DISCOVERY CLEAN WATER ALLIANCE

RESOLUTION NO. 2025 – 02

A RESOLUTION OF DISCOVERY CLEAN WATER ALLIANCE, ADOPTING THE INVESTMENT POLICY OF THE ALLIANCE; AND REPEALING RESOLUTION NO. 2023-01.

WHEREAS, the Board of Directors has determined after due consideration that it is in the best interest of the Alliance to approve the Investment Policy attached to this resolution and repeal Resolution 2023-01, as proposed; now, therefore

BE IT RESOLVED by the Board of Directors of the Discovery Clean Water Alliance as follows:

Section 1. Investment Policy Adopted. The Investment Policy attached to this resolution is hereby approved and adopted.

Section 2. Repeal. Resolution 2023-01 is repealed.

Section 3. Effective Date. This resolution takes effect from and after its adoption.

ADOPTED by the Board of Directors of Discovery Clean Water Alliance at a regular meeting held on December 19, 2025.

DISCOVERY CLEAN WATER ALLIANCE



Chair, Board of Directors

Discovery Clean Water Alliance

Investment Policy

Resolution #2025-02

Effective: 12/19/2025

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1. Introduction

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

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

2. Governing Authority

The Discovery Clean Water Alliance's investment authority is derived from Chapter 39.106 RCW. The investment program shall be operated in conformance with applicable state and federal law..

Pursuant to the Alliance Administrative Lead Agreement with Clark Regional Wastewater District (District), the District serves as the Alliance Treasurer and manages the Alliance investment program in that capacity.

3. Policy Statement

This Policy establishes standards and guidelines for the direction, management and oversight for all of Alliance's investable funds. Funds must be invested prudently to assure preservation of principal, provide needed liquidity for daily cash requirements, and provide a market rate of return. All investments must conform to federal, state, and local statutes governing the investment of public funds.

4. Scope

This Policy applies to all the Alliance financial assets recorded as cash and cash equivalents or investments, which are accounted for in the Alliance Comprehensive Annual Financial Report. The amount of funds that is expected to be governed by this Policy is $20,000,000 to $70,000,000.

5. Objectives

The general objectives of the Alliance investment activities, in priority order, shall be:

A. Safety

The Alliance's portfolio shall emphasize safety of principal, that is, investments shall be made in a manner that seeks to ensure preservation of capital in the overall Alliance's investment portfolio. To obtain this objective, funds will be diversified, utilizing highly rated securities, by investing among a variety of securities and financial institutions. The investment portfolio will be invested in a manner that meets applicable state and federal law and all policies and procedures adopted by the Alliance's.

B. Liquidity

The Alliance portfolio shall remain sufficiently liquid to enable the Alliance to meet all reasonably anticipated operating requirements. Therefore, the investments shall be managed to maintain a balance to meet daily obligations.

C. Return on Investment

The Alliance portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the Alliance's investment risk constraints and the cash flow characteristics of the portfolio.

6. Standards of Care

The Alliance portfolio shall be managed with due diligence, prudence and ethics.

A. Delegation of Authority and Responsibilities

i. Governing Body

The ultimate responsibility and authority for the investment of the Alliance funds resides with the Board of Directors who have the authority to direct the management of the Alliance investment program.

ii. Delegation of Authority

Authority to manage the investment program is delegated to the Treasurer, including, without limitation, oversight and responsibility for all transactions and investments. The Treasurer shall establish and act in accordance with written procedures for the investment program, consistent with this Policy. . The Treasurer shall be responsible for all transactions and investments. The Treasurer shall establish written procedures for the operation of the investment program, consistent with this Investment Policy. The Treasurer is authorized to sign an agreement with an investment advisor who will assist the Treasurer or designee with investment strategy and investment transactions.

All District participants in the investment process shall seek to act responsibly as custodians of the public trust. No official or officer, or their designees may engage in an investment transaction except as provided under the terms of this Policy and supporting procedures.

iii. Investment Advisor

The Alliance may engage the services of an independent registered investment advisor to assist with the management of Alliance’s investment portfolio in a manner that is consistent with the Alliance’s objectives and this Policy.

An investment advisor shall be registered with the Securities and Exchange Commission. The advisor will serve in a fiduciary investment role in respect to the investment program, will make investment recommendations, and will provide oversight of the investment program. The advisor may only transact business with the

approved broker/dealer list. The advisor may only provide non-discretionary investment services, which require prior approval of all transactions by the Treasurer or designee. The investment advisor must retain all documentation and provide it to the Treasurer or designee upon request.

B. Prudence

The standard of prudence to be used by the Treasurer or any designees in the context of managing the overall portfolio is the prudent person rule which states:

Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital.

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

C. Ethics and Conflicts of Interest

The Alliance Officers and employees involved in the Alliance's investment program or transactions shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial decisions. These Alliance employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Alliance, particularly with regard to the timing of purchases and sales.

Persons authorized to invest shall not accept gifts from the institutions with which the Alliance places investments. Occasional business meals are acceptable and must be reported to the Executive Director or the Board of Directors.

7. Safekeeping, Custody and Controls

A. Delivery vs. Payment

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

B. Third-Party Safekeeping

The Treasurer shall designate all safekeeping arrangements and an agreement of the terms executed in writing. All securities will be receipted and recorded based on the terms in the custodial contract. The third-party custodian shall be required to provide a statement

to the Alliance listing at a minimum each specific security, book yield, description, maturity date, market value, par value, purchase date, and CUSIP number. The Alliance will have online access through the safekeeping bank for verification of the account holdings and transactions. The investment advisor may have view access to reconcile investment purchases, sales and investments held directly with the custodial bank.

All collateral securities pledged to the Alliance for certificates of deposit or demand shall be held in a segregated account at the issuing financial institution that is reporting to the State's Public Deposit Protection Commission (PDPC).

C. Internal Controls

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

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

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

Arbitrage rules will be applied to the earnings on bond proceeds.

D. External Audits

The Office of the State Auditor requires that in accordance with RCW 43.09.260, the Alliance must undergo annual financial examinations performed by State Examiners. Investment management is to be included as part of the annual independent audit to assure compliance with this Investment Policy.

8. Transaction Counterparties

A. Broker/Dealers

The Treasurer shall maintain and review annually a list of all authorized financial institutions and broker/dealers that are approved to transact with the Alliance for investment purposes. All broker/dealers and financial institutions who desire to do business with the Alliance must supply the Treasurer with the following:

i. Annual audited financial statements.
ii. Proof of FINRA (Financial Industry Regulatory Authority) certification.
iii. Proof of registration with the State of Washington.
iv. A completed Broker/Dealer questionnaire and a certification of having read the Alliance Investment Policy.

B. Investment Advisors

The Alliance may contract with an external investment advisor to assist with the management of the Alliance's investment portfolio in a manner that is consistent with the Alliance's objectives and this Policy. Advisors must be registered under the Investment Advisers Act of 1940 and must act in a non-discretionary capacity, requiring approval from the Alliance prior to all transactions.

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

1. FINRA Certification check
   - Firm Profile
   - Firm History
   - Firm Operations
   - Disclosures of Arbitration Awards, Disciplinary and Regulatory Events
   - State Registration Verification

2. Financial review of acceptable FINRA capital requirements or letter of credit for clearing settlements.

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

C. Depositories

If funds in public depositories are in excess of the current Federal Deposit Insurance Corporation (FDIC) insurance limit, those funds must be placed with qualified public depositories (banks) who are currently participating in the Washington State Public Deposit Protection Commission ("PDPC") program as provided in Chapter 39.58 RCW. The Treasurer must verify a compliance/listing with the PDPC annually, utilizing the Washington State Treasurer's website.

D. Local Government Investment Pools

The Alliance belongs to, and is authorized to invest in, two local government investment pools. The Washington Local Government Investment Pool (LGIP) is a voluntary investment vehicle operated by the Washington State Treasurer. Over 530 local

governments have participated in the LGIP since it was started in 1986 to provide safe, liquid, and competitive investment options for local governments pursuant to Chapter 43.250 RCW. The Clark County Investment Pool (CCIP) is a voluntary investment vehicle managed by the Clark County Treasurer and invests in securities that comply with RCW 36.29.020.

E. Competitive Transactions

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

9. Authorized and Suitable Investments

A. Authorized Investments

All investments of the Alliance are limited by state law, principally Chapter 39.58 RCW, and RCW 39.59.020.

Additional Specifications:

- This Policy recognizes S&P, Moody's and Fitch as the major Nationally Recognized Statistical Ratings Organizations (NRSRO).
- Minimum credit ratings and percentage limitations apply to the time of purchase.
- All securities must be purchased on the secondary market and may not be purchased directly from the issuer.
- Securities rated in the broad single A category with a negative outlook may not be purchased. Portfolio holdings of corporate notes downgraded to below single A and portfolio holdings of securities rated single A with their outlooks changed to negative may not continue to be held. No additional purchases are permitted.

B. Suitable Investments

The Alliance is authorized and empowered to invest in the following types of securities:

US Treasury Obligations: Direct obligations of the United States Treasury.

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

Supranational Bonds: United States dollar denominated bonds, notes or other obligations that are issued or guaranteed by supranational institutions, provided, that at the time of investment, the institution has the United States as its largest shareholder. These include: International Bank for Reconstruction and Development (IBRD or World

Bank); the International Finance Corporation (IFC); the Asian Development Bank (ADB) and the Inter-American Development Bank (IADB).

Municipal Debt Obligations: General Obligation and Revenue bonds of any local government in the State of Washington and General Obligation bonds only on government issuers outside the State of Washington. At the time of investment, the bonds must have one of the three highest credit ratings of a nationally recognized rating agency.

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

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

Certificates of Deposit: Non-negotiable Certificates of Deposit of financial institutions, which are qualified public depositories as defined by RCW 39.58.010(15) and in accordance with the restrictions therein.

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

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

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

Clark County Investment Pool: Investment Pool managed by the Clark County Treasurer's Office.

C. Bank Collateralization

The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. Under the Public Deposit Protection Act, Chapter 39.58 RCW, all public treasurers and other custodians of public funds are relieved of the responsibility of executing tri-party agreements, reviewing pledged securities, and authorizing additions, withdrawals, and exchanges of collateral.

D. Prohibited Investments:

i. The Alliance shall not lend securities nor directly participate in a securities lending or reverse repurchase program.
ii. The Alliance shall not invest in mortgage-backed securities.
iii. The Alliance shall not invest in equities.
iv. The Alliance shall not invest in cryptocurrency

10. Investment Parameters

A. Diversification

The Treasurer will diversify the investments of all funds by issuer type and institution. The Alliance will invest by adhering to the following diversification constraints:

Table of Constraints on the Portfolio

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's, or Equivalent NRSRO	Maximum Maturity
US Treasury Obligations	100%	None	N/A	5.5 years
US Agency Obligations	100%	35%	N/A	5.5 years
Supranational Agency Notes	10%	5%	AA- / Aa3	5.5 years
Municipal Bonds (GO Only outside WA)	30%	5%	A- / A3 Short Term*	5.5 years
Corporate Notes	25%	3%* for AA-, 2%* for A-, A, A+	A- / A3	5.5 years
Commercial Paper		3%*	A1/ P1 Long Term A- / A3	270 days
Certificates of Deposit	10%	10%	Deposits in PDPC approved banks	5.5 years
Bank Time Deposits/Savings	15%	10%	Deposits in PDPC approved banks	N/A
County LGIP	100%	None	N/A	N/A
State LGIP	100%	None	N/A	N/A

*Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

**Short Term Ratings: Moody's - P1/MIG1/VMIG1. S&P - A-1/SP-1, Fitch F1

Note: Individual country limit of non-U.S./non-Canadian exposure is 2% of total portfolio.

B. Investment Maturity

To the extent possible, the Treasurer will attempt to match the Alliance investments with anticipated cash flow requirements (i.e., capital project plan).

i. The maximum weighted average maturity of the portfolio shall not exceed two and one-half (2.5) years.
ii. Liquidity funds will be held in the State or County Pool, PDPC bank deposits, or cash matched securities.
iii. Investment funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between one day and five and one-half years and will be only invested in high quality and liquid securities.
iv. Total Portfolio Maturity Constraints:

Total Portfolio Maturity Constraints

Maturity Constraints	**Minimum % of Total Portfolio**
Under 30 days	10%
Under 1 year	25%
Under 5.5 years	100%
Maturity Constraints	**Maximum of Total Portfolio in Years**
Weighted Average Maturity	2.5 years
Duration of Corporate Note Portfolio	3 years
Security Structure Constraint	**Maximum % of Total Portfolio**
Callable Agency Securities	25%

v. Reserve or Capital Improvement project monies may be invested in securities exceeding five and one-half (5.5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds. Bond Proceeds Funds will be invested in a manner to match expected disbursements based on projected funding schedules.

C. Strategic Allocations

i. Portfolios and their Allocation

The Alliance has two classifications of investment funds: Operating Funds (consisting of Liquidity and Core) and Bond Proceeds Funds.

a. Operating Funds:

- Liquidity funds for the operating account will be allocated to State/County LGIP, CD's, PDPC Bank Deposits and Commercial Paper.
- The structure of the Core Fund will be targeted to a selected market benchmark based on the risk and return objectives of the portfolio.

- Longer term funds such as reserve funds will have an identified market benchmark to manage risk and return.

b. Bond Proceeds Funds: Investment of bond proceeds are restricted further and will not include corporate bonds in the dedicated bond proceed portfolio. All other allowable investments including US Treasury, US Agency and Commercial Paper may be utilized. The investments will be made in a manner to match cash flow expectations based on managed disbursement schedules. Liquidity for bond proceeds will be managed through the State/County LGIP or PDPC Bank Deposit balances.

ii. Investment Philosophy

The Investment Policy sets forth concentration constraints and minimum credit ratings for each type of security. These limits apply to the initial purchase of a security and do not automatically trigger the sale of a security as the portfolio value fluctuates or in the event of credit rating downgrade. The primary investment philosophy of Alliance is to match investment maturities with expected cash outflows. Securities shall generally be held until maturity, with the following exceptions:

a. A security with a declining credit may be sold early to protect the principal value of the portfolio. When a credit rating downgrade occurs, the Treasurer will evaluate the downgrade on a case-by-case situation to determine whether to hold or sell the security.
b. The portfolio duration or maturity buckets should be adjusted to better reflect the structure of the underlying benchmark portfolio.
c. A security exchange that would improve the quality, yield and target maturity of the portfolio based on market conditions.
d. A sell of a security to provide for unforeseen liquidity needs.

11. Reporting Requirements

A. Reporting

The Treasurer shall include a market report on the investment activity and returns in the District's financial reports. These reports must include the average balance invested, interest earnings, investment type, maturity disclosure and performance considerations.

Calculations of percentage allocations shall be done at the time of purchase and formulated on market value.

B. Performance Standards/Evaluation

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

ii. The investment portfolio will be invested into a predetermined structure that will be measured against a selected benchmark portfolio. The structure will be based upon a chosen minimum and maximum duration (average maturity) and will have the objective to achieve market rates of returns over long investment horizons. The purpose of a

benchmark is to appropriately manage the risk in the portfolio through interest rate cycles. The investment portfolio is expected to provide similar returns to the benchmark over interest rate cycles but may underperform or outperform in certain periods. The portfolio will be positioned to first protect principal and then achieve market rates of return. The benchmark used will be the US treasury 0-3 year index or US treasury 0-5 year index and comparisons will be calculated monthly and reported quarterly.

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

C. Guideline Compliance

Calculations of percentage allocations shall be done at the time of purchase and formulated on market value of investments. A compliance report will be generated at least quarterly comparing the portfolio positions to this Investment Policy.

Due to fluctuations in the aggregate surplus funds balance, maximum or minimum percentages for a particular issuer, investment type or minimum maturity constraint may be surpassed at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

D. Accounting Method

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

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

12. Policy Maintenance and Considerations

Periodic Review

The Treasurer shall review this Policy every two to four years. If the Treasurer desires amendments to this Policy, the Treasurer shall propose such amendments to the Board of Directors for its review and approval.

This Policy has been adopted by the Board of Directors on December 19, 2025, and replaces Discovery Clean Alliance's previously adopted policy dated June 16, 2023.

Exemption

Any investment made prior to December 20, 2025 that does not meet the guidelines of this Policy is exempted from the requirements of this Policy. At maturity or liquidation, such monies shall be reinvested only as provided by this Policy.

Glossary of Terms

Agency Securities: Government sponsored enterprises of the US Government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yield: The annual rate of return on an investment, expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield, or yield to maturity, is the current income yield minus any premium above par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

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

Ratings Table – Long-Term

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

Ratings Table – Short-Term

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