

M-S-R Energy Authority

SPECIAL MEETING OF THE COMMISSION
Wednesday, February 21, 2024, 10:45 AM
Guidehouse, Inc.
35 Iron Point Circle, Suite 225
Folsom, California

AGENDA

Distribution:

**Commissioners &
Alternate Commissioners**

Others

Modesto:

Martin Caballero I¹
Toxie Burriss (Alt)

Martin Hopper

Steve Gross

Toxie Burriss
Jimi Netniss
Jill De Jong
Cindy Worley

Santa Clara:

Basil Wong (President)²

Kevin Kolnowski² (Alt)
Manual Pineda (Alt)

Redding:

Nick Zettel (V.P.)³
Joe Bowers (Alt)

Kortney Christle³

¹ Please post agenda.

² Please post agenda.

³ Please post agenda.

M-S-R Energy Authority

SPECIAL MEETING OF THE COMMISSION
Wednesday, February 21, 2024, 10:45 A.M.
Guidehouse, Inc.
35 Iron Point Circle, Suite 225
Folsom, California

AGENDA

Any member of the public who desires to address the Commission on any item considered by the Commission at this meeting before or during the Commission's consideration of that item shall so advise the Chair and shall thereupon be given an opportunity to do so.

CALL TO ORDER

ROLL CALL

CONSENT ITEMS 1 – 8: (All items are approved by a single action)

There will be no separate discussion of those items unless an item is removed at the request of any Commissioner or member of the public. Those items removed will be separately considered at the end of the consent agenda.

1. Minutes of November 15, 2023 and January 17, 2024
2. Report of Summary invoices paid for November 2023 – January 2024 totaling \$846,711.19 (summary attached)
3. November 2023 – January 2024 Treasurer's Reports (attached, Ana Vigil)
4. February 2024 Outside Services Budget v Actual Report (attached, Martin Hopper)
5. Status Report Regarding SB272 Electronic Enterprise Systems Catalog (attached, Martin Hopper)
6. Report Regarding Natural Gas Project Annual Debt Service Fund Disbursements (attached, Martin Hopper)
7. 2024 Investment Policy Guidelines (attached, Ana Vigil)
8. Discussion and Possible Action Regarding Adjustments to General Counsel Hourly Rates (attached, Martin Hopper)

END OF CONSENT ITEMS

ACTION ITEMS 9-10:

9. Discussion and Possible Action Regarding Annual Election of M-S-R EA Officers (attached, Martin Hopper)

10. Discussion and Possible Action Regarding Natural Gas Project Debt Service Fund Investment Status Report (attached, Martin Hopper)

MEMBER REPORTS

PUBLIC COMMENT

CONFIRM DATE AND TIME OF NEXT MEETING

ADJOURN

ALTERNATE FORMATS OF THIS AGENDA WILL BE MADE AVAILABLE UPON REQUEST TO QUALIFIED INDIVIDUALS WITH DISABILITIES.
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**M-S-R ENERGY AUTHORITY
DRAFT MINUTES
MEETING OF THE COMMISSION
NOVEMBER 15, 2023**

The Commission of the M-S-R Energy Authority (M-S-R EA) met for a regular meeting on November 15, 2023 at the offices of Guidehouse, Inc., 35 Iron Point Circle, Suite 225, Folsom, California. Present from Modesto Irrigation District was Martin Caballero; present from Santa Clara was Basil Wong; and present from Redding was Nick Zettel. Also present was General Manager Martin Hopper and General Counsel Steve Gross.

Mr. Wong called the meeting to order at 1:37 P.M. A quorum was attained with the voting representatives being Mr. Caballero, Mr. Wong, and Mr. Zettel.

The Commission then considered approval of the Consent Calendar Items. It was moved by Commissioner Zettel and seconded by Commissioner Caballero to approve the Consent Calendar consisting of Items 1, 2, 3, and 4 as listed below. The motion carried unanimously.

1. Minutes of September 20, 2023 and October 18, 2023 – approved.
2. Report of Summary invoices paid for period September – October 2023 totaling \$36,472.65 – noted and filed.
3. September – October 2023 Treasurer’s Reports – accepted.
4. November 2023 Outside Services Budget versus Actual Report – noted and filed.

The Commission then considered the proposed 2024 M-S-R EA Budget. Mr. Hopper explained the proposed budget is a status quo budget and is essentially identical to the 2023. The Strategic Reserve projections show about 326 days cash available as compared with a target of 270 days. It was moved by Commissioner Zettel and seconded by Commissioner Caballero to adopt the proposed 2024 M-S-R EA Budget. The motion carried unanimously.

The Commission then reviewed the proposed schedule of meetings of the Commission for 2024. Mr. Hopper noted that dates have been coordinated with other entities to avoid scheduling conflicts, and that all meetings are slated to occur on an in-person basis in compliance with applicable Brown Act procedures. It was moved by Commissioner Wong and seconded by Commissioner Caballero to adopt the proposed 2024 M-S-R EA Meeting Schedule. The motion carried unanimously.

The Commission then retired into Closed Session pursuant to Government Code Section 54957 – Public Employee Performance Evaluation – General Manager at 1:39 P.M. Upon the conclusion of the Closed Session at 1:42 P.M., the President reported there were no reportable items with respect to the Closed Session item.

The Commission then considered the proposed Amendment No. 10 to the General Manager’s contract. Pursuant to Government Code Section 54953 an oral report was made on the General Manager’s monthly compensation and it was noted that such amounts were unchanged. It was moved by Commissioner Caballero and seconded by Commissioner Wong to approve Amendment No. 10 to the Management Services Agreement With Martin Hopper Energy Consulting for the period January 1, 2024 through December 31, 2025. The motion carried unanimously.

The Chair then called for Member Reports and for Public Comment. There being none, the Chair announced the next regular meeting of the Commission will be held Guidehouse Inc. offices on Wednesday, February 21, 2024 at 12:30 P.M., all in compliance with prevailing Brown Act requirements. The meeting was then adjourned by the Chair at 1:50 P.M.

Martin R. Hopper
Assistant Secretary

**M-S-R ENERGY AUTHORITY
MINUTES
SPECIAL MEETING OF THE COMMISSION
JANUARY 17, 2024**

The Commission of the M-S-R Energy Authority (M-S-R EA) met for special meeting on January 17, 2024 at the offices of Guidehouse, Inc., 35 Iron Point Circle, Suite 225, Folsom, California. Present from Modesto Irrigation District was Toxie Burriss; present from Santa Clara was Basil Wong; and present from Redding was Nick Zettel. Also present was General Manager Martin Hopper and by telephone General Counsel Steve Gross.

Mr. Wong called the meeting to order at 11:00 AM. A quorum was attained with the voting representatives being Mr. Burriss, Mr. Wong, and Mr. Zettel.

The Commission then considered the proposed Resolution 2024-01 “Resolution Of The Commission Of The M-S-R Energy Authority Approving The Investment By The Trustee Of Moneys In The Debt Service Funds For The Series 2009ABC Bonds; And Authorizing Certain Other Actions In Connection Therewith.” Mr. Hopper reviewed his Staff Report regarding the prior investments of the Natural Gas Project Debt Service Funds and the efforts by the Authority’s Financial Advisor to determine an appropriate time to enter into successor investment agreements. Mr. Hopper reviewed the proposed bid process, evaluation criteria, and general terms of the proposed agreements. The Commissioners concurred with his recommendation with the following adjustments: 1) set the maximum term to no later than the 20th anniversary of Bond Issuance, and 2) set the minimum target interest rate at 3.75%. It was moved by Commissioner Zettel and seconded by Commissioner Wong to adopt the proposed Resolution 2024-01 “Resolution Of The Commission Of The M-S-R Energy Authority Approving The Investment By The Trustee Of Moneys In The Debt Service Funds For The Series 2009ABC Bonds; And Authorizing Certain Other Actions In Connection Therewith” with Section 2 amended to read “The Commission hereby authorizes and approves the investment by the Trustee of moneys in the Debt Service Funds for the Series 2009ABC Bonds in accordance with the Indentures and the Investment Policy Guidelines; provided, however, that the investment agreement shall provide that the qualified investment shall mature no later than

October 31, 2029, and the interest rate will be at least 3.75% per annum.” The motion carried unanimously.

The Chair then called for Member Reports and Public Comment. There being none, the Chair announced that the next regular meeting of the Commission will be held Wednesday, February 21, 2024 at 12:30 P.M. in conformance with prevailing Brown Act requirements.

The meeting was then adjourned by the Chair at 11:20 A.M.

Martin R Hopper
Assistant Secretary

DRAFT

M-S-R Energy Authority
Report of Summary Invoices Paid
November and December 2023 and January 2024

Payee	Description	Period Covered	Amount
MID	Accounting and Coordination	Sep-23	\$ 1,227.20
MID	GMEI Utility Maintenance	Sep-23	\$ 40.00
Martin Hopper Energy	General Manager Services	Oct-23	\$ 4,000.00
Porter Simon	General Business	Oct-23	\$ 132.00
MID	Accounting and Coordination	Oct-23	\$ 1,227.20
Modesto Irrigation District	Excess Debt Service Funds 2009A	Oct-23	\$ 171,351.12
City of Santa Clara	Excess Debt Service Funds 2009B	Oct-23	\$ 470,251.62
City of Redding	Excess Debt Service Funds 2009C	Oct-23	\$ 188,100.04
Martin Hopper Energy	General Manager Services	Nov-23	\$ 4,000.00
Porter Simon	General Business	Nov-23	\$ 505.23
MID	Accounting and Coordination	Nov-23	\$ 1,391.52
Martin Hopper Energy	General Manager Services	Dec-23	\$ 4,000.00
Granicus	DisclosureDoc Subscription	Nov-23	\$ 485.26
To Commission February 20, 2024			\$ 846,711.19

MSR ENERGY AUTHORITY
TREASURER'S REPORT
FOR THE MONTH OF NOVEMBER 2023

FUND BALANCES

	10/31/2023 Cost Value	Receipts	Disbursements	11/30/2023 Cost Value	11/30/2023 Mkt. Value*	Unrealized Gain/Loss
<u>UNRESTRICTED FUNDS</u>						
General Fund	129,113	830,471	5,434	954,150	954,150	0.00
<u>RESTRICTED FUNDS</u>						
MSR Series 2009A	9,350,120	2,937,962	10,658,988	1,629,094	1,629,094	0
MSR Series 2009B	23,268,998	2,043,842	21,927,224	3,385,616	3,385,616	0
MSR Series 2009C	9,318,406	1,348,866	9,303,794	1,363,478	1,363,478	0
	41,937,524	6,330,670	41,890,006	6,378,188	6,378,188	0
TOTAL FUNDS	42,066,637	7,161,141	41,895,440	7,332,338	7,332,338	0

CASH & INVESTMENTS

<u>DEMAND ACCOUNTS</u>			
Union Bank - General Fund			954,150
<u>INVESTMENTS (See Attached)</u>	Standard per Gov't Code	Actual	
Bankers Acceptances	40%	0.0%	0
Certificates of Deposit(Coll./Ins.)	No Limit	0.0%	0
Commercial Paper(A1/P1)	25%	0.0%	0
Corporate Notes-Medium Term	30%	0.0%	0
Federal Agencies	No Limit	0.0%	0
Local Agency Investment Fund	\$75,000,000	0.0%	0
Money Market Accounts	No Limit	0.0%	0
Repurchase Agreements	No Limit	0.0%	0
U.S. Treasury Instruments	No Limit	0.0%	0
TOTAL INVESTMENTS		<u>0.0%</u>	<u>0</u>
Add: Deposits in transit			0
Less: Outstanding checks			0
TOTAL CASH & INVESTMENTS			<u><u>954,150</u></u>

* Source of Market Value Information is US Bank and Wells Fargo Bank

We certify that this statement is a true and correct record of transactions in the Treasury since the prior report. The agency has sufficient liquid assets on deposit to meet its obligations over the next 6 months. All investments are in compliance with the agency's investment policy guidelines.


 Ana Vigil -- Interim Treasurer

**MSR ENERGY AUTHORITY
TREASURER'S REPORT
FOR THE MONTH OF DECEMBER 2023**

FUND BALANCES

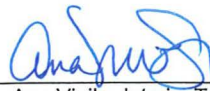
<u>UNRESTRICTED FUNDS</u>	11/30/2023 Cost Value	Receipts	Disbursements	12/31/2023 Cost Value	12/31/2023 Mkt. Value*	Unrealized Gain/Loss
General Fund	954,150	26,595	835,435	145,310	145,310	0.00
<u>RESTRICTED FUNDS</u>						
MSR Series 2009A	1,629,094	3,166,267	1,599,746	3,195,615	3,195,615	0
MSR Series 2009B	3,385,616	6,595,875	3,342,450	6,639,041	6,639,041	0
MSR Series 2009C	1,363,478	2,640,547	1,337,533	2,666,492	2,666,492	0
	6,378,188	12,402,689	6,279,729	12,501,148	12,501,148	0
TOTAL FUNDS	7,332,338	12,429,284	7,115,165	12,646,458	12,646,458	0

CASH & INVESTMENTS

<u>DEMAND ACCOUNTS</u>			
Union Bank - General Fund			145,310
<u>INVESTMENTS (See Attached)</u>	<u>Standard per Gov't Code</u>	<u>Actual</u>	
Bankers Acceptances	40%	0.0%	0
Certificates of Deposit(Coll./Ins.)	No Limit	0.0%	0
Commercial Paper(A1/P1)	25%	0.0%	0
Corporate Notes-Medium Term	30%	0.0%	0
Federal Agencies	No Limit	0.0%	0
Local Agency Investment Fund	\$75,000,000	0.0%	0
Money Market Accounts	No Limit	0.0%	0
Repurchase Agreements	No Limit	0.0%	0
U.S. Treasury Instruments	No Limit	0.0%	0
TOTAL INVESTMENTS		<u>0.0%</u>	<u>0</u>
Add: Deposits in transit			0
Less: Outstanding checks			0
TOTAL CASH & INVESTMENTS			<u><u>145,310</u></u>

* Source of Market Value Information is US Bank and Wells Fargo Bank

We certify that this statement is a true and correct record of transactions in the Treasury since the prior report. The agency has sufficient liquid assets on deposit to meet its obligations over the next 6 months. All investments are in compliance with the agency's investment policy guidelines.



Ana Vigil -- Interim Treasurer

**MSR ENERGY AUTHORITY
TREASURER'S REPORT
FOR THE MONTH OF JANUARY 2024**

FUND BALANCES

<u>UNRESTRICTED FUNDS</u>	12/31/2023 Cost Value	Receipts	Disbursements	1/31/2024 Cost Value	1/31/2024 Mkt. Value*	Unrealized Gain/Loss
General Fund	145,310	53,190	5,915	192,585	192,585	0.00
 <u>RESTRICTED FUNDS</u>						
MSR Series 2009A	3,195,615	3,308,555	1,649,655	4,854,514	4,854,514	0
MSR Series 2009B	6,639,041	6,891,339	3,444,846	10,085,534	10,085,534	0
MSR Series 2009C	2,666,492	2,759,135	1,378,503	4,047,124	4,047,124	0
	<u>12,501,148</u>	<u>12,959,028</u>	<u>6,473,004</u>	<u>18,987,172</u>	<u>18,987,172</u>	<u>0</u>
 TOTAL FUNDS	 <u>12,646,458</u>	 <u>13,012,218</u>	 <u>6,478,919</u>	 <u>19,179,757</u>	 <u>19,179,757</u>	 <u>0</u>

CASH & INVESTMENTS

<u>DEMAND ACCOUNTS</u>			
Union Bank - General Fund			192,585
 <u>INVESTMENTS (See Attached)</u>	<u>Standard per Gov't Code</u>	<u>Actual</u>	
Bankers Acceptances	40%	0.0%	0
Certificates of Deposit(Coll./Ins.)	No Limit	0.0%	0
Commercial Paper(A1/P1)	25%	0.0%	0
Corporate Notes-Medium Term	30%	0.0%	0
Federal Agencies	No Limit	0.0%	0
Local Agency Investment Fund	\$75,000,000	0.0%	0
Money Market Accounts	No Limit	0.0%	0
Repurchase Agreements	No Limit	0.0%	0
U.S. Treasury Instruments	No Limit	0.0%	0
TOTAL INVESTMENTS		<u>0.0%</u>	<u>0</u>
Add: Deposits in transit			0
Less: Outstanding checks			0
 TOTAL CASH & INVESTMENTS			 <u><u>192,585</u></u>

* Source of Market Value Information is US Bank and Wells Fargo Bank

We certify that this statement is a true and correct record of transactions in the Treasury since the prior report. The agency has sufficient liquid assets on deposit to meet its obligations over the next 6 months. All investments are in compliance with the agency's investment policy guidelines.



Ana Vigil -- Interim Treasurer



**M-S-R ENERGY AUTHORITY
Staff Report**

Date: February 12, 2024
From: Martin R. Hopper, General Manager
To: M-S-R EA Commission
Subject: February 2024 Outside Services Budget versus Actual Report

Fiscal Year 2023:

Major Providers Reporting Are:

General Manager:	Through:	December 31, 2023
Porter Simon:	Through	December 31, 2023
KBT LLC:	Through	December 31, 2023
Modesto Irrigation District:	Through	December 31, 2023
Baker Tilly:	Through	December 31, 2023

Year-end expenditures in this category (including debt management) totalled 93% of the annual budget.

Fiscal Year 2024:

Major Providers Reporting Are:

General Manager:	Through:	January 31, 2024
Porter Simon:	Through	January 31, 2024
KBT LLC:	Through	January 31, 2024
Modesto Irrigation District:	Through	January 31, 2024
Baker Tilly:	Through	January 31, 2024

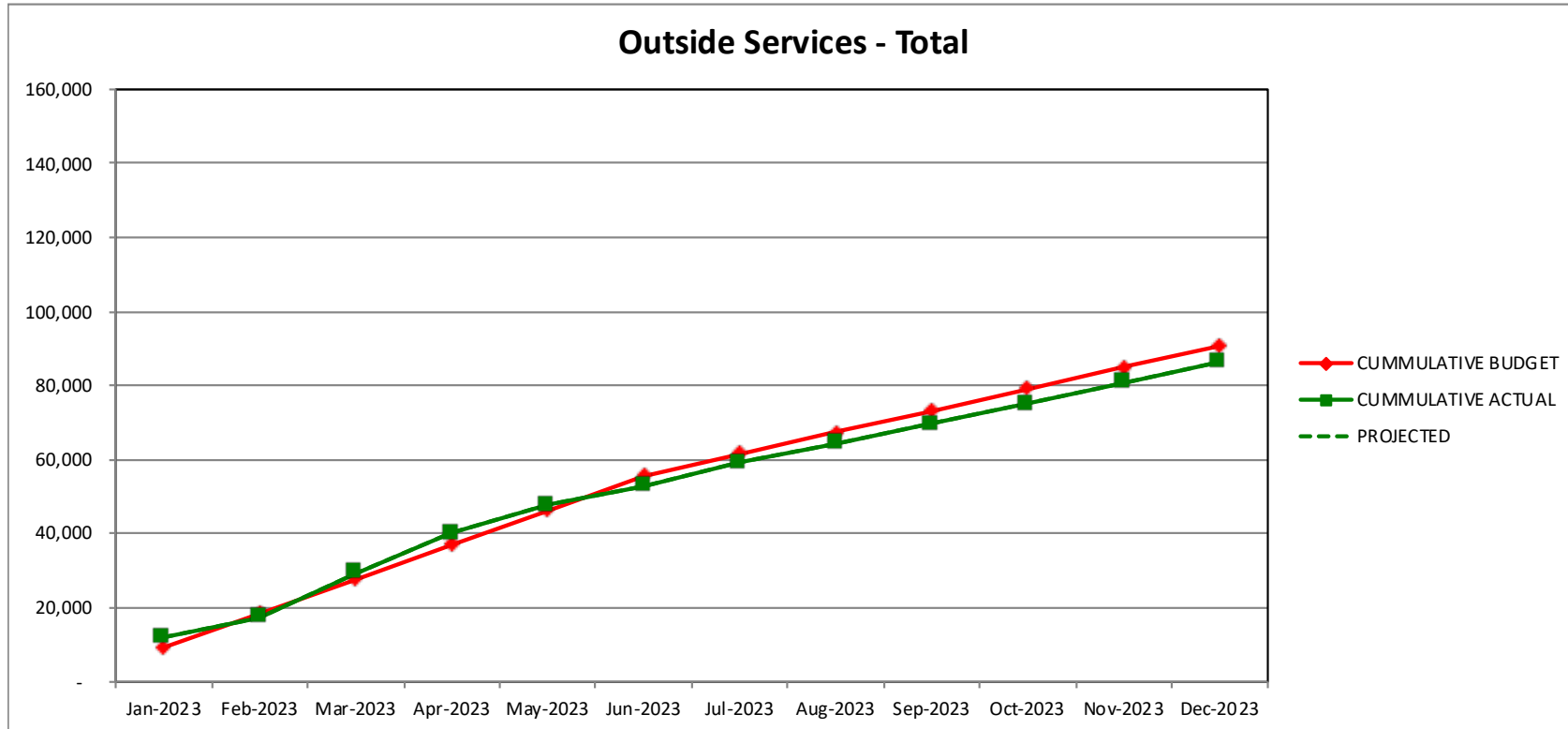
Year-end expenditures in this category (including debt management) will total about 100% of the annual budget.

Detailed charts of monthly budget versus actual cost comparisons for each provider are attached in their usual format. Note: Any current period expenditures shown in attachments and printed in ***bold italics*** are estimates.

I recommend the Commission note and file this report.

M-S-R EA Outside Services Summary

Month of: **Dec-2023**



By Provider	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
General Manager	4,000	4,000	0	100%
General Counsel	500	0	500	0%
KBT	83	0	83	0%
MID	1,250	1,490	(240)	119%
Baker Tilly	0	0	0	#DIV/0!
Total	5,833	5,490	343	94%

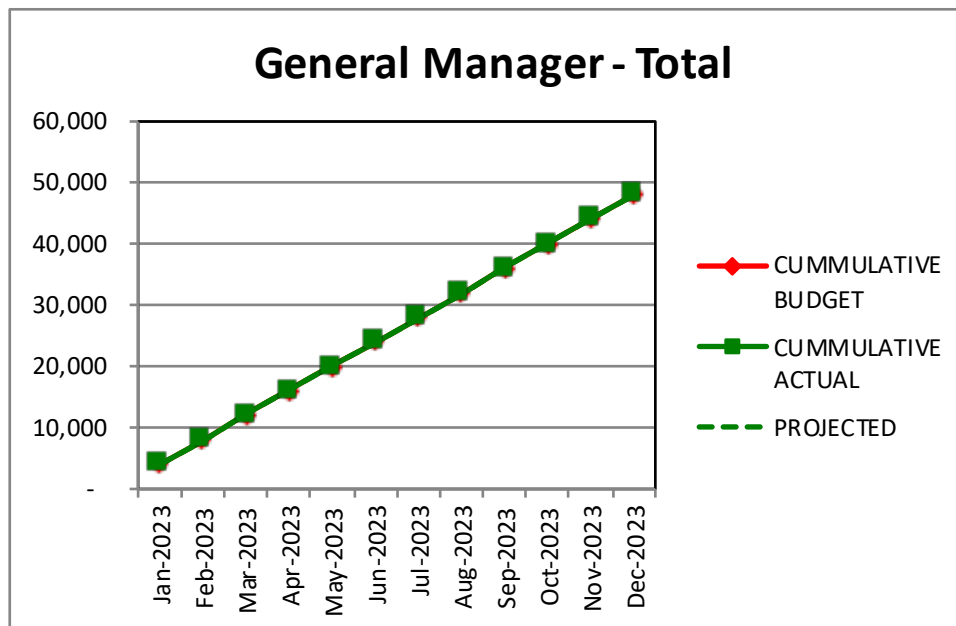
By Provider	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
General Manager	48,000	48,000	0	100%
General Counsel	6,000	1,714	4,286	29%
KBT	1,000	0	1,000	0%
MID	15,000	16,063	(1,063)	107%
Baker Tilly	20,700	20,600	100	100%
Total	90,700	86,378	4,322	95%

M-S-R EA General Manager Summary

Month of: **Dec-2023**

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Admin	4,000	4,000	0	100%
Total	4,000	4,000	0	100%

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Admin	48,000	48,000	0	100%
Total	48,000	48,000	0	100%

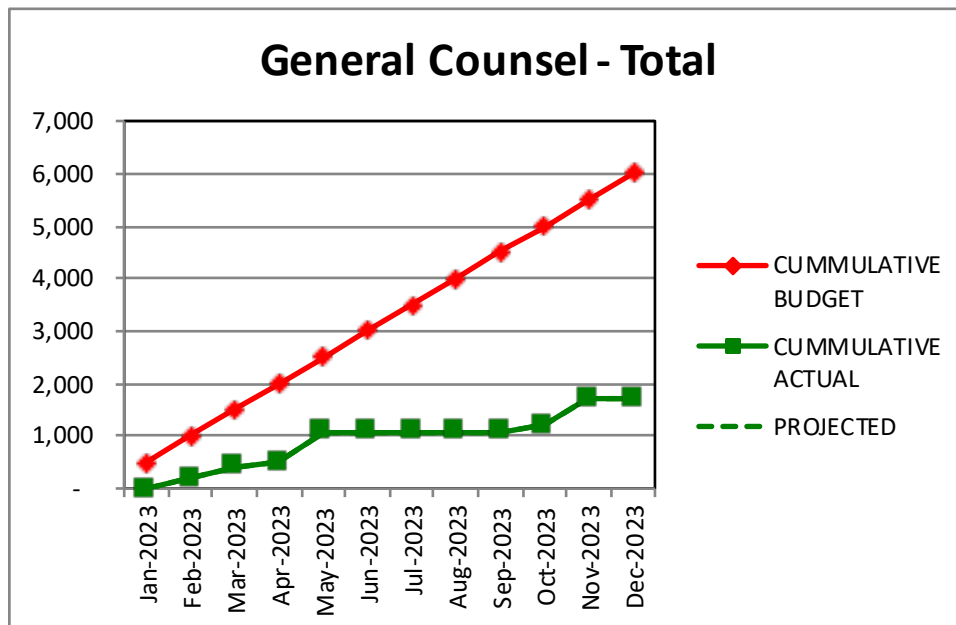


M-S-R EA General Counsel Summary

Month of: **Dec-2023**

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Admin	500	0	500	0%
Total	500	0	500	0%

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Admin	6,000	1,714	4,286	29%
Total	6,000	1,714	4,286	29%

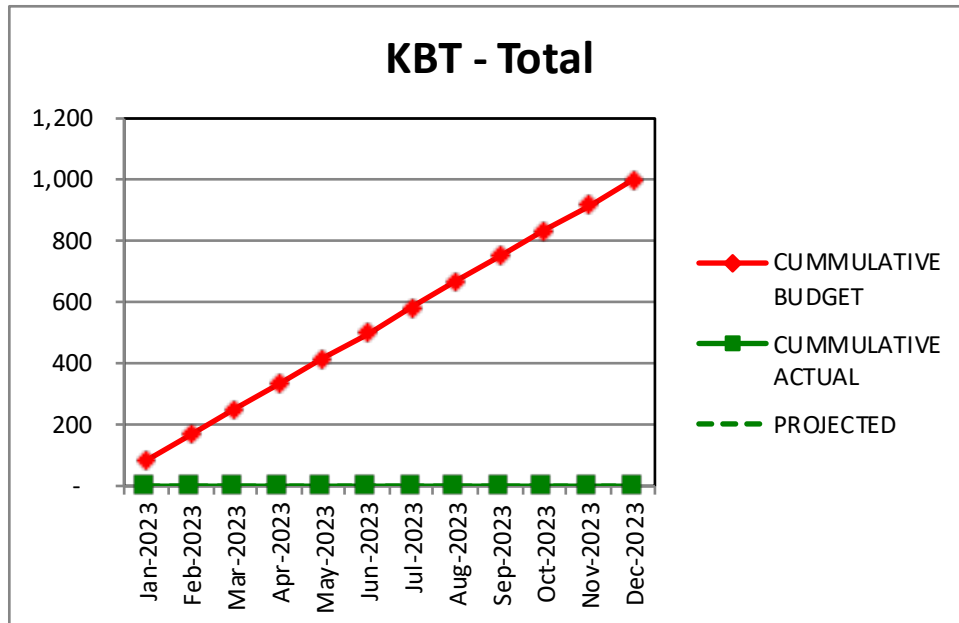


M-S-R EA KBT Summary

Month of: **Dec-2023**

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Admin	83	0	83	0%
Total	83	0	83	0%

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Admin	1,000	0	1,000	0%
Total	1,000	0	1,000	0%

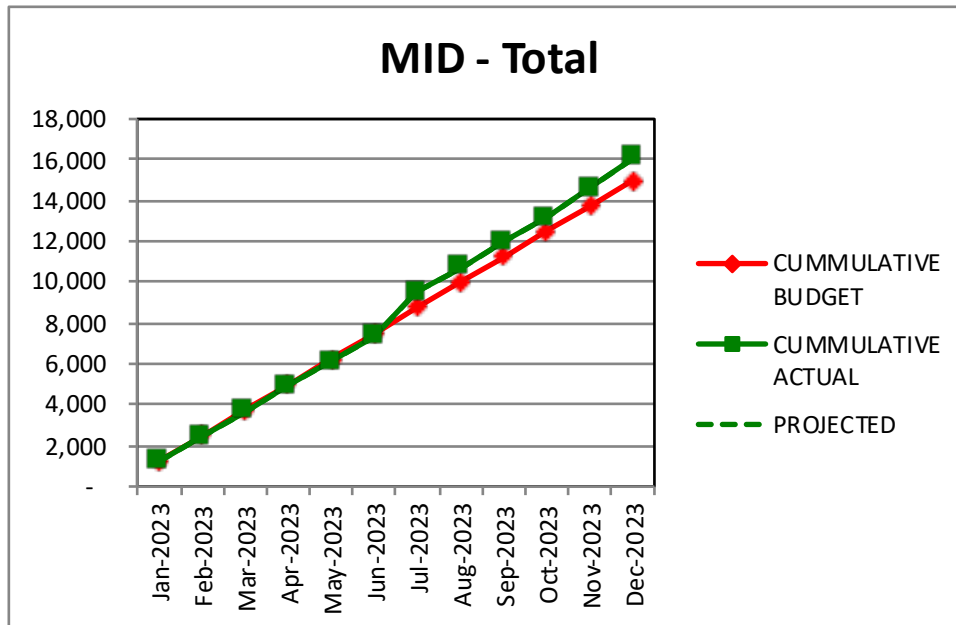


M-S-R EA MID Summary

Month of: **Dec-2023**

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Admin	1,250	1,490	(240)	119%
Total	1,250	1,490	(240)	119%

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Admin	15,000	16,063	(1,063)	107%
Total	15,000	16,063	(1,063)	107%

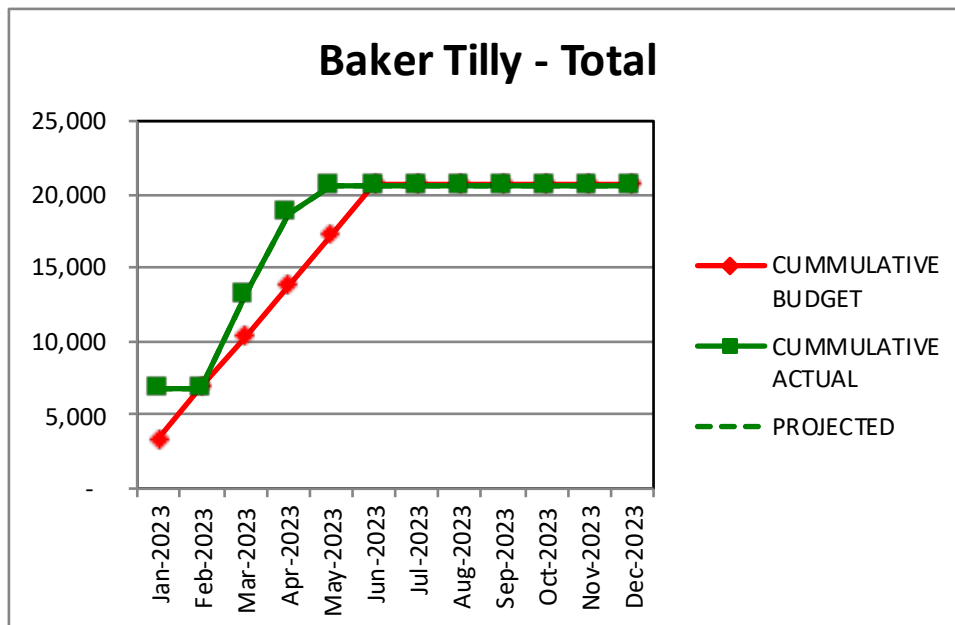


M-S-R EA Baker Tilly Summary

Month of: **Dec-2023**

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Admin	0	0	0	#DIV/0!
Total	0	0	0	#DIV/0!

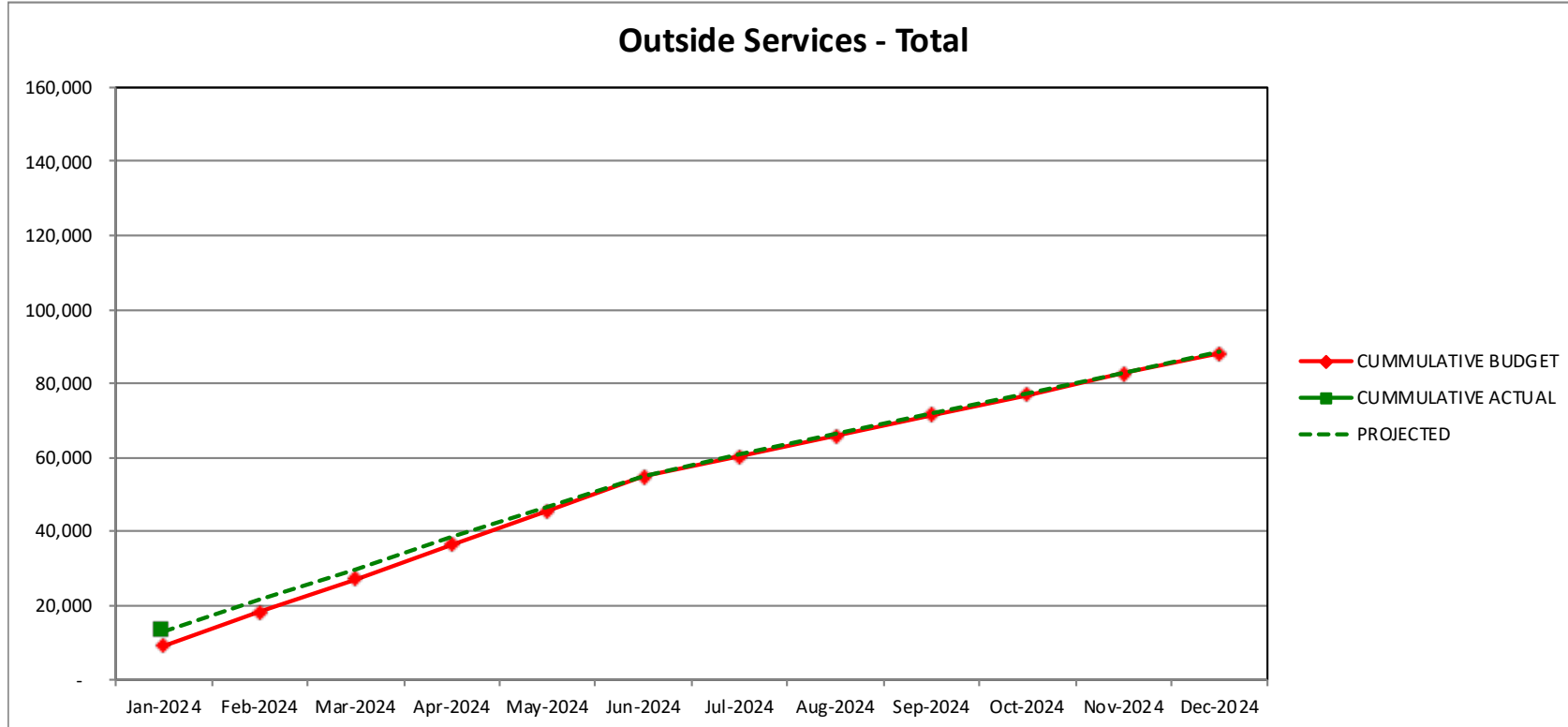
	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Admin	20,700	20,600	100	100%
Total	20,700	20,600	100	100%



Authority Admin - 2022	2023 Budget	Revised 2023 Budget	Jan-2023	Feb-2023	Mar-2023	Apr-2023	May-2023	Jun-2023	Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Total	Average	Year-End
Italics = Estimates			8.33%	16.67%	25.00%	33.33%	41.67%	50.00%	58.33%	66.67%	75.00%	83.33%	91.67%	100.00%			Projection
General Manager																	
Admin	48,000	48,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000.00	48,000	4,000	48,000
	48,000	48,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000.00	48,000	4,000	48,000
			8.33%	16.67%	25.00%	33.33%	41.67%	50.00%	58.33%	66.67%	75.00%	83.33%	91.67%	100.00%			100%
General Counsel																	
701305 Admin	6,000	6,000	-	198	220	88	571.23	-	-	-	-	132	505	-	1,714	143	1,714
	6,000	6,000	-	198	220	88	571.23	-	-	-	-	132	505	-	1,714	143	1,714
			0.00%	3.30%	6.97%	8.43%	17.95%	17.95%	17.95%	17.95%	17.95%	20.15%	28.57%	28.57%			29%
KBT																	
Admin	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			0%
MID																	
Admin	15,000	15,000	1,224	1,224	1,224	1,227	1,227	1,227	2,145	1,227	1,227	1,227	1,392	1,489.85	16,063	1,339	16,063
	15,000	15,000	1,224	1,224	1,224	1,227	1,227	1,227	2,145	1,227	1,227	1,227	1,392	1,489.85	16,063	1,339	16,063
			8.16%	16.33%	24.49%	32.67%	40.85%	49.03%	63.33%	71.52%	79.70%	87.88%	97.15%	107.09%			107%
Baker Tilly																	
Admin	20,700	20,700	6,800	-	6,400	5,500	1,900.00	-	-	-	-	-	-	-	20,600	1,717	20,600
	20,700	20,700	6,800	-	6,400	5,500	1,900.00	-	-	-	-	-	-	-	20,600	1,717	20,600
			32.85%		32.85%	63.77%	90.34%	99.52%	99.52%	99.52%	99.52%	99.52%	99.52%	99.52%			100%
Bank Fees																	
	4,820	4,820	402	402	402	402	402	402	402	402	402	402	402	402	4,820	402	4,820
	4,820	4,820	402	402	402	402	402	402	402	402	402	402	402	402	4,820	402	4,820
			8.33%	16.67%	25.00%	33.33%	41.67%	50.00%	58.33%	66.67%	75.00%	83.33%	91.67%	100.00%			100%
Total Agency Admin	95,520	95,520	12,426	5,824	12,246	11,217	8,100	5,629	6,547	5,629	5,628.87	5,761	6,298	5,892	91,198	7,600	91,198
			13.01%	19.11%	31.93%	43.67%	52.15%	58.04%	64.90%	70.79%	76.68%	82.71%	89.31%	95.47%			95%
Debt Admin - 2022																	
Financial Services Montague	17,000	17,000	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	17,000	1,417	17,000
Orrick	10,000	10,000	-	2,485.13	-	-	-	-	-	-	-	833	833	833	4,985	453	5,438
Fitch	10,000	10,000	-	-	-	-	-	-	-	10,000	-	-	-	-	10,000	833	10,000
Standard & Poors	15,000	15,000	-	-	-	-	-	-	-	-	-	15,000.00	-	-	15,000	1,250	15,000
	52,000	52,000	1,417	3,902	1,417	1,417	1,417	1,417	1,417	11,417	1,417	17,250.00	2,250	2,250	46,985	3,915	46,985
			2.72%	10.23%	12.95%	15.68%	18.40%	21.13%	23.85%	45.80%	48.53%	81.70%	86.03%	90.36%			90%
Trustee	11,240	11,240	-	-	-	-	-	-	-	-	-	10,100	-	-	10,100	842	10,100
	11,240	11,240	-	-	-	-	-	-	-	-	-	10,100	-	-	10,100	842	10,100
			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	89.86%	89.86%	89.86%			90%
Total Debt Admin	63,240	63,240	1,417	3,902	1,417	1,417	1,417	1,417	1,417	11,417	1,417	27,350	2,250	2,250	57,085	4,757	57,085
			2.24%	8.41%	10.65%	12.89%	15.13%	17.37%	19.61%	37.66%	39.90%	83.15%	86.71%	90.27%			90%
GRAND TOTAL	158,760	158,760	13,843	9,726	13,663	12,634	9,517	7,046	7,964	17,046	7,046	33,111	8,548	8,142	148,283	12,357	148,283
			8.72%	14.85%	23.45%	31.41%	37.40%	41.84%	46.86%	57.59%	62.03%	82.89%	88.27%	93.40%			93%
Italics = Estimates																	

M-S-R EA Outside Services Summary

Month of: **Jan-2024**



By Provider	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
General Manager	4,000	4,000	0	100%
General Counsel	250	506	(256)	202%
KBT	83	83	0	100%
MID	1,250	1,435	(185)	115%
Baker Tilly	3,533	7,000	(3,467)	198%
Total	9,117	13,024	(3,907)	143%

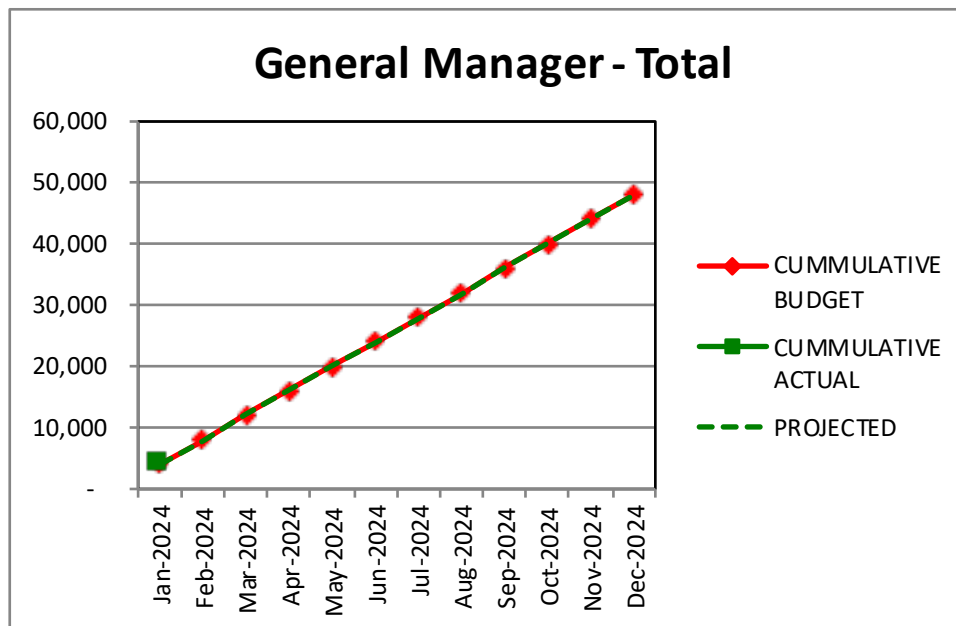
By Provider	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
General Manager	4,000	4,000	0	100%
General Counsel	250	506	(256)	202%
KBT	83	83	0	100%
MID	1,250	1,435	(185)	115%
Baker Tilly	3,533	7,000	(3,467)	198%
Total	9,117	13,024	(3,907)	143%

M-S-R EA General Manager Summary

Month of: **Jan-2024**

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Admin	4,000	4,000	0	100%
Total	4,000	4,000	0	100%

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Admin	4,000	4,000	0	100%
Total	4,000	4,000	0	100%

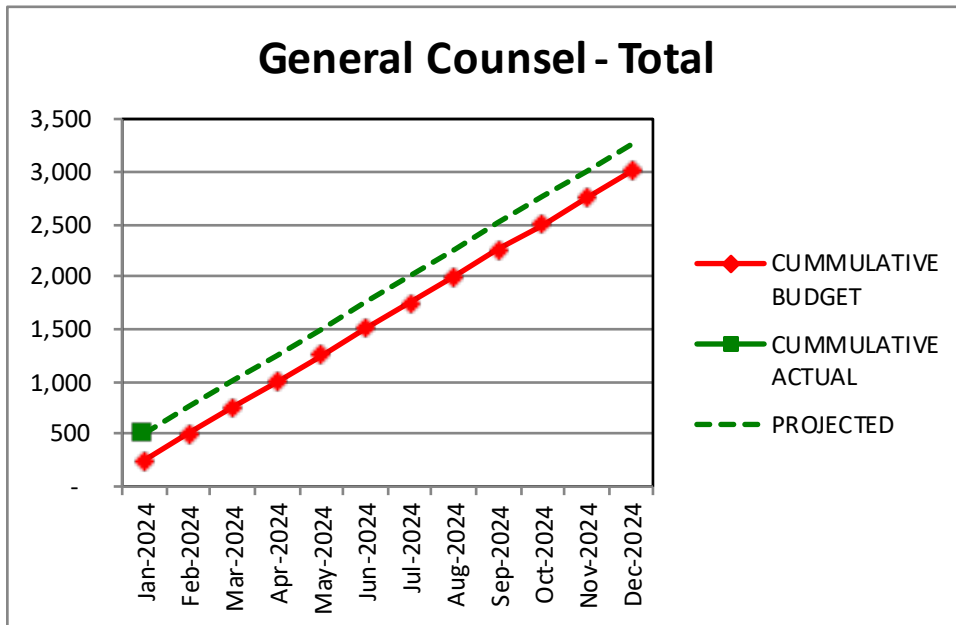


M-S-R EA General Counsel Summary

Month of: **Jan-2024**

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Admin	250	506	(256)	202%
Total	250	506	(256)	202%

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Admin	250	506	(256)	202%
Total	250	506	(256)	202%

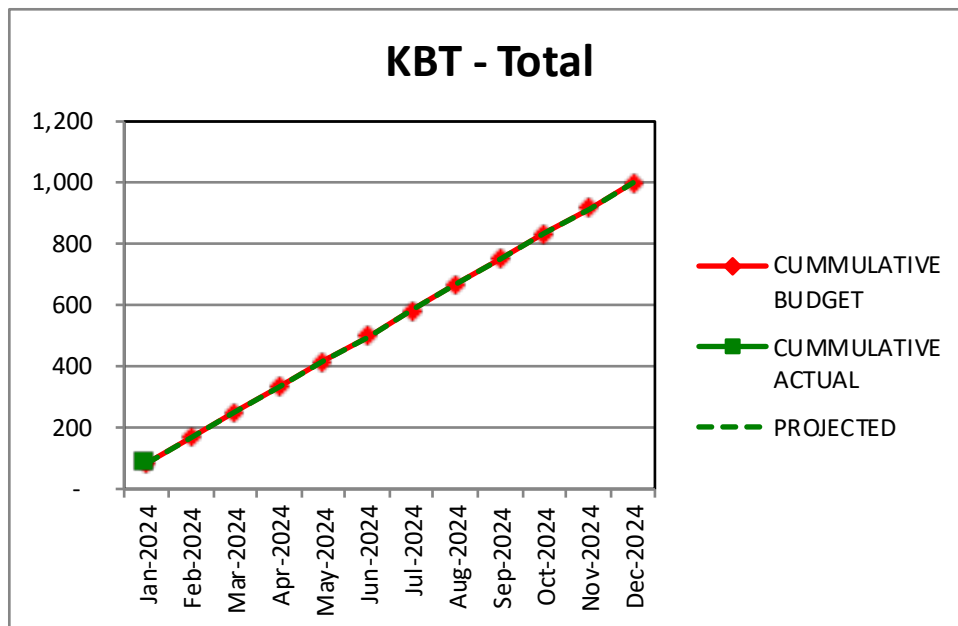


M-S-R EA KBT Summary

Month of: **Jan-2024**

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Admin	83	83	0	100%
Total	83	83	0	100%

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Admin	83	83	0	100%
Total	83	83	0	100%

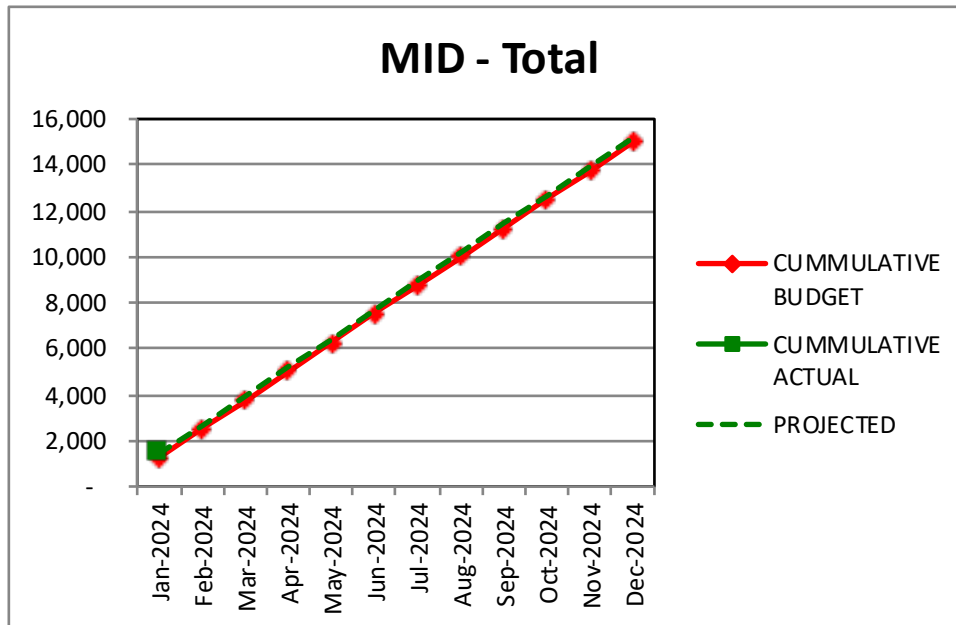


M-S-R EA MID Summary

Month of: **Jan-2024**

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Admin	1,250	1,435	(185)	115%
Total	1,250	1,435	(185)	115%

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Admin	1,250	1,435	(185)	115%
Total	1,250	1,435	(185)	115%

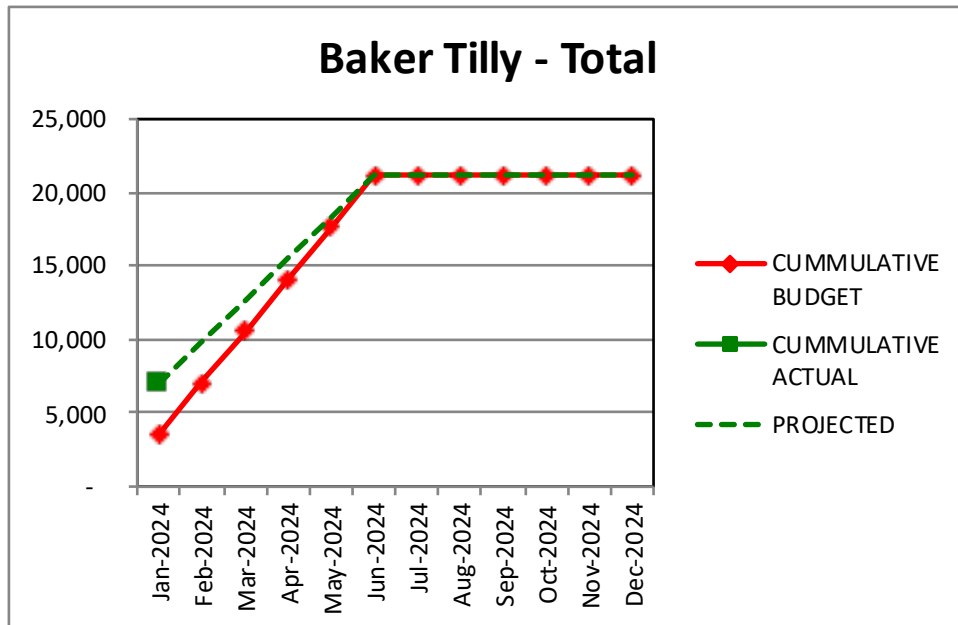


M-S-R EA Baker Tilly Summary

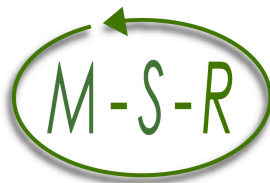
Month of: **Jan-2024**

	Budget Current Month	Actual Current Month	Positive Variance	Actual v. Budget %
Admin	3,533	7,000	(3,467)	198%
Total	3,533	7,000	(3,467)	198%

	Budget Year to Date	Actual Year to Date	Positive Variance	Actual v. Budget %
Admin	3,533	7,000	(3,467)	198%
Total	3,533	7,000	(3,467)	198%



Authority Admin - 2024	2024 Budget	Revised 2024 Budget	Jan-2024	Feb-2024	Mar-2024	Apr-2024	May-2024	Jun-2024	Jul-2024	Aug-2024	Sep-2024	Oct-2024	Nov-2024	Dec-2024	Total	Average	Year-End	
Italics = Estimates			8.33%	16.67%	25.00%	33.33%	41.67%	50.00%	58.33%	66.67%	75.00%	83.33%	91.67%	100.00%			Projection	
General Manager																		
Admin	48,000	48,000	4,000.00	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000	4,000	48,000	
	48,000	48,000	4,000.00	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000.00	48,000	4,000	48,000	
			8.33%	16.67%	25.00%	33.33%	41.67%	50.00%	58.33%	66.67%	75.00%	83.33%	91.67%	100.00%			100%	
General Counsel																		
701305 Admin	3,000	3,000	506.00	250	250	250	250	250	250	250	250	250	250	250	3,256	271	3,256	
	3,000	3,000	506.00	250	250	250	250.00	250	250	250	250	250	250	250.00	3,256	271	3,256	
			16.87%	25.20%	33.53%	41.87%	50.20%	58.53%	66.87%	75.20%	83.53%	91.87%	100.20%	108.53%			109%	
KBT																		
Admin	1,000	1,000	83	83	83	83	83	83	83	83	83	83	83	83	1,000	83	1,000	
	1,000	1,000	83.33	83.33	83	83	83	83	83	83.33	83	83	83	83	1,000	83	1,000	
			8.33%	16.67%	25.00%	33.33%	41.67%	50.00%	58.33%	66.67%	75.00%	83.33%	91.67%	100.00%			100%	
MID																		
Admin	15,000	15,000	1,434.69	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,185	1,265	15,185	
	15,000	15,000	1,434.69	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250.00	15,185	1,265	15,185	
			9.56%	17.90%	26.23%	34.56%	42.90%	51.23%	59.56%	67.90%	76.23%	84.56%	92.90%	101.23%			101%	
Baker Tilly																		
Admin	21,200	21,200	7,000.00	2,840	2,840	2,840	2,840	2,840	2,840	-	-	-	-	-	21,200	1,767	21,200	
	21,200	21,200	7,000.00	2,840	2,840	2,840	2,840.00	2,840	-	-	-	-	-	-	21,200	1,767	21,200	
			33.02%	46.42%	59.81%	73.21%	86.60%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%			100%	
Bank Fees																		
	2,415	2,415	201	201	201	201	201	201	201	201	201	201	201	201	2,415	201	2,415	
	2,415	2,415	201	201	201	201	201	201	201	201	201	201	201	201	2,415	201	2,415	
			8.33%	16.67%	25.00%	33.33%	41.67%	50.00%	58.33%	66.67%	75.00%	83.33%	91.67%	100.00%			100%	
Total Agency Admin																		
	90,615	90,615	13,225	8,625	8,625	8,625	8,625	8,625	5,785	5,785	5,784.58	5,785	5,785	5,785	91,056	7,588	91,056	
			14.60%	24.11%	33.63%	43.15%	52.67%	62.18%	68.57%	74.95%	81.34%	87.72%	94.10%	100.49%			100%	
Debt Admin - 2022																		
Financial Services Montague																		
Orrick	5,000	5,000	417	417	417	417	417	417	417	417	417	417	417	417	5,000	417	5,000	
Fitch	10,000	10,000	833	833	833	833	833	833	833	833	833	833	833	833	10,000	833	10,000	
Standard & Poors	10,000	10,000	-	-	-	-	-	-	-	10,000	-	-	-	-	10,000	833	10,000	
	15,000	15,000	-	-	-	-	-	-	-	-	-	15,000	-	-	15,000	1,250	15,000	
	40,000	40,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	11,250	1,250	16,250	1,250	1,250.00	40,000	3,333	40,000	
			3.13%	6.25%	9.38%	12.50%	15.63%	18.75%	21.88%	50.00%	53.13%	93.75%	96.88%	100.00%			100%	
Trustee																		
	11,240	11,240	-	-	-	-	-	-	-	-	-	11,240	-	-	11,240	937	11,240	
	11,240	11,240	-	-	-	-	-	-	-	-	-	11,240	-	-	11,240	937	11,240	
			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%			100%	
Total Debt Admin																		
	51,240	51,240	1,250	1,250	1,250	1,250	1,250	1,250	1,250	11,250	1,250	27,490	1,250	1,250	51,240	4,270	51,240	
			2.44%	4.88%	7.32%	9.76%	12.20%	14.64%	17.08%	39.03%	41.47%	95.12%	97.56%	100.00%			100%	
GRAND TOTAL																		
	141,855	141,855	14,475	9,875	9,875	9,875	9,875	9,875	9,875	7,035	17,035	7,035	33,275	7,035	7,035	142,296	11,858	142,296
			10.20%	17.17%	24.13%	31.09%	38.05%	45.01%	49.97%	61.98%	66.94%	90.39%	95.35%	100.31%			100%	
Italics = Estimates																		



M-S-R Energy Authority Staff Report

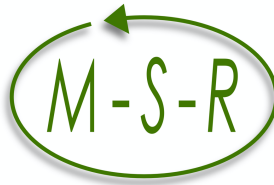
Date: February 12, 2024
From: Martin R. Hopper, General Manager
To: M-S-R EA Commission
Subject: Annual Review of SB 272 Catalog of Electronic Enterprise Systems

In October 2015 Governor Brown signed SB 272 that amended the California Public Records Act to require local public agencies such as M-S-R EA and its Members to create catalogs of electronic enterprise systems or systems containing information about the public that store original records and post such catalogs on their agency websites no later than July 1, 2016.

The General Manager and General Counsel reviewed materials prepared by other agencies and materials provided by the Municipal Information Systems Association of California (MISAC) and concluded that the only systems maintained by M-S-R EA (and M-S-R PPA) that met the definitions in the Public Records Act to require cataloging were the Authority's e-mail systems. A SB 272 Compliance catalog page was timely created and posted to the M-S-R EA website.

SB 272 also requires that SB 272 Compliance catalog pages be reviewed and updated as needed on an annual basis. The General Manager reviewed the Authority's systems and its website postings and concluded that no updates are required to the Authority's disclosable electronic enterprise systems listing as shown in the attached catalog page.

I recommend the Commission accept the Authority's SB 272 Compliance catalog page for calendar year 2023.



M-S-R ENERGY AUTHORITY

SB 272 COMPLIANCE

Which Enterprise Systems Are Covered by SB 272:

Governor Brown approved SB 272 in October 2015, adding section 6270.5 to the California Public Records Act (the “Act,” Government Code Sections 6250-6276.48). Section 6270.5 defines an enterprise system as a software application or computer system that collects, stores, exchanges, and analyzes information that the agency uses that is (1) a multi-departmental system or system that contains information collected about the public and (2) a system of record. A system of record means a system that serves as an original source of data within an agency. Stated plainly, SB 272 requires local agencies to create a catalog of multi-departmental systems or systems containing information about the public that store original records and post the catalog on their agency website.

Which Systems Are Excluded:

Enterprise systems do not include cybersecurity systems, infrastructure and mechanical control systems, or information that would reveal vulnerabilities to, or otherwise increase the potential for an attack on, a public agency's IT system. Additionally, section 6270.5 does not automatically require disclosure of the specific records that the IT systems collect, store, exchange or analyze, however, the Act's other provisions pertaining to disclosure of such records still apply.

M-S-R Energy Authority Catalog of Enterprise Systems December 31, 2023:

No.	Vendor	Product	System Purpose	Categories	Custodian	Frequency Data is Collected	Frequency Data is Updated
1	Google, LLC	Google Workspace	Email System	Enterprise Electronic Mail	General Manager	Daily	Daily



**M-S-R Energy Authority
Staff Report**

Date: November 12, 2023
From: Martin R. Hopper, General Manager
To: M-S-R EA Commission
Subject: Natural Gas Project Annual Debt Service Fund Disbursements

The savings resulting from the Natural Gas Project derive from two sources: the contract discounts for each member and the Debt Service Fund Surpluses associated with each member's bond series. The contract discounts-to-index are \$0.7618, \$0.7863, and \$0.7827/MMBTU for Modesto, Santa Clara and Redding respectively. The contract discounts are constant for the life of the Project.

The Project was structured so that the gas payments from the members plus the net receipts from the commodity swaps would be sufficient to pay the bonds. There are also balances in the Debt Service Funds that earn interest, and the cash flow model for the structure was developed using conservative assumptions (e.g., that Surpluses would be swept monthly). The interest earnings and conservative assumptions result in Debt Service Fund Surpluses. M-S-R EA rebates these Surpluses to the members each year.

The table below shows the amounts disbursed to the members and the realized total discount.

Realized Discount For Period November 2022 - October 2023					
Member	DSF Surplus Disbursed To Member	Gas Volume (MMBTU)	DSF Surplus (\$/MMBTU)	Contract Index Discount (\$/MMBTU)	Effective Total Discount (\$/MMBTU)
Modesto	\$171,351.12	1,831,000	\$0.0936	\$0.7618	\$0.8554
SVP	\$470,251.62	4,562,500	\$0.1031	\$0.7863	\$0.8894
Redding	\$188,100.04	1,825,000	\$0.1031	\$0.7827	\$0.8858

I recommend the Commission note and file this report.



Staff Report

Date: January 18, 2024

From: Ana Vigil, Interim Treasurer

To: M-S-R EA Commission

Subject: Investment Policy Guidelines of the M-S-R Energy Authority – 2024

The California Government Code section 53646(a)(1) requires that the Treasurer submit a statement of investment policy to the governing body annually and review any modifications or amendments the legislature may have enacted. The Investment Guidelines provide a set of written guidelines for the orderly and efficient conduct of business and control all aspects of the investment activity including allowable investments, collateral requirements, maximum maturity, and internal controls for safekeeping cash and investments, performance standards and reporting requirements.

The 2024 Investment Policy Guidelines have been updated to reflect that Chapter 187, Statutes of 2023 (SB 882), Local Government Omnibus Act of 2023, amended Government Code section 53601 to clarify limitations imposed on public investment in a privately issued 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 (“mortgage pass-through and asset-backed securities”) that are not issued or guaranteed by a public agency or issuer identified in subdivision (b) or (f). These types of securities, issued by private companies, are permissible investments under subdivision (o) so long as they meet the following limitations: 1. rated in a rating category of “AA” or its equivalent or better; 2. have a maximum remaining maturity of five years or less; and, 3. do not exceed the 20% of the local agency’s portfolio. Language in this section has also been amended to coincide with the language per Government Code section 53601 in regard to rating category.

I recommend that you approve the 2024 M-S-R Energy Authority Investment Policy Guidelines.

cc: Wilson Chalabi

**Investment Policy Guidelines
of the
M-S-R Energy Authority**

20232024

(Approved by Commission on ~~February 22, 2023~~)



Table of Contents

A.	Policy	1
B.	Scope.....	1
C.	Funds.....	1
D.	Prudence.....	1
E.	Objective.....	1
F.	Delegation of Authority	2
G.	Ethics and Conflicts of Interest.....	2
H.	Authorized Financial Dealers and Institutions.....	2
I.	Authorized and Suitable Investments	3
J.	Prohibited Investments.....	76
K.	Investment Pools.....	7
L.	Collateral Requirements.....	87
M.	Safekeeping and Custody.....	8
N.	Delivery.....	8
O.	Diversification.....	8
P.	Maximum Maturity.....	8
Q.	Internal Control.....	98
R.	Other Guidelines	9
S.	Strategy	10
T.	Performance Standards	114
U.	Reporting.....	11
V.	Investment Policy Adoption	124
	Glossary	134
	Sources.....	194

A. Policy

It is the policy of the M-S-R Energy Authority to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Authority and conforming to all state and local statutes governing the investment of public funds.

B. Scope

This investment policy applies to all moneys (surplus financial assets) of the Authority. These moneys are accounted in the monthly financial reports and the comprehensive annual financial report of Authority financial activities.

C. Funds

The guidelines outlined in this document shall apply to the general fund portfolio and other moneys under the Treasurer's span of control unless specifically exempted by statute or resolution. The investment of bond proceeds in the custody of a Trustee shall be governed in accordance with the investment guidelines contained in the bond indenture. This Policy is applicable to:

- General Fund

D. Prudence

The standard of prudence to be used by investment officials in the management of Authority moneys shall be the "prudent investor" standard which shall be applied in the context of managing all aspects of the overall portfolio. Investments shall be made with the care, skill, prudence and diligence, under circumstances then prevailing, including the general economic conditions and the anticipated needs of the Authority, which persons of prudence, discretion and intelligence acting in a like capacity and familiarity with those matters would use in the conduct of moneys of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Authority.

It is the Authority's intent, at the time of purchase, to hold all investments until maturity. However, investments may be sold prior to maturity for cash flow purposes or to take advantage of principal appreciation.

E. Objective

The primary objectives, in priority order, of M-S-R Energy Authority's investment activities shall be:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
2. **Liquidity:** The Authority's investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements which might be reasonably anticipated.

3. **Return on Investments:** The Authority's investment portfolio shall be designed with the objective of attaining a rate of return commensurate with the Authority's investment risk constraints and the cash flow characteristics of the portfolio.

F. Delegation of Authority

Authority to manage the Authority's investment program is derived from Title 5, Division 2, Part 1, Chapter 4 of the California Government Code, commencing with Section 53600. Management responsibility for the investment program is hereby delegated, pursuant to Section 53607 of the Government Code, to the Authority Treasurer, who shall establish written procedures for the operation of the investment program consistent with this investment policy. This responsibility includes authority to select Brokers, establish safekeeping accounts, enter into wire transfer agreements, banking service contracts, and collateral/depository agreement. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. This delegation shall be for no greater than one year and may be revoked at any time, or, upon review, renewed each year.

G. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. They shall disclose to the Agency's General Manager any material financial interests in financial institutions that conduct business with the Agency and all potential conflicts of interest, and, where appropriate, provide this information in an annual disclosure statement. They must also not engage in outside employment or personal activities which conflict with Agency employment or provide financial gain at the Agency's expense. Additionally, the Treasurer and the Assistant Treasurer are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC) and/or the Authority's Conflict of Interest Code.

H. Authorized Financial Dealers and Institutions

The Authority shall transact business only with banks, associations, and with broker/dealers licensed by the State of California, and who are licensed and in good standing with the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations. The broker/dealers should be primary government dealers regularly reporting to the New York Federal Reserve Bank. The Treasurer will maintain a list of authorized broker/dealers and financial institutions that are approved for the investment process. They shall be selected for credit worthiness and must be authorized to provide investment services in the State of California.

Before a financial institution or broker/dealer is used, they are subject to investigation and approval by the Treasurer or his/her designated representative, and must submit the Broker/Dealer Questionnaire and Certification to the Agency's Treasury Department that includes:

1. Certification of reading MSR's investment policy by all representatives servicing the Agency's account(s);

2. Proof of Federal Investment Regulatory Authority (FINRA) certification;
3. Proof of State of California registration;
4. Certified audited financial statements for the institution's last three years;
5. References of other public-sector clients that similar services are provided to.

Investment staff shall investigate dealers who wish to do business with the District to determine if they are adequately capitalized, have pending legal action against the firm or the individual broker and are active in the securities appropriate to the Agency's needs.

The Authority Treasurer shall annually send a copy of the current investment policy to all broker/dealers approved to do business with the Authority. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the Authority's investment policies and intends to sell the Authority only appropriate investments authorized by this investment policy.

I. Authorized and Suitable Investments

All investment vehicles allowed by Sections 53601 and 53635 of the California Government Code may be used by the M-S-R Energy Authority. Effective January 1, 2023, California Government Code (Code) Section 53601 specifies that an investment's term or remaining maturity shall be measured from the settlement date to final maturity (rather than the commonly interpreted trade date) and the forward settlement date of an investment cannot exceed 45 days from the time of investment.

GOVERNMENT AGENCY ISSUES: As authorized in Government Code Sections 53601 (a) through (f), this category includes a wide variety of government securities. There are no special portfolio limitations on the amount or maturity period for these investment vehicles, which include the following:

1. California local government agency bonds, notes, warrants or other indebtedness;
2. California State warrants, notes, bonds or other indebtedness;
3. Bonds issued by the Authority;
4. U.S. Treasury notes, bonds, bills or other certificates of indebtedness secured by the full faith and credit of the federal government;
5. Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or U.S. government-sponsored enterprises.

BANKERS ACCEPTANCES: As provided in Government Code Section 53601 (g), up to 40% of the Authority's moneys may be invested in Bankers Acceptances [that are eligible for purchase by the Federal Reserve System], although no more than 30% of the moneys may be invested in Bankers Acceptances of any one commercial bank. Additionally, the maturity period of any Bankers Acceptance shall not exceed 180 days.

COMMERCIAL PAPER: As authorized in Government Code Section 53601 (h), the Authority's moneys may be invested in "prime" commercial paper of quality of the highest

ranking or of the highest letter and number rating provided by a nationally recognized statistical-rating organization (NRSRO). However, the Authority will only recognize the rankings or ratings provided by Moody's Investors Service, Inc. and Standard and Poor's or Fitch Financial Services, Inc. Issuing corporation must meet all of the following conditions in either paragraph (1) or paragraph (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 "A" or higher by a nationally recognized statistical-rating organization (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 a nationally recognized statistical-rating organization (NRSRO).

Maturities may not exceed 270 days.

Senate Bill 998 amends Section 4 Government Code 53601 (h) to allow the Authority to invest up to 40% of the Authority's moneys (as long as it has one hundred million dollars (\$100,000,000) or more of investment assets under management otherwise the Authority's investable limit is 25%) in eligible commercial paper. The Authority may invest no more than 10 percent of its total investment assets in the commercial paper and the medium-term notes of any single issuer. This amendment shall remain in effect only until January 1, 2026 and as of that date is repealed.

As of January 1, 2026, the Authority may invest no more than 25 percent of their moneys in eligible commercial paper. A local agency, other than a county or a city and a county, may invest no more than 10 percent of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

NEGOTIABLE CERTIFICATES OF DEPOSIT: As authorized in Government Code Section 53601 (i), up to 30% of Authority's moneys may be invested in negotiable certificates of deposit issued by nationally or state-chartered commercial banks, federally insured credit unions, or the state licensed branch of a foreign bank. There is no limitation on the maturity period for this investment vehicle except for the overall investment constraints.

REPURCHASE AGREEMENTS, REVERSE REPURCHASE AGREEMENTS, OR SECURITIES LENDING AGREEMENTS: As authorized in Government Code Section 53601 (j), Authority may invest in repurchase agreements, reverse repurchase agreements, or securities lending agreements of any securities authorized in the Government Code Section 53601 (a) to (j) or (m) or (n) provided that a master repurchase agreement that complies with the TBMA Model has been executed with the contra-party. These investment vehicles are

agreements between the Authority and the seller for the purchase of government securities to be resold on or before a specified date and for a specified amount. The market value of the securities that underlie the repurchase agreement shall be valued at 102% or greater of the moneys borrowed against those securities, adjusted no less than quarterly. As provided in Government Code Section 53601(j)(4)(A), investing in reverse repurchase agreements or securities lending agreements may only be made upon prior approval of the Commission. The proceeds from a reverse repurchase agreement shall solely supplement the income normally received from the underlying securities.

Also:

1. The maturity of the reverse repurchase agreement must match the maturity of the securities purchased with the proceeds from the sale of the securities on the reverse repurchase agreement, and shall 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 and the final maturity date of the same security.
2. The total amount invested in reverse repurchase agreements shall not exceed 20% of the base value of the portfolio.
3. The securities to be sold on the reverse repurchase agreement or securities lending agreement must be owned and fully paid for by the Authority for a minimum of 30 days prior to the settlement of the reverse repurchase agreement.
4. Repurchase agreements, reverse repurchase agreements, or securities lending agreements may only be made with primary dealers of the Federal Reserve Bank of New York.

The Commission must specifically authorize the Treasurer to enter into reverse repurchase agreements or securities lending agreements pursuant to the limitations described herein.

MEDIUM-TERM CORPORATE NOTES OR BONDS: As authorized in Government Code Section 53601 (k), up to 30% of Authority's moneys may be invested in medium term corporate notes. Maturities may not exceed five years. The issuing corporation must be organized and operating within the U.S. and must be rated "A" or better by a nationally recognized rating service.

SHARES OF BENEFICIAL INTEREST: As authorized by Government Code Section 53601 (l), up to 20% of Authority's moneys may be invested in shares of beneficial interest issued by diversified management companies investing in securities authorized by Government Code Section 53601 (a) to (k), inclusive, and (m) to (o), inclusive, and 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.

If the investment is in shares by a company that invests in securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, the company must have attained the highest ranking or the highest letter and numerical rating provided by two nationally recognized statistical rating organizations or retain an investment advisor registered or exempt from registration with the Securities and Exchange Commission with at least five (5) years investing the securities authorized by subdivisions (a) to (k), inclusive, and (m) to (o),

inclusive, or experience managing money market mutual funds and with assets under management in excess of five hundred million dollars (\$500,000,000.00).

The purchase price of shares shall not include any commission and no more than 10% of the moneys may be invested in shares of any one mutual fund.

MORTGAGE PASS-THROUGH SECURITIES: As authorized in Government Code Section 53601 (o) up to 20% of the Authority's moneys may be invested in mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds of a maximum of five years maturity.

~~Securities eligible for investment under this provision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service.~~ Securities eligible for investment under this provision shall be rated in a rating category of "AA" or its equivalent or better by a an NRSRO.

The following limitations apply to public investment in privately issued 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 ("mortgage pass-through and asset-backed securities") that are not issued or guaranteed by a public agency or issuer identified in subdivision (b) or (f). These types of securities, issued by private companies, are permissible investments under subdivision (o) so long as they meet the following limitations:

1. Rated in a rating category of "AA" or its equivalent or better
2. Have a maximum remaining maturity of five years or less
3. Do not exceed the 20% of the local agency's portfolio

FINANCIAL FUTURES AND FINANCIAL OPTION CONTRACTS: As permitted in Government Code Section 53601.1, Authority may invest in financial futures or financial option contracts in any of the above investment categories, subject to the same overall portfolio limitations.

TIME CERTIFICATES OF DEPOSIT: As authorized in Government Code Section 53630 and following, Authority may invest moneys in non-negotiable, fixed-term Certificates of Deposit collateralized in accordance with the Government Code requirements. In order to secure such deposits, an institution shall maintain in the collateral pool securities having a market value of at least 10% in excess of the total amount deposited (50% in excess of the total amount of deposits secured by promissory notes secured by first mortgages and first trust deeds). Authority is permitted to waive the first \$100,000 of collateral security for such deposits if the institution is insured pursuant to federal law. There are no special portfolio limits on the amount or maturity for this investment vehicle. TCD's may be purchased from banks, associations, federally insured credit unions, and federally insured industrial loan companies which meet the requirements set forth in the Government Code.

CERTAIN OBLIGATIONS OF SUPRANATIONALS: Must be 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 “AA” or better by an NRSRO and shall not exceed 30 percent of the agency’s moneys that may be invested pursuant to this section.

LAIF: Deposits with the Local Agency Investment Fund, which is managed by the California State Treasurer's Office, are also permitted. This investing is authorized by Government Code Section 16429.1. The Authority is a current participant in this fund.

J. Prohibited Investments

The Authority shall not invest any moneys pursuant to Government Code 53601.6 or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes, or mortgage-derived, interest-only strips that are derived from a pool of mortgages, or reverse repurchase agreements.

Senate Bill 998 amends Section 4 Government Code 53601.6 to permit a local agency to invest in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. A local agency may hold these instruments until their maturity dates. This amendment shall remain in effect only until January 1, 2026 and as of that date is repealed.

K. Investment Pools

The Treasurer shall have a thorough understanding of the operational areas listed below for each pool and/or fund prior to investing, and on a continual basis.

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

L. Collateral Requirements

Collateral is required for investments in certificates of deposit, repurchase agreements and reverse repurchase agreements. In order to reduce market risk, the collateral level will be at least 102% of market value of principal and accrued interest.

The only securities acceptable as collateral shall be direct obligations which are fully guaranteed as to principal and interest by the United States Government or any agency or government-sponsored enterprise of the United States.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

M. Safekeeping and Custody

To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the Authority shall be held in safekeeping by a third party custodian, acting as agent for the Authority under the terms of a custody agreement or TBMA agreement executed by the Treasurer. All security transactions will settle delivery vs payment (DVP) through the Authority's safekeeping agent. Securities purchased from brokers/dealers shall be held in third party safekeeping by the trust department of the Authority's main bank, or by another third party trustee designated by the Treasurer.

Securities held in custody for the Authority shall be independently audited annually to verify investment holdings.

N. Delivery

The purchase of an eligible security shall require delivery of the securities to the Authority, including those purchased for the Authority by financial advisors, consultants, or managers using the Authority's moneys, by book entry, physical delivery, or by third party custodial agreement. The transfer of securities to the counter party bank's customer book entry account may be used for book entry delivery. A counter party bank's trust department or separate safekeeping department may be used for the physical delivery of the security if it is held in the Authority's name.

O. Diversification

The Authority will diversify its investments by security type, issuer and maturity. With the exception of U.S. Treasury Securities, U.S. Agency and U.S. Government-sponsored enterprises, no more than 40% of the total investment portfolio will be invested in a single security type or with a single financial institution and no more than 15% of the total investment portfolio will be placed with any one issuer.

P. Maximum Maturity

Pursuant to Government Code Section 53601 where the Government Code does not specify a limitation on the maturity term of a security, the Treasurer is authorized, as part of the

Authority's investment program set forth herein, to invest in individual instruments in the portfolio to a maximum maturity of five (5) years.

Q. Internal Control

Separation of functions between the Treasurer's Office and the Controller's Office is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Existing procedures require all wire transfers to be approved by the Treasurer and Controller. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Controller's office on a monthly basis.

All employees involved in the investment of Authority moneys are properly bonded.

Confirmation letters are mailed to the financial institution with the details of the investment transaction. The letters are signed by the Treasurer with copies to the Accounting Division and the Assistant Treasurer. In the absence of the Treasurer, the Assistant Treasurer may sign the confirmation letter for investments previously authorized. The Treasurer will review the letter signed during his absence by the Assistant Treasurer.

Authority receives confirmations from the financial institutions. All investment confirmations received from financial institutions are reviewed for accuracy and filed with the Authority's letter of confirmation in the Treasurer's office. These files are available for review by the Controller's staff.

The Authority investment accounting software package meets all legal reporting requirements. It has the capability of generating a variety of reports for monitoring and controlling investment activity. The Month-End Investment Inventory Report is reconciled with the Controller's office.

An independent confirmation by an external auditor is conducted annually to review internal control, account activity and compliance with policies and procedures. On an annual basis, the external auditors present audit results and findings to the Commission for their review and understanding.

R. Other Guidelines

1. **Pooled Cash:** Cash for all M-S-R Energy Authority moneys are consolidated into one general bank account (except bond proceeds) and invested on a pooled concept basis.
2. **Liquidity:** Liquidity refers to the ability to convert investment holdings to cash immediately with minimal loss of principal or accrued interest. This quality is important when the need for unexpected moneys suddenly occurs. The secondary duty of the Treasurer is to ~~insure~~-ensure that the liquidity needs of the Authority are met.

3. **Sale of Investments Before Maturity:** Investments may be sold prior to maturity for cash flow or appreciation purposes.
4. **NCD Evaluation:** Negotiable Certificates of Deposit (NCD) are evaluated in terms of the credit worthiness of the issuer, as these deposits are unsecured, and uncollateralized promissory notes.
5. **Time Deposit Placement:** Time deposits (insured and collateralized certificates of deposit) are not placed with banks, credit unions and/or associations unless an office is maintained in the State of California.
6. **TCD Evaluation:** Time Certificates of Deposit (TCD) are evaluated in terms of FDIC coverage. For deposits in excess of the insured maximum of \$100,000 approved levels of collateral at full market value are required, as prescribed in the California Government Code.
7. **Security Marketability:** The marketability (salability) of a security is considered at the time of purchase, as the security may have to be sold prior to maturity in order to meet unanticipated cash demands.
8. **Cash Flow Requirements Used to Establish Maturity:** Projected cash flow requirements and the overall weighted average maturity of the Authority's investment portfolio are the primary factors to be used in determining investment maturity terms.

S. Strategy

Strategy refers to the ability to manage the Authority's financial resources in the most advantageous manner.

1. **Economic Forecasts:** The Treasurer obtains economic forecasts periodically from economists and financial experts through bankers and brokers to assist with the formulation of an investment strategy for the Authority.
2. **Developing the Investment Plan:** The Treasurer should anticipate changes in interest rates, inflation, monetary and/or fiscal policy, and other economic indicators and evaluate their impact on the Authority's portfolio.
 - a. Consider the phase of the business cycle and its effect on future interest rates;
 - b. Consider the nature of the yield curve, i.e., normal versus inverted;
 - c. Evaluate the spread between U.S. Treasury and other securities daily in order to be informed regarding the particular issue that is "cheap to the Market";
 - d. Evaluate the effect of interest compounding on portfolio yields;
 - e. Utilize the following investment techniques to increase yield and maintain a fully invested position;
 - (i) Use of daily and weekend repurchase agreement investments.

- (ii) Evaluate portfolio for potential swaps and trades.
 - (iii) Use of reverse repurchase agreement investments and securities lending agreements.
- f. A good swap or trade will have two important characteristics:
- (i) Increase the yield on holdings
 - (ii) Generate takeout cash which can be reinvested.

T. Performance Standards

Investment performance is continually monitored and evaluated by the Treasurer. Investment performance statistics and activity reports are generated monthly for presentation to the General Manager and the Commission.

The performance of the investment portfolio shall be measured against a market-average rate of return of the U.S. Constant Maturity Treasury (CMT) which is the closest to the weighted average maturity of the Authority's portfolio and to the earnings on the LAIF Pooled Investment Fund.

Compliance with the Investment Policy will be reviewed to ensure proper types of investments, maturity dates, investment ratings, and average maturity of portfolio meet the standards set forth in the policy. Instruments that fall out of compliance will be analyzed. The asset(s) will be replaced within six months for a security that meets compliance standards.

U. Reporting

1. **Monthly Report:** Government Code Section 53607 requires the Treasurer to make a monthly report to the Commission of transactions made pursuant to the Investment Policy.
2. **Quarterly Report:** Government Code Section 53646 requires the Treasurer to issue a quarterly report within 45 days following the end of the quarter, to the General Manager, the Authority's internal auditor, and the Commissioners, showing the type of investment, issuer and/or institution, date of maturity, amount of investment, current market value for all securities, rate of interest, and other relevant data that may be required. The quarterly report shall state compliance of the investment portfolio with the Investment Policy and shall include a statement denoting the ability of the Authority to meet its pool expenditure requirements for the next six months. The Treasurer shall also submit the investment policy annually to the Commission, disclose the source of market value information, confirm compliance with the guidelines or explain the differences, and affirm the Authority's ability to meet its obligations over the next six months.
3. **Audited Financials:** On a yearly basis, the external auditors will present audit results to the Commission. Auditors review internal controls, security ratings, account activity and compliance with policies and procedures.

V. Investment Policy Adoption

The Authority's investment policy guidelines shall be adopted annually. However, changing economic conditions may make it advisable to review the guidelines during the year. Legislative changes affecting public agency investment practices may also need to be incorporated into the policy statement prior to year-end. It is anticipated that most changes will be processed at the end of the calendar year. However, if it appears that the Authority could incur a loss in earnings, a modification will be processed promptly.

Glossary

Accrued Interest	Interest that has accumulated between the most recent payment and the sale of a bond or other fixed income security. At the time of sale, the buyer pays the seller the bond's price plus accrued interest.
Agencies	Securities issued by government-sponsored corporations or agencies of the U.S. Government such as the Federal Home Loan Banks, the Federal Farm Credit Banks Small Business Administration, Department of Housing and Urban Development.
Amortize	Accounting method whereby the cost of acquisition of an asset gradually is reduced to reflect the theoretical resale value of the asset.
Asked Price	The price at which securities are offered for sale. Also called the Ask Price, Asking Price, or Ask.
Bankers' Acceptance	A draft or bill of exchange accepted by a bank or trust company. It is the customary means of effecting payment for merchandise sold in import-export transactions and a source of financing used extensively in international trade.
Basis Point	.01% of yield (1/100 of 1%) on a fixed-income security.
Bear Market	Prolonged period of falling prices. A bear market in stocks is usually brought on by the anticipation of declining economic activity, and a bear market in bonds is caused by rising interest rates.
Bearish	Having the opinion that securities will fall in market value.
Bid	The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.
Bond	Any interest-bearing or discounted government or corporate security that obligates the issuer to pay the bondholder a specified sum of money, usually at specific intervals, and to repay the principal amount of the loan at maturity.
Book Entry	Holdings of the securities are recorded on the books of the Federal Reserve Bank of New York for the issuer. Interest and principal payments are sent to the investor when due. No physical certificates are issued or delivered to the investor. Bonds issued in book entry form are transferred via the Federal Reserve wire or book entry system to member financial institutions. Book entry securities are said to be wireable.
Book Value	Value at which an asset is carried on the balance sheet.
Broker	A person who acts as an intermediary between a buyer and seller.
Bull Market	Prolonged rise in the prices of stocks, bonds, or commodities. Bull markets usually last at least a few months and are characterized by high trading volume.

Bullish	The belief that prices will rise or will continue to rise.
Call	The action whereby a company elects to redeem a security prior to its maturity date.
Callable Bond	Bond that may be called (redeemed) by the issuer on or after a specified date before maturity.
Certificate of Deposit (CD)	A time deposit with a specific maturity evidenced by a certificate.
Collateral	Securities, evidenced of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.
Commercial Paper	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers to investors with temporarily idle cash. Such instruments are unsecured and usually discounted, although some are interest bearing.
Confirmation	Formal memorandum from a broker to a client giving details of a securities transaction.
Consumer Price Index (CPI)	Measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics.
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 due on a payment date.
Current Yield	The annual interest received on a bond in relation to the amount paid for the bond expressed as a percentage.
Debenture	A bond secured only by the general credit of the issuer.
Delivery Versus Payment (DVP)	There are two methods of delivering securities: delivery versus payment (DVP) and delivery versus receipt. DVP is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.
Depository Trust Company (DTC)	A central securities certificate depository, and member of the Federal Reserve System, through which members may arrange deliveries of securities between each other through computerized debit and credit entries without physical delivery of the certificates.
Derivatives	(1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Discount	The difference between the cost price of a security and its maturity amount when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.
Discount Rates	Interest rate that the Federal Reserve charges member banks for loans, using government securities or eligible paper as collateral.
Discount Securities	Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.
Diversification	Dividing investment funds among a variety of securities offering independent returns.
Face Value	Value of a bond stated on the bond certificate.
Fed Wire	Computerized network linking the Fed with its district banks, member banks, and primary dealers in government securities.
Federal Deposit Insurance Corporation (FDIC)	A federal agency that insures bank deposits, currently up to \$100,000 per deposit.
Federal Funds Rate	Interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements.
Federal Home Loan Banks (FHLB)	Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.
Federal National Mortgage Association (FNMA)	FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Open Market Committee (FOMC)	Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.
Federal Reserve System	The central bank of the United States created by Congress to regulate the U.S. monetary and banking system.
Flat	A bond that is sold without accrued interest.
Government National Mortgage Association (GNMA or Ginnie Mae)	A government-owned corporation, nicknamed Ginnie Mae, which is an agency of the U.S. Department of Housing and Urban Development. GNMA guarantees, with the full faith and credit of the U.S. Government, full and timely payment of all monthly principal and interest payments on the mortgage-backed pass-through securities of registered holders.
Illiquid	Used when a security that does not enjoy an active secondary market; thus, the holder may find it difficult to sell the security and thereby go back to cash.
Know Your Customer	Industry obligation that requires a brokerage firm and its registered representatives to know the important facts about the customer with whom they do business.
Liquidity	A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.
Local Government Investment Pool (LGIP)	The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment. In California it is called the Local Agency Investment Fund (LAIF).
Market Value	The price at which a security is trading and could presumably be purchased or sold.
Master Repurchase Agreement	A written contract covering all future transactions between the parties to repurchase -- reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.
Maturity Date	The specified day on which the issuer of a debt security is obligated to repay the principal amount, or face value, of a security.
Money Market	The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.
New Issue	Popular term for any new security offered for sale by the issuer.

Odd Lot	Transactions that are for less than the typical unit of trading.
Offer	The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.
Open Market Operations	Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.
Paper Loss	An unrealized loss on a security position. Paper losses become realized losses only if the security is sold.
Par	Any security whose market or offering price is the same as its face value at the time of redemption.
Portfolio	Collection of securities held by an investor.
Premium	The dollar amount by which the market price of a bond exceeds its par value.
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. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.
Prime Rate	Interest rate banks charge to their most creditworthy customers.
Prudent Person Rule	An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state -- the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.
Quote	A statement of the highest bid and lowest offer for the security.
Rally	Industry term for a sharp rise in the price of the security.
Rate Of Return	The yield obtainable on a security based on its purchase price or its current market price.
Rating	Judgment of creditworthiness of an issuer made by an accepted rating service.
Registered Bond	A bond that is recorded in the name of the holder on the books of the issuer or the issuer's Registrar and can be transferred to another owner only when endorsed by the registered owner.

Repurchase Agreement (RP or Repo)	A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.
Reverse Repurchase Agreements	Whereby dealers agree to buy the securities and the investor agrees to repurchase them at a later date.
Safekeeping	A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.
Secondary Market	A market made for the purchase and sale of outstanding issues following the initial distribution.
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.
Settlement Date	The date on which a securities contract, by prearranged agreement, must be cleared or settled.
Spread	The difference between yields on various fixed-income securities.
Subject	Term used of a quote made by a dealer, whether a bid or an offer or both, that must be reviewed before a final decision to buy or sell is made.
Swap	Industry jargon for the sale of one security and the purchase of another.
The Bond Marketing Association (TBMA)	A trade association representing banks, dealers, and brokers who underwrite and trade municipals, governments, and federal agency securities.
Treasury Bills	A non-interest bearing discount security issued by the U.S. Treasury. Most bills are issued to mature in three months, six months, or one year, in minimum denominations of \$10,000.
Treasury Bonds	Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities 10 years or longer issued in minimum denominations of \$1,000.
Treasury Notes	Intermediate securities with maturities of 1 to 10 years.

Yield	The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in 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	A measurement of the compound rate of return that an investor in a bond with a maturity of more than one year will receive if: (1) the investor holds the security to maturity and (2) reinvests all cash flows at the same market rate of interest.

Sources

1. *Dictionary of Finance and Investment Terms, Second Edition*, John Downes and Jordan Elliot Goodman.
2. *Debt Securities, A Handbook for State and Local Government Portfolio Managers*, Keith Williams.
3. Municipal Treasurers' Association of the United States and Canada, Investment Policy Guidelines.

**Investment Policy Guidelines
of the
M-S-R Energy Authority**

2024

(Approved by Commission on)



Table of Contents

A.	Policy	1
B.	Scope.....	1
C.	Funds.....	1
D.	Prudence.....	1
E.	Objective.....	1
F.	Delegation of Authority	2
G.	Ethics and Conflicts of Interest.....	2
H.	Authorized Financial Dealers and Institutions.....	2
I.	Authorized and Suitable Investments	3
J.	Prohibited Investments.....	7
K.	Investment Pools.....	7
L.	Collateral Requirements.....	7
M.	Safekeeping and Custody.....	8
N.	Delivery.....	8
O.	Diversification.....	8
P.	Maximum Maturity.....	8
Q.	Internal Control.....	9
R.	Other Guidelines	9
S.	Strategy	10
T.	Performance Standards	11
U.	Reporting.....	11
V.	Investment Policy Adoption	12
	Glossary	13
	Sources.....	19

A. Policy

It is the policy of the M-S-R Energy Authority to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Authority and conforming to all state and local statutes governing the investment of public funds.

B. Scope

This investment policy applies to all moneys (surplus financial assets) of the Authority. These moneys are accounted in the monthly financial reports and the comprehensive annual financial report of Authority financial activities.

C. Funds

The guidelines outlined in this document shall apply to the general fund portfolio and other moneys under the Treasurer's span of control unless specifically exempted by statute or resolution. The investment of bond proceeds in the custody of a Trustee shall be governed in accordance with the investment guidelines contained in the bond indenture. This Policy is applicable to:

- General Fund

D. Prudence

The standard of prudence to be used by investment officials in the management of Authority moneys shall be the "prudent investor" standard which shall be applied in the context of managing all aspects of the overall portfolio. Investments shall be made with the care, skill, prudence and diligence, under circumstances then prevailing, including the general economic conditions and the anticipated needs of the Authority, which persons of prudence, discretion and intelligence acting in a like capacity and familiarity with those matters would use in the conduct of moneys of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Authority.

It is the Authority's intent, at the time of purchase, to hold all investments until maturity. However, investments may be sold prior to maturity for cash flow purposes or to take advantage of principal appreciation.

E. Objective

The primary objectives, in priority order, of M-S-R Energy Authority's investment activities shall be:

1. **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
2. **Liquidity:** The Authority's investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements which might be reasonably anticipated.

3. **Return on Investments:** The Authority's investment portfolio shall be designed with the objective of attaining a rate of return commensurate with the Authority's investment risk constraints and the cash flow characteristics of the portfolio.

F. Delegation of Authority

Authority to manage the Authority's investment program is derived from Title 5, Division 2, Part 1, Chapter 4 of the California Government Code, commencing with Section 53600. Management responsibility for the investment program is hereby delegated, pursuant to Section 53607 of the Government Code, to the Authority Treasurer, who shall establish written procedures for the operation of the investment program consistent with this investment policy. This responsibility includes authority to select Brokers, establish safekeeping accounts, enter into wire transfer agreements, banking service contracts, and collateral/depository agreement. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. This delegation shall be for no greater than one year and may be revoked at any time, or, upon review, renewed each year.

G. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program or impairs their ability to make impartial investment decisions. They shall disclose to the Agency's General Manager any material financial interests in financial institutions that conduct business with the Agency and all potential conflicts of interest, and, where appropriate, provide this information in an annual disclosure statement. They must also not engage in outside employment or personal activities which conflict with Agency employment or provide financial gain at the Agency's expense. Additionally, the Treasurer and the Assistant Treasurer are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC) and/or the Authority's Conflict of Interest Code.

H. Authorized Financial Dealers and Institutions

The Authority shall transact business only with banks, associations, and with broker/dealers licensed by the State of California, and who are licensed and in good standing with the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations. The broker/dealers should be primary government dealers regularly reporting to the New York Federal Reserve Bank. The Treasurer will maintain a list of authorized broker/dealers and financial institutions that are approved for the investment process. They shall be selected for credit worthiness and must be authorized to provide investment services in the State of California.

Before a financial institution or broker/dealer is used, they are subject to investigation and approval by the Treasurer or his/her designated representative, and must submit the Broker/Dealer Questionnaire and Certification to the Agency's Treasury Department that includes:

1. Certification of reading MSR's investment policy by all representatives servicing the Agency's account(s);

2. Proof of Federal Investment Regulatory Authority (FINRA) certification;
3. Proof of State of California registration;
4. Certified audited financial statements for the institution's last three years;
5. References of other public-sector clients that similar services are provided to.

Investment staff shall investigate dealers who wish to do business with the District to determine if they are adequately capitalized, have pending legal action against the firm or the individual broker and are active in the securities appropriate to the Agency's needs.

The Authority Treasurer shall annually send a copy of the current investment policy to all broker/dealers approved to do business with the Authority. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the Authority's investment policies and intends to sell the Authority only appropriate investments authorized by this investment policy.

I. Authorized and Suitable Investments

All investment vehicles allowed by Sections 53601 and 53635 of the California Government Code may be used by the M-S-R Energy Authority. Effective January 1, 2023, California Government Code (Code) Section 53601 specifies that an investment's term or remaining maturity shall be measured from the settlement date to final maturity (rather than the commonly interpreted trade date) and the forward settlement date of an investment cannot exceed 45 days from the time of investment.

GOVERNMENT AGENCY ISSUES: As authorized in Government Code Sections 53601 (a) through (f), this category includes a wide variety of government securities. There are no special portfolio limitations on the amount or maturity period for these investment vehicles, which include the following:

1. California local government agency bonds, notes, warrants or other indebtedness;
2. California State warrants, notes, bonds or other indebtedness;
3. Bonds issued by the Authority;
4. U.S. Treasury notes, bonds, bills or other certificates of indebtedness secured by the full faith and credit of the federal government;
5. Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or U.S. government-sponsored enterprises.

BANKERS ACCEPTANCES: As provided in Government Code Section 53601 (g), up to 40% of the Authority's moneys may be invested in Bankers Acceptances [that are eligible for purchase by the Federal Reserve System], although no more than 30% of the moneys may be invested in Bankers Acceptances of any one commercial bank. Additionally, the maturity period of any Bankers Acceptance shall not exceed 180 days.

COMMERCIAL PAPER: As authorized in Government Code Section 53601 (h), the Authority's moneys may be invested in "prime" commercial paper of quality of the highest

ranking or of the highest letter and number rating provided by a nationally recognized statistical-rating organization (NRSRO). However, the Authority will only recognize the rankings or ratings provided by Moody's Investors Service, Inc. and Standard and Poor's or Fitch Financial Services, Inc. Issuing corporation must meet all of the following conditions in either paragraph (1) or paragraph (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 "A" or higher by a nationally recognized statistical-rating organization (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 a nationally recognized statistical-rating organization (NRSRO).

Maturities may not exceed 270 days.

Senate Bill 998 amends Section 4 Government Code 53601 (h) to allow the Authority to invest up to 40% of the Authority's moneys (as long as it has one hundred million dollars (\$100,000,000) or more of investment assets under management otherwise the Authority's investable limit is 25%) in eligible commercial paper. The Authority may invest no more than 10 percent of its total investment assets in the commercial paper and the medium-term notes of any single issuer. This amendment shall remain in effect only until January 1, 2026 and as of that date is repealed.

As of January 1, 2026, the Authority may invest no more than 25 percent of their moneys in eligible commercial paper. A local agency, other than a county or a city and a county, may invest no more than 10 percent of its total investment assets in the commercial paper and the medium-term notes of any single issuer.

NEGOTIABLE CERTIFICATES OF DEPOSIT: As authorized in Government Code Section 53601 (i), up to 30% of Authority's moneys may be invested in negotiable certificates of deposit issued by nationally or state-chartered commercial banks, federally insured credit unions, or the state licensed branch of a foreign bank. There is no limitation on the maturity period for this investment vehicle except for the overall investment constraints.

REPURCHASE AGREEMENTS, REVERSE REPURCHASE AGREEMENTS, OR SECURITIES LENDING AGREEMENTS: As authorized in Government Code Section 53601 (j), Authority may invest in repurchase agreements, reverse repurchase agreements, or securities lending agreements of any securities authorized in the Government Code Section 53601 (a) to (j) or (m) or (n) provided that a master repurchase agreement that complies with the TBMA Model has been executed with the contra-party. These investment vehicles are

agreements between the Authority and the seller for the purchase of government securities to be resold on or before a specified date and for a specified amount. The market value of the securities that underlie the repurchase agreement shall be valued at 102% or greater of the moneys borrowed against those securities, adjusted no less than quarterly. As provided in Government Code Section 53601(j)(4)(A), investing in reverse repurchase agreements or securities lending agreements may only be made upon prior approval of the Commission. The proceeds from a reverse repurchase agreement shall solely supplement the income normally received from the underlying securities.

Also:

1. The maturity of the reverse repurchase agreement must match the maturity of the securities purchased with the proceeds from the sale of the securities on the reverse repurchase agreement, and shall 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 and the final maturity date of the same security.
2. The total amount invested in reverse repurchase agreements shall not exceed 20% of the base value of the portfolio.
3. The securities to be sold on the reverse repurchase agreement or securities lending agreement must be owned and fully paid for by the Authority for a minimum of 30 days prior to the settlement of the reverse repurchase agreement.
4. Repurchase agreements, reverse repurchase agreements, or securities lending agreements may only be made with primary dealers of the Federal Reserve Bank of New York.

The Commission must specifically authorize the Treasurer to enter into reverse repurchase agreements or securities lending agreements pursuant to the limitations described herein.

MEDIUM-TERM CORPORATE NOTES OR BONDS: As authorized in Government Code Section 53601 (k), up to 30% of Authority's moneys may be invested in medium term corporate notes. Maturities may not exceed five years. The issuing corporation must be organized and operating within the U.S. and must be rated "A" or better by a nationally recognized rating service.

SHARES OF BENEFICIAL INTEREST: As authorized by Government Code Section 53601 (l), up to 20% of Authority's moneys may be invested in shares of beneficial interest issued by diversified management companies investing in securities authorized by Government Code Section 53601 (a) to (k), inclusive, and (m) to (o), inclusive, and 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.

If the investment is in shares by a company that invests in securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, the company must have attained the highest ranking or the highest letter and numerical rating provided by two nationally recognized statistical rating organizations or retain an investment advisor registered or exempt from registration with the Securities and Exchange Commission with at least five (5) years investing the securities authorized by subdivisions (a) to (k), inclusive, and (m) to (o),

inclusive, or experience managing money market mutual funds and with assets under management in excess of five hundred million dollars (\$500,000,000.00).

The purchase price of shares shall not include any commission and no more than 10% of the moneys may be invested in shares of any one mutual fund.

MORTGAGE PASS-THROUGH SECURITIES: As authorized in Government Code Section 53601 (o) up to 20% of the Authority's moneys may be invested in mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds of a maximum of five years maturity.

Securities eligible for investment under this provision shall be rated in a rating category of "AA" or its equivalent or better by a an NRSRO.

The following limitations apply to public investment in privately issued 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 ("mortgage pass-through and asset-backed securities") that are not issued or guaranteed by a public agency or issuer identified in subdivision (b) or (f). These types of securities, issued by private companies, are permissible investments under subdivision (o) so long as they meet the following limitations:

1. Rated in a rating category of "AA" or its equivalent or better
2. Have a maximum remaining maturity of five years or less
3. Do not exceed the 20% of the local agency's portfolio

FINANCIAL FUTURES AND FINANCIAL OPTION CONTRACTS: As permitted in Government Code Section 53601.1, Authority may invest in financial futures or financial option contracts in any of the above investment categories, subject to the same overall portfolio limitations.

TIME CERTIFICATES OF DEPOSIT: As authorized in Government Code Section 53630 and following, Authority may invest moneys in non-negotiable, fixed-term Certificates of Deposit collateralized in accordance with the Government Code requirements. In order to secure such deposits, an institution shall maintain in the collateral pool securities having a market value of at least 10% in excess of the total amount deposited (50% in excess of the total amount of deposits secured by promissory notes secured by first mortgages and first trust deeds). Authority is permitted to waive the first \$100,000 of collateral security for such deposits if the institution is insured pursuant to federal law. There are no special portfolio limits on the amount or maturity for this investment vehicle. TCD's may be purchased from banks, associations, federally insured credit unions, and federally insured industrial loan companies which meet the requirements set forth in the Government Code.

CERTAIN OBLIGATIONS OF SUPRANATIONALS: Must be 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 “AA” or better by an NRSRO and shall not exceed 30 percent of the agency’s moneys that may be invested pursuant to this section.

LAIF: Deposits with the Local Agency Investment Fund, which is managed by the California State Treasurer's Office, are also permitted. This investing is authorized by Government Code Section 16429.1. The Authority is a current participant in this fund.

J. Prohibited Investments

The Authority shall not invest any moneys pursuant to Government Code 53601.6 or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes, or mortgage-derived, interest-only strips that are derived from a pool of mortgages, or reverse repurchase agreements.

Senate Bill 998 amends Section 4 Government Code 53601.6 to permit a local agency to invest in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. A local agency may hold these instruments until their maturity dates. This amendment shall remain in effect only until January 1, 2026 and as of that date is repealed.

K. Investment Pools

The Treasurer shall have a thorough understanding of the operational areas listed below for each pool and/or fund prior to investing, and on a continual basis.

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

L. Collateral Requirements

Collateral is required for investments in certificates of deposit, repurchase agreements and reverse repurchase agreements. In order to reduce market risk, the collateral level will be at least 102% of market value of principal and accrued interest.

The only securities acceptable as collateral shall be direct obligations which are fully guaranteed as to principal and interest by the United States Government or any agency or government-sponsored enterprise of the United States.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

M. Safekeeping and Custody

To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the Authority shall be held in safekeeping by a third party custodian, acting as agent for the Authority under the terms of a custody agreement or TBMA agreement executed by the Treasurer. All security transactions will settle delivery vs payment (DVP) through the Authority's safekeeping agent. Securities purchased from brokers/dealers shall be held in third party safekeeping by the trust department of the Authority's main bank, or by another third party trustee designated by the Treasurer.

Securities held in custody for the Authority shall be independently audited annually to verify investment holdings.

N. Delivery

The purchase of an eligible security shall require delivery of the securities to the Authority, including those purchased for the Authority by financial advisors, consultants, or managers using the Authority's moneys, by book entry, physical delivery, or by third party custodial agreement. The transfer of securities to the counter party bank's customer book entry account may be used for book entry delivery. A counter party bank's trust department or separate safekeeping department may be used for the physical delivery of the security if it is held in the Authority's name.

O. Diversification

The Authority will diversify its investments by security type, issuer and maturity. With the exception of U.S. Treasury Securities, U.S. Agency and U.S. Government-sponsored enterprises, no more than 40% of the total investment portfolio will be invested in a single security type or with a single financial institution and no more than 15% of the total investment portfolio will be placed with any one issuer.

P. Maximum Maturity

Pursuant to Government Code Section 53601 where the Government Code does not specify a limitation on the maturity term of a security, the Treasurer is authorized, as part of the Authority's investment program set forth herein, to invest in individual instruments in the portfolio to a maximum maturity of five (5) years.

Q. Internal Control

Separation of functions between the Treasurer's Office and the Controller's Office is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Existing procedures require all wire transfers to be approved by the Treasurer and Controller. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Controller's office on a monthly basis.

All employees involved in the investment of Authority moneys are properly bonded.

Confirmation letters are mailed to the financial institution with the details of the investment transaction. The letters are signed by the Treasurer with copies to the Accounting Division and the Assistant Treasurer. In the absence of the Treasurer, the Assistant Treasurer may sign the confirmation letter for investments previously authorized. The Treasurer will review the letter signed during his absence by the Assistant Treasurer.

Authority receives confirmations from the financial institutions. All investment confirmations received from financial institutions are reviewed for accuracy and filed with the Authority's letter of confirmation in the Treasurer's office. These files are available for review by the Controller's staff.

The Authority investment accounting software package meets all legal reporting requirements. It has the capability of generating a variety of reports for monitoring and controlling investment activity. The Month-End Investment Inventory Report is reconciled with the Controller's office.

An independent confirmation by an external auditor is conducted annually to review internal control, account activity and compliance with policies and procedures. On an annual basis, the external auditors present audit results and findings to the Commission for their review and understanding.

R. Other Guidelines

1. **Pooled Cash:** Cash for all M-S-R Energy Authority moneys are consolidated into one general bank account (except bond proceeds) and invested on a pooled concept basis.
2. **Liquidity:** Liquidity refers to the ability to convert investment holdings to cash immediately with minimal loss of principal or accrued interest. This quality is important when the need for unexpected moneys suddenly occurs. The secondary duty of the Treasurer is to ensure that the liquidity needs of the Authority are met.
3. **Sale of Investments Before Maturity:** Investments may be sold prior to maturity for cash flow or appreciation purposes.

4. **NCD Evaluation:** Negotiable Certificates of Deposit (NCD) are evaluated in terms of the credit worthiness of the issuer, as these deposits are unsecured, and uncollateralized promissory notes.
5. **Time Deposit Placement:** Time deposits (insured and collateralized certificates of deposit) are not placed with banks, credit unions and/or associations unless an office is maintained in the State of California.
6. **TCD Evaluation:** Time Certificates of Deposit (TCD) are evaluated in terms of FDIC coverage. For deposits in excess of the insured maximum of \$100,000 approved levels of collateral at full market value are required, as prescribed in the California Government Code.
7. **Security Marketability:** The marketability (salability) of a security is considered at the time of purchase, as the security may have to be sold prior to maturity in order to meet unanticipated cash demands.
8. **Cash Flow Requirements Used to Establish Maturity:** Projected cash flow requirements and the overall weighted average maturity of the Authority's investment portfolio are the primary factors to be used in determining investment maturity terms.

S. Strategy

Strategy refers to the ability to manage the Authority's financial resources in the most advantageous manner.

1. **Economic Forecasts:** The Treasurer obtains economic forecasts periodically from economists and financial experts through bankers and brokers to assist with the formulation of an investment strategy for the Authority.
2. **Developing the Investment Plan:** The Treasurer should anticipate changes in interest rates, inflation, monetary and/or fiscal policy, and other economic indicators and evaluate their impact on the Authority's portfolio.
 - a. Consider the phase of the business cycle and its effect on future interest rates;
 - b. Consider the nature of the yield curve, i.e., normal versus inverted;
 - c. Evaluate the spread between U.S. Treasury and other securities daily in order to be informed regarding the particular issue that is "cheap to the Market";
 - d. Evaluate the effect of interest compounding on portfolio yields;
 - e. Utilize the following investment techniques to increase yield and maintain a fully invested position;
 - (i) Use of daily and weekend repurchase agreement investments.
 - (ii) Evaluate portfolio for potential swaps and trades.

- (iii) Use of reverse repurchase agreement investments and securities lending agreements.
- f. A good swap or trade will have two important characteristics:
 - (i) Increase the yield on holdings
 - (ii) Generate takeout cash which can be reinvested.

T. Performance Standards

Investment performance is continually monitored and evaluated by the Treasurer. Investment performance statistics and activity reports are generated monthly for presentation to the General Manager and the Commission.

The performance of the investment portfolio shall be measured against a market-average rate of return of the U.S. Constant Maturity Treasury (CMT) which is the closest to the weighted average maturity of the Authority's portfolio and to the earnings on the LAIF Pooled Investment Fund.

Compliance with the Investment Policy will be reviewed to ensure proper types of investments, maturity dates, investment ratings, and average maturity of portfolio meet the standards set forth in the policy. Instruments that fall out of compliance will be analyzed. The asset(s) will be replaced within six months for a security that meets compliance standards.

U. Reporting

1. **Monthly Report:** Government Code Section 53607 requires the Treasurer to make a monthly report to the Commission of transactions made pursuant to the Investment Policy.
2. **Quarterly Report:** Government Code Section 53646 requires the Treasurer to issue a quarterly report within 45 days following the end of the quarter, to the General Manager, the Authority's internal auditor, and the Commissioners, showing the type of investment, issuer and/or institution, date of maturity, amount of investment, current market value for all securities, rate of interest, and other relevant data that may be required. The quarterly report shall state compliance of the investment portfolio with the Investment Policy and shall include a statement denoting the ability of the Authority to meet its pool expenditure requirements for the next six months. The Treasurer shall also submit the investment policy annually to the Commission, disclose the source of market value information, confirm compliance with the guidelines or explain the differences, and affirm the Authority's ability to meet its obligations over the next six months.
3. **Audited Financials:** On a yearly basis, the external auditors will present audit results to the Commission. Auditors review internal controls, security ratings, account activity and compliance with policies and procedures.

V. Investment Policy Adoption

The Authority's investment policy guidelines shall be adopted annually. However, changing economic conditions may make it advisable to review the guidelines during the year. Legislative changes affecting public agency investment practices may also need to be incorporated into the policy statement prior to year-end. It is anticipated that most changes will be processed at the end of the calendar year. However, if it appears that the Authority could incur a loss in earnings, a modification will be processed promptly.

Glossary

Accrued Interest	Interest that has accumulated between the most recent payment and the sale of a bond or other fixed income security. At the time of sale, the buyer pays the seller the bond's price plus accrued interest.
Agencies	Securities issued by government-sponsored corporations or agencies of the U.S. Government such as the Federal Home Loan Banks, the Federal Farm Credit Banks Small Business Administration, Department of Housing and Urban Development.
Amortize	Accounting method whereby the cost of acquisition of an asset gradually is reduced to reflect the theoretical resale value of the asset.
Asked Price	The price at which securities are offered for sale. Also called the Ask Price, Asking Price, or Ask.
Bankers' Acceptance	A draft or bill of exchange accepted by a bank or trust company. It is the customary means of effecting payment for merchandise sold in import-export transactions and a source of financing used extensively in international trade.
Basis Point	.01% of yield (1/100 of 1%) on a fixed-income security.
Bear Market	Prolonged period of falling prices. A bear market in stocks is usually brought on by the anticipation of declining economic activity, and a bear market in bonds is caused by rising interest rates.
Bearish	Having the opinion that securities will fall in market value.
Bid	The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.
Bond	Any interest-bearing or discounted government or corporate security that obligates the issuer to pay the bondholder a specified sum of money, usually at specific intervals, and to repay the principal amount of the loan at maturity.
Book Entry	Holdings of the securities are recorded on the books of the Federal Reserve Bank of New York for the issuer. Interest and principal payments are sent to the investor when due. No physical certificates are issued or delivered to the investor. Bonds issued in book entry form are transferred via the Federal Reserve wire or book entry system to member financial institutions. Book entry securities are said to be wireable.
Book Value	Value at which an asset is carried on the balance sheet.
Broker	A person who acts as an intermediary between a buyer and seller.
Bull Market	Prolonged rise in the prices of stocks, bonds, or commodities. Bull markets usually last at least a few months and are characterized by high trading volume.

Bullish	The belief that prices will rise or will continue to rise.
Call	The action whereby a company elects to redeem a security prior to its maturity date.
Callable Bond	Bond that may be called (redeemed) by the issuer on or after a specified date before maturity.
Certificate of Deposit (CD)	A time deposit with a specific maturity evidenced by a certificate.
Collateral	Securities, evidenced of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.
Commercial Paper	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers to investors with temporarily idle cash. Such instruments are unsecured and usually discounted, although some are interest bearing.
Confirmation	Formal memorandum from a broker to a client giving details of a securities transaction.
Consumer Price Index (CPI)	Measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics.
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 due on a payment date.
Current Yield	The annual interest received on a bond in relation to the amount paid for the bond expressed as a percentage.
Debenture	A bond secured only by the general credit of the issuer.
Delivery Versus Payment (DVP)	There are two methods of delivering securities: delivery versus payment (DVP) and delivery versus receipt. DVP is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.
Depository Trust Company (DTC)	A central securities certificate depository, and member of the Federal Reserve System, through which members may arrange deliveries of securities between each other through computerized debit and credit entries without physical delivery of the certificates.
Derivatives	(1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

Discount	The difference between the cost price of a security and its maturity amount when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.
Discount Rates	Interest rate that the Federal Reserve charges member banks for loans, using government securities or eligible paper as collateral.
Discount Securities	Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.
Diversification	Dividing investment funds among a variety of securities offering independent returns.
Face Value	Value of a bond stated on the bond certificate.
Fed Wire	Computerized network linking the Fed with its district banks, member banks, and primary dealers in government securities.
Federal Deposit Insurance Corporation (FDIC)	A federal agency that insures bank deposits, currently up to \$100,000 per deposit.
Federal Funds Rate	Interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements.
Federal Home Loan Banks (FHLB)	Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.
Federal National Mortgage Association (FNMA)	FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Open Market Committee (FOMC)	Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.
Federal Reserve System	The central bank of the United States created by Congress to regulate the U.S. monetary and banking system.
Flat	A bond that is sold without accrued interest.
Government National Mortgage Association (GNMA or Ginnie Mae)	A government-owned corporation, nicknamed Ginnie Mae, which is an agency of the U.S. Department of Housing and Urban Development. GNMA guarantees, with the full faith and credit of the U.S. Government, full and timely payment of all monthly principal and interest payments on the mortgage-backed pass-through securities of registered holders.
Illiquid	Used when a security that does not enjoy an active secondary market; thus, the holder may find it difficult to sell the security and thereby go back to cash.
Know Your Customer	Industry obligation that requires a brokerage firm and its registered representatives to know the important facts about the customer with whom they do business.
Liquidity	A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.
Local Government Investment Pool (LGIP)	The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment. In California it is called the Local Agency Investment Fund (LAIF).
Market Value	The price at which a security is trading and could presumably be purchased or sold.
Master Repurchase Agreement	A written contract covering all future transactions between the parties to repurchase -- reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.
Maturity Date	The specified day on which the issuer of a debt security is obligated to repay the principal amount, or face value, of a security.
Money Market	The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.
New Issue	Popular term for any new security offered for sale by the issuer.

Odd Lot	Transactions that are for less than the typical unit of trading.
Offer	The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.
Open Market Operations	Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.
Paper Loss	An unrealized loss on a security position. Paper losses become realized losses only if the security is sold.
Par	Any security whose market or offering price is the same as its face value at the time of redemption.
Portfolio	Collection of securities held by an investor.
Premium	The dollar amount by which the market price of a bond exceeds its par value.
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. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.
Prime Rate	Interest rate banks charge to their most creditworthy customers.
Prudent Person Rule	An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state -- the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.
Quote	A statement of the highest bid and lowest offer for the security.
Rally	Industry term for a sharp rise in the price of the security.
Rate Of Return	The yield obtainable on a security based on its purchase price or its current market price.
Rating	Judgment of creditworthiness of an issuer made by an accepted rating service.
Registered Bond	A bond that is recorded in the name of the holder on the books of the issuer or the issuer's Registrar and can be transferred to another owner only when endorsed by the registered owner.

Repurchase Agreement (RP or Repo)	A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.
Reverse Repurchase Agreements	Whereby dealers agree to buy the securities and the investor agrees to repurchase them at a later date.
Safekeeping	A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.
Secondary Market	A market made for the purchase and sale of outstanding issues following the initial distribution.
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.
Settlement Date	The date on which a securities contract, by prearranged agreement, must be cleared or settled.
Spread	The difference between yields on various fixed-income securities.
Subject	Term used of a quote made by a dealer, whether a bid or an offer or both, that must be reviewed before a final decision to buy or sell is made.
Swap	Industry jargon for the sale of one security and the purchase of another.
The Bond Marketing Association (TBMA)	A trade association representing banks, dealers, and brokers who underwrite and trade municipals, governments, and federal agency securities.
Treasury Bills	A non-interest bearing discount security issued by the U.S. Treasury. Most bills are issued to mature in three months, six months, or one year, in minimum denominations of \$10,000.
Treasury Bonds	Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities 10 years or longer issued in minimum denominations of \$1,000.
Treasury Notes	Intermediate securities with maturities of 1 to 10 years.

Yield	The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in 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	A measurement of the compound rate of return that an investor in a bond with a maturity of more than one year will receive if: (1) the investor holds the security to maturity and (2) reinvests all cash flows at the same market rate of interest.

Sources

1. *Dictionary of Finance and Investment Terms, Second Edition*, John Downes and Jordan Elliot Goodman.
2. *Debt Securities, A Handbook for State and Local Government Portfolio Managers*, Keith Williams.
3. Municipal Treasurers' Association of the United States and Canada, Investment Policy Guidelines.

M-S-R Energy Authority Staff Report

Date: February 13, 2024
From: Martin R. Hopper, General Manager
To: M-S-R EA Commission
Subject: General Counsel Fee Adjustments

The Authority's General Counsel, Steve Gross, Esq. of the Porter Simon PC firm has provided general counsel services to M-S-R EA since its inception in 2008. Services are contracted on a time and materials reimbursement basis. He has requested an increase in his billing rate to \$275 per hour, which represents a compound 2.25% increase since his last fee adjustment in 2013. This fee adjustment will become effective March 1, 2024, The adopted 2024 M-S-R EA Budget will accommodate this General Counsel fee adjustments.

I recommend the Commission acknowledge the 2024 fee adjustment proposed by Porter Simon PC.



**M-S-R ENERGY AUTHORITY
Staff Report**

Date: February 12, 2024
From: Martin R. Hopper, General Manager
To: M-S-R EA Commission
Subject: Annual Election of Officers

Resolution 2013 – 01 Regarding The Election And Duties Of Officers specifies:

“An election of officers by the Commission shall be held on the date of the first regular or adjourned regular meeting in January of each calendar year. Each officer shall hold office at the pleasure of the Agency. All officers for the Agency, except the Treasurer, the Controller, the General Manager, and the General Counsel, shall be elected at the January meeting.”

Recent elected officers of the Agency have been:

	2020	2021	2022	2023
President	James McFall – Modesto	Dan Beans – Redding	James McFall – Modesto	Basil Wong – Santa Clara
Vice President	Dan Beans – Redding	James McFall – Modesto	Ann Hatcher – Santa Clara	Nick Zettel - Redding

The appointed officers of the Authority are:

Secretary:	Steve Gross	Reappointed by Commission January 30, 2013
Assistant Secretary:	Martin Hopper	Reappointed by Commission January 30, 2013
Treasurer:	Jimi Netniss	Appointed by Modesto as MID Treasurer
Controller:	Jill De Jong	Appointed by Modesto as MID Controller

At the March 20, 2013 meeting when Resolution 2013 – 01 was adopted, it was suggested that the Commission rotate the officers through the membership of the Commission on an ongoing basis. The regular rotation of the officers would suggest that Redding’s Commissioner become the President and Modesto’s Commissioner become the Vice President.

I recommend the Commission conduct its annual election of officers for the offices of President and Vice President for 2024.



**M-S-R Energy Authority
Staff Report**

Date: January 15, 2024

From: Martin R. Hopper, General Manager

To: M-S-R EA Commission

Subject: Natural Gas Project Debt Service Fund Investments and Resolution 2024-01
“Resolution Of The Commission Of The M-S-R Energy Authority Approving The Investment By The Trustee Of Moneys In The Debt Service Funds For The Series 2009ABC Bonds; And Authorizing Certain Other Actions In Connection Therewith.”

As approved at the Special Commission meeting in January, the Authority intended on seeking investment contract bids from six firms with two or more AA ratings. The Authority’s bidding agent BLX surveyed the market and was unable to elicit any bids. The General Manager and Financial Advisor will coordinate to determine whether the failure to receive bids was due to:

- Market conditions
- Investment Contract terms
- Credit quality considerations, or
- Size of Issue

As the Authority still earns about 5% per annum on its current short-term investments, we have the luxury of time to re-evaluate and determine our next steps.

I recommend the Commission direct the General Manager and Financial Advisor to continue to review investment options for the Commission’s consideration.