80395 3.860% Due 04/20/2030	7,842.52	03/15/2000 3.94%	7,771.42 7,815.06	103.19 3.39%	8,092.69 25.23	0.00% 277.63	Aaa / AA+ AAA	11.56 3.77
36225CN28	GNMA Pool# G2 80408 3.860% Due 05/20/2030	60,675.21	03/15/2000 3.95%	60,058.97 60,436.15	103.20 3.32%	62,614.15 195.17	0.01% 2,178.00	Aaa / AA+ AAA	11.64 3.47
31403GXF4	FNMA Pool# FN 748678 5.000% Due 10/01/2033	2,572.59	06/10/2013 4.16%	2,765.54 2,715.78	106.12 3.50%	2,729.94 10.72	0.00% 14.16	Aaa / AA+ AAA	15.01 4.14
36225DCB8	GNMA Pool# G2 80965 2.810% Due 07/20/2034	58,706.99	07/19/2004 2.82%	58,670.30 58,687.60	103.64 3.16%	60,842.28 137.47	0.01% 2,154.68	Aaa / AA+ AAA	15.81 3.57
31406XWT5	FNMA Pool# FN 823358 3.502% Due 02/01/2035	120,591.12	01/11/2006 3.57%	119,649.01 120,060.78	104.67 3.31%	126,218.50 351.96	0.03% 6,157.72	Aaa / AA+ AAA	16.35 4.56
31406PQY8	FNMA Pool# FN 815971 5.000% Due 03/01/2035	196,758.25	06/10/2013 4.21%	211,515.14 207,958.09	106.13 3.55%	208,815.99 819.83	0.05% 857.90	Aaa / AA+ AAA	16.43 4.39
31407BXH7	FNMA Pool# FN 826080 5.000% Due 07/01/2035	22,349.59	06/10/2013 4.22%	24,025.80 23,627.91	106.22 3.55%	23,738.71 93.12	0.01% 110.80	Aaa / AA+ AAA	16.76 4.39
31376KT22	FNMA FN 357969 5.000% Due 09/01/2035	114,218.94	06/10/2013 4.22%	122,785.34 120,767.47	106.21 3.56%	121,311.82 111.05	0.03% 544.35	Aaa / AA+ AAA	16.93 4.42
31403DJZ3	FNMA Pool #745580 5.000% Due 06/01/2036	111,245.51	06/10/2013 4.26%	119,588.94 117,688.03	106.18 3.57%	118,125.71 463.52	0.03% 437.68	Aaa / AA+ AAA	17.68 4.45
31410F4V4	FNMA Pool# FN 888336 5.000% Due 07/01/2036	219,725.35	06/10/2013 4.25%	236,204.76 232,463.64	106.20 3.56%	233,354.91 915.52	0.05% 891.27	Aaa / AA+ AAA	17.76 4.43
Total Mortgage Pass Thru		1,352,969.31	3.95%	1,397,461.78 1,390,873.77	3.39%	1,408,681.97 3,630.30	0.31% 17,808.20	Aaa / AA+ Aaa	12.52 3.68

Municipal Bonds

73358WAG9	Port Authority of NY & NJ TE-REV 5.309% Due 12/01/2019	2,440,000.00	Various 4.97%	2,507,633.89 2,447,575.22	102.60 3.02%	2,503,513.20 43,179.87	0.55% 55,937.98	Aa3 / AA- AA-	1.17 1.11
64971M5E8	New York NY TE-REV 4.075% Due 11/01/2020	1,400,000.00	10/27/2010 4.08%	1,400,000.00 1,400,000.00	101.81 3.17%	1,425,340.00 23,770.83	0.31% 25,340.00	Aa1 / AAA AAA	2.09 1.96



Holdings Report

Orange County Sanitation District Long Term - Account #10268

For the Month Ending 9/30/2018

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
913366EJ5	Univ of California Rgts Med TE-REV 5.035% Due 05/15/2021	400,000.00	11/09/2010 5.04%	400,000.00 400,000.00	104.46 3.25%	417,840.00 7,608.44	0.09% 17,840.00	Aa3 / AA- AA-	2.62 2.41
Total Municipal Bonds		4,240,000.00	4.68%	4,307,633.89 4,247,575.22	3.09%	4,346,693.20 74,559.14	0.96% 99,117.98	Aa2 / AA AA	1.61 1.52

Supranational

4581X0CX4	Inter-American Dev Bank Note 1.625% Due 05/12/2020	3,035,000.00	04/05/2017 1.70%	3,027,807.05 3,031,237.44	98.04 2.87%	2,975,614.16 19,042.52	0.65% (55,623.28)	Aaa / AAA AAA	1.62 1.57
45950KCM0	International Finance Corp Note 2.250% Due 01/25/2021	2,970,000.00	01/18/2018 2.35%	2,961,268.20 2,963,251.98	98.42 2.96%	2,922,928.47 12,251.25	0.64% (40,323.51)	Aaa / AAA NR	2.32 2.23
4581X0CS5	Inter-American Dev Bank Note 1.875% Due 03/15/2021	5,000,000.00	Various 1.68%	5,059,610.00 5,022,344.54	97.43 2.96%	4,871,700.00 4,166.67	1.06% (150,644.54)	Aaa / AAA AAA	2.46 2.38
45950KCJ7	International Finance Corp Note 1.125% Due 07/20/2021	2,500,000.00	11/09/2016 1.64%	2,441,600.00 2,465,123.64	95.02 2.99%	2,375,575.00 5,546.88	0.52% (89,548.64)	Aaa / AAA NR	2.81 2.72
4581X0CW6	Inter-American Dev Bank Note 2.125% Due 01/18/2022	3,000,000.00	01/10/2017 2.15%	2,996,310.00 2,997,564.92	97.15 3.04%	2,914,536.00 12,927.08	0.63% (83,028.92)	Aaa / NR AAA	3.30 3.14
459058FY4	Intl. Bank Recon & Development Note 2.000% Due 01/26/2022	10,000,000.00	Various 1.99%	10,006,350.00 10,003,186.21	96.74 3.04%	9,674,120.00 36,111.12	2.10% (329,066.21)	Aaa / NR AAA	3.33 3.17
4581X0CZ9	Inter-American Dev Bank Note 1.750% Due 09/14/2022	6,500,000.00	Various 2.65%	6,249,655.00 6,283,397.41	95.18 3.05%	6,186,947.00 5,371.52	1.34% (96,450.41)	NR / NR AAA	3.96 3.77
Total Supranational		33,005,000.00	2.07%	32,742,600.25 32,766,106.14	3.00%	31,921,420.63 95,417.04	6.93% (844,685.51)	Aaa / AAA Aaa	3.02 2.89

US Corporate

532457BF4	Eli Lilly & Co Note 1.950% Due 03/15/2019	4,000,000.00	Various 1.89%	4,009,675.00 4,001,025.81	99.56 2.93%	3,982,264.00 3,466.67	0.86% (18,761.81)	A2 / AA- A	0.45 0.45
02665WAH4	American Honda Finance Note 2.250% Due 08/15/2019	4,000,000.00	Various 1.93%	4,046,640.00 4,010,664.17	99.54 2.79%	3,981,468.00 11,500.00	0.86% (29,196.17)	A2 / A+ NR	0.87 0.86
06406HCW7	Bank of New York Callable Note Cont 8/11/2019 2.300% Due 09/11/2019	2,120,000.00	02/10/2016 1.99%	2,142,175.20 2,125,474.07	99.52 2.82%	2,109,739.20 2,708.89	0.46% (15,734.87)	A1 / A AA-	0.95 0.93
24422ESS9	John Deere Capital Corp Note 2.300% Due 09/16/2019	5,000,000.00	Various 2.07%	5,046,984.00 5,010,276.38	99.67 2.65%	4,983,565.00 4,791.67	1.08% (26,711.38)	A2 / A A	0.96 0.94
36962G7M0	General Electric Capital Corp Callable Note 1X 12/9/2019 2.200% Due 01/09/2020	5,000,000.00	Various 2.13%	5,014,950.00 5,003,750.41	98.94 3.05%	4,947,060.00 25,055.55	1.08% (56,690.41)	A2 / A A	1.28 1.24
46625HKA7	JP Morgan Chase Callable Note Cont 12/23/2019 2.250% Due 01/23/2020	2,000,000.00	02/06/2015 2.30%	1,994,880.00 1,998,642.79	98.98 3.05%	1,979,534.00 8,500.00	0.43% (19,108.79)	A3 / A- AA-	1.32 1.28
40428HPR7	HSBC USA Inc Note 2.350% Due 03/05/2020	2,500,000.00	Various 2.64%	2,472,287.50 2,490,125.87	98.90 3.14%	2,472,600.00 4,243.06	0.54% (17,525.87)	A2 / A AA-	1.43 1.39
747525AD5	Qualcomm Inc Note 2.250% Due 05/20/2020	5,000,000.00	05/19/2015 2.27%	4,995,195.40 4,998,428.30	98.69 3.07%	4,934,560.00 40,937.51	1.08% (63,868.30)	A2 / A- NR	1.64 1.58
94974BGM6	Wells Fargo Corp Note 2.600% Due 07/22/2020	5,000,000.00	07/16/2015 2.59%	5,001,650.00 5,000,596.06	99.01 3.17%	4,950,400.00 24,916.67	1.08% (50,196.06)	A2 / A- A+	1.81 1.75



Holdings Report

Orange County Sanitation District Long Term - Account #10268

For the Month Ending 9/30/2018

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
037833BS8	Apple Inc Callable Note Cont 1/23/2021 2.250% Due 02/23/2021	4,000,000.00	05/23/2016 1.96%	4,050,840.00 4,025,225.95	98.22 3.03%	3,928,720.00 9,500.00	0.85% (96,505.95)	Aa1 / AA+ NR	2.40 2.31
30231GAV4	Exxon Mobil Corp Callable Note Cont 2/1/2021 2.222% Due 03/01/2021	3,000,000.00	Various 2.10%	3,016,097.40 3,008,164.41	98.01 3.08%	2,940,387.01 5,555.01	0.64% (67,777.40)	Aaa / AA+ NR	2.42 2.33
369550BE7	General Dynamics Corp Note 3.000% Due 05/11/2021	3,160,000.00	05/08/2018 3.24%	3,138,038.00 3,140,903.48	99.47 3.21%	3,143,100.32 36,866.67	0.69% 2,196.84	A2 / A+ NR	2.61 2.47
166764BG4	Chevron Corp Callable Note Cont 4/15/2021 2.100% Due 05/16/2021	2,500,000.00	05/20/2016 2.23%	2,485,350.00 2,492,275.89	97.54 3.08%	2,438,575.00 19,687.50	0.53% (53,700.89)	Aa2 / AA- NR	2.63 2.51
61747WAL3	Morgan Stanley Note 5.500% Due 07/28/2021	2,800,000.00	06/06/2014 3.24%	3,200,848.00 2,958,707.48	105.27 3.53%	2,947,434.00 26,950.00	0.64% (11,273.48)	A3 / BBB+ A	2.83 2.59
594918BP8	Microsoft Callable Note Cont 7/8/21 1.550% Due 08/08/2021	3,045,000.00	Various 1.57%	3,041,385.15 3,042,937.20	95.98 3.03%	2,922,670.17 6,948.52	0.63% (120,267.03)	Aaa / AAA AA+	2.86 2.76
68389XBK0	Oracle Corp Callable Note Cont 8/01/21 1.900% Due 09/15/2021	3,000,000.00	06/28/2018 3.08%	2,892,240.00 2,900,868.14	96.55 3.13%	2,896,575.00 2,533.33	0.63% (4,293.14)	A1 / AA- A	2.96 2.84
06406RAA5	Bank of NY Mellon Corp Callable Note Cont 1/7/2022 2.600% Due 02/07/2022	2,500,000.00	02/08/2017 2.56%	2,504,475.00 2,502,986.67	97.52 3.39%	2,437,982.50 9,750.00	0.53% (65,004.17)	A1 / A AA-	3.36 3.17
69353RFB9	PNC Bank Callable Note Cont 1/18/2022 2.625% Due 02/17/2022	1,000,000.00	03/26/2018 3.32%	974,940.00 978,235.51	97.40 3.44%	974,026.00 3,208.33	0.21% (4,209.51)	A2 / A A+	3.39 3.19
674599CK9	Occidental Petroleum Callable Note Cont 3/15/2022 2.600% Due 04/15/2022	3,350,000.00	04/25/2017 2.57%	3,354,589.50 3,353,247.68	97.30 3.42%	3,259,439.45 40,162.78	0.71% (93,808.23)	A3 / A A	3.54 3.31
084664BT7	Berkshire Hathaway Note 3.000% Due 05/15/2022	4,000,000.00	05/23/2017 2.30%	4,131,120.00 4,095,504.48	99.36 3.19%	3,974,216.00 45,333.33	0.87% (121,288.48)	Aa2 / AA A+	3.62 3.37
95000U2B8	WELLS FARGO & COMPANY Note 2.625% Due 07/22/2022	3,000,000.00	Various 2.99%	2,954,520.00 2,961,441.72	96.59 3.59%	2,897,553.00 15,093.76	0.63% (63,888.72)	A2 / A- A+	3.81 3.57
00440EAU1	Chubb INA Holdings Inc Callable Note Cont 9/3/2022 2.875% Due 11/03/2022	4,169,000.00	Various 2.54%	4,232,453.17 4,220,764.61	97.89 3.43%	4,080,863.17 49,275.26	0.89% (139,901.44)	A3 / A A	4.10 3.78
90331HNL3	US Bank NA Callable Note Cont 12/23/22 2.850% Due 01/23/2023	5,000,000.00	01/29/2018 2.93%	4,981,600.00 4,984,059.41	97.42 3.50%	4,870,820.00 26,916.67	1.06% (113,239.41)	A1 / AA- AA-	4.32 3.99
06406RAE7	Bank of NY Mellon Corp Callable Note Cont 12/29/2022 2.950% Due 01/29/2023	1,500,000.00	02/26/2018 3.16%	1,486,065.00 1,487,733.17	97.55 3.57%	1,463,235.00 7,620.83	0.32% (24,498.17)	A1 / A AA-	4.33 4.00
44932HAH6	IBM Credit Corp Note 3.000% Due 02/06/2023	5,670,000.00	Various 3.26%	5,603,264.40 5,610,089.79	98.31 3.42%	5,573,978.56 25,987.50	1.21% (36,111.23)	A1 / A+ A+	4.36 4.02
00440EAP2	Chubb INA Holdings Inc Note 2.700% Due 03/13/2023	2,000,000.00	05/24/2018 3.42%	1,937,000.00 1,941,502.57	96.68 3.51%	1,933,576.00 2,700.00	0.42% (7,926.57)	A3 / A A	4.45 4.14
084670BR8	Berkshire Hathaway Callable Note Cont 1/15/2023 2.750% Due 03/15/2023	2,500,000.00	04/20/2018 3.28%	2,440,950.00 2,446,240.03	97.67 3.32%	2,441,625.00 3,055.56	0.53% (4,615.03)	Aa2 / AA A+	4.46 4.15
69353RFL7	PNC Bank Callable Note Cont 5/9/2023 3.500% Due 06/08/2023	5,000,000.00	Various 3.53%	4,993,318.05 4,993,729.32	99.64 3.58%	4,981,935.01 54,930.56	1.09% (11,794.31)	A2 / A NR	4.69 4.24
931142EK5	Wal-Mart Stores Callable Note Cont 5/26/2023 3.400% Due 06/26/2023	3,880,000.00	Various 3.41%	3,878,991.40 3,879,044.45	100.44 3.30%	3,896,889.64 34,445.78	0.85% 17,845.19	Aa2 / AA AA	4.74 4.24



Holdings Report

Orange County Sanitation District Long Term - Account #10268

For the Month Ending 9/30/2018

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
02665WCJ8	American Honda Finance Note 3.450% Due 07/14/2023	845,000.00	07/11/2018 3.49%	843,538.15 843,599.86	99.85 3.48%	843,713.07 6,073.44	0.18% 113.21	A2 / A+ NR	4.79 4.35
Total US Corporate		100,539,000.00	2.62%	100,866,060.32 100,506,245.68	3.21%	99,188,504.10 558,714.85	21.59% (1,317,741.58)	A1 / A+ A+	2.83 2.64

US Treasury

912796NZ8	US Treasury Bill 2.048% Due 10/11/2018	5,000,000.00	09/28/2018 2.08%	4,996,302.22 4,997,155.55	99.94 2.08%	4,997,155.55 0.00	1.08% 0.00	P-1 / A-1+ F-1+	0.03 0.03
912828B33	US Treasury Note 1.500% Due 01/31/2019	11,000,000.00	Various 1.37%	11,042,439.19 11,004,570.90	99.73 2.31%	10,970,113.00 27,798.91	2.38% (34,457.90)	Aaa / AA+ AAA	0.34 0.33
912828SN1	US Treasury Note 1.500% Due 03/31/2019	5,000,000.00	12/28/2016 1.35%	5,016,423.00 5,003,616.26	99.54 2.43%	4,976,955.00 206.04	1.08% (26,661.26)	Aaa / AA+ AAA	0.50 0.49
912828WS5	US Treasury Note 1.625% Due 06/30/2019	2,000,000.00	Various 1.66%	1,996,861.44 1,999,526.14	99.33 2.53%	1,986,562.00 8,213.32	0.43% (12,964.14)	Aaa / AA+ AAA	0.75 0.74
912828WW6	US Treasury Note 1.625% Due 07/31/2019	5,000,000.00	Various 1.57%	5,012,388.70 5,002,072.35	99.21 2.59%	4,960,350.00 13,688.86	1.08% (41,722.35)	Aaa / AA+ AAA	0.83 0.82
912828F39	US Treasury Note 1.750% Due 09/30/2019	5,800,000.00	10/27/2014 1.48%	5,873,186.87 5,814,816.47	99.10 2.67%	5,747,892.80 278.84	1.24% (66,923.67)	Aaa / AA+ AAA	1.00 0.98
912828G61	US Treasury Note 1.500% Due 11/30/2019	7,500,000.00	12/19/2014 1.64%	7,449,634.50 7,488,134.51	98.63 2.70%	7,397,167.50 37,807.38	1.61% (90,967.01)	Aaa / AA+ AAA	1.17 1.14
912828XE5	US Treasury Note 1.500% Due 05/31/2020	5,000,000.00	12/21/2016 1.70%	4,966,423.00 4,983,746.17	97.91 2.79%	4,895,310.00 25,204.92	1.06% (88,436.17)	Aaa / AA+ AAA	1.67 1.62
912828L99	US Treasury Note 1.375% Due 10/31/2020	10,000,000.00	Various 1.81%	9,850,311.40 9,913,469.31	97.06 2.84%	9,705,860.00 57,540.76	2.11% (207,609.31)	Aaa / AA+ AAA	2.09 2.02
912828N89	US Treasury Note 1.375% Due 01/31/2021	6,000,000.00	Various 1.81%	5,895,840.41 5,941,302.73	96.67 2.86%	5,800,080.00 13,899.45	1.26% (141,222.73)	Aaa / AA+ AAA	2.34 2.27
912828T34	US Treasury Note 1.125% Due 09/30/2021	7,000,000.00	Various 1.88%	6,757,914.08 6,848,919.03	94.97 2.89%	6,647,816.00 216.35	1.44% (201,103.03)	Aaa / AA+ AAA	3.00 2.91
912828T67	US Treasury Note 1.250% Due 10/31/2021	6,000,000.00	12/13/2016 1.92%	5,813,691.98 5,882,276.75	95.18 2.89%	5,711,016.00 31,385.87	1.24% (171,260.75)	Aaa / AA+ AAA	3.09 2.97
912828U65	US Treasury Note 1.750% Due 11/30/2021	7,000,000.00	12/28/2016 2.06%	6,900,492.20 6,935,987.19	96.54 2.90%	6,757,737.00 41,168.03	1.47% (178,250.19)	Aaa / AA+ AAA	3.17 3.03
912828V72	US Treasury Note 1.875% Due 01/31/2022	3,000,000.00	02/27/2017 1.84%	3,004,814.74 3,003,261.60	96.73 2.91%	2,901,915.00 9,476.90	0.63% (101,346.60)	Aaa / AA+ AAA	3.34 3.19
912828J76	US Treasury Note 1.750% Due 03/31/2022	5,000,000.00	04/25/2017 1.85%	4,976,383.94 4,983,245.72	96.16 2.91%	4,807,810.00 240.38	1.04% (175,435.72)	Aaa / AA+ AAA	3.50 3.36
912828XW5	US Treasury Note 1.750% Due 06/30/2022	5,000,000.00	07/25/2017 1.86%	4,973,454.25 4,979,825.23	95.88 2.92%	4,793,945.00 22,112.77	1.04% (185,880.23)	Aaa / AA+ AAA	3.75 3.58
912828L24	US Treasury Note 1.875% Due 08/31/2022	6,000,000.00	09/27/2017 1.92%	5,987,832.60 5,990,322.92	96.11 2.93%	5,766,798.00 9,633.98	1.25% (223,524.92)	Aaa / AA+ AAA	3.92 3.73
912828L57	US Treasury Note 1.750% Due 09/30/2022	13,000,000.00	Various 2.15%	12,763,554.69 12,802,333.45	95.56 2.93%	12,422,618.00 625.00	2.69% (379,715.45)	Aaa / AA+ AAA	4.00 3.82



Holdings Report

Orange County Sanitation District Long Term - Account #10268

For the Month Ending 9/30/2018

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
912828M80	US Treasury Note 2.000% Due 11/30/2022	8,000,000.00	12/22/2017 2.25%	7,907,500.00 7,921,837.50	96.35 2.94%	7,707,816.00 53,770.49	1.68% (214,021.50)	Aaa / AA+ AAA	4.17 3.93
912828N30	US Treasury Note 2.125% Due 12/31/2022	5,000,000.00	01/24/2018 2.44%	4,926,562.50 4,936,715.71	96.75 2.94%	4,837,695.00 26,851.22	1.05% (99,020.71)	Aaa / AA+ AAA	4.25 4.00
9128284D9	US Treasury Note 2.500% Due 03/31/2023	10,000,000.00	Various 2.75%	9,887,265.63 9,897,372.16	98.14 2.94%	9,814,450.00 686.82	2.12% (82,922.16)	Aaa / AA+ AAA	4.50 4.22
912828R69	US Treasury Note 1.625% Due 05/31/2023	5,000,000.00	05/30/2018 2.67%	4,757,226.56 4,773,579.86	94.29 2.94%	4,714,260.00 27,305.33	1.03% (59,319.86)	Aaa / AA+ AAA	4.67 4.42
912828WU0	US Treasury Inflation Index Note 0.125% Due 07/15/2024	11,037,728.00	Various 0.23%	10,924,081.66 10,971,671.26	96.06 0.82%	10,602,664.88 2,924.41	2.30% (369,006.38)	Aaa / AA+ AAA	5.79 5.75
Total US Treasury		153,337,728.00	1.81%	151,680,585.56 152,075,758.77	2.64%	148,923,986.73 411,036.03	32.32% (3,151,772.04)	Aaa / AA+ Aaa	2.85 2.74
TOTAL PORTFOLIO		469,221,903.78	2.19%	467,247,811.60 467,406,561.97	2.85%	460,354,557.06 1,745,180.53	100.00% (7,052,004.91)	Aa1 / AA Aaa	2.74 2.37
TOTAL MARKET VALUE PLUS ACCRUALS						462,099,737.59			



Holdings Report

Orange County Sanitation District Liquid - Account #10282

For the Month Ending 9/30/2018

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
Agency									
313385K39	FHLB Discount Note 2.010% Due 10/12/2018	6,000,000.00	09/14/2018 2.04%	5,990,620.00 5,996,315.00	99.94 2.04%	5,996,315.00 0.00	7.98% 0.00	P-1 / A-1+ F-1+	0.03 0.03
Total Agency		6,000,000.00	2.04%	5,996,315.00	2.04%	0.00	7.98%	Aaa / AAA Aaa	0.03 0.03
Commercial Paper									
62479MKF9	MUFG Bank Ltd/NY Discount CP 2.340% Due 10/15/2018	3,100,000.00	06/14/2018 2.39%	3,075,417.00 3,097,179.00	99.91 2.39%	3,097,179.00 0.00	4.12% 0.00	P-1 / A-1 NR	0.04 0.04
Total Commercial Paper		3,100,000.00	2.39%	3,097,179.00	2.39%	0.00	4.12%	P-1 / A-1 NR	0.04 0.04
Money Market Fund FI									
31846V567	First American Govt Obligation MMKT Class-Z	1,351,706.35	Various 1.94%	1,351,706.35 1,351,706.35	1.00 1.94%	1,351,706.35 0.00	1.80% 0.00	P-1 / A-1+ F-1	0.00 0.00
Total Money Market Fund FI		1,351,706.35	1.94%	1,351,706.35	1.94%	0.00	1.80%	Aaa / AAA AA	0.00 0.00
Negotiable CD									
78009N2V7	Royal Bank of Canada Yankee CD 1.700% Due 10/05/2018	1,000,000.00	04/24/2018 2.40%	996,762.00 999,920.54	99.99 2.40%	999,920.54 17,000.00	1.35% 0.00	P-1 / A-1+ F-1+	0.01 0.01
89113X7B4	Toronto Dominion NY Yankee CD 2.260% Due 10/29/2018	1,000,000.00	07/18/2018 2.26%	1,000,000.00 1,000,000.00	100.00 2.26%	1,000,000.00 4,645.56	1.34% 0.00	P-1 / A-1+ F-1+	0.08 0.08
96121T6G8	Westpac Banking Corp Yankee CD 2.060% Due 11/01/2018	1,000,000.00	05/25/2018 2.35%	998,657.01 999,739.80	99.97 2.35%	999,739.80 13,905.00	1.35% 0.00	P-1 / A-1+ F-1+	0.09 0.09
06371ERK5	Bank of Montreal Chicago Yankee CD 1.750% Due 11/13/2018	2,950,000.00	Various 2.38%	2,941,422.57 2,947,719.54	99.95 2.13%	2,948,495.50 50,190.97	3.99% 775.96	P-1 / A-1 F-1+	0.12 0.12
78012UAX3	Royal Bank of Canada Yankee CD 2.320% Due 11/27/2018	1,000,000.00	02/27/2018 2.32%	1,000,000.00 1,000,000.00	100.00 2.32%	1,000,000.00 13,855.56	1.35% 0.00	P-1 / A-1+ F-1+	0.16 0.16
89113XUJ5	Toronto Dominion NY Yankee CD 2.150% Due 01/24/2019	1,000,000.00	05/11/2018 2.52%	997,312.00 998,787.76	99.88 2.52%	998,787.76 14,811.11	1.35% 0.00	NR / NR NR	0.32 0.31
89113X3W2	Toronto Dominion NY Yankee CD 2.700% Due 06/07/2019	1,000,000.00	06/21/2018 2.70%	1,000,000.00 1,000,000.00	100.00 2.70%	1,000,000.00 7,575.00	1.34% 0.00	P-1 / A-1+ F-1+	0.68 0.68
Total Negotiable CD		8,950,000.00	2.41%	8,946,167.64	2.33%	121,983.20	12.06% 775.96	Aaa / AAA Aaa	0.19 0.19
Supranational									
459515H96	IFC Discount Note 2.000% Due 10/02/2018	2,000,000.00	07/26/2018 2.04%	1,992,444.44 1,999,888.89	99.99 2.04%	1,999,888.89 0.00	2.66% 0.00	P-1 / A-1+ F-1+	0.01 0.01
Total Supranational		2,000,000.00	2.04%	1,999,888.89	2.04%	0.00	2.66% 0.00	Aaa / AAA Aaa	0.01 0.01



Holdings Report

Orange County Sanitation District Liquid - Account #10282

For the Month Ending 9/30/2018

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US Corporate									
74005PBH6	Praxair Note 1.250% Due 11/07/2018	1,205,000.00	Various 2.52%	1,198,513.80 1,203,481.52	99.85 2.73%	1,203,157.56 6,025.00	1.61% (323.96)	A2 / A NR	0.10 0.10
24422ESF7	John Deere Capital Corp Note 1.950% Due 12/13/2018	1,000,000.00	06/18/2018 2.47%	997,500.00 998,968.93	99.90 2.45%	998,972.00 5,850.00	1.34% 3.07	A2 / A A	0.20 0.20
46625HJR2	JP Morgan Chase Note 2.350% Due 01/28/2019	1,000,000.00	05/03/2018 2.51%	998,810.00 999,467.63	99.91 2.61%	999,132.00 4,112.50	1.33% (335.63)	A3 / A- AA-	0.33 0.33
06051GFD6	Bank of America Corp Note 2.650% Due 04/01/2019	1,500,000.00	07/20/2018 2.66%	1,499,910.00 1,499,934.74	100.01 2.64%	1,500,108.00 19,875.00	2.02% 173.26	A3 / A- A+	0.50 0.49
94974BFU9	Wells Fargo Corp Note 2.125% Due 04/22/2019	1,500,000.00	07/20/2018 2.66%	1,494,090.00 1,495,589.23	99.68 2.70%	1,495,243.50 14,078.13	2.01% (345.73)	A2 / A- A+	0.56 0.55
Total US Corporate		6,205,000.00	2.58%	6,197,442.05	2.63%	6,196,613.06 49,940.63	8.31% (828.99)	A2 / A- A+	0.36 0.36
US Treasury									
912796NZ8	US Treasury Bill 1.930% Due 10/11/2018	10,000,000.00	07/27/2018 1.96%	9,959,266.11 9,994,640.28	99.95 1.96%	9,994,640.28 0.00	13.29% 0.00	P-1 / A-1+ F-1+	0.03 0.03
912796QE2	US Treasury Bill 1.961% Due 10/25/2018	5,000,000.00	07/30/2018 2.00%	4,976,302.17 4,993,462.67	99.87 2.00%	4,993,462.67 0.00	6.64% 0.00	P-1 / A-1+ F-1+	0.07 0.07
912796PP8	US Treasury Bill 2.242% Due 01/31/2019	5,000,000.00	09/19/2018 2.29%	4,958,270.17 4,962,007.17	99.24 2.29%	4,962,007.17 0.00	6.60% 0.00	P-1 / A-1+ F-1+	0.34 0.33
912828B33	US Treasury Note 1.500% Due 01/31/2019	22,500,000.00	Various 2.28%	22,429,101.56 22,441,788.95	99.73 2.31%	22,438,867.50 56,861.41	29.92% (2,921.45)	Aaa / AA+ AAA	0.34 0.33
912828W97	US Treasury Note 1.250% Due 03/31/2019	5,000,000.00	07/27/2018 2.30%	4,965,429.69 4,974,355.63	99.41 2.44%	4,970,705.00 171.70	6.61% (3,650.63)	Aaa / AA+ AAA	0.50 0.49
Total US Treasury		47,500,000.00	2.19%	47,366,254.70	2.22%	47,359,682.62 57,033.11	63.07% (6,572.08)	Aaa / AAA Aaa	0.26 0.26
TOTAL PORTFOLIO		75,106,706.35	2.24%	74,821,534.87 74,954,953.63	2.25%	74,948,328.52 228,956.94	100.00% (6,625.11)	Aa1 / AA+ Aaa	0.22 0.22
TOTAL MARKET VALUE PLUS ACCRUALS						75,177,285.46			



Holdings Report

OCSD Lehman Exposure - Account #10284

For the Month Ending 9/30/2018

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
Common Stock									
SLHOPNTA4	Lehman Brothers, Inc Open Position Long Exposure 0.000% Due 09/30/2018	60,641.49	11/21/2014 0.00%	57,842.64 57,842.64	0.42 0.00%	25,621.03 0.00	26.00% (32,221.61)	NR / NR NR	0.00 0.00
Total Common Stock		60,641.49	0.00%	57,842.64	0.00%	25,621.03 0.00	26.00% (32,221.61)	NR / NR NR	0.00 0.00
US Corporate									
525ESCIB7	Lehman Brothers Note-Defaulted 0.000% Due 01/24/2019	600,000.00	09/19/2008 0.00%	327,458.23 327,458.23	2.82 0.00%	16,920.00 0.00	17.17% (310,538.23)	NR / NR NR	0.32 0.00
525ESC0Y6	Lehman Brothers Note-Defaulted 0.000% Due 10/22/2049	2,000,000.00	09/18/2008 0.00%	1,056,016.56 1,056,016.56	2.80 0.00%	56,000.00 0.00	56.83% (1,000,016.56)	NR / NR NR	31.08 0.00
Total US Corporate		2,600,000.00	0.00%	1,383,474.79	0.00%	72,920.00 0.00	74.00% (1,310,554.79)	NR / NR NR	23.94 0.00
TOTAL PORTFOLIO		2,660,641.49	0.00%	1,441,317.43	0.00%	98,541.03 0.00	100.00% (1,342,776.40)	NR / NR NR	17.72 0.00
TOTAL MARKET VALUE PLUS ACCRUALS						98,541.03			

SECTION 5

Transactions



Transaction Ledger

Orange County Sanitation District Long Term - Account #10268

June 30, 2018 through September 30, 2018

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	07/16/2018	02665WCJ8	845,000.00	American Honda Finance Note 3.45% Due: 07/14/2023	99.827	3.49%	843,538.15	0.00	843,538.15	0.00
Purchase	07/17/2018	3137EAEN5	5,000,000.00	FHLMC Note 2.75% Due: 06/19/2023	99.418	2.88%	4,970,900.00	13,750.00	4,984,650.00	0.00
Purchase	07/25/2018	47788EAC2	4,630,000.00	John Deere Owner Trust 2018-B A3 3.08% Due: 11/15/2022	99.992	3.10%	4,629,649.05	0.00	4,629,649.05	0.00
Purchase	07/25/2018	65479GAD1	3,560,000.00	Nissan Auto Receivables Owner 2018-B A3 3.06% Due: 03/15/2023	99.997	3.08%	3,559,884.66	0.00	3,559,884.66	0.00
Purchase	08/28/2018	43815HAC1	3,970,000.00	Honda Auto Receivables Owner 2018-3 A3 2.95% Due: 08/22/2022	99.986	2.98%	3,969,455.32	0.00	3,969,455.32	0.00
Purchase	08/29/2018	313383QR5	5,000,000.00	FHLB Note 3.25% Due: 06/09/2023	101.667	2.87%	5,083,350.00	36,111.11	5,119,461.11	0.00
Purchase	09/27/2018	313385L79	5,000,000.00	FHLB Discount Note 2.13% Due: 10/24/2018	99.840	2.16%	4,992,012.50	0.00	4,992,012.50	0.00
Purchase	09/28/2018	912796NZ8	5,000,000.00	US Treasury Bill 2.048% Due: 10/11/2018	99.926	2.08%	4,996,302.22	0.00	4,996,302.22	0.00
	Subtotal		33,005,000.00				33,045,091.90	49,861.11	33,094,953.01	0.00
Security Contribution	07/31/2018	912828WU0	45,656.00	US Treasury Inflation Index Note 0.125% Due: 07/15/2024	100.000		45,656.00	2.48	45,658.48	0.00
Security Contribution	08/31/2018	912828WU0	18,408.00	US Treasury Inflation Index Note 0.125% Due: 07/15/2024	100.000		18,408.00	2.94	18,410.94	0.00
Security Contribution	09/30/2018	912828WU0	1,352.00	US Treasury Inflation Index Note 0.125% Due: 07/15/2024	100.000		1,352.00	0.35	1,352.35	0.00
	Subtotal		65,416.00				65,416.00	5.77	65,421.77	0.00
TOTAL ACQUISITIONS			33,070,416.00				33,110,507.90	49,866.88	33,160,374.78	0.00
DISPOSITIONS										
Maturity	07/02/2018	073902CD8	3,200,000.00	Bear Stearns Note 4.65% Due: 07/02/2018	100.000		3,200,000.00	0.00	3,200,000.00	0.00



Transaction Ledger

Orange County Sanitation District Long Term - Account #10268

June 30, 2018 through September 30, 2018

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Maturity	07/27/2018	313385ZW9	9,000,000.00	FHLB Discount Note 1.846% Due: 07/27/2018	100.000		9,000,000.00	0.00	9,000,000.00	0.00
Maturity	08/09/2018	06417GXH6	5,825,000.00	Bank of Nova Scotia Yankee CD 1.57% Due: 08/09/2018	100.000		5,825,000.00	92,722.68	5,917,722.68	0.00
Maturity	09/10/2018	89233HJA3	8,000,000.00	Toyota Motor Credit Discount CP 2.33% Due: 09/10/2018	99.204		8,000,000.00	0.00	8,000,000.00	0.00
	Subtotal		26,025,000.00				26,025,000.00	92,722.68	26,117,722.68	0.00
TOTAL DISPOSITIONS			29,264,165.52				29,264,165.52	324,718.92	29,588,884.44	0.00



Transaction Ledger

Orange County Sanitation District Liquid - Account #10282

June 30, 2018 through September 30, 2018

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	07/16/2018	313385D52	5,000,000.00	FHLB Discount Note 1.9% Due: 08/27/2018	99.778	1.93%	4,988,916.67	0.00	4,988,916.67	0.00
Purchase	07/19/2018	89113X7B4	1,000,000.00	Toronto Dominion NY Yankee CD 2.26% Due: 10/29/2018	100.000	2.26%	1,000,000.00	0.00	1,000,000.00	0.00
Purchase	07/24/2018	06051GFD6	1,500,000.00	Bank of America Corp Note 2.65% Due: 04/01/2019	99.994	2.66%	1,499,910.00	12,477.08	1,512,387.08	0.00
Purchase	07/24/2018	94974BFU9	1,500,000.00	Wells Fargo Corp Note 2.125% Due: 04/22/2019	99.606	2.66%	1,494,090.00	8,145.83	1,502,235.83	0.00
Purchase	07/26/2018	459515H96	2,000,000.00	IFC Discount Note 2% Due: 10/02/2018	99.622	2.04%	1,992,444.44	0.00	1,992,444.44	0.00
Purchase	07/27/2018	912796NZ8	10,000,000.00	US Treasury Bill 1.93% Due: 10/11/2018	99.593	1.96%	9,959,266.11	0.00	9,959,266.11	0.00
Purchase	07/30/2018	912796QA0	5,000,000.00	US Treasury Bill 1.88% Due: 09/27/2018	99.692	1.91%	4,984,594.44	0.00	4,984,594.44	0.00
Purchase	07/30/2018	912796QE2	5,000,000.00	US Treasury Bill 1.961% Due: 10/25/2018	99.526	2.00%	4,976,302.17	0.00	4,976,302.17	0.00
Purchase	07/30/2018	912828W97	5,000,000.00	US Treasury Note 1.25% Due: 03/31/2019	99.309	2.30%	4,965,429.69	20,662.57	4,986,092.26	0.00
Purchase	08/20/2018	313385F76	3,900,000.00	FHLB Discount Note 1.92% Due: 09/14/2018	99.867	1.95%	3,894,800.00	0.00	3,894,800.00	0.00
Purchase	08/27/2018	912796PY9	5,000,000.00	US Treasury Bill 1.92% Due: 09/06/2018	99.947	1.95%	4,997,333.33	0.00	4,997,333.33	0.00
Purchase	08/29/2018	313385F76	7,000,000.00	FHLB Discount Note 1.93% Due: 09/14/2018	99.914	1.96%	6,993,995.56	0.00	6,993,995.56	0.00
Purchase	08/30/2018	313385F50	4,000,000.00	FHLB Discount Note 1.91% Due: 09/12/2018	99.931	1.94%	3,997,241.11	0.00	3,997,241.11	0.00
Purchase	09/14/2018	313385K39	6,000,000.00	FHLB Discount Note 2.01% Due: 10/12/2018	99.844	2.04%	5,990,620.00	0.00	5,990,620.00	0.00
Purchase	09/18/2018	912828B33	7,500,000.00	US Treasury Note 1.5% Due: 01/31/2019	99.711	2.29%	7,478,320.31	14,979.62	7,493,299.93	0.00



Transaction Ledger

Orange County Sanitation District Liquid - Account #10282

June 30, 2018 through September 30, 2018

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Purchase	09/19/2018	912796PP8	5,000,000.00	US Treasury Bill 2.242% Due: 01/31/2019	99.165	2.29%	4,958,270.17	0.00	4,958,270.17	0.00
Purchase	09/27/2018	912828B33	10,000,000.00	US Treasury Note 1.5% Due: 01/31/2019	99.719	2.32%	9,971,875.00	23,641.30	9,995,516.30	0.00
Subtotal			84,400,000.00				84,143,409.00	79,906.40	84,223,315.40	0.00
TOTAL ACQUISITIONS			84,400,000.00				84,143,409.00	79,906.40	84,223,315.40	0.00

DISPOSITIONS

Maturity	07/06/2018	06406XG65	1,000,000.00	Bank of New York Mellon Discount CP 2.24% Due: 07/06/2018	99.384		1,000,000.00	0.00	1,000,000.00	0.00
Maturity	07/11/2018	313385ZE9	5,000,000.00	FHLB Discount Note 1.87% Due: 07/11/2018	100.000		5,000,000.00	0.00	5,000,000.00	0.00
Maturity	07/13/2018	24422ESX8	1,500,000.00	John Deere Capital Corp Note 1.6% Due: 07/13/2018	100.000		1,500,000.00	0.00	1,500,000.00	0.00
Maturity	07/13/2018	459515ZG0	5,000,000.00	IFC Discount Note 1.86% Due: 07/13/2018	100.000		5,000,000.00	0.00	5,000,000.00	0.00
Maturity	07/13/2018	86958JRH4	2,000,000.00	Svenska Handelsbanken Yankee CD 1.545% Due: 07/13/2018	100.000		2,000,000.00	31,329.17	2,031,329.17	0.00
Maturity	07/15/2018	590188JF6	1,000,000.00	Bank of America Corp Note 6.5% Due: 07/15/2018	100.000		1,000,000.00	0.00	1,000,000.00	0.00
Maturity	07/19/2018	313385ZN9	5,000,000.00	FHLB Discount Note 1.88% Due: 07/19/2018	100.000		5,000,000.00	0.00	5,000,000.00	0.00
Maturity	07/25/2018	313385ZU3	2,300,000.00	FHLB Discount Note 1.89% Due: 07/25/2018	100.000		2,300,000.00	0.00	2,300,000.00	0.00
Maturity	07/26/2018	912796PR4	30,000,000.00	US Treasury Bill 1.799% Due: 07/26/2018	100.000		30,000,000.00	0.00	30,000,000.00	0.00
Maturity	07/27/2018	313385ZW9	2,900,000.00	FHLB Discount Note 1.875% Due: 07/27/2018	100.000		2,900,000.00	0.00	2,900,000.00	0.00
Maturity	07/31/2018	36960MGX5	1,500,000.00	General Electric Co Discount CP 2.29% Due: 07/31/2018	99.351		1,500,000.00	0.00	1,500,000.00	0.00



Transaction Ledger

Orange County Sanitation District Liquid - Account #10282

June 30, 2018 through September 30, 2018

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Maturity	07/31/2018	912828S68	26,000,000.00	US Treasury Note 0.75% Due: 07/31/2018	100.000		26,000,000.00	0.00	26,000,000.00	0.00
Maturity	08/03/2018	313385A55	1,300,000.00	FHLB Discount Note 1.9% Due: 08/03/2018	100.000		1,300,000.00	0.00	1,300,000.00	0.00
Maturity	08/06/2018	02665KH67	1,500,000.00	American Honda Discount CP 2.21% Due: 08/06/2018	99.337		1,500,000.00	0.00	1,500,000.00	0.00
Maturity	08/07/2018	40428HPU0	1,000,000.00	HSBC USA Inc Note 2% Due: 08/07/2018	100.000		1,000,000.00	0.00	1,000,000.00	0.00
Maturity	08/15/2018	097014AM6	700,000.00	Boeing Capital Corp Callable Note Cont 7/15/18 2.9% Due: 08/15/2018	100.000		700,000.00	0.00	700,000.00	0.00
Maturity	08/22/2018	313385C87	5,000,000.00	FHLB Discount Note 1.89% Due: 08/22/2018	100.000		5,000,000.00	0.00	5,000,000.00	0.00
Maturity	08/24/2018	313385D29	2,755,000.00	FHLB Discount Note 1.89% Due: 08/24/2018	100.000		2,755,000.00	0.00	2,755,000.00	0.00
Maturity	08/24/2018	4581X0BR8	1,500,000.00	Inter-American Dev Bank Note 1.75% Due: 08/24/2018	100.000		1,500,000.00	0.00	1,500,000.00	0.00
Maturity	08/27/2018	313385D52	5,000,000.00	FHLB Discount Note 1.9% Due: 08/27/2018	100.000		5,000,000.00	0.00	5,000,000.00	0.00
Maturity	09/04/2018	45950KCA6	1,500,000.00	International Finance Corp Note 1.75% Due: 09/04/2018	100.000		1,500,000.00	0.00	1,500,000.00	0.00
Maturity	09/06/2018	912796PY9	5,000,000.00	US Treasury Bill 1.92% Due: 09/06/2018	100.000		5,000,000.00	0.00	5,000,000.00	0.00
Maturity	09/12/2018	313385F50	4,000,000.00	FHLB Discount Note 1.91% Due: 09/12/2018	100.000		4,000,000.00	0.00	4,000,000.00	0.00
Maturity	09/13/2018	912796NV7	30,000,000.00	US Treasury Bill 1.859% Due: 09/13/2018	100.000		30,000,000.00	0.00	30,000,000.00	0.00
Maturity	09/14/2018	313385F76	10,900,000.00	FHLB Discount Note 1.925% Due: 09/14/2018	100.000		10,900,000.00	0.00	10,900,000.00	0.00
Maturity	09/14/2018	89233HJE5	1,500,000.00	Toyota Motor Credit Discount CP 2.33% Due: 09/14/2018	99.172		1,500,000.00	0.00	1,500,000.00	0.00
Maturity	09/24/2018	21687BJQ5	1,500,000.00	Rabobank Nederland NV NY Discount CP 2.29% Due: 09/24/2018	98.817		1,500,000.00	0.00	1,500,000.00	0.00



Transaction Ledger

Orange County Sanitation District Liquid - Account #10282

June 30, 2018 through September 30, 2018

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Maturity	09/24/2018	40428HPJ5	619,000.00	HSBC USA Inc Note 2.625% Due: 09/24/2018	100.000		619,000.00	0.00	619,000.00	0.00
Maturity	09/27/2018	912796QA0	5,000,000.00	US Treasury Bill 1.88% Due: 09/27/2018	100.000		5,000,000.00	0.00	5,000,000.00	0.00
	Subtotal		161,974,000.00				161,974,000.00	31,329.17	162,005,329.17	0.00
TOTAL DISPOSITIONS			161,974,000.00				161,974,000.00	31,329.17	162,005,329.17	0.00

2018 Chandler Asset Management, Inc, An Independent Registered Investment Adviser.

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

Performance results are presented gross-of-fees and represent the client's Total Return. These results include the reinvestment of dividends and other earnings. Past performance may not be indicative of future results. Therefore, no current or prospective client should 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.

Rating Agency Comparisons

A summary of investment grade ratings are listed below. More complete descriptions of Moody's and Standard & Poor's ratings are included in the following pages.

Quality/Grade	Moody's	Standard & Poor's	Fitch
Best Quality	Aaa	AAA	AAA
High Quality	Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-
Upper Medium Grade	A1 A2 A3	A+ A A-	A+ A A-
Medium Grade	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB1

Moody's - Investment Grade

"Aaa" - Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

"Aa" - Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

"A" - Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

"Baa" - Bonds which are rated Baa are considered as medium grade obligations; i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Bonds in the Aa, A, and Baa are also assigned "1", "2", or "3" based on the strength of the issue within each category. Accordingly, "A1" would be the strongest group of A securities and "A3" would be the weakest A securities.

Ba, B, Caa, Ca, and C - Bonds that possess one of these ratings provide questionable protection of interest and principal ("Ba" indicates some speculative elements; "B" indicates a general lack of characteristics of desirable investment; "Caa" represents a poor standing; "Ca" represents obligations which are speculative in a high degree; and "C" represents the lowest rated class of bonds). "Caa", "Ca" and "C" bonds may be in default.

Standard and Poor's - Investment Grade

AAA - Debt rated "AAA" has the highest rating assigned by S&P. Capacity to pay interest and repay principal is extremely strong.

AA - Debt rated "AA" has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in small degree.

A - Debt rated "A" has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB - Debt rated "BBB" is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

Standard and Poor's - Speculative Grade Rating

Debt rated "BB", "B", "CCC", "CC" and "C" is regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. "BB" indicates the least degree of speculation and "C" the highest. While such debt will likely have some quality and protective characteristics these are outweighed by major uncertainties or major exposures to adverse conditions.

BB - Debt rated "BB" has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The "BB" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "BBB" rating.

B - Debt rated "B" has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The "B" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "BB" or "BB" rating.

CCC - Debt rated "CCC" has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The "CCC" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "B" or "B" rating.

CC - The rating "CC" typically is applied to debt subordinated to senior debt that is assigned an actual or implied "CCC" debt rating.

C - The rating "C" typically is applied to debt subordinated to senior debt which is assigned an actual or implied "CCC" debt rating. The "C" rating may be used to cover a situation where a bankruptcy petition has been filed, but debt service payments are continued.

CI - The rating "CI" is reserved for income bonds on which no interest is being paid.

D - Debt rated "D" is in payment default. The "D" rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The "D" rating also will be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

Plus (+) or Minus (-) - The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

NR - Indicates no rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular type of obligation as a matter of policy.

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October 31, 2018

STAFF REPORT

Certificates of Participation (COP) Quarterly Report for the Period Ended September 30, 2018

Summary

The District began issuing Certificates of Participation (COPs) in 1990. These COPs were a part of our long-term financing plan that included both variable interest rate and traditional fixed rate borrowing. Following are the current outstanding debt issues of the District:

In May 2009, the District issued \$200 million of fixed rate COPs, Series 2009A at a true interest cost of 4.72 percent for the issue.

In May 2010, the District issued \$80 million of fixed rate BABs, Series 2010A at a true interest cost of 3.68 percent for the issue.

In December 2010, the District issued \$157 million of fixed rate BABs, Series 2010C at a true interest cost of 4.11 percent for the issue.

In October 2011, the District issued \$147.595 million of fixed rate COPs, Series 2011A refunding a portion of the Series 2000 variable rate debt and a portion of the Series 2003 fixed rate debt. The true interest cost for the issue is 2.61 percent.

In March 2012, the District issued \$100.645 million of fixed rate COPs, Series 2012A refunding the Series 2003 fixed rate debt. The true interest cost for the issue is 3.54 percent.

In August 2012, the District issued \$66.395 million of fixed rate COPs, Series 2012B refunding the Series 2000 variable rate debt. The true interest cost for the issue is 1.50 percent.

With the issuance of Series 2012B, there remains no variable interest rate COPs at the District.

In August 2014, the District issued \$85.09 million of fixed rate COPs, Series 2014A, refunding a portion of Series 2007B debt. The true interest cost for the issue is 2.34 percent.

In February 2015, the District issued \$127.51 million of fixed rate COPs, Series 2015A, refunding \$152.99 million of the Series 2007B debt. The true interest cost for the issue is 3.30 percent.

In March 2016, the District issued \$145.88 million of fixed rate CANs, Series 2016A, refunding \$162.78 million of the Series 2009A fixed rate debt. The true interest cost for the issue is 3.02 percent.

In November 2016, the District issued \$109.875 million of fixed rate CANs, Series 2016B, refunding the Series 2014B CANs. The true interest cost for the issue is 0.87 percent.

In February 2017, the District issued \$66.37 million of fixed rate COPs, Series 2017A, refunding \$91.885 million of the Series 2007A debt. The true interest cost for the issue is 2.55 percent.

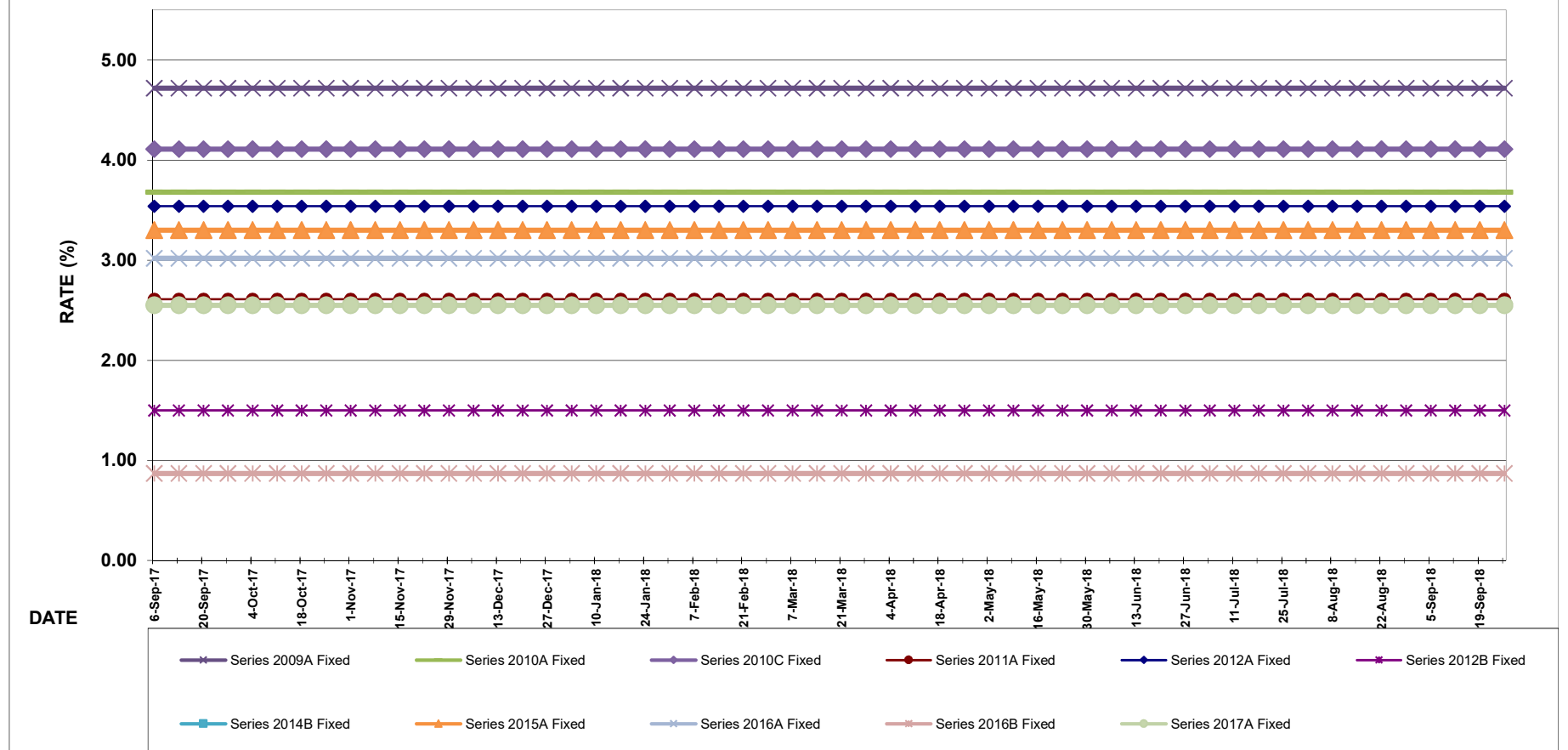
Additional Information

The graph entitled, "OCSD COP Rate History Report," shows the various fixed interest rates of the District's eleven debt issues.

Attachments

1. Graph - OCSD COP Rate History Report

OCSD COP RATE HISTORY REPORT SEPTEMBER 2018



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**APPENDIX “G”
SECTIONS OF THE CALIFORNIA GOVERNMENT CODE
PERTINENT TO
INVESTING PUBLIC FUNDS**

INTRODUCTION

A requirement of Section 8, Authorized and Suitable Investments, of the District’s Investment Policy Statement, is that all investments shall be made in accordance with the California Government Code, including Section 16429.1 et seq., and 53600et seq. This appendix presents a copy of these sections for the reader’s reference.

GOVERNMENT CODE SECTION 5925

5925

The purchase or other acquisition of bonds by or on behalf of the state or local government that issued the bonds does not cancel, extinguish, or otherwise affect the bonds and the bonds shall be treated as outstanding bonds for all purposes except to the extent otherwise determined by the issuer or otherwise provided in the constituent instruments defining the rights of the holders of the bonds.

GOVERNMENT CODE SECTION 16340

16340

(a) (1) The Voluntary Investment Program Fund is hereby created within the State Treasury, for the receipt of voluntary deposits from local entities.

(2) For purposes of this section, a “local entity” includes, but is not limited to, any city, county, school district, or special district.

(b) Each local entity that is approved by its governance body to deposit moneys in the fund shall deposit no less than a total of two hundred million dollars (\$200,000,000). The total amount of moneys that may be deposited in the fund from all eligible sources shall not exceed, at any point in time, a total of ten billion dollars (\$10,000,000,000), or lesser amount as determined by the Director of Finance, in consultation with the Treasurer.

(c) The terms and conditions of deposits made into the fund shall be set by the Director of Finance, in consultation with the Treasurer. Those terms shall include, but not be limited to, the size of the deposit from a particular local entity, the length of time those moneys shall be held in deposit in the fund, the availability of funds for withdrawal by the local entity depositing the funds, and the annual rate of interest paid on deposits, as described in subdivision (e). However, the director and the Treasurer may only permit deposits that do not exceed funds needed to address an actual or anticipated cash shortfall in the General Fund not exceeding the amounts of existing appropriations, including continuing and continuous appropriations, to which resulting proceeds are to be applied.

(d) Moneys held in the Fund shall be invested by the Treasurer in investments authorized pursuant to Sections 16430 and 16480 through the Pooled Money Investment Account, and whenever the Controller determines that moneys in the General Fund, after allowing for internal borrowing from other funds are, or are expected to be, insufficient for the payment of all appropriations made by the Legislature which are to be paid out of the moneys in the General Fund, the State Controller may, based upon his or her estimate of the probable income to the General Fund during the then fiscal year and the probable dates of receipt thereof, may draw a demand or demands against appropriations made from the General Fund to be paid

in the then current fiscal year prior to the receipt of the income, and deliver the demand or demands to the Treasurer. The Treasurer shall register the demand or demands for nonpayment and may borrow moneys from the fund in an amount or amounts that is no greater than the demand or demands provided. The borrowing, together with the interest owed upon the account thereon, shall be paid exclusively from moneys in the General Fund on probable or reasonably anticipated revenues that are expected to be forthcoming within a short period of time, but not excepting recourse to internal borrowing from other funds in the event insufficient moneys are available from the General Fund. Repayment of any of those borrowings shall be considered a priority payment, equivalent to any other loan repayment made from the General Fund to another state fund.

(e) Notwithstanding any other law, the rate of interest to be earned by the depositors shall be the base apportionment rate based on their pro rata share of the earnings of the Pooled Money Investment Account on a quarterly basis at the end of each quarter plus an enhanced amount. The pro rata share shall be determined by a dollar day participation. The base apportionment rate applied to dollar day participation in the fund shall be the quarter-to-date average yield of the Pooled Money Investment Account for the current quarter. The enhancement amount paid to depositors in the fund shall be determined by the Director of Finance, in consultation with the Treasurer, and shall be added to the base rate earned by the Pooled Money Investment Account at the time the apportionment is made. The total interest cost described in this subdivision shall not exceed that provided for in paragraph (1) of subdivision (d) of Section 16731.

(f) Notwithstanding Section 13340, moneys in the fund are hereby continuously appropriated for payment of interest expenditures to depositors calculated in accordance with subdivision (e), other related expenses as determined by the Department of Finance, and return of deposits to depositors according to terms and conditions set by the Director of Finance, in consultation with the Treasurer. The amounts paid for interest and other related expenses shall be attributable to the fiscal year in which the borrowing occurred which is also the fiscal year upon which the appropriations against which the demand or demands were made.

(g) The Department of Finance shall determine the budget items to be used for the recording and reporting of interest expenditures and other related expenses pursuant to this section.

(h) Deposits in the fund shall be tracked separately for each participant in the state's accounting system, and shall be deemed to be assets of each participant. These assets shall be reflected as such on each participant's individual financial statements.

(i) These deposits are, and may only be used, to cover short-term cash needs of the state and are, and shall be, in compliance with the provisions of Proposition 58 of March 2004 as stated in subdivision (c), Section 1.3 of Article XVI of the California Constitution. Deposits and borrowing from the fund shall comply with the state's debt limit restrictions.

(j) Actions by the Director of Finance, in consultation with the Treasurer, in implementing and administering the investment program provided for in this section and the Treasurer's and Controller's actions in borrowing from the fund shall be exempt from the provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3).

(k) Upon projection of insufficient cash in the General Fund, the Director of Finance, in consultation with the Treasurer and Controller, may utilize provisions similar to Section 16381 to facilitate the implementation of the program.

GOVERNMENT CODE SECTION 16429.1-16429.4

16429.1

(a) There is in trust in the custody of the Treasurer the Local Agency Investment Fund, which fund is hereby created. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.

(b) Notwithstanding any other provisions of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

(c) Notwithstanding any other provisions of law, an officer of any nonprofit corporation whose membership is confined to public agencies or public officials, or an officer of a qualified quasi-governmental agency, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

(d) Notwithstanding any other provision of law or of this section, a local agency, with the approval of its governing body, may deposit in the Local Agency Investment Fund proceeds of the issuance of bonds, notes, certificates of participation, or other evidences of indebtedness of the agency pending expenditure of the proceeds for the authorized purpose of their issuance. In connection with these deposits of proceeds, the Local Agency Investment Fund is authorized to receive and disburse moneys, and to provide information, directly with or to an authorized officer of a trustee or fiscal agent engaged by the local agency, the Local Agency Investment Fund is authorized to hold investments in the name and for the account of that trustee or fiscal agent, and the Controller shall maintain a separate account for each deposit of proceeds.

(e) The local governmental unit, the nonprofit corporation, or the quasi-governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.

(f) The trustee or fiscal agent of the local governmental unit has the exclusive determination of the length of time proceeds from the issuance of bonds will be on deposit with the Treasurer.

(g) The Local Investment Advisory Board shall determine those quasi-governmental agencies which qualify to participate in the Local Agency Investment Fund.

(h) The Treasurer may refuse to accept deposits into the fund if, in the judgment of the Treasurer, the deposit would adversely affect the state's portfolio.

(i) The Treasurer may invest the money of the fund in securities prescribed in Section 16430. The Treasurer may elect to have the money of the fund invested through the Surplus Money Investment Fund as provided in Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2.

(j) Money in the fund shall be invested to achieve the objective of the fund which is to realize the maximum return consistent with safe and prudent treasury management.

(k) All instruments of title of all investments of the fund shall remain in the Treasurer's vault or be held in safekeeping under control of the Treasurer in any federal reserve bank, or any branch thereof, or the Federal Home Loan Bank of San Francisco, with any trust company, or the trust department of any state or national bank.

(l) Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees or fiscal agents, nonprofit corporations, and quasi-governmental agencies in amounts directly proportionate to the respective amounts deposited in the Local Agency Investment Fund and the length of time the amounts remained therein. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of 5 percent of the earnings of this fund and not to exceed the amount appropriated in the annual Budget Act for this function, shall be deducted from the earnings prior to distribution. The amount of this deduction shall be credited as reimbursements to the state agencies, including the Treasurer, the Controller, and the Department of Finance, having incurred costs in carrying out the provisions of this section.

(m) The Treasurer shall prepare for distribution a monthly report of investments made during the preceding month.

(n) As used in this section, "local agency," "local governmental unit," and "local governmental official" includes a campus or other unit and an official, respectively, of the California State University who deposits moneys in funds described in Sections 89721, 89722, and 89725 of the Education Code.

16429.2

There is created the Local Investment Advisory Board consisting of five members. The chairman shall be the State Treasurer or his or her designated representative. Two members who are qualified by training and experience in the field of investment or finance, shall be appointed by the State Treasurer. Two members who are treasurers, finance or fiscal officers or business managers, employed by any county, city or local district or municipal corporation of this state, shall be appointed by the Treasurer.

The term of office of each appointed member of the board is two years, but each appointed member serves at the pleasure of the appointing authority. A vacancy in the appointed membership, occurring other than by expiration of term, shall be filled in the same manner as the original appointment, but for the unexpired term only.

Members of the board who are not state officers or employees shall not receive a salary, but shall be entitled to a per diem allowance of fifty dollars (\$50) for each day's attendance at a meeting of the board, not to exceed three hundred dollars (\$300) in any month. All members shall be entitled to reimbursement for expenses incurred in the performance of their duties under this part, including travel and other necessary expenses.

The board's primary purpose shall be to advise and assist the State Treasurer in formulating the investment and reinvestment of moneys in the Local Agency Investment Fund, and the acquisition, retention, management, and disposition of investments of the fund. The board, from time to time, shall review those policies and advise therein as it considers necessary or desirable. The board shall advise the State Treasurer in the management of the fund and consult the State Treasurer on any matter relating to the investment and reinvestment of moneys in the fund.

16429.3

Moneys placed with the Treasurer for deposit in the Local Agency Investment Fund by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following:

(a) Transfer or loan pursuant to Sections 16310, 16312, or 16313.

(b) Impoundment or seizure by any state official or state agency.

16429.4

The right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the Local Agency Investment Fund, upon demand, may not be altered, impaired, or denied, in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year.

GOVERNMENT CODE SECTION 27000-27013

27000

The county treasurer shall receive and keep safely all money belonging to the county and all other money directed by law to be paid to him and apply and pay it out, rendering the account as required by law.

27000.1

Subject to Section 53607, the board of supervisors may, by ordinance, delegate to the county treasurer the authority to invest or reinvest the funds of the county and the funds of other depositors in the county treasury, pursuant to Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of title 5. The county treasurer shall thereafter assume full responsibility for those transactions until the board of supervisors either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, as provided in Section 53607. Nothing in this section shall limit the county treasurer's authority pursuant to Section 53635 or 53684.

27000.3

(a) With regard to county funds deposited in the county treasury, the board of supervisors is the agent of the county who serves as a fiduciary and is subject to the prudent investor standard, unless a delegation has occurred pursuant to Section 53607 in which case the county treasurer shall be the agent of the county with respect to these funds, serve as a fiduciary, and be subject to the prudent investor standard and the board of supervisors shall not be the agent, serve as a fiduciary, or be subject to the prudent investor standard.

(b) With regard to funds deposited in the county treasury that are deposited by local agencies other than the county and at the discretion of those local agencies, the county treasurer serves as a fiduciary subject to the prudent investor standard.

(c) When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, 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 county and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law. Nothing in this chapter is intended to grant investment authority to any person or governing body except as provided in Sections 53601, 53607, and 53635.

27000.5

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the primary objective of the county treasurer or the board of supervisors, as the case may be, shall be to safeguard the principal of the funds under the treasurer's or the board's control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under his or her control.

27000.6

The provisions of Sections 27000.7, 27000.8, and 27000.9 shall become effective only in those counties in which, prior to the first date of the period for filing declarations of candidacy for the office of county treasurer, county tax collector, or county treasurer-tax collector, the board of supervisors by majority vote at a regular meeting with all members present, enact an ordinance adopting the provisions of those sections. That ordinance may be repealed by the board of supervisors at any time.

27000.7

(a) No person shall be eligible for election or appointment to the office of county treasurer, county tax collector, or county treasurer-tax collector of any county unless that person meets at least one of the following criteria:

(1) The person has served in a senior financial management position in a county, city, or other public agency dealing with similar financial responsibilities for a continuous period of not less than three years, including, but not limited to, treasurer, tax collector, auditor, auditor-controller, or the chief deputy or an assistant in those offices.

(2) The person possesses a valid baccalaureate, masters, or doctoral degree from an accredited college or university in any of the following major fields of study: business administration, public administration, economics, finance, accounting, or a related field, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.

(3) The person possesses a valid certificate issued by the California Board of Accountancy pursuant to Chapter 1 (commencing with Section 5000) of Division 3 of the Business and Professions Code, showing that person to be, and a permit authorizing that person to practice as, a certified public accountant.

(4) The person possesses a valid charter issued by the Institute of Chartered Financial Analysts showing the person to be designated a Chartered Financial Analyst, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.

(5) The person possesses a valid certificate issued by the Treasury Management Association showing the person to be designated a Certified Cash Manager, with a minimum of 16 college semester units, or their equivalent, in accounting, auditing, or finance.

(b) This section shall only apply to any person duly elected or appointed as a county treasurer, county tax collector, or county treasurer-tax collector on or after January 1, 1998.

27000.8

Any duly elected county treasurer, county tax collector, or county treasurer-tax collector serving in that office on January 1, 1996, may serve for his or her remaining term of office during which period of time the requirements of this section shall not apply. After the election of a county treasurer, county tax collector, or county treasurer-tax collector to office, that person shall complete a valid continuing course of study as prescribed in this section, and shall during the person's four-year term of office on or before June 30 of the fourth year, render to the Controller a certification indicating that the person has successfully completed a continuing education program consisting of, at a minimum, 48 hours, or an equivalent amount of continuing education units within the discipline of treasury management, tax collection, public finance, public administration, governmental accounting, or directly related subjects, offered by a recognized state or national association, institute, or accredited college or university, or the California Debt and Investment Advisory Commission, that provides the requisite educational programs prescribed in this section. The willful or negligent failure of any elected county treasurer, county tax collector, or county treasurer-tax collector to comply with the requirements of this section shall be deemed a violation of this section.

27000.9

Notwithstanding any other requirement of law, any duly appointed county officer serving in the capacity of county treasurer, county tax collector, or county treasurer-tax collector shall, beginning in 2000, complete a valid continuing course of study as prescribed in this section, and shall, on or before June 30 of each two-year period, render to the Controller, a certification indicating that the county officer has successfully completed a continuing education program consisting of, at a minimum, 24 hours or an equivalent amount of continuing education units within the discipline of treasury management, tax collection, public finance, public administration, governmental accounting, or directly related subjects, offered by a recognized state or national association, institute, or accredited college or university, or the California Debt and Investment Advisory Commission, that provides the requisite educational programs prescribed in this section. The willful or negligent failure of any county officer serving in the capacity of county treasurer, county tax collector, or county treasurer-tax collector to comply with the requirements of this section shall be deemed a violation of this section.

27001

The treasurer shall file and keep the certificates of the auditor delivered to him or her when money is paid into the treasury. Notwithstanding Sections 26201, 26202, and 26205, the treasurer may destroy any certificate pursuant to this section under either of the following circumstances:

- (a) The certificate has been filed for more than five years.
- (b) The certificate has been filed for more than one year, and all of the following conditions are complied with:
 - (1) The record, paper, or document is photographed, microphotographed, reproduced by electronically recorded video images on magnetic surfaces, or recorded on optical disk or reproduced on any other medium that does not permit additions, deletions, or changes to the original document and is produced in compliance with Section 12168.7 for recording of permanent records or nonpermanent records if the copy is kept or maintained for five years from the date of the document.
 - (2) The device used to reproduce the record, paper, or document on film or any other medium is one that accurately reproduces the original thereof in all details. A duplicate copy of any record reproduced in compliance with Section 12168.7 for recording of permanent or nonpermanent records, whichever applies, shall be deemed an original.
 - (3) The photographs, microphotographs, or other reproductions on film or any other medium are placed in conveniently accessible files and provision is made for preserving, examining, and using the same.
 - (4) The record, paper, or document is reproduced and preserved utilizing other information technology.

27002

The treasurer shall keep an account of the receipt and expenditure of all money received or paid out by him or her in books provided for the purpose. He or she shall enter in the books the amount, the time, from whom, and on what account all money was received by him or her, and the warrant number, the amount, time, and on what account all disbursements were made by him or her.

27002.1

- (a) The treasurer may, in lieu of entering in books an account of the receipt and expenditure of all money received or paid out by him or her as provided in Section 27002, photograph, microphotograph, photocopy, or enter into an electronic data-processing system that utilizes optical transmission and filing, all receipts for money received by him or her and all warrants paid out by him or her.
- (b) Every reproduction described in subdivision (a) shall be deemed and considered an original, and a transcript, exemplification, or certified copy of any of those reproductions shall be deemed and considered a transcript, exemplification, or certified copy, as the case may be, of the original.
- (c) All reproductions described in subdivision (a) shall be properly indexed and placed in convenient, accessible files. Each roll of microfilm shall be deemed and constitute a book, and shall be designated and numbered, and provision shall be made for preserving, examining, and using it. A duplicate of each roll of microfilm shall be made and kept in a safe and separate place.

27003

The treasurer shall keep his or her books or any other authorized form of record so that the amounts received and paid out on account of separate funds or specific appropriations are exhibited in separate and distinct accounts, and the whole receipts and expenditures shown in one general or cash account.

27005

The treasurer shall disburse the county money and all other money placed in his or her custody by official authority only on county warrants, checks, or electronic fund transfers issued by the county auditor, except for the making of legal investments.

27006

The treasurer shall disburse the money in the treasury on county warrants only when they are based on orders of the board of supervisors, upon order of the superior court, or as otherwise provided by law. In the payment of the warrants he may issue his order, check, or draft drawn upon proper funds that are on deposit in any bank.

27007

The treasurer shall keep all money belonging to the State, or any county of the State in his own possession until disbursed according to law. He shall not place the money in the possession of any person to be used for any purpose, nor shall he loan or in any manner use, or permit any person to use it, except as provided by law. This section does not prohibit him from making special deposits for the safe-keeping of public money, but he is liable therefore on his official bond.

27008

(a) The treasurer shall not receive money into the treasury or for deposit with him or her as treasurer, unless it is accompanied by the certificate of the auditor.

(b) Notwithstanding subdivision (a), the auditor and treasurer may establish alternate control procedures for the treasurer to receive or deposit money without the certificate of the auditor.

27009

The treasurer shall give a receipt to each person who deposits money into the county treasury.

27010

The treasurer may receive any money constituting gift, bequest, or devise, and pay it out in accordance with the terms thereof, or, if none are fixed, according to law.

27011

Any county officer who knowingly accepts or allows any deposit in the county treasury of money from any private and unofficial source is guilty of a misdemeanor, punishable by imprisonment in the county jail for not less than six months nor more than one year, or by a fine of not less than five hundred dollars (\$500) and not more than five thousand dollars (\$5,000), or by both that fine and imprisonment, and shall forfeit his or her office.

27012

The Controller may summon county treasurers or the authorized representative of any county treasurer to meet with the Controller or his or her duly authorized representatives, in those groups and at that place or those places within the state as may be designated by the Controller for the purpose of discussing the interpretation, procedures, uniformity of operation, and efficient administration of the Revenue and Taxation Code and the Government Code. The actual and necessary expenses of any county officer or his or her authorized representative that are incurred while traveling to and from or while attending any meeting called pursuant to this section by the Controller shall be a charge against the county, to be paid in the same manner as other county charges are paid, provided that prior approval of the board of supervisors has been obtained.

27013

Notwithstanding any other provision of law, any treasurer, or other authorized county officer, who invests, deposits or otherwise handles funds for public agencies for the purpose of earning interest or other income on such funds as permitted by law, may deduct from such interest or income, before distribution thereof, the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income. Such cost reimbursement shall be paid into the county general fund.

GOVERNMENT CODE SECTION 27130-27137

27130

The Legislature finds and declares that local agencies, including school districts, should participate in reviewing the policies that guide the investment of those funds. The Legislature further finds and declares that by pooling deposits from local agencies and other participants, county treasuries operate in the public interest when they consolidate banking and investment activities, reduce duplication, achieve economies of scale, and carry out coherent and consolidated investment strategies. The Legislature further finds and declares that the creation of county treasury oversight committees will promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return on their funds by providing a more stable and predictable balance for investment by establishing criteria for the withdrawal of funds.

27131

(a) The board of supervisors in each county or city and county may, if the county or city and county is investing surplus funds, establish a county treasury oversight committee. The board of supervisors, in consultation with the county treasurer, shall determine the exact size of the committee, which shall consist of from 3 to 11 members, and the categories from which the members shall be represented, as specified in subdivisions (a) to (g), inclusive, of Section 27132. Members shall be nominated by the treasurer and confirmed by the board of supervisors.

(b) In recognition of the state and local interests served by the action made optional in subdivision (a), the Legislature encourages local agencies to continue taking the action formerly mandated by this section. However, nothing in this subdivision may be construed to impose any liability on a local agency that does not continue to take the formerly mandated action.

27132

The county treasury oversight committee, pursuant to Section 27131, shall consist of members appointed from the following:

- (a) The county treasurer.
- (b) The county auditor, auditor-controller, or finance director, as the case may be.
- (c) A representative appointed by the county board of supervisors.
- (d) The county superintendent of schools or his or her designee.
- (e) A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the county.
- (f) A representative selected by a majority of the presiding officers of the legislative bodies of the special districts in the county that are required or authorized to deposit funds in the county treasury.
- (g) Up to five other members of the public.

(1) A majority of the other public members shall have expertise in, or an academic background in, public finance.

(2) The other public members shall be economically diverse and bipartisan in political registration.

27132.1

A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local treasurer, or (b) contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the committee.

27132.2

A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the governing board of any local agency that has deposited funds in the county treasury while a member of the committee.

27132.3

A member may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.

27132.4

Committee meetings shall be open to the public and subject to the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5).

27133

In any county that establishes a county treasury oversight committee pursuant to this article, the county treasurer shall annually prepare an investment policy that will be reviewed and monitored by the county treasury oversight committee. The investment policy shall include all of the following:

(a) A list of securities or other instruments in which the county treasury may invest, according to law, including the maximum allowable percentage by type of security.

(b) The maximum term of any security purchased by the county treasury.

(c) The criteria for selecting security brokers and dealers from, to, or through whom the county treasury may purchase or sell securities or other instruments. The criteria shall prohibit the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices.

(d) Limits on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business by any member of the county treasury oversight committee. These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the Fair Political Practices Commission.

(e) A requirement that the county treasurer provide the county treasury oversight committee with an investment report as required by the board of supervisors.

(f) The manner of calculating and apportioning the costs, authorized by Section 27013, of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds.

(g) The terms and conditions under which local agencies and other entities that are not required to deposit their funds in the county treasury may deposit funds for investment purposes.

(h) Criteria for considering requests to withdraw funds from the county treasury, pursuant to Section 27136. The criteria shall include an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the county treasury.

27134

The county treasury oversight committee shall cause an annual audit to be conducted to determine the county treasury's compliance with this article. The audit may include issues relating to the structure of the investment portfolio and risk.

27135

The costs of complying with this article shall be county charges and may be included with those charges enumerated under Section 27013.

27136

(a) Notwithstanding any other provision of law, any local agency, public agency, public entity, or public official that has funds on deposit in the county treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the county treasury pool, shall first submit the request for withdrawal to the county treasurer before withdrawing funds from the county treasury pool.

(b) The county treasurer shall evaluate each proposed withdrawal for its consistency with the criteria adopted pursuant to subdivision (h) of Section 27133. Prior to approving a withdrawal, the county treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the county treasury pool.

27137

Nothing in this article shall be construed to allow the county treasury oversight committee to direct individual investment decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the county treasury.

GOVERNMENT CODE SECTION 53600-53610

53600

As used in this article, "local agency" means county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

53600.3

Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent 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 agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

53600.5

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its control.

53600.6

The Legislature hereby finds that the solvency and creditworthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state. Therefore, to protect the solvency and creditworthiness of the state and all of its political subdivisions, the Legislature hereby declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.

53601

This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

(a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

(b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

(d) 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, agency, or authority of any of the other 49 states, in addition to California.

(e) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(f) Federal agency 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.

(g) Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 30 percent of the agency's moneys may be invested in the bankers' acceptances of any one commercial bank pursuant to this section. This subdivision does not preclude a municipal utility district from investing moneys in its treasury in a manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

(h) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

(1) The entity meets the following criteria:

(A) Is organized and operating in the United States as a general corporation.

(B) Has total assets in excess of five hundred million dollars (\$500,000,000).

(C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.

(2) The entity meets the following criteria:

(A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.

(B) Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

(C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

(i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local

agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

(j)(1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on an investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

(3) Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:

(A) The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

(B) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.

(C) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(D) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(4)(A) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

(B) For purposes of this chapter, "significant banking relationship" means any of the following activities of a bank:

(i) Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.

(ii) Financing of a local agency's activities.

(iii) Acceptance of a local agency's securities or funds as deposits.

(5)(A) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(B) "Securities," for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

(C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

(D) "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

(E) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.

(F) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

(k) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

(l)(1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.

(2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).

(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

(B) 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 subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000).

(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

(B) 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 five hundred million dollars (\$500,000,000).

(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

(m) Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

(n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(o) A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "A" or its equivalent or better rating for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.

(p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (n), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

(q) United States 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, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

53601.1

The authority of a local agency to invest funds pursuant to Section 53601 includes, in addition thereto, authority to invest in financial futures or financial option contracts in any of the investment categories enumerated in that section.

53601.2

As used in this article, "corporation" includes a limited liability company.

53601.5

The purchase by a local agency of any investment authorized pursuant to Section 53601 or 53601.1, not purchased directly from the issuer, shall be purchased either from an institution licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code, or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association (as defined by Section 5102 of the Financial Code) or from a brokerage firm designated as a primary government dealer by the Federal Reserve bank.

53601.6

(a) A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes, or mortgage-derived, interest-only strips.

(b) A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) that are authorized for investment pursuant to subdivision (l) of Section 53601.

53601.8

Notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds, at its discretion, may invest a portion of its surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of deposits. The following conditions shall apply:

(a) The local agency shall choose a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the "selected" depository institution.

(b) The selected depository institution may use a private sector entity to help place local agency deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States and are within the network used by the private sector entity for this purpose.

(c) Any private sector entity used by a selected depository institution to help place its local agency deposits shall maintain policies and procedures requiring both of the following:

(1) The full amount of each deposit placed pursuant to subdivision (b) and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(2) Every depository institution where funds are placed shall be capitalized at a level that is sufficient, and be otherwise eligible, to receive such deposits pursuant to regulations of the Federal Deposit Insurance Corporation or the National Credit Union Administration, as applicable.

(d) The selected depository institution shall serve as a custodian for each such deposit.

(e) On the same date that the local agency's funds are placed pursuant to subdivision (b) by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution pursuant to subdivision (b).

(f) Notwithstanding subdivisions (a) to (e), inclusive, a credit union shall not act as a selected depository institution under this section or Section 53635.8 unless both of the following conditions are satisfied:

(1) The credit union offers federal depository insurance through the National Credit Union Administration.

(2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.

(g) It is the intent of the Legislature that this section shall not restrict competition among private sector entities that provide placement services pursuant to this section.

(h) The deposits placed pursuant to this section and Section 53635.8 shall not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.

(i) This section shall remain in effect only until January 1, 2021, and as of that date is repealed.

53602

The legislative body shall invest only in notes, bonds, bills, certificates of indebtedness, warrants, or registered warrants which are legal investments for savings banks in the State, provided, that the board of supervisors of a county may, by a four-fifths vote thereof, invest in notes, warrants or other evidences of indebtedness of public districts wholly or partly within the county, whether or not such notes, warrants, or other evidences of indebtedness are legal investments for savings banks.

53603

The legislative body may make the investment by direct purchase of any issue of eligible securities at their original sale or after they have been issued.

53604

The legislative body may sell, or exchange for other eligible securities, and reinvest the proceeds of, the securities purchased.

53605

From time to time, the legislative body shall sell the securities so that the proceeds may be applied to the purposes for which the original purchase money was placed in the sinking fund or the treasury of the local agency.

53606

The bonds purchased, which were issued by the purchaser, may be canceled either in satisfaction or sinking fund obligations or otherwise. When canceled, they are no longer outstanding, unless in its discretion, the legislative body holds them uncanceled. While held uncanceled, the bonds may be resold.

53607

The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

53608

The legislative body of a local agency may deposit for safekeeping with a federal or state association (as defined by Section 5102 of the Financial Code), a trust company or a state or national bank located within this state or with the Federal Reserve Bank of San Francisco or any branch thereof within this state, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System, the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants, or other evidences of indebtedness in which the money of the local agency is invested pursuant to this article or pursuant to other legislative authority. The local agency shall take from such financial institution a receipt for securities so deposited. The authority of the legislative body to deposit for safekeeping may be delegated by the legislative body to the treasurer of the local agency; the treasurer shall not be responsible for securities delivered to and receipted for by a financial institution until they are withdrawn from the financial institution by the treasurer.

53609

Notwithstanding the provisions of this chapter or any other provisions of this code, funds held by a local agency pursuant to a written agreement between the agency and employees of the agency to defer a portion of the compensation otherwise receivable by the agency's employees and pursuant to a plan for such deferral as adopted by the governing body of the agency, may be invested in the types of investments set forth in Sections 53601 and 53602 of this code, and may additionally be invested in corporate stocks, bonds, and securities, mutual funds, savings and loan accounts, credit union accounts, life insurance policies, annuities, mortgages, deeds of trust, or other security interests in real or personal property. Nothing herein shall be construed to permit any type of investment prohibited by the Constitution.

Deferred compensation funds are public pension or retirement funds for the purposes of Section 17 of Article XVI of the Constitution.

53610

(a) For purposes of this section, "Proposition 1A receivable" means the right to payment of moneys due or to become due to a local agency, pursuant to clause (iii) of subparagraph (B) of paragraph (1) of subdivision (a) of Section 25.5 of Article XIII of the California Constitution and Section 100.06 of the Revenue and Taxation Code.

(b) Notwithstanding any other law, a local agency may purchase, with its revenue, Proposition 1A receivables sold pursuant to Section 53999.

(c) A purchaser of Proposition 1A receivables pursuant to this section shall not offer them for sale pursuant to Section 6588.

GOVERNMENT CODE SECTION 53630-53686

53630

As used in this article:

(a) "Local agency" means county, city, city and county, including a chartered city or county, a community college district, or other public agency or corporation in this state.

(b) "Treasurer" means treasurer of the local agency.

(c) "Depository" means a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, in this state in which the moneys of a local agency are deposited.

(d) "Agent of depository" means a trust company or trust department of a state or national bank located in this state, including the trust department of a depository where authorized, and the Federal Home Loan Bank of San Francisco, which is authorized to act as an agent of depository for the purposes of this article pursuant to Section 53657.

(e) "Security" means any of the eligible securities or obligations listed in Section 53651.

(f) "Pooled securities" means eligible securities held by an agent of depository for a depository and securing deposits of one or more local agencies.

(g) "Administrator" means the Administrator of Local Agency Security of the State of California.

(h) "Savings association or federal association" means a savings association, savings and loan association, or savings bank as defined by Section 5102 of the Financial Code.

(i) "Federally insured industrial loan company" means an industrial loan company licensed under Division 7 (commencing with Section 18000) of the Financial Code, the investment certificates of which are insured by the Federal Deposit Insurance Corporation.

(j) "Corporation" includes a limited liability company.

53630.1

The Legislature hereby finds that the solvency and creditworthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state. Therefore, to protect the solvency and creditworthiness of the state and all of its political subdivisions, the Legislature hereby declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.

53630.5

(a) The definitions in Section 1750 of, and Chapter 1 (commencing with Section 99) of Division 1 of, the Financial Code apply to this section.

(b) In this article, for purposes of being a depository of moneys belonging to or being in the custody of a local agency, the phrases "state or national bank located in this state," "state or national bank," "state or national bank in this state," and "state or national banks in the state" include, without limitation, any of the following:

(1) Any California branch office of a foreign (other state) state bank that the bank is authorized to maintain under the law of its domicile and federal law.

(2) Any California branch office of a foreign (other state) national bank that the bank is authorized to maintain under federal law.

(3) Any California branch office of a foreign (other nation) bank that the bank is licensed to maintain under Article 3 (commencing with Section 1800) of Chapter 20 of Division 1.1 of the Financial Code.

(4) Any California federal branch of a foreign (other nation) bank that the bank is authorized to maintain under federal law.

53631

Under those conditions as the treasurer of a local agency fixes with the approval of the legislative body, he or she may establish accounts at banks within or without the state and deposit money in those accounts to the extent necessary to pay the principal and interest of bonds to pay any warrant that has been presented for payment, or to fund any electronic disbursement of funds from the treasury of the local agency. This article does not apply to deposits for those purposes.

53632

There are three classes of deposits:

(a) Inactive deposits.

(b) Active deposits.

(c) Interest-bearing active deposits.

53632.5

There are three classes of security for deposits:

(a) Securities described in subdivision (m) of Section 53651.

(b) Securities described in subdivision (p) of Section 53651.

(c) Securities enumerated in Section 53651, except for those described in subdivisions (m) and (p) of that section.

53633

The treasurer shall determine the amounts of money to be deposited as inactive, active, and interest-bearing active deposits, except as otherwise provided in Section 53679.

53634

The treasurer may call in money from inactive deposits and place it in active deposits as current demands require. When there is money in his possession for which there is no demand as inactive deposits, he may place it as active deposits.

53635

(a) This section shall apply to a local agency that is a county, a city and a county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. However, Section 53601 shall apply to all local agencies that pool money in deposits or investments exclusively with local agencies that have the same governing body.

This section shall be interpreted in a manner that recognizes the distinct characteristics of investment pools and the distinct administrative burdens on managing and investing funds on a pooled basis pursuant to Article 6 (commencing with Section 27130) of Chapter 5 of Division 2 of Title 3.

A local agency that is a county, a city and county, or other local agency that pools money in deposits or investments with other agencies may invest in commercial paper pursuant to subdivision (h) of Section 53601, except that the local agency shall be subject to the following concentration limits:

(1) No more than 40 percent of the local agency's money may be invested in eligible commercial paper.

(2) No more than 10 percent of the total assets of the investments held by a local agency may be invested in any one issuer's commercial paper.

(b) Notwithstanding Section 53601, the City of Los Angeles shall be subject to the concentration limits of this section for counties and for cities and counties with regard to the investment of money in eligible commercial paper.

53635.2

As far as possible, all money belonging to, or in the custody of, a local agency, including money paid to the treasurer or other official to pay the principal, interest, or penalties of bonds, shall be deposited for safekeeping in state or national banks, savings associations, federal associations, credit unions, or federally insured industrial loan companies in this state selected by the treasurer or other official having legal custody of the money; or may be invested in the investments set forth in Section 53601. To be eligible to receive local agency money, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. Sections 53601.5 and 53601.6 shall apply to all investments that are acquired pursuant to this section.

53635.7

In making any decision that involves borrowing in the amount of one hundred thousand dollars (\$100,000) or more, the legislative body of the local agency shall discuss, consider, and deliberate each decision as a separate item of business on the agenda of its meeting as prescribed in Chapter 9 (commencing with Section 54950). As used in this section, "borrowing" does not include bank overdrafts or security lending.

53635.8

Notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds, at its discretion, may invest a portion of its surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of deposits. The following conditions shall apply:

(a) The local agency shall choose a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the "selected" depository institution.

(b) The selected depository institution may use a private sector entity to help place local agency deposits with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States and are within the network used by the private sector entity for this purpose.

(c) Any private sector entity used by a selected depository institution to help place its local agency deposits shall maintain policies and procedures requiring both of the following:

(1) The full amount of each deposit placed pursuant to subdivision (b) and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(2) Every depository institution where funds are placed shall be capitalized at a level that is sufficient, and be otherwise eligible, to receive such deposits pursuant to regulations of the Federal Deposit Insurance Corporation or the National Credit Union Administration, as applicable.

(d) The selected depository institution shall serve as a custodian for each such deposit.

(e) On the same date that the local agency's funds are placed pursuant to subdivision (b) by the private sector entity, the selected depository institution shall receive an amount of insured deposits from other financial institutions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution for investment pursuant to subdivision (b).

(f) Notwithstanding subdivisions (a) to (e), inclusive, a credit union shall not act as a selected depository institution under this section or Section 53601.8 unless both of the following conditions are satisfied:

(1) The credit union offers federal depository insurance through the National Credit Union Administration.

(2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally-insured credit unions in one or more deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.

(g) It is the intent of the Legislature that this section shall not restrict competition among private sector entities that provide placement services pursuant to this section.

(h) The deposits placed pursuant to this section and Section 53601.8 shall not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.

(i) This section shall remain in effect until January 1, 2021, and as of that date is repealed.

53636

Money so deposited is deemed to be in the treasury of the local agency.

53637

The money shall be deposited in any bank, savings association or federal association, state or federal credit union, or federally insured industrial loan company with the objective of realizing maximum return, consistent with prudent financial management, except that money shall not be deposited in any state or federal credit union if a member of the legislative body of a local agency, or any person with investment decision making authority of the administrative office, manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the state or federal credit union.

53638

(a) The deposit shall not exceed the shareholder's equity of any depository bank. For the purposes of this subdivision, shareholder's equity shall be determined in accordance with Section 118 of the Financial Code, but shall be deemed to include capital notes and debentures.

(b) The deposit shall not exceed the total of the net worth of any depository savings association or federal association, except that deposits not exceeding a total of five hundred thousand dollars (\$500,000) may

be made to a savings association or federal association without regard to the net worth of that depository, if such deposits are insured or secured as required by law.

(c) The deposit to the share accounts of any regularly chartered credit union shall not exceed the total of the unimpaired capital and surplus of the credit union, as defined by rule of the Commissioner of Financial Institutions, except that the deposit to any credit union share account in an amount not exceeding five hundred thousand dollars (\$500,000) may be made if the share accounts of that credit union are insured or guaranteed pursuant to Section 14858 of the Financial Code or are secured as required by law.

(d) The deposit in investment certificates of a federally insured industrial loan company shall not exceed the total of the unimpaired capital and surplus of the insured industrial loan company.

53639

Except as otherwise provided in Section 53682, the depository shall bear the expenses of transportation of money to and from the depository.

53640

Except as otherwise provided in Section 53682, the depository shall handle, collect, and pay all checks, drafts, and other exchange without cost to the local agency.

53641

When money is deposited in a depository, the treasurer or other authorized official shall take and preserve a receipt, certificate of deposit, or other evidence of the deposit as he or she requires.

53642

The money deposited may be drawn out by check or order of the treasurer or other official authorized to make such deposit.

53643

The treasurer may deposit any part of the money as agreed upon between the treasurer and the depository.

53644

If an agreement is not made:

(a) Active deposits and interest thereon are subject to withdrawal upon the demand of the treasurer or other authorized official, subject to any penalties which may be prescribed by federal law or regulation.

(b) Inactive deposits are subject to notice of at least thirty days before withdrawal.

53645

Interest shall be computed and paid by the depository, as follows:

(a) For active deposits upon which interest is payable, interest shall be computed on the average daily balance for the calendar quarter, and shall be paid quarterly.

(b) For inactive deposits, interest shall be computed on a 360-day basis, and shall be paid quarterly.

(a)(1) In the case of county government, the treasurer may annually render to the board of supervisors and any oversight committee a statement of investment policy, which the board shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved by the board at a public meeting.

(2) In the case of any other local agency, the treasurer or chief fiscal officer of the local agency may annually render to the legislative body of that local agency and any oversight committee of that local agency a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting. Any change in the policy shall also be considered by the legislative body of the local agency at a public meeting.

(b)(1) The treasurer or chief fiscal officer may render a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency. The quarterly report shall be so submitted within 30 days following the end of the quarter covered by the report. Except as provided in subdivisions (e) and (f), this report shall include the type of investment, issuer, date of maturity par and dollar amount invested on all securities, investments and moneys held by the local agency, and shall additionally include a description of any of the local agency's funds, investments, or programs, that are under the management of contracted parties, including lending programs. With respect to all securities held by the local agency, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, the report shall also include a current market value as of the date of the report, and shall include the source of this same valuation.

(2) The quarterly report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance.

(3) The quarterly report shall include a statement denoting the ability of the local agency to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

(4) In the quarterly report, a subsidiary ledger of investments may be used in accordance with accepted accounting practices.

(c) Pursuant to subdivision (b), the treasurer or chief fiscal officer shall report whatever additional information or data may be required by the legislative body of the local agency.

(d) The legislative body of a local agency may elect to require the report specified in subdivision (b) to be made on a monthly basis instead of quarterly.

(e) For local agency investments that have been placed in the Local Agency Investment Fund, created by Section 16429.1, in National Credit Union Share Insurance Fund-insured accounts in a credit union, in accounts insured or guaranteed pursuant to Section 14858 of the Financial Code, or in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in a county investment pool, or any combination of these, the treasurer or chief fiscal officer may supply to the governing body, chief executive officer, and the auditor of the local agency the most recent statement or statements received by the local agency from these institutions in lieu of the information required by paragraph (1) of subdivision (b) regarding investments in these institutions.

(f) The treasurer or chief fiscal officer shall not be required to render a quarterly report, as required by subdivision (b), to a legislative body or any oversight committee of a school district or county office of education for securities, investments, or moneys held by the school district or county office of education in individual accounts that are less than twenty-five thousand dollars (\$25,000).

(g) In recognition of the state and local interests served by the actions made optional in subdivisions (a) and (b), the Legislature encourages the local agency officials to continue taking the actions formerly

mandated by this section. However, nothing in this subdivision may be construed to impose any liability on a local agency that does not continue to take the formerly mandated action.

53647

(a) Interest on all money deposited belongs to, and shall be paid quarterly into the general fund of, the local agency represented by the officer making the deposit, unless otherwise directed by law.

(b) Notwithstanding the provisions of subdivision (a), and except as otherwise directed by law, if the governing body of the local agency represented by the officer making the deposit so directs, such interest shall be paid to the fund which contains the principal on which the interest accrued.

53647.5

Notwithstanding any other provision of law, interest earned on any bail money deposited by a court in a bank account pursuant to Section 1463.1 of the Penal Code and Section 53679 of this code shall, be allocated for the support of that court.

53648

Notwithstanding this article, the treasurer may deposit moneys in, and enter into contracts with, a state or national bank, savings association or federal association, federal or state credit union, or federally insured industrial loan company, pursuant to a federal law or a rule of a federal department or agency adopted pursuant to the law if the law or rule conflicts with this article in regulating the payment of interest on deposits of public moneys by any of the following:

(a) Banks which are Federal Reserve System members or whose deposits are insured by the Federal Deposit Insurance Corporation.

(b) Savings associations or federal associations which are federal home loan bank members or whose deposits are insured by the Federal Savings and Loan Insurance Corporation.

(c) State or federal credit unions whose accounts are insured by the National Credit Union Share Insurance Fund or guaranteed by the California Credit Union Share Guaranty Corporation or insured or guaranteed pursuant to Section 14858 of the Financial Code, unless a member of the legislative body of a local agency, or any person with investment decision making authority of the administrative office, manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the state or federal credit union.

(d) A federally insured industrial loan company.

53648.5

Upon the removal by federal law of the conflicting federal law or rule the agreement between the treasurer or other authorized official and a depository may be terminated by either party.

53649

The treasurer is responsible for the safekeeping of money in his or her custody and shall enter into any contract with a depository relating to any deposit which in his or her judgment is to the public advantage. The depository, and the agent of depository to the extent the agent of depository has been notified of deposits and the amount thereof, are responsible for securing moneys deposited pursuant to such a contract in accordance with Section 53652. One copy of each contract shall be filed with the auditor, controller, secretary, or corresponding officer of the local agency. The contract shall:

(a) Fix the duration of deposits, if appropriate.

(b) Fix the interest rate, if any.

(c) Provide conditions for withdrawal and repayment.

(d) Provide for placement of pooled securities in a named agent of depository in accordance with Section 53656.

(e) Grant authority for agent of depository to place securities for safekeeping in accordance with Section 53659.

(f) Set forth in accordance with Section 53665 the conditions upon which the administrator shall order pooled securities converted into money for the benefit of the local agency, and the procedure therefor.

(g) Provide for compliance in all respects with the provisions of this article and other applicable provisions of law.

(h) Provide, upon notice to the treasurer from the administrator, that a treasurer may withdraw deposits in the event a depository fails to pay the assessments, fines, or penalties assessed by the administrator or may withdraw authorization for the placement of pooled securities in an agent of depository in the event that the agent of depository fails to pay the fines or penalties assessed by the administrator.

53651

Eligible securities are any of the following:

(a) United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations for which the faith and credit of the United States are pledged for the payment of principal and interest, including the guaranteed portions of small business administration loans, so long as the loans are obligations for which the faith and credit of the United States are pledged for the payment of principal and interest.

(b) Notes or bonds or any obligations of a local public agency (as defined in the United States Housing Act of 1949) or any obligations of a public housing agency (as defined in the United States Housing Act of 1937) for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Bonds of this state or of any local agency or district of the State of California having the power, without limit as to rate or amount, to levy taxes or assessments to pay the principal and interest of the bonds upon all property within its boundaries subject to taxation or assessment by the local agency or district, and in addition, limited obligation bonds pursuant to Article 4 (commencing with Section 50665) of Chapter 3 of Division 1, senior obligation bonds pursuant to Article 5 (commencing with Section 53387) of Chapter 2.7, and revenue bonds and other obligations payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state, local agency or district or by a department, board, agency or authority thereof.

(d) Bonds of any public housing agency (as defined in the United States Housing Act of 1937, as amended) as are secured by a pledge of annual contributions under an annual contribution contract between the public housing agency and the Public Housing Administration if such contract shall contain the covenant by the Public Housing Administration which is authorized by subsection (b) of Section 22 of the United States Housing Act of 1937, as amended, and if the maximum sum and the maximum period specified in the contract pursuant to that subsection 22(b) shall not be less than the annual amount and the period for payment which are requisite to provide for the payment when due of all installments of principal and interest on the obligations.

(e) Registered warrants of this state.

(f) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by the United States Postal Service, federal land banks or federal intermediate credit banks

established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, consolidated obligations of the federal home loan banks established under the Federal Home Loan Bank Act, bonds, debentures and other obligations of the Federal National Mortgage Association or of the Government National Mortgage Association established under the National Housing Act, as amended, bonds of any federal home loan bank established under that act, bonds, debentures and other obligations of the Federal Home Loan Mortgage Corporation established under the Emergency Home Finance Act of 1970, and obligations of the Tennessee Valley Authority.

(g) Notes, tax anticipation warrants or other evidence of indebtedness issued pursuant to Article 7 (commencing with Section 53820), Article 7.5 (commencing with Section 53840) or Article 7.6 (commencing with Section 53850) of this Chapter 4.

(h) State of California notes.

(i) Bonds, notes, certificates of indebtedness, warrants or other obligations issued by: (1) any state of the United States (except this state), or the Commonwealth of Puerto Rico, or any local agency thereof having the power to levy taxes, without limit as to rate or amount, to pay the principal and interest of such obligations, or (2) any state of the United States (except this state), or the Commonwealth of Puerto Rico, or a department, board, agency or authority thereof except bonds which provide for or are issued pursuant to a law which may contemplate a subsequent legislative appropriation as an assurance of the continued operation and solvency of the department, board, agency or authority but which does not constitute a valid and binding obligation for which the full faith and credit of such state or the Commonwealth of Puerto Rico are pledged, which are payable solely out of the revenues from a revenue-producing source owned, controlled or operated thereby; provided the obligations issued by an entity described in (1), above, are rated in one of the three highest grades, and such obligations issued by an entity described in (2), above, are rated in one of the two highest grades by a nationally recognized investment service organization that has been engaged regularly in rating state and municipal issues for a period of not less than five years.

(j) Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development, Inter-American Development Bank, the Government Development Bank of Puerto Rico, the Asian Development Bank, the International Finance Corporation, or the African Development Bank.

(k) Participation certificates of the Export-Import Bank of the United States.

(l) Bonds and notes of the California Housing Finance Agency issued pursuant to Chapter 7 (commencing with Section 51350) of Part 3 of Division 31 of the Health and Safety Code.

(m) Promissory notes secured by first mortgages and first trust deeds which comply with Section 53651.2.

(n) Any bonds, notes, warrants, or other evidences of indebtedness of a nonprofit corporation issued to finance the construction of a school building or school buildings pursuant to a lease or agreement with a school district entered into in compliance with the provisions of Section 39315 or 81345 of the Education Code, and also any bonds, notes, warrants or other evidences of indebtedness issued to refinance those bonds, notes, warrants, or other evidences of indebtedness as specified in Section 39317 of the Education Code.

(o) Any municipal securities, as defined by Section 3(a)(29) of the Securities Exchange Act of June 6, 1934, (15 u.s.c. Sec. 78, as amended), which are issued by this state or any local agency thereof.

(p) With the consent of the treasurer, letters of credit issued by the Federal Home Loan Bank of San Francisco which comply with Section 53651.6.

53651.2

(a) To be an eligible security under subdivision (m) of Section 53651, a promissory note placed in a securities pool on or after January 1, 1987, shall comply with all of the following provisions:

(1) Each promissory note shall be secured by a first mortgage or first trust deed on improved 1 to 4 unit residential real property located in California, shall be fully amortized over the term of the note, and shall have a term of no more than 30 years. Any first mortgage or first trust deed which secures a promissory note providing for negative amortization shall be removed from the securities pool and replaced with an eligible security under subdivision (m) of Section 53651 if the loan to value ratio exceeds 85 percent of the original appraised value of the security property as a consequence of negative amortization.

(2) Each promissory note shall be eligible for sale to the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation; provided, however, that up to 25 percent of the total dollar amount of any promissory note securities pool established pursuant to Section 53658 may consist of promissory notes with loan amounts which exceed the maximum amounts eligible for purchase by the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, but which do not exceed: (i) five hundred thousand dollars (\$500,000) in the case of a single family dwelling; (ii) one million dollars (\$1,000,000) in the case of a 2, 3, or 4 unit dwelling.

(b) The following shall not constitute eligible securities under subdivision (m) of Section 53651:

(1) Any promissory note on which any payment is more than 60 days past due.

(2) Any promissory note secured by a mortgage or deed of trust as to which there is a lien prior to the mortgage or deed of trust. For the purposes of this paragraph, no lien specified in Section 766 of the Financial Code shall be considered a prior encumbrance unless any installment or payment thereunder (other than a rental or royalty under a lease) is due and delinquent.

(3) Any promissory note secured by a mortgage or deed of trust as to which a notice of default has been recorded pursuant to Section 2924 of the Civil Code or an action has been commenced pursuant to Section 725a of the Code of Civil Procedure.

(c) The depository may exercise, enforce, or waive any right granted to it by the promissory note, mortgage, or deed of trust.

(d) For purposes of this article, the market value of a promissory note which is an eligible security under subdivision (m) of Section 53651, shall be determined in accordance with the regulations adopted by the Treasurer under paragraph (2) of subdivision (m) of Section 53651, as the regulations and statute were in effect on December 31, 1986. However, if and when regulations on the subject are adopted by the administrator, the market value shall be determined in accordance with those regulations of the administrator.

53651.4

(a) A depository that uses eligible securities of the class described in subdivision (m) of Section 53651 shall, within 90 days after the close of each calendar year or within a longer period as the administrator may specify, file with the administrator a report of an independent certified public accountant regarding compliance with this article and with regulations and orders issued by the administrator under this article with respect to eligible securities of that class. The report shall be based upon the audit, shall contain the information, and shall be in the form the administrator may prescribe. The depository shall provide a copy of the report to the treasurer on request.

(b) If a depository that is a state bank files with the administrator, not less than 90 days before the beginning of the calendar year, a notice that it elects to be examined by the administrator instead of filing a report of an independent certified public accountant under subdivision (a) for that calendar year, the

depository shall be exempt from subdivision (a) for that calendar year and shall for that calendar year be subject to examination by the administrator regarding compliance with this article and with regulations and orders under this article with respect to eligible securities of the class described in subdivision (m) of Section 53651. The administrator shall provide a report to a treasurer with deposits in the examined state bank upon request of the treasurer.

(c) A national bank may apply to the administrator to be examined, and the administrator, in his or her discretion, may examine a national bank for the purposes of satisfying the requirements of subdivision (a). The administrator shall provide a report to a treasurer with deposits in the examined national bank upon request of the treasurer.

(d) Whenever the administrator examines a depository pursuant to subdivision (b) or (c), the depository shall pay, within 30 days after receipt of a statement from the administrator, a fee of seventy-five dollars (\$75) per hour for each examiner engaged in the examination.

53651.6

(a) To be an eligible security under subdivision (p) of Section 53651, a letter of credit shall be in such form and shall contain such provisions as the administrator may prescribe, and shall include all of the following terms:

(1) The administrator shall be the beneficiary of the letter of credit.

(2) The letter of credit shall be clean and irrevocable and shall provide that the administrator may draw upon it up to the total amount in the event of the failure of the depository savings association or federal association or if the depository savings association or federal association refuses to permit the withdrawal of funds by a treasurer.

53652

To secure active or inactive deposits a depository shall at all times maintain with the agent of depository eligible securities in securities pools, pursuant to Sections 53656 and 53658, in the amounts specified in this section. Uncollected funds shall be excluded from the amount deposited in the depository when determining the security requirements for the deposits.

(a) Eligible securities, except eligible securities of the classes described in subdivisions (m) and (p) of Section 53651, shall have a market value of at least 10 percent in excess of the total amount of all deposits of a depository secured by the eligible securities.

(b) Eligible securities of the class described in subdivision (m) of Section 53651 shall have a market value at least 50 percent in excess of the total amount of all deposits of a depository secured by those eligible securities.

(c) Eligible securities of the class described in subdivision (p) of Section 53651 shall have a market value of at least 5 percent in excess of the total amount of all deposits of a depository secured by those eligible securities. For purposes of this article, the market value of a letter of credit which is an eligible security under subdivision (p) of Section 53651 shall be the amount of credit stated in the letter of credit.

53653

When in his or her discretion local conditions so warrant, the treasurer may waive security for the portion of any deposits as is insured pursuant to federal law, notwithstanding this article. For deposits equivalent to and not less than the maximum amount insured pursuant to federal law for which a treasurer has waived security under this section, a treasurer at his or her discretion may also waive security for the interest accrued on the deposits which, when added to the deposits, would cause the sum of the interest and deposits to exceed the maximum amount insured pursuant to federal law, provided that the interest is

computed by the depository on the average daily balance of the deposits, paid monthly and computed on a 360-day basis.

53654

(a) The depository may add securities to the pool or substitute securities of equal value for those in the pool at any time, but shall not interchange classes of security, as defined in Section 53632.5, without prior approval of the treasurer.

(b) Withdrawal of securities from the pool without replacement at equal value may be ordered only by two duly authorized officers or employees of the depository who satisfy the requirements as may be set by the administrator.

(c) The agent of depository is responsible for the safekeeping and disbursement of securities placed in its custody by a depository. It shall release securities only upon presentation by the depository of the most reasonably current statement of the total deposits subject to this article held by the depository, such statement to be verified and countersigned by two duly authorized officers, other than those who ordered the withdrawal of securities. A copy of this statement shall be forwarded to the administrator concurrently by the agent of depository.

53655

A placement of securities by a depository with an agent of depository pursuant to this article shall have the effect of perfecting a security interest in those securities in the local agencies having deposits in that depository notwithstanding provisions of the Uniform Commercial Code to the contrary and notwithstanding that the agent of depository may be the trust department of the depository.

53656

(a) At the time the treasurer enters into a contract with the depository pursuant to Section 53649, he or she shall authorize the agent of depository designated by the depository, but including the trust department of the depository only when acceptable to both the treasurer and the depository, to hold securities of the depository in accordance with this article to secure the deposit of the local agency.

(b) Only those trust companies and trust departments, or the Federal Home Loan Bank of San Francisco, which have been authorized by the administrator pursuant to Section 53657 shall be authorized by treasurers to act as agents of depository.

(c) The securities are subject to order of the depository in accordance with Section 53654 except when the provisions of subdivision (i) of Section 53661 and Section 53665 are in effect.

(d) An agent of depository shall not release any security held to secure a local agency deposit in a depository unless the administrator issues an order authorizing the release where either of the following occurs:

(1) A state or federal regulatory agency has taken possession of the depository.

(2) A conservator, receiver, or other legal custodian has been appointed for the depository.

53657

(a) No person shall act as an agent of depository unless that person is a trust company located in this state, the trust department of a bank located in this state, or the Federal Home Loan Bank of San Francisco, and is authorized by the administrator to act as an agent of depository.

(b)(1) An application for authorization shall be in such form, shall contain such information, shall be signed in such manner, and shall (if the administrator so requires) be verified in such manner, as the administrator may prescribe.

(2) The fee for filing an application for authorization with the administrator shall be five hundred dollars (\$500).

(3) If the administrator finds, with respect to an application for authorization, that the applicant is competent to act as an agent of depository and that it is reasonable to believe the applicant will comply with all applicable provisions of this article and of any regulation or order issued under this article, the administrator shall approve the application. If the administrator finds otherwise, the administrator shall deny the application.

(4) When an application for authorization has been approved, the applicant shall file with the administrator an agreement to comply with all applicable provisions of this article and of any regulation or order issued under this article. The agreement shall be in such form, shall contain such provisions, and shall be signed in such manner as the administrator may prescribe.

(5) When an application for authorization has been approved, the applicant has complied with paragraph (4), and all conditions precedent to authorizing the applicant to act as agent of depository have been fulfilled, the administrator shall authorize the applicant to act as agent of depository.

53658

An agent of a depository may hold and pool securities to secure deposits for one or more depositories pursuant to Section 53656, but shall maintain a separate pool for each said depository. Each local agency shall have an undivided security interest in the pooled securities in the proportion that the amount of its deposits bears to the total amount of deposits secured by the pooled securities.

53659

Whenever an agent of depository accepts securities pursuant to Section 53656 it may, with the authorization of the depository, place such securities for safekeeping with a Federal Reserve Bank or branch thereof or with any bank located in a city designated as a reserve city by the Board of Governors of the Federal Reserve System or with the Federal Home Loan Bank of San Francisco or with a trust company located in this state. Authority for such placement together with the names of the banks or, including the Federal Home Loan Bank of San Francisco, trust companies to be so used, shall be contained in the contract between the treasurer and the depository required in Section 53649.

53660

When deposits of a local agency are secured by pooled securities pursuant to Section 53656, the agent of depository shall make available to the treasurer for review at a mutually agreed upon time and location all of the following information which may be in the form of a copy of the report required in subdivision (e) of Section 53661:

(a) A certification that there are securities in the pool in the amounts required by Section 53652 to secure deposits.

(b) A certified report of the individual securities then on deposit in the pool with the location and total market value thereof.

(c) The total amount of deposits then reported by the depository to be secured by the pool.

(a) The Commissioner of Business Oversight shall act as Administrator of Local Agency Security and shall be responsible for the administration of Sections 53638, 53651, 53651.2, 53651.4, 53651.6, 53652, 53654, 53655, 53656, 53657, 53658, 53659, 53660, 53661, 53663, 53664, 53665, 53666, and 53667.

(b) The administrator shall have the powers necessary or convenient to administer and enforce the sections specified in subdivision (a).

(c)(1) The administrator shall issue regulations consistent with law as the administrator may deem necessary or advisable in executing the powers, duties, and responsibilities assigned by this article. The regulations may include regulations prescribing standards for the valuation, marketability, and liquidity of the eligible securities of the class described in subdivision (m) of Section 53651, regulations prescribing procedures and documentation for adding, withdrawing, substituting, and holding pooled securities, and regulations prescribing the form, content, and execution of any application, report, or other document called for in any of the sections specified in subdivision (a) or in any regulation or order issued under any of those sections.

(2) The administrator, for good cause, may waive any provision of any regulation adopted pursuant to paragraph (1) or any order issued under this article, where the provision is not necessary in the public interest.

(d) The administrator may enter into any contracts or agreements as may be necessary, including joint underwriting agreements, to sell or liquidate eligible securities securing local agency deposits in the event of the failure of the depository or if the depository fails to pay all or part of the deposits of a local agency.

(e) The administrator shall require from every depository a report certified by the agent of depository listing all securities, and the market value thereof, which are securing local agency deposits together with the total deposits then secured by the pool, to determine whether there is compliance with Section 53652. These reports may be required whenever deemed necessary by the administrator, but shall be required at least four times each year at the times designated by the Comptroller of the Currency for reports from national banking associations. These reports shall be filed in the office of the administrator by the depository within 20 business days of the date the administrator calls for the report.

(f) The administrator may have access to reports of examination made by the Comptroller of the Currency insofar as the reports relate to national banking association trust department activities which are subject to this article.

(g)(1) The administrator shall require the immediate substitution of an eligible security, where the substitution is necessary for compliance with Section 53652, if (i) the administrator determines that a security listed in Section 53651 is not qualified to secure public deposits, or (ii) a treasurer, who has deposits secured by the securities pool, provides written notice to the administrator and the administrator confirms that a security in the pool is not qualified to secure public deposits.

(2) The failure of a depository to substitute securities, where the administrator has required the substitution, shall be reported by the administrator promptly to those treasurers having money on deposit in that depository and, in addition, shall be reported as follows:

(A) When that depository is a national bank, to the Comptroller of the Currency of the United States.

(B) When that depository is a state bank, to the Commissioner of Business Oversight.

(C) When that depository is a federal association, to the Office of the Comptroller of the Currency.

(D) When that depository is a savings association, to the Commissioner of Business Oversight.

(E) When that depository is a federal credit union, to the National Credit Union Administration.

(F) When that depository is a state credit union or a federally insured industrial loan company, to the Commissioner of Business Oversight.

(h) The administrator may require from each treasurer a registration report and at appropriate times a report stating the amount and location of each deposit together with other information deemed necessary by the administrator for effective operation of this article. The facts recited in any report from a treasurer to the administrator are conclusively presumed to be true for the single purpose of the administrator fulfilling responsibilities assigned to him or her by this article and for no other purpose.

(i)(1) If, after notice and opportunity for hearing, the administrator finds that any depository or agent of depository has violated or is violating, or that there is reasonable cause to believe that any depository or agent of depository is about to violate, any of the sections specified in subdivision (a) or any regulation or order issued under any of those sections, the administrator may order the depository or agent of depository to cease and desist from the violation or may by order suspend or revoke the authorization of the agent of depository. The order may require the depository or agent of depository to take affirmative action to correct any condition resulting from the violation.

(2)(A) If the administrator makes any of the findings set forth in paragraph (1) with respect to any depository or agent of depository and, in addition, finds that the violation or the continuation of the violation is likely to seriously prejudice the interests of treasurers, the administrator may order the depository or agent of depository to cease and desist from the violation or may suspend or revoke the authorization of the agent of depository. The order may require the depository or agent of depository to take affirmative action to correct any condition resulting from the violation.

(B) Within five business days after an order is issued under subparagraph (a), the depository or agent of depository may file with the administrator an application for a hearing on the order. The administrator shall schedule a hearing at least 30 days, but not more than 40 days, after receipt of an application for a hearing or within a shorter or longer period of time agreed to by a depository or an agent of depository. If the administrator fails to schedule the hearing within the specified or agreed to time period, the order shall be deemed rescinded. Within 30 days after the hearing, the administrator shall affirm, modify, or rescind the order; otherwise, the order shall be deemed rescinded. The right of a depository or agent of depository to which an order is issued under subparagraph (a) to petition for judicial review of the order shall not be affected by the failure of the depository or agent of depository to apply to the administrator for a hearing on the order pursuant to this subparagraph.

(3) Whenever the administrator issues a cease and desist order under paragraph (1) or (2), the administrator may in the order restrict the right of the depository to withdraw securities from a security pool; and, in that event, both the depository to which the order is directed and the agent of depository which holds the security pool shall comply with the restriction.

(4) In case the administrator issues an order under paragraph (1) or (2) suspending or revoking the authorization of an agent of depository, the administrator may order the agent of depository at its own expense to transfer all pooled securities held by it to such agent of depository as the administrator may designate in the order. The agent of depository designated in the order shall accept and hold the pooled securities in accordance with this article and regulations and orders issued under this article.

(j) In the discretion of the administrator, whenever it appears to the administrator that any person has violated or is violating, or that there is reasonable cause to believe that any person is about to violate, any of the sections specified in subdivision (a) or any regulation or order issued thereunder, the administrator may bring an action in the name of the people of the State of California in the superior court to enjoin the violation or to enforce compliance with those sections or any regulation or order issued thereunder. Upon a proper showing a permanent or preliminary injunction, restraining order, or writ of mandate shall be granted, and the court may not require the administrator to post a bond.

(k) In addition to other remedies, the administrator shall have the power and authority to impose the following sanctions for noncompliance with the sections specified in subdivision (a) after a hearing if

requested by the party deemed in noncompliance. Any fine assessed pursuant to this subdivision shall be paid within 30 days after receipt of the assessment.

(1) Assess against and collect from a depository a fine not to exceed two hundred fifty dollars (\$250) for each day the depository fails to maintain with the agent of depository securities as required by Section 53652.

(2) Assess against and collect from a depository a fine not to exceed one hundred dollars (\$100) for each day beyond the time period specified in subdivision (b) of Section 53663 the depository negligently or willfully fails to file in the office of the administrator a written report required by that section.

(3) Assess against and collect from a depository a fine not to exceed one hundred dollars (\$100) for each day beyond the time period specified in subdivision (e) that a depository negligently or willfully fails to file in the office of the administrator a written report required by that subdivision.

(4) Assess and collect from an agent of depository a fine not to exceed one hundred dollars (\$100) for each day the agent of depository fails to comply with any of the applicable sections specified in subdivision (a) or any applicable regulation or order issued thereunder.

(l)(1) In the event that a depository or agent of depository fails to pay a fine assessed by the administrator pursuant to subdivision (k) within 30 days of receipt of the assessment, the administrator may assess and collect an additional penalty of 5 percent of the fine for each month or part thereof that the payment is delinquent.

(2) If a depository fails to pay the fines or penalties assessed by the administrator, the administrator may notify local agency treasurers with deposits in the depository.

(3) If an agent of depository fails to pay the fines or penalties assessed by the administrator, the administrator may notify local agency treasurers who have authorized the agent of depository as provided in Sections 53649 and 53656, and may by order revoke the authorization of the agent of depository as provided in subdivision (i).

(m) The amendments to this section enacted by the Legislature during the 1999–2000 Regular Session shall become operative on January 1, 2001.

53663

(a) Each agent of depository shall report in writing to the administrator within two business days after any withdrawal, substitution or addition of pooled securities and shall state the name and market value of the securities withdrawn, substituted or added together with the total deposits then secured by the pool. This information shall be available from the administrator to the treasurer upon request.

(b) Each depository shall report in writing to the administrator weekly, giving the total amount of all deposits held by the depository pursuant to this article. The report shall be as of close of business on Wednesday of each week and shall be delivered to the office of the administrator, deposited in the United States mail, postage prepaid, or delivered electronically via email, or other electronic means approved by the administrator, addressed to the office of the administrator, within five business days. Where there has occurred no change in the deposits required to be held by the depository pursuant to this article, the report required by this subdivision need only state that fact.

53664

The individual reports specified in Sections 53654, 53660, 53661, and 53663 are not public documents and are not open to inspection by the public.

53665

If a depository fails to pay all or part of the deposits of a local agency secured by pooled securities in accordance with the contract provided for in Section 53649, and on demand of its treasurer or other authorized official and the treasurer files a report with the administrator, or if the depository fails:

(a) In case the pooled securities consist of securities other than securities of the class described in subdivision (p) of Section 53651, the administrator shall order the agent of depository holding the pooled securities to convert into money that portion of the pooled securities necessary to produce an amount equal to the sum of (i) the deposits of the local agency, (ii) any accrued interest due on the deposits, and (iii) the reasonable expenses of the agent of depository in complying with the order of the administrator and to pay the sum of items (i) and (ii) to the treasurer in satisfaction of the deposits. The agent of depository shall be reimbursed out of the proceeds of the conversion for its reasonable expenses in complying with the order of the administrator, as approved by the administrator. Any excess moneys resulting from the conversion shall be retained by the agent of depository as part of the securities pool until the depository substitutes for the excess moneys securities having a market value sufficient to bring the total of pooled securities up to the amount required by Section 53652.

(b) In case the pooled securities consist of a security of the class described in subdivision (p) of Section 53651, the administrator shall draw on the letter of credit an amount equal to the sum of (i) the deposits of the local agency, (ii) any accrued interest on the deposits, and (iii) the reasonable expenses of the administrator in paying the deposits and pay the sum of items (i) and (ii) to the treasurer in satisfaction of the deposits.

53666

The only liability that shall attach to the administrator as the result of the operation of this article is that which would attach as a result of other laws of this state.

53667

(a) Expenses incurred by the administrator in carrying out the duties and responsibilities assigned to the administrator by the sections specified in subdivision (a) of Section 53661, shall be borne by the Local Agency Deposit Security Fund, which is hereby created and continuously appropriated to the administrator for the administration of the sections specified in subdivision (a) of Section 53661. This fund shall consist of fines levied pursuant to Section 53661, fees collected pursuant to the sections specified in subdivision (a) of Section 53661, and assessments levied pursuant to this section.

(b) Each fiscal year the administrator shall levy an assessment on a pro rata basis on those depositories which at any time during the preceding fiscal year held local agency deposits. The total assessment levied on all of those depositories shall be in an amount which, when added to the amount of fines and fees that the administrator estimates will be collected during the fiscal year when the assessment is levied, is sufficient in the judgment of the administrator to meet the expenses of the administrator in administering the sections specified in subdivision (a) of Section 53661 and to provide a reasonable reserve for contingencies. The basis of the apportionment of the assessment among the depositories assessed shall be the proportion that the average amount of local agency deposits held by each of those depositories bears to the average total amount of local agency deposits held by all of those depositories as shown by the reports of depositories to the administrator for the preceding fiscal year, as required in subdivision (e) of Section 53661; provided, however, that the amount of the assessment levied on each of those depositories shall be not less than twenty-five dollars (\$25).

(c) The administrator shall notify each depository by mail of the amount levied against it. The depository shall pay the amount levied within 20 days after such notice into the Local Agency Deposit Security Fund for the administration of the sections specified in subdivision (a) of Section 53661. If payment is not made to the administrator within such time, the administrator shall assess and collect, in addition to the annual assessment, a penalty of 5 percent of the assessment for each month or part thereof that the payment is

delinquent. If a depository fails to pay the assessment or penalties assessed by the administrator, the administrator may notify local agency treasurers with deposits in the depository.

53669

The treasurer or other authorized official is not responsible for money while it is deposited pursuant to this article.

53676

The treasurer is not responsible for securities delivered to and receipted for by any bank, savings and loan association, credit union, federally insured industrial loan company, or trust company.

53678

The charges for the handling and safekeeping of any such securities are not a charge against the treasurer but shall be paid by the depository owning the securities.

53679

So far as possible, all money belonging to a local agency under the control of any of its officers or employees other than the treasurer shall, and money deposited as bail coming into the possession of a judge or officer of a superior court may, be deposited as active deposits in the state or national bank, inactive deposits in the state or national bank or state or federal association, federal or state credit union, or federally insured industrial loan company in this state selected by the officer, employee, or judge of the court. For purposes of this section, an officer or employee of a local agency and a judge or officer of a superior court are prohibited from depositing local agency funds or money coming into their possession into a state or federal credit union if an officer or employee of the local agency, or a judge or officer of a superior court, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the particular state or federal credit union. That money is subject to this article except:

(a) Deposits in an amount less than that insured pursuant to federal law are not subject to this article.

For deposits in excess of the amount insured under any federal law a contract in accordance with Section 53649 is required and the provisions of this article shall apply.

(b) Interest is not required on money deposited in an active deposit by a judge or officer of a superior court.

(c) Interest is not required on money deposited in an active deposit by an officer having control of a revolving fund created pursuant to Chapter 2 (commencing with Section 29300) of Division 3 of Title 3.

(d) Interest is not required on money deposited in an active deposit by an officer having control of a special fund established pursuant to Article 5 (commencing with Section 29400) or Article 6 (commencing with Section 29430) of Chapter 2 of Division 3 of Title 3.

53679.1

Notwithstanding any other provision of law, the accounting practices of each county utilized prior to the effective date of this section relating to interest on trust funds shall be deemed appropriate and to have been made under the direction of the board of supervisors of that county. This section is declaratory of the law in existence prior to the enactment of this section.

53680

A tax collector of a local agency shall immediately deposit with the treasurer all money under his control, unless he deposits the money in a depository pursuant to this article under permission and instructions of the treasurer having authority to make such deposit.

53681

An officer or employee of a local agency who deposits money belonging to, or in the custody of, the local agency in any other manner than that prescribed in this article is subject to forfeiture of his office or employment.

53682

Notwithstanding any other provision in this article except Section 53652, the treasurer may deposit moneys in and enter into contracts with any depository, as defined in subdivision (c) of Section 53630, for services to be rendered by that depository that in the treasurer's judgment are to the public advantage. One copy of each contract entered into under this section shall be filed with the auditor or corresponding officer of the local agency. The contract shall:

- (a) Fix the duration of compensating deposits, if any.
- (b) Fix the interest rate of that compensating deposit, if any.
- (c) Specify the services to be rendered by the depository.
- (d) Indicate whether the depository shall bear the expenses of transportation of the money to and from the depository.
- (e) Fix the consideration payable by the agency for such services.
- (f) Specify who may deposit moneys into the treasurer's active account and how those persons are to make those deposits.

53683

Notwithstanding any other provision in this article, the consideration payable by the agency as specified in subdivision (e) of Section 53682 shall be paid by the treasurer by applying such consideration as costs applied on a pro rata basis against the interest earned by all the agencies for which the treasurer invests.

53684

(a) Unless otherwise provided by law, if the treasurer of any local agency, or other official responsible for the funds of the local agency, determines that the local agency has excess funds which are not required for immediate use, the treasurer or other official may, upon the adoption of a resolution by the legislative or governing body of the local agency authorizing the investment of funds pursuant to this section and with the consent of the county treasurer, deposit the excess funds in the county treasury for the purpose of investment by the county treasurer pursuant to Section 53601 or 53635, or Section 20822 of the Revenue and Taxation Code.

(b) The county treasurer shall, at least quarterly, apportion any interest or other increment derived from the investment of funds pursuant to this section in an amount proportionate to the average daily balance of the amounts deposited by the local agency and to the total average daily balance of deposits in the investment pool. In apportioning and distributing that interest or increment, the county treasurer may use the cash method, the accrual method, or any other method in accordance with generally accepted accounting principles. Prior to distributing that interest or increment, the county treasurer may deduct the

actual costs incurred by the county in administering this section in proportion to the average daily balance of the amounts deposited by the local agency and to the total average daily balance of deposits in the investment pool.

(c) The county treasurer shall disclose to each local agency that invests funds pursuant to this section the method of accounting used, whether cash, accrual, or other, and shall notify each local agency of any proposed changes in the accounting method at least 30 days prior to the date on which the proposed changes take effect.

(d) The treasurer or other official responsible for the funds of the local agency may withdraw the funds of the local agency pursuant to the procedure specified in Section 27136.

(e) Any moneys deposited in the county treasury for investment pursuant to this section are not subject to impoundment or seizure by any county official or agency while the funds are so deposited.

(f) This section is not operative in any county until the board of supervisors of the county, by majority vote, adopts a resolution making this section operative in the county.

(g) It is the intent of the Legislature in enacting this section to provide an alternative procedure to Section 51301 for local agencies to deposit money in the county treasury for investment purposes. Nothing in this section shall, therefore, be construed as a limitation on the authority of a county and a city to contract for the county treasurer to perform treasury functions for a city pursuant to Section 51301.

53686

(a) Any audit conducted relating to the investment of local agency funds and other funds by the county treasurer in the county fund maintained pursuant to Section 53684 shall be rendered to the depository, the auditor, the controller, the secretary, or the corresponding officer of the local agency, the treasurer or other official responsible for the funds of any local agency that has funds on deposit in the county treasury, and the presiding judge of any superior court that has ordered, pursuant to Section 3412, Section 3413, or Section 3611 of the Probate Code, that assets of an estate be deposited with the county treasurer for deposit or investment.

(b) Any report rendered pursuant to Section 53646 shall be provided to the treasurer or other official responsible for the funds of any local agency that has funds on deposit in the county treasury.

GOVERNMENT CODE SECTION 53820 – 53821.5

53820

As used in this article, “local agency” means county, city, regional park district, school district, community college district, or any other municipal or public corporation or district.

53821.

Subsequent to approval of the final budget and levy of taxes, if funds are needed for the immediate requirements of a local agency in any fiscal year to pay obligations lawfully incurred in the fiscal year and before the receipt of income for the fiscal year sufficient to meet the payments, money may be borrowed by:

(a) The legislative body of a county on the recommendation of the auditor and treasurer.

(b) The legislative body of the county having the largest area within the regional park district on the recommendation of the auditor and treasurer.

(c) A school district, county board of education, or community college district on the request of two-thirds of the members of its governing board, approved by the county auditor and treasurer.

(d) A regional park district on the request of four-fifths of the members of its legislative body, approved by the auditor and treasurer of the county having the largest area within the district.

(e) The legislative body of a city on the recommendation of the city treasurer and chief accounting officer.

(f) The legislative body of any other municipal or public corporation or district on the recommendation of the officers performing the functions of auditor and treasurer.

53821.5

Proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes.

GOVERNMENT CODE SECTION 53840-53841.5

53840

It is hereby declared the intention of the Legislature by the enactment of this article to provide an alternative procedure under which short term loans may be procured by those counties in which the board of supervisors has declared it to be county policy to make advances of current operating requirements to subsidiary political subdivisions required by law to deposit their funds in the county treasury as such advances are authorized by the provisions of Section 25 of Article XIII of the State Constitution. In any such county the board of supervisors, upon recommendation of the county treasurer with the approval of the county auditor, may borrow on July 1st or thereafter such amounts as may be required to meet current obligations payable by the county treasury, pending collection of the revenue provided for the year in progress. Amounts so borrowed shall be evidenced by notes signed by the chairman of the board of supervisors, the county auditor and the county treasurer, and the liability created thereby shall be secured by a lien on all revenue to accrue to the county treasury from any source during the year then in progress.

53841

Any amounts borrowed by a county as provided in the preceding section shall not exceed 85 percent of the total of taxes levied for all purposes on said county's tax roll for the next preceding fiscal year, and at no time during the year for which borrowed shall the unpaid total of the amounts so borrowed as shown by the auditor's accounts at the close of any month be allowed to remain at more than 85 percent of the uncollected balance of taxes for the current year as shown by said accounts.

53841.5

Proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes.

GOVERNMENT CODE SECTION 53850-53851.5

53850

(a) As used in this article, "local agency" means a county, city and county, city, school district of any type, community college district, county board of education, or any other municipal or public corporation or district.

(b) For purposes of this article only, "local agency" also includes a charter school. This subdivision does not make a charter school a local agency for any purpose other than for this article.

53851

The powers conferred by this article are in addition to and an alternative to any power conferred by any other law for borrowing by a local agency and any amount borrowed hereunder shall not be considered in any limitation on the amount which may be borrowed by any such local agency under any other law.

53852

On or after the first day of any fiscal year a local agency may borrow money pursuant to this article, the indebtedness to be represented by a note or notes issued to the lender pursuant to this article. The money borrowed may be used and expended by the local agency for any purpose for which the local agency is authorized to use and expend moneys, including but not limited to current expenses, capital expenditures, investment and reinvestment, and the discharge of any obligation or indebtedness of the local agency.

53852.5

Proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes.

53859

As used in this article: (a) "local agency" means county, city and county, city, school district, community college district, or any other municipal or public corporation or district.

(b) "Grant anticipation note" means a note issued upon the security of specified accounts receivable from state or federal governments, including, without limitation, grants, loans, or a combination of both, for which funds have been appropriated and committed to a local agency.

(c) "Loan" includes, but is not limited to, a borrowing by a local agency represented or to be represented by bonds of a local agency.

53859.01

The powers conferred by this article are in addition to and alternative to any powers conferred by any other law for borrowing by a local agency and any amount borrowed hereunder shall not be considered in any limitation on the amount which may be borrowed by any such local agency under any other law.

53859.02

(a) A local agency may borrow money pursuant to this article, the indebtedness to be represented by a grant anticipation note or notes issued to the lender pursuant to this article. The money borrowed may be used and expended by the local agency solely for the purpose for which the grant or loan is to be received.

(b) Proceeds of sales or funds set aside for the repayment of any notes issued pursuant to this article shall not be invested for a term that exceeds the term of the notes.

Source: California Government Codes

APPENDIX "H"

GLOSSARY OF INVESTMENT TERMS

ACCRUED INTEREST. The amount of interest that is earned but unpaid since the last interest payment date.

ADJUSTABLE RATE NOTE. (See Floating Rate Note)

AMORTIZED COST. Measure of the cost of a security whereby the cost value will change over time as the discount or premium paid for the security is gradually incorporated into the principal value as interest payments are received.

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

ASSET-BACKED SECURITIES. Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

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 highly liquid draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BASIS POINT. When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

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

BID PRICE. The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer Price.

BOOK ENTRY. The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE. The original cost of the investment, plus accrued interest and amortization of any premium or discount.

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

BULLET STRUCTURE. A portfolio strategy in which a manager overweights both the short and long end of the yield curve, and underweights the middle part of the curve.

CALLABLE BONDS. Bonds which may be redeemed by the issuing company prior to the maturity date.

CAPITAL GAIN/LOSS. The profit or loss realized from the sale of a capital asset.

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

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds which redistribute the cash flows of mortgage securities (and whole loans) to create securities which have different levels of prepayment risk, as compared to the underlying mortgage securities

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). The official annual financial report for the District. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

CONDITIONAL PREPAYMENT RATE (CPR). A measure of mortgage prepayment activity. It assumes that a constant fraction of the principal prepays each month and is based on the previous month's remaining balance. The rate is expressed as an annualized percentage. For instance, a CPR of 6% indicates that each month 6% of the remaining principal balance prepays on an annualized basis.

CONSUMER RECEIVABLE-BACKED BONDS. (See Receivable-Backed Securities)

CONVEXITY. The rate of change in a bond's price as duration changes. It is a particularly important component of price change for longer term bonds, or for large changes in interest rates.

COST YIELD. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

COUPON. (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest on a payment date.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN. A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER. A dealer, as opposed to a broker, acts as a principal in security transactions buying and selling securities for his own account.

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

DELIVERY VERSUS PAYMENT (DVP). Delivery of securities with a simultaneous exchange of money for the securities.

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 securities offering independent returns to avoid excessive exposure to any one source of risk.

DOLLAR-WEIGHTED AVERAGE MATURITY. A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size of that investment.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration and effective duration).

EFFECTIVE DURATION. Measures the price volatility of a fixed income security that contains embedded options. A more accurate measure of price volatility when the cash flow characteristics of the bond change when interest rates shift.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC). A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

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

FEDERAL OPEN MARKET COMMITTEE (FOMC). A committee of the Federal Reserve Board which sets Federal Reserve guidelines regarding purchases and sales of Government Securities, and establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

FEDERAL RESERVE SYSTEM. The central banking system of the U.S. created by Congress, which has supervisory powers over the 12 Federal Reserve regional banks and about 6,000 member banks.

FIXED-INCOME SECURITIES. Securities which return a fixed income over a specified period.

FLOATING RATE NOTE. A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

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

LADDER STRUCTURE. A portfolio strategy in which a manager attempts to weight securities equally across the yield curve.

LEVERAGE. Borrowing funds in order to invest in securities which 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 without a substantial loss of value.

LOCAL AGENCY. County, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

LOCAL AGENCY INVESTMENT FUND (LAIF). The LAIF is an investment alternative for California's local government and special districts authorized under Sections 16429.1, 2, and 3, of the California Government Code (the "Code"). The LAIF is managed by the State Treasurer's Office, with oversight by the Local Agency Investment Advisory Board. All securities in LAIF are purchased under the authority of Code Sections 16430 and 16480.4. The State Treasurer's Office

receives all securities on a delivery versus payment basis using a third party custodian. All securities are purchased at market, with market valuation conducted monthly.

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

MARK-TO-MARKET. The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

MARKET VALUE. The price at which a security can be traded (i.e., purchased or sold).

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

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

MEDIUM TERM NOTES (MTN). Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term notes" refers to the time it takes for an obligation to mature, and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five year maturity range. MTNs issued by banks are also called "bank notes."

MODIFIED DURATION. Measures the percentage price volatility of a fixed income security or portfolio. Modified duration approximates the change in price for small changes in interest rates, assuming that the cash flow characteristics do not change when the yield curve shifts.

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

MORTGAGE PASS THROUGH SECURITIES. Securities collateralized with residential mortgage loans, the principal and interest payments of which are distributed, or "passed-through" to the investor. Many of these securities are issued by agencies of the federal government, including GNMA and FHLMC.

MONEY MARKET MUTUAL FUNDS. An investment company that pools money from investors and invest in a variety of short-term money market instruments. The Net Asset Value (NAV) of these funds should remain at \$1.00; however, it is not guaranteed.

MOODY'S INVESTORS SERVICE, INC. (See Nationally Recognized Rating Services)

MUNICIPAL DEBT. Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED RATING SERVICES. Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc.; Fitch Investors Service; Duff & Phelps Investment Service; Thompson BankWatch and International Bank Credit Analyst.

NEGATIVE CONVEXITY. A phenomenon associated with bonds which have embedded call options, it measures the rate at which duration of a callable bond gets smaller as interest rates fall. Negative convexity is an undesirable characteristic in bonds.

NEGOTIABLE CD. (See Certificates of Deposit)

NET ASSET VALUE (NAV). A per-share valuation of a mutual fund based on total assets minus total liabilities.

NON-CALLABLE. Bond that is exempt from any kind of redemption for a stated time period.

OFFER PRICE. The price asked by a seller of securities.

OPTION ADJUSTED SPREAD. A measure of the value of a bond relative to a benchmark security, which takes into account the value of the embedded option inherent in any bond that has uncertain cash flows (i.e., callable bonds).

ORANGE COUNTY TREASURER'S MONEY MARKET COMMINGLED INVESTMENT POOL (OCCIP). A money market investment pool consisting of funds deposited by various entities required to do so by statute, as well as those entities voluntarily depositing monies in accordance with California Government Code Section 53684. The OCCIP is managed by the Orange County Treasurer's Office, with oversight by the Orange County Treasury Advisory Committee.

PAR VALUE. The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

PHYSICAL DELIVERY. The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO. A collection of securities held by an investor.

PRICE RISK. The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

PRIMARY DEALER. A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight.

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

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

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

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."

PRIME RATE. The interest rate banks charge the biggest borrowers with the best credit ratings.

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

PSA MASTER REPURCHASE AGREEMENT. A written contract covering all future transactions between the parties to repurchase agreements that establishes each party's rights in the transactions.

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

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

RECEIVABLE-BACKED SECURITIES. Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASS-THROUGH CERTIFICATE. A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

REGISTERED STATE WARRANT. A short-term obligation of a state governmental body issued in anticipation of revenue.

REINVESTMENT RISK. The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENT (RP OR REPO). The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities at a later date at a specified price that includes interest for the buyer's holding period. In essence, this is a collateralized investment whereby the security "buyer" lends the "seller" money for the period of the agreement.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO). A short-term transaction in which an investor (seller) sells a government security it owns to a bank or dealer (buyer) under an agreement in which the buyer agrees to sell the security back to the investor on a specified date, at an agreed-upon interest rate.

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD. Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

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

SCENARIO ANALYSIS. A portfolio management technique that measures the performance of the portfolio under varying scenarios including, but not limited to, interest rate movements, spread changes and nonparallel yield curve shifts.

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

SECURITIES & EXCHANGE COMMISSION (SEC). The federal agency responsible for supervising and regulating the securities industry.

SECURITIES LENDING AGREEMENT. An agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

SEC RULE 15c3-1. Uniform Net Capital Rule.

STANDARD & POOR'S CORPORATION. (See Nationally Recognized Rating Services)

STANDARD PREPAYMENT MODEL (TBMA). A measure of mortgage prepayment activity. The model is expressed as a monthly series of annual prepayment rates. The series begins at .2% per year in the first month, and increases by .2% per year in each successive month until month 30, where

it levels out at 6% per year until maturity. This series is labeled 100 PSA. 200 PSA doubles this series, and 50 PSA would cut the series in half.

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.

THE BOND MARKET ASSOCIATION (TBMA). A trade association representing more than 260 securities firms and banks that underwrite, trade and sell debt securities. The TBMA, formerly known as the Public Securities Association, provides a forum through which industry professionals can respond to current issues and foster improvements in the legislative, regulatory, educational and market practices in the bond market.

THIRD-PARTY CUSTODIAL AGREEMENT. (See Custodian)

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

TRADE DATE. The date and time corresponding to an investor's commitment to buy or sell a security.

U. S. GOVERNMENT AGENCY SECURITIES. Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB); Federal Home Loan Mortgage Corporation (FHLMC, or "Freddie Mac"); Federal National Mortgage Association (FNMA, or "Fannie Mae"); Federal Farm Credit Banks (FFCB); Resolution Trust Corporation (RTC); and Tennessee Valley Authority (TVA).

U.S. TREASURY SECURITIES. 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 U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury Bills. Non-interest-bearing discount securities with maturities under one year issued by the U. S. Treasury to finance the national debt.

Treasury Notes. Interest-bearing obligations of the U. S. Treasury with maturities ranging from two to ten years from date of issue.

Treasury Bonds. Interest-bearing obligations issued by the U. S. Treasury with maturities that range from ten to thirty years from date of issue.

UNIFORM NET CAPITAL RULE. Requirement of the Securities and Exchange Commission that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*.

VARIABLE RATE NOTE. (See Floating Rate Note)

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

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

Yield to maturity (at market). The discount rate that equates the present value of the promised cash flow (interest payments and redemption value) to the market price, assuming that all cash flows are invested at the YTM rate.

Yield to maturity (at purchase cost). The YTM that equates to the purchase price of the security.

YIELD. The annual rate of return on a debt investment computed as though held to maturity expressed in %.

ZERO-COUPON BONDS/U.S. TREASURY STRIPS. A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. "Zeros" or "strips" mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.



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