President
Robert Ybarra
Vice President
Larry Smith
Treasurer
James Tickemyer
Secretary
Sarah Wargo
Directors
Dr. Blair M Ball
Chander Letulle
Mickey Valdivia

General Manager
Lance Eckhart, PG, CHG
Legal Counsel
Holland Stewart

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA 92223

SAN GORGONIO PASS WATER AGENCY
A California State Water Project Contractor

Finance & Budget Committee Meeting
September 24, 2026 at 4:00 p.m.

AGENDA

This meeting is being held virtually and in person.
Link and telephone option provided is available for the convenience of the public.

TO JOIN VIA ZOOM: **Zoom Teleconference Link**
TO JOIN THE MEETING BY TELEPHONE
CALL: 669-900-6833 | MEETING ID: 942 7637 8467

Members of the public who wish to comment on any item within the jurisdiction of the Agency or any item on the agenda may submit comments by emailing mcabral@sgpwa.com or may do so during the meeting. Comments will become part of the meeting record.
In order to reduce feedback, please mute your audio when you are not speaking.

Esta reunión se llevará a cabo virtualmente y en persona.
El enlace y la opción telefónica proporcionada es para la comodidad del público.

PARA UNIRSE VÍA ZOOM: Zoom Teleconference Link
PARA UNIRSE A LA JUNTA CON LA OPCIÓN TELEFONICA
LLAMAR: 669-900-6833 | ID DE REUNIÓN: 942 7637 8467

Los miembros del público que deseen comentar sobre cualquier tema dentro de la jurisdicción de la Agencia o cualquier tema en la agenda pueden enviar comentarios por correo electrónico a mcabral@sgpwa.com o pueden hacerlo durante la reunión. Los commentarios pasarán a formar parte del registro de la reunión de la Junta.
Para reducir los comentarios, silencia el audio cuando no estés hablando.

1. **Call to Order, Pledge of Allegiance, and Roll Call**

2. **Adjustment and Adoption of Agenda**

3. **Public Comment:** Members of the public may address the Committee at this time concerning items relating to any matter within the Agency's jurisdiction. There will be an opportunity to comment on specific agenda items as the items are addressed. Speakers are requested to keep their comments to no more than five (5) minutes. Under the Brown Act, no action or discussion shall take place on any item not appearing on the agenda, except that the Committee or Staff may briefly respond to statements made or questions posed for the purpose of directing statements or questions to Staff for follow-up.

4. **Approval of the Minutes**
   A. Approval of the Minutes of the Finance & Budget Committee Meeting, August 27, 2026, (pg. 4)

5. **New Business – Discussion and Possible Action:**
   A. Ratification of Paid Invoices and Monthly Payroll for August 2026, (pg. 7)
   B. Review of Bank Reconciliation for August 2026, (pg. 11)
   C. Review of Budget Report for August 2026, (pg. 13)
   D. Gap Funding Report and Heli-Hydrant Report, (pg. 24)
   E. Review of Treasurer's Report for August 2026, (pg. 26)
   F. Review of Pending Legal Invoices for August 2026, (pg. 27)
   G. Review of Updated Credit Card Policy, (pg. 28)
   H. Review of Updated Investment Policy, (pg. 36)

6. **Committee Member Comments**

7. **Announcements**
   A. Regular Board Meeting, October 5, 2026 at 1:30 p.m.
   B. Regular Board Meeting, October 19, 2026 at 6:00 p.m.
   C. Finance & Budget Committee Meeting, October 22, 2026 at 4:00 p.m.

8. **Adjournment**

(1) Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Agency's office, during regular business hours. When practical, these public records will also be made available on the Agency's website, accessible at: www.sgpwa.com **(2)** Any person with a disability who requires accommodation in order to participate in this meeting should telephone the Agency at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

San Gorgonio Pass Water Agency

DATE: September 24, 2026

TO: Finance and Budget Committee

FROM: Lance Eckhart, General Manager

BY: Jennifer Ustation, Chief Financial Officer

SUBJECT: Summary of Recommended Committee Actions

RECOMMENDATIONS

Recommendations for Finance and Budget Committee actions:

Item 4A: **Motion: The Committee approves the minutes.**

Item 5A: The Committee **accepts** payments as listed in the Check History reports for Accounts Payable and Payroll.
Item 5B: The Committee **accepts** the Bank Reconciliation.
Item 5C: The Committee **accepts** the Budget Report.
Item 5D: The Committee **accepts** the GAP Funding and Heli-Hydrant Report.
Item 5E: The Committee **accepts** the Treasury Report (New).
Motion: The Committee accepts items 5A-E.

Item 5F: **Motion: The Committee approves payment of the Legal Invoice.**

Item 5G: **Motion: The Committee recommends forwarding the Credit Card Policy to the Board for approval.**

Item 5H: **Motion: The Committee recommends forwarding the Investment Policy to the Board for approval.**

BACKGROUND

The Finance & Budget Committee reviews the necessary financial material during this meeting and will present its findings at the next regular Board meeting.

ACTION

The Committee takes the above-listed actions and recommends Board ratification of the same.

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223

Official Minutes
Finance & Budget Committee Meeting
August 27, 2026

THIS MEETING WAS HELD IN PERSON AND VIA ZOOM.

Committee Members Present: Mickey Valdivia, Chair
James Tickemyer, Treasurer
Robert Ybarra, President

Staff Present: Lance Eckhart, General Manager
Jennifer Ustation, Chief Financial Officer

1. Call to Order, Pledge of Allegiance and Roll Call

The San Gorgonio Pass Water Agency Finance and Budget Committee Meeting was called to order by Chair Mickey Valdivia at 4:02 p.m., Thursday, August 27, 2026, at the office of the Agency. Chair Valdivia led the Pledge of Allegiance and requested a roll call. A quorum was present.

2. Adoption and Adjustment of Agenda

The agenda was adopted as published.

3. Public Comment

No public comment received.

4. Approval of the Minutes

A. Approval of the Minutes of the Finance & Budget Committee Meeting, July 23, 2026

On a motion duly made and seconded, the Committee approved the minutes of the July 23, 2026, Finance & Budget Committee Meeting.
Approved by the following vote:
Ayes: Valdivia, Tickemyer, Ybarra
Noes: None
Absent: None
Motion passed 3-0.

5. New Business – Discussion and Possible Action

A. Ratification of Paid Invoices and Monthly Payroll for July 2026

Ms. Ustation reviewed the July check history report, reporting accounts payable of $5,408,650.86 and payroll of $101,560.05, for total July disbursements of $5,510,210.91. The Committee discussed tribal monitoring invoices related to County Line Road, Brookside heli-hydrant work, education and outreach expenses, the General Manager contract items, on-call engineering services, DWR payments, State Water Contractors dues, landscaping and weed abatement, and credit card expenses.

DRAFT

B. Review of Bank Reconciliation for July 2026

Ms. Ustation reviewed the July bank reconciliation, reporting a beginning general ledger balance of $9,172,198.61, cash receipts of $2,754,157.98, sweep interest income of $23,131.06, cash disbursements of $5,510,210.91, and an ending general ledger balance of $6,439,276.74. She noted that certain July cash receipts related to the prior fiscal year, including water sales, property taxes, and ARPA grant reimbursement for County Line Road.

C. Review of Budget Report for July 2026

Ms. Ustation reviewed the July budget report and noted limited activity at the beginning of the fiscal year. For the General Fund, she reported revenues of approximately $149,000, expenditures of approximately $135,000, and net income of approximately $14,000. She noted higher early-year expenses related to payroll services, PARS administration, retirement and health insurance, and LAFCO cost share.

Ms. Ustation reported that the consigned fund received approximately $113,567 in interest earnings with no expenses for July. For the Debt Service Fund, she reported revenues of approximately $335,000, expenditures of approximately $1.9 million, and a net loss of approximately $1.6 million, noting that property tax revenues are expected later in the fiscal year.

D. Gap Funding Report and Heli-Hydrant Report

Ms. Ustation reviewed the Gap Funding and Heli-Hydrant Funding Report, noting that Banning Heights Mutual Water Company paid $500,000 toward its balance and that $60,000 in heli-hydrant funding was paid to South Mesa Water Company.

E. Review of Treasurer's Report for July 2026

Ms. Ustation presented a new Monthly Treasurer's Investment Report showing a total portfolio of approximately $174.7 million, with funds held in CAMP investments, LAIF, CAMP liquidity, the Wells Fargo sweep account, and Wells Fargo checking. She reported an overall average yield of 4.16 percent and total July interest income of $597,798.18. The Committee discussed portfolio diversification, collateralization of public funds, cash flow planning, and future refinements to investment reporting.

On a motion duly made and seconded, the Committee accepted items 5.A through 5.E.
Approved by the following vote:
Ayes: Valdivia, Tickemyer, Ybarra
Noes: None
Absent: None
Motion passed 3-0.

F. Review of Pending Legal Invoices for July 2026

Ms. Ustation presented the July legal invoice from Best Best & Krieger in the amount of $42,094.69. She reviewed general matter billing items, including Sites

DRAFT

Reservoir, foundation matters, General Manager contract, tax rate, Brown Act, and Proposition 43 and Proposition 45 issues. The Committee discussed billing summaries, prior balances, timing of invoice payment following Board approval, and potential allocation of certain legal costs to appropriate funding sources.

On a motion duly made and seconded, the Committee approved item 5.F.
Approved by the following vote:
Ayes: Valdivia, Tickemyer, Ybarra
Noes: None
Absent: None
Motion passed 3-0.

G. Discussion regarding Agency's application status for Cal-Card Program

Ms. Ustation presented the June legal invoice from Best Best & Krieger in the

H. Review of Reserve Allocation Report for June 2026

Ms. Ustation reported that the Agency's Cal-Card application had been approved and that staff would begin the implementation process. She stated the program includes government purchasing restrictions, receipt upload features, and app-based account management, and that staff will provide training before transitioning from the Wells Fargo credit card to the Cal-Card program. This item was informational only, and no action was taken.

6. Committee Member Comments

The Committee discussed recent regional issues, including fire hydrant theft, data center presentations, and related local agency considerations.

7. Announcements

Chair Valdivia reviewed the following announcements:
A. Regular Board Meeting, September 14, 2026, at 1:30 p.m.
B. Regular Board Meeting, September 21, 2026 at 6:00 p.m.
C. Finance & Budget Committee Meeting, September 24, 2026 at 4:00 p.m.

8. Adjournment

There being no further business to discuss, Chair Valdivia adjourned the Finance & Budget Committee meeting at 4:49 p.m.

_____

Maricela V. Cabral, MPA, CMC
Deputy Secretary of the Board

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San Gorgonio Pass Water Agency
Check History Report
August 1 through August 31, 2026

ACCOUNTS PAYABLE

Date	Number	Name	Amount
08/03/2026	122439	BANNING CHAMBER OF COMMERCE	80.00
08/03/2026	122440	CONTROL TEMP, INC.	1,120.29
08/03/2026	122441	CV STRATEGIES	25,387.50
08/03/2026	122442	FISH WINDOW CLEANING	130.00
08/03/2026	122443	HDL COREN & CONE	6,896.80
08/03/2026	122444	LENITY TECHNOLOGY	2,156.36
08/03/2026	122445	LOR GEOTECHNICAL GORUP	532.00
08/03/2026	122446	PROVOST & PRITCHARD	6,047.50
08/03/2026	122447	SO. CAL. WEST COAST ELECTRIC	270.00
08/03/2026	122448	STANDARD INSURANCE COMPANY	1,400.78
08/03/2026	122449	UNIVAR SOLUTIONS	6,014.40
08/03/2026	122450	UNLIMITED SERVICES	437.00
08/03/2026	122451	UNDERGROUND SERVICE ALERT	22.50
08/03/2026	122452	WASTE MGT CORPORATE SERVICES	143.78
08/13/2026	122453	ACWA BENEFITS	1,413.44
08/13/2026	122454	COMPLETE PAPERLESS SOLUTIONS	10,387.00
08/13/2026	122455	EARTHCAM, INC	637.92
08/13/2026	122456	THE FERGUSON GROUP	2,625.00
08/13/2026	122457	GF ADVOCACY, LLC	2,500.00
08/13/2026	122458	T. R. HOLLIMAN	5,440.00
08/13/2026	122459	PUBLIC AGENCY RETIREMENT SERVICES	3,801.00
08/13/2026	122460	PUBLIC POLICY INSTITUTE OF CA	7,800.00
08/13/2026	122461	RAEL & LETSON	2,800.00
08/13/2026	122462	SAN BERNARDINO VALLEY MUNI WATER DISTRICT	131,449.50
08/13/2026	122463	SEEK PERSONNEL STAFFING	7,540.00
08/13/2026	122464	WATER RESOURCES ECONOMICS	2,640.00
08/13/2026	122465	WEKA, INC	1,420,285.05
08/13/2026	122466	ZANJERO WATER CONSULTING	480.00
08/17/2026	122467	BEST BEST & KRIEGER	36,263.63
08/17/2026	122468	CPS HR CONSULTING	37.50
08/17/2026	122469	CV STRATEGIES	18,512.50
08/17/2026	122470	FRONTIER COMMUNICATIONS	459.62
08/17/2026	122471	MATTHEW PISTILLI LANDSCAPE SERVICES	375.00
08/17/2026	122472	NIGRO & NIGRO	12,500.00
08/17/2026	122473	RAEL & LETSON	1,800.00
08/17/2026	122474	WEKA, INC	33,909.35
08/17/2026	122475	WEX	420.00
08/24/2026	122476	ATAC EXTERMINATORS INC	178.00
08/24/2026	122477	AVEK WATER AGENCY	145,049.27
08/24/2026	122478	BEAUMONT-CHERRY VALLEY WATER DISTRICT	21,855.18
08/24/2026	122479	CALPERS HEALTH	0.00
08/24/2026	122480	CALIF. SURVEYING & DRAFTING SUPPLY	16,153.43
08/24/2026	122481	GLENN CHAVEZ CONSTRUCTION	125,772.40
08/24/2026	122482	LOR GEOTECHNICAL GORUP	2,003.00
08/24/2026	122483	PUBLIC AGENCY RETIREMENT SERVICES	3,446.76
08/24/2026	122484	MICHELLE PETITE	525.00
08/24/2026	122485	THE PRESS-ENTERPRISE	122.95
08/24/2026	122486	PURCOR PEST SOLUTIONS	66.80

San Gorgonio Pass Water Agency
Check History Report
August 1 through August 31, 2026

ACCOUNTS PAYABLE (CON'T)

Date	Number	Name	Amount
08/24/2026	122487	SAN BERNARDINO VALLEY MUNI WATER DISTRICT	55,632.40
08/24/2026	122488	SOUTHERN CALIFORNIA EDISON	509.10
08/24/2026	122489	VALLEY OFFICE EQUIPMENT, INC.	377.91
08/27/2026	122490	ALBERT WEBB ASSOCIATES	30,776.50
08/27/2026	122491	CALIFORNIA RURAL WATER ASSN	28,164.50
08/27/2026	122492	THE FERGUSON GROUP	2,012.50
08/27/2026	122493	LAND ENGINEERING CONSULTANTS	14,192.25
08/27/2026	122494	MORONGO BAND OF MISSION INDIANS	5,561.00
08/27/2026	122495	PROVOST & PRITCHARD	9,636.80
08/27/2026	122496	UNIVAR SOLUTIONS	6,014.40
08/27/2026	122497	WELLS FARGO ELITE CREDIT CARD	11,140.28
08/05/2026	901391	EMPLOYMENT DEVELOPMENT DEPARTMENT	3,960.39
08/05/2026	901392	ELECTRONIC FEDERAL TAX PAYMENT SYSTEM	18,024.09
08/05/2026	901393	CALPERS RETIREMENT	12,536.88
08/05/2026	901394	CAL PERS RETIREMENT - SIP-457	3,564.00
08/05/2026	901395	PAYCHEX	311.80
08/05/2026	901396	MARICELA V. CABRAL	830.02
08/05/2026	901397	JAMES N. TICKEMYER	544.83
08/05/2026	901398	SARAH C. WARGO	423.54
08/05/2026	901399	ROBERT G. YBARRA	568.99
08/06/2026	901400	U. S. GEOLOGICAL SURVEY	46,082.46
08/19/2026	901401	EMPLOYMENT DEVELOPMENT DEPARTMENT	3,397.10
08/19/2026	901402	ELECTRONIC FEDERAL TAX PAYMENT SYSTEM	14,683.44
08/19/2026	901403	CALPERS RETIREMENT	12,226.27
08/19/2026	901404	CAL PERS RETIREMENT - SIP-457	3,564.00
08/19/2026	901405	PAYCHEX	191.35
08/26/2026	901406	U. S. GEOLOGICAL SURVEY	61,868.00
08/26/2026	901407	DEPARTMENT OF WATER RESOURCES	1,447,123.00
08/28/2026	901408	CALPERS HEALTH	15,028.86
		TOTAL ACCOUNTS PAYABLE CHECKS	3,878,834.87

PAYROLL

Date	Number	Name	Amount
8/4/2026	803232-803243	Total Payroll Checks 8/4/2026	48,688.52
8/18/2026	803244-803250	Total Payroll Checks 8/18/2026	34,043.82
		TOTAL PAYROLL	82,732.34
		TOTAL DISBURSEMENTS FOR AUGUST 2026	3,961,567.21

NOTES

*Reimbursements to Staff and Directors may include medical, wellness, travel or office expenditures.

San Gorgonio Pass Water Agency
Check History Report
August 1 through August 31, 2026

Check and expenditure series numbers:

121xxx	Accounts payable checks
802xxx	Payroll direct deposits to employees
900xxx	Electronic Funds Transfers

SAN GORGONIO PASS WATER AGENCY
New Vendors List
September 2026

Vendor - Name and Address	Expenditure Type
California Surveying & Drafting Supply 4733 Auburn Blvd, Sacramento, CA 95841	Underground Pipe Locator Equipt
Covenant Government Affairs, LLC 38 S. Blue Angel Pkwy, Pensacola, FL 32506	Advocacy

SAN GORGONIO PASS WATER AGENCY
BANK RECONCILIATION
August 31, 2026

BANK STATEMENT BALANCE (CHECKING ACCOUNT) -	August 31, 2026	$	1,600,000.00
SWEEP ACCOUNT DEBIT (Balance)	August 31, 2026	$	5,626,851.86

LESS: OUTSTANDING CHECKS

CHECK NUMBER	AMOUNT	CHECK NUMBER	AMOUNT
122460	7,800.00	122490	30,776.50
122476	178.00	122492	2,012.50
122477	145,049.27	122494	5,561.00
122480	16,153.43	122495	9,636.80
122488	509.10	901407-DWR	1,447,123.00
	169,689.80		1,495,109.80

TOTAL OUTSTANDING CHECKS		(1,664,799.60)
ADJUSTED **BANK STATEMENT** BALANCE - August 31, 2026	$	5,562,052.26
BALANCE PER **GENERAL LEDGER** AT END OF PRIOR MONTH	$	6,439,276.74
CASH RECEIPTS FOR CURRENT MONTH		3,067,992.87
INTEREST INCOME		16,352.89
CASH DISBURSEMENTS FOR CURRENT MONTH		
ACCOUNTS PAYABLE Checks	(2,233,908.88)	
ACCOUNTS PAYABLE ACHs	(1,644,929.02)	(3,878,837.90)
PAYROLL Prior Month: 16th-EOM	(48,688.52)	
PAYROLL This Month: 1st-15th	(34,043.82)	(82,732.34)
TRANSFERS		
FROM LAIF & CAMP TO CHECKING ACCT		
FROM CHECKING ACCT TO LAIF & CAMP		
BALANCE PER **GENERAL LEDGER -** August 31, 2026	$	5,562,052.26

REPORT PREPARED BY:

Scott Tirrell

Scott Tirrell

9/3/26

Date

SAN GORGONIO PASS WATER AGENCY
DEPOSIT RECAP
FOR THE MONTH OF AUGUST 2026

DATE	RECEIVED FROM	DESCRIPTION	AMOUNT
DEPOSIT TO CHECKING ACCOUNT			
8/3/26	RIVERSIDE COUNTY	PROPERTY TAXES FY26 CR SBE CS3	33,676.35
8/3/26	RIVERSIDE COUNTY	PROPERTY TAXES FY26 CY UNS UC3	29,334.46
8/4/26	RIVERSIDE COUNTY	PROPERTY TAXES FY26 TAX SALE TC223	1,158.05
8/5/26	RIVERSIDE COUNTY	PROPERTY TAXES PY SBE	9,183.79
8/10/26	HVWD	GAP FUNDING REIMBURSEMENT	908,627.50
8/11/26	RIVERSIDE COUNTY	PROPERTY TAXES FY26 PY SEC SP2	195,211.51
8/11/26	RIVERSIDE COUNTY	PROPERTY TAXES FY26 PY SUP JUN	27,384.34
8/12/26	RIVERSIDE COUNTY	PROPERTY TAXES FY26 CY SUP JUN	137,471.01
8/19/26	RIVERSIDE COUNTY	PROPERTY TAXES FY26 CY SEC SS3	399,985.33
8/20/26	BHMWC	GAP FUNDING REIMBURSEMENT	887,511.95
8/21/26	AMER TOWER	CELL PHONE TOWER LEASE	34,218.27
8/21/26	RIVERSIDE COUNTY	PROPERTY TAXES FY26 US F&W	43.31
8/26/26	BCVWD	WATER SALES JUL26	404,187.00
		TOTAL FOR AUGUST 2026	3,067,992.87

San Gorgonio Pass Water Agency
Budget Highlights

August 2026

General Fund (Green Bucket)

Income

August activity included $404,187 in water sales and $34,218 in other miscellaneous income (cell tower lease). Other miscellaneous income is at 76.0% of the annual budget after two months due to its one-time payment nature. Interest income totals $260,608, or 17.4% of the budget, slightly above the 16.7% target for the fiscal year.

Expenses

A few items are showing red numbers this month:

Office Expense, Accounting and Auditing, and Other Professional Services are above the 16.7% point in the fiscal year. These accounts will continue to be monitored as the year progresses.

Tools Purchase and Maintenance totals $18,663, exceeding the annual budget of $8,000 by approximately $10,700.

County Line Recharge is 48.1% of the budget and is expected to be completed soon.

Consigned – SWP Support Fund (Orange Bucket)

Income

Interest income totals $198,062, or 22.0% of the annual budget, and remains above the 16.7% point in the fiscal year.

Debt Service Fund (Red Bucket)

Income

Interest remains the only income recorded in the Debt Service Fund, totaling $583,763, or 20.8% of the budget. Tax revenue for FY 2026-27 is not expected until October or November.

Expenses

No expenses are in the red this month.

Funding Programs

Gap Funding

The Banning Heights Mutual Water Company and the High Valleys Water District paid off their balance.

Heli-Hydrant Funding

No new Heli-Hydrant activity this month.

SAN GORGONIO PASS WATER AGENCY
APPROVED BUDGET FOR FISCAL YEAR JULY 1, 2025 - JUNE 30, 2026
FOR THE TWO MONTHS ENDING ON AUGUST 31, 2026

		1 ADOPTED BUDGET	2 REVISIONS TO BUDGET	3 TOTAL REVISED BUDGET	4 ACTUAL YTD	5 Over/Under Budget
	GENERAL FUND					
	INCOME				% of Budget Year:	16.7%
						Over budget
						Under budget
1	WATER SALES	7,500,000		7,500,000	404,187.00	**5.4%**
2	OTHER WATER SALES	0		0	0.00	
3	TAX REVENUE	13,738,842		13,738,842	0.00	**0.0%**
4	INTEREST	1,500,000		1,500,000	260,608.30	17.4%
5	GOV'T CONTRIBUTIONS	245,000		245,000	0.00	**0.0%**
6	GRANT REVENUE	1,000,000		1,000,000	0.00	**0.0%**
7	OTHER MISCELLANEOUS INCOME	45,000		45,000	34,218.27	76.0%
8	**TOTAL GENERAL FUND INCOME**	24,028,842	0	24,028,842	699,013.57	**2.9%**
						Under budget
	EXPENSES					Over budget
	COMMODITY PURCHASE					
12	PURCHASED WATER FOR DELIVERY	2,900,000		2,900,000	0.00	0.0%
13	PURCHASED WATER FOR BANKING (FUTURE SALE)	0		0	0.00	#DIV/0!
14	**TOTAL COMMODITY PURCHASE**	2,900,000	0	2,900,000	0.00	0.0%
	SALARIES AND EMPLOYEE BENEFITS					
17	SALARIES	921,645		921,645	116,222.44	12.6%
18	PAYROLL TAXES	91,111		91,111	7,748.06	8.5%
19	PAYROLL SERVICES	15,000		15,000	6,009.70	40.1%
20	RETIREMENT	300,165		300,165	20,395.43	6.8%
21	OTHER POST-EMPLOYMENT BENEFITS (OPEB)	200,000		200,000	28,497.07	14.2%
22	HEALTH INSURANCE	83,677		83,677	13,767.41	16.5%
23	ACWA BENEFITS	15,750		15,750	1,550.36	9.8%
24	DISABILITY INSURANCE	9,000		9,000	778.72	8.7%
25	WORKERS COMPENSATION INSURANCE	7,000		7,000	0.00	0.0%
26	SGPWA STAFF MEDICAL REIMBURSEMENT	25,775		25,775	830.02	3.2%
27	EMPLOYEE EDUCATION	7,000		7,000	0.00	0.0%
28	**TOTAL SALARIES AND EMPLOYEE BENEFITS**	1,676,123	0	1,676,123	195,799.21	11.7%

SAN GORGONIO PASS WATER AGENCY
APPROVED BUDGET FOR FISCAL YEAR JULY 1, 2025 - JUNE 30, 2026
FOR THE TWO MONTHS ENDING ON AUGUST 31, 2026

		1	2	3	4	5
		ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	Over/Under Budget
	GENERAL FUND					
	EXPENSES				% of Budget Year:	16.7%
	ADMINISTRATIVE AND PROFESSIONAL SERVICES					Under budget
	DIRECTOR EXPENDITURES					Over budget
33	DIRECTORS FEES	285,000		285,000	0.00	0.0%
34	DIRECTORS TRAVEL AND EDUCATION	80,000		80,000	780.17	1.0%
35	DIRECTORS MEDICAL	77,770		77,770	2,679.75	3.4%
	OFFICE EXPENDITURES					
37	OFFICE EXPENSE	51,880		51,880	12,468.81	**24.0%**
38	POSTAGE	1,000		1,000	117.90	11.8%
39	TELEPHONE	15,465		15,465	1,034.27	6.7%
40	UTILITIES	7,000		7,000	113.18	1.6%
	SERVICE EXPENDITURES					
42	COMPUTER, WEBSITE AND PHONE SUPPORT	100,000		100,000	7,003.59	7.0%
43	GENERAL MANAGER AND STAFF TRAVEL	50,000		50,000	165.61	0.3%
44	SUCCESSION PLANNING	65,000		65,000	0.00	0.0%
45	INSURANCE AND BONDS	87,740		87,740	0.00	0.0%
46	ACCOUNTING AND AUDITING	24,500		24,500	12,500.00	**51.0%**
47	LEGAL SERVICES	350,000		350,000	42,094.69	12.0%
48	DUES AND ASSESSMENTS	130,000		130,000	13,180.00	10.1%
49	SOFTWARE	75,000		75,000	3,615.63	4.8%
50	OTHER PROFESSIONAL SERVICES	26,532		26,532	8,126.25	**30.6%**
51	BANK CHARGES	1,000		1,000	3.03	0.3%
52	MISCELLANEOUS EXPENSES	1,000		1,000	0.00	0.0%
	MAINTENANCE AND EQUIPMENT EXPENDITURES					
53	TOOLS PURCHASE AND MAINTENANCE	8,000		8,000	18,663.34	**233.3%**
54	MAINTENANCE AND REPAIRS - VEHICLE	45,000		45,000	2,150.89	4.8%
55	MAINTENANCE AND REPAIRS - BUILDING	50,000		50,000	6,482.18	13.0%
56	MAINTENANCE AND REPAIRS - FIELD	70,000		70,000	1,348.27	1.9%
	COUNTY EXPENDITURES					
58	LAFCO COST SHARE	11,000		11,000	12,922.80	117.5%
59	ELECTION EXPENSE	150,000		150,000	0.00	
60	TAX COLLECTION CHARGES	70,000		70,000	0.00	0.0%
61	**TOTAL ADMINISTRATIVE AND PROFESSIONAL SERVICES**	1,832,887	0	1,832,887	145,450.36	7.9%

SAN GORGONIO PASS WATER AGENCY
APPROVED BUDGET FOR FISCAL YEAR JULY 1, 2025 - JUNE 30, 2026
FOR THE TWO MONTHS ENDING ON AUGUST 31, 2026

		1	2	3	4	5
		ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	Over/Under Budget
	GENERAL FUND					
	EXPENSES				% of Budget Year:	16.7%
	CONSULTING AND ENGINEERING SERVICES					Under budget
	PLANS & CONSTRUCTION					Over budget
65	INFRASTRUCTURE PLAN - Phase 2	0		0	0.00	#DIV/0!
66	BACKBONE INFRASTRUCTURE STUDY AND DESIGN	1,000,000		1,000,000	10,569.25	1.1%
67	BUNKER HILL BANKING AND RECOVERY PROGRAM	10,000		10,000	0.00	0.0%
68	COUNTY LINE RECHARGE	100,000		100,000	48,101.60	**48.1%**
	BEAUMONT BASIN RECHARGE	750,000		750,000		
69	SMALL SYSTEM ASSISTANCE PROGRAM	200,000		200,000	28,164.50	14.1%
70	SIGNAGE AND FRONTAGE BROOKSIDE EAST	150,000		150,000	0.00	0.0%
71	MONITORING WELL DRILLING	0		0	0.00	#DIV/0!
72	HELI-HYDRANT	100,000		100,000	0.00	0.0%
	OTHER PROJECTS					
74	WATER BANKING INVESTIGATIONS	2,000,000		2,000,000	0.00	0.0%
75	SAN GORGONIO GSA	500,000		500,000	8,166.80	1.6%
76	YUCAIPA GSA VERBENIA GSA	30,000		30,000	0.00	0.0%
77	FLUME MONITORING AND SUPPORT	30,000		30,000	0.00	0.0%
	STUDIES AND REPORTS					
79	FINANCIAL MODELING + NEXUS RATE STUDY	55,000		55,000	9,536.80	**17.3%**
80	USGS STUDIES AND MONITORING	430,000		430,000	2,585.00	0.6%
81	LOCAL SUPPLIES	50,000		50,000	0.00	0.0%
82	LOCAL RECHARGE FEASIBILITY STUDIES	100,000		100,000	5,440.00	5.4%
83	UWMP SUPPORT AND ANNUAL REPORT COMPLETION	100,000		100,000	480.00	0.5%
	ASSET MANAGEMENT	100,000		100,000		
	GENERAL ENGINEERING SERVICES					
85	ON-CALL ENGINEERING SERVICES	0		0	0.00	#DIV/0!
86	GRANT SUPPORT SERVICES	100,000		100,000	9,887.50	9.9%
87	STATE + FEDERAL ADVOCACY	500,000		500,000	2,500.00	0.5%
88	SAWPA REGIONAL PROJECTS	20,000		20,000	0.00	0.0%
89	GENERAL ENGINEERING and ENVIRONMENTAL	350,000		350,000	5,479.50	1.6%
90	**TOTAL CONSULTING AND ENGINEERING SERVICES**	6,675,000	0	6,675,000	130,910.95	2.0%

SAN GORGONIO PASS WATER AGENCY
APPROVED BUDGET FOR FISCAL YEAR JULY 1, 2025 - JUNE 30, 2026
FOR THE TWO MONTHS ENDING ON AUGUST 31, 2026

		1	2	3	4	5
		ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	Over/Under Budget
	GENERAL FUND					
	EXPENSES				% of Budget Year:	16.7%
						Under budget
	CONSERVATION AND EDUCATION					Over budget
98	SCHOOL EDUCATION PROGRAMS	70,000		70,000	0.00	0.0%
99	PUBLIC INFORMATION AND EDUCATION	260,000		260,000	29,634.50	11.4%
100	SPONSORSHIPS	20,000		20,000	0.00	0.0%
101	TRANSFER TO PASS WATER AGENCY FOUNDATION	35,000		35,000	0.00	0.0%
102	65th ANNIVERSARY CELEBRATION	50,000		50,000	0.00	0.0%
103	**TOTAL CONSERVATION AND EDUCATION**	435,000	0	435,000	29,634.50	6.8%
	MAJOR AND CAPITAL EXPENDITURES					
	BUILDING AND EQUIPMENT					
107	BUILDING	50,000		50,000	0.00	0.0%
109	FURNITURE AND OFFICE EQUIPMENT	25,000		25,000	0.00	0.0%
110	OTHER EQUIPMENT	20,000		20,000	0.00	0.0%
111	VEHICLES	86,491		86,491	0.00	0.0%
	OTHER ITEMS					
113	SITES RESERVOIR	900,000		900,000	0.00	0.0%
114	NEW PROPERTY	50,000		50,000	0.00	0.0%
115	COUNTY LINE RECHARGE - CONSTRUCTION	900,000		900,000	0.00	0.0%
	WELL DRILLING	750,000		750,000		0.0%
	HELI-HYDRANT CONSTRUCTION	375,000		375,000		0.0%
	FACILITY UPGRADES	500,000		500,000		0.0%
117	**TOTAL MAJOR AND CAPITAL EXPENDITURES**	3,656,491	0	3,656,491	0.00	0.0%
119	**TRANSFERS TO OTHER FUNDS**					
121	**TOTAL GENERAL FUND EXPENSES**	17,175,501	0	17,175,501	501,795.02	2.9%
123	**GENERAL FUND NET INCOME YTD**	6,853,341	0	6,853,341	197,218.55	

SAN GORGONIO PASS WATER AGENCY
APPROVED BUDGET FOR FISCAL YEAR JULY 1, 2025 - JUNE 30, 2026
FOR THE TWO MONTHS ENDING ON AUGUST 31, 2026

		1	2	3	4	5
		ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	Over/Under Budget
	CONSIGNED - SWP SUPPORT FUND					
					% of Budget Year:	16.7%
	INCOME					Over budget
						Under budget
	INCOME					
130	UNITARY TAX REVENUE ALLOCATED	10,015,475		10,015,475	0.00	**0.0%**
131	INTEREST	900,000		900,000	198,062.30	22.0%
132	OTHER INCOME	0		0		
133	**TOTAL SWP SUPPORT FUND INCOME**	10,915,475	0	10,915,475	198,062.30	**1.8%**
	EXPENSES					Under budget
						Over budget
	EXPENDITURES					
139	TAX COLLECTION CHARGES	25,039		25,039	0.00	0.0%
140	OTHER EXPENSES	0		0		
141	**TOTAL SWP SUPPORT FUND EXPENSES**	25,039	0	25,039	0.00	0.0%
143	**TRANSFERS TO OTHER FUNDS**					
145	**CONSIGNED - SWP SUPPORT FUND NET INCOME YTD**	10,890,436	0	10,890,436	198,062.30	

SAN GORGONIO PASS WATER AGENCY
APPROVED BUDGET FOR FISCAL YEAR JULY 1, 2025 - JUNE 30, 2026
FOR THE TWO MONTHS ENDING ON AUGUST 31, 2026

		1	2	3	4	5
		ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	Over/Under Budget
	DEBT SERVICE FUND					
					% of Budget Year:	16.7%
	INCOME					Over budget
						Under budget
153	TAX REVENUE	34,270,507		34,270,507	0.00	**0.0%**
154	INTEREST	2,800,000		2,800,000	583,762.58	20.8%
155	CONTRIBUTIONS - GOVERNMENT	0		0		
156	DWR CREDITS - BOND COVER, OTHER	3,715,000		3,715,000	0.00	**0.0%**
157	**TOTAL DEBT SERVICE FUND INCOME**	40,785,507	0	40,785,507	583,762.58	**1.4%**
						Under budget
	EXPENSES					Over budget
161	SWP PURCHASED WATER	6,300,000		6,300,000	597,834.00	9.5%
162	SALARIES	621,245		621,245	91,234.84	14.7%
163	PAYROLL TAXES	45,000		45,000	4,458.62	9.9%
164	BENEFITS	400,000		400,000	23,246.52	5.8%
165	TRAVEL EXPENSE STAFF	5,000		5,000		
166	SWP UTILITIES	12,000		12,000	1,246.68	10.4%
167	STATE WATER CONTRACT AUDIT	8,000		8,000	0.00	0.0%
168	STATE WATER CONTRACTOR DUES	55,000		55,000	66,251.00	120.5%
169	STATE WATER LEGAL SERVICES	1,000		1,000	0.00	0.0%
170	DELTA CONVEYANCE FINANCING AUTHORITY	0		0	0.00	#DIV/0!
171	WATER TREATMENT EXPENSE	122,471		122,471	12,028.00	9.8%
172	EBX CONTRACT OPERATIONS	400,000		400,000	0.00	0.0%
173	SWP ENGINEERING AND MAINTENANCE	200,000		200,000	0.00	0.0%
174	WATER TRANSFERS	4,200,000		4,200,000	0.00	0.0%
175	STATE WATER CONTRACT PAYMENTS	35,649,018		35,649,018	2,714,071.00	7.6%
176	TAX COLLECTION CHARGES	170,000		170,000	0.00	0.0%
177	**TOTAL DEBT SERVICE FUND EXPENSES**	48,188,734	0	48,188,734	3,510,370.66	7.3%
179	**TRANSFERS FROM RESERVES**			0.00	0.00	
181	**DEBT SERVICE NET INCOME YTD**	-7,403,227	0	-7,403,227	-2,926,608.08	

SAN GORGONIO PASS WATER AGENCY
APPROVED BUDGET FOR FISCAL YEAR JULY 1, 2025 - JUNE 30, 2026
FOR THE TWO MONTHS ENDING ON AUGUST 31, 2026

		1	2	3	4	5
		ADOPTED BUDGET	REVISIONS TO BUDGET	TOTAL REVISED BUDGET	ACTUAL YTD	Over/Under Budget
	FUNDING PROGRAMS					
	GAP FUNDING PROGRAM				% of Budget Year:	16.7%
	INCOME					Over budget
						Under budget
185	CABAZON WATER DISTRICT	0		0	0.00	
186	SOUTH MESA WATER COMPANY	0		0	0.00	#DIV/0!
187	HIGH VALLEYS WATER DISTRICT	0		0	0.00	#DIV/0!
188	BANNING HEIGHTS MUTUAL WATER CO.	0		0	2,296,139.45	#DIV/0!
191	**TOTAL INCOME**	0	0	0	2,296,139.45	#DIV/0!
	EXPENSES					Under budget
						Over budget
194	CABAZON WATER DISTRICT	0		0	0.00	
195	SOUTH MESA WATER COMPANY	4,500,000		4,500,000	0.00	0.0%
196	HIGH VALLEYS WATER DISTRICT	0		0	0.00	#DIV/0!
197	BANNING HEIGHTS MUTUAL WATER CO.	0		0	0.00	#DIV/0!
198	**TOTAL EXPENSE**	4,500,000	0	4,500,000	0.00	0.0%
202	**GAP FUNDING PROGRAM NET BALANCE YTD**	-4,500,000	0	-4,500,000	2,296,139.45	
	HELI-HYDRNAT FUNDING PROGRAM					
	INCOME					
208	CABAZON WATER DISTRICT			0	0.00	
210	SOUTH MESA WATER COMPANY			0	0.00	
212	HIGH VALLEYS WATER DISTRICT			0	0.00	
214	BANNING HEIGHTS MUTUAL WATER CO.			0	0.00	
216	**TOTAL INCOME**	0	0	0	0.00	
	EXPENSES					
222	SOUTH MESA WATER COMPANY	300,000		300,000	60,000.00	
224	HIGH VALLEYS WATER DISTRICT			0	0.00	
226	BANNING HEIGHTS MUTUAL WATER CO.			0	0.00	
228	**TOTAL EXPENSE**	300,000	0	300,000	60,000.00	
232	**HELI-HYDRANT FUNDING PROGRAM NET BALANCE YTD**	-300,000	0	-300,000	-60,000.00	

San Gorgonio Pass Water Agency
List of Some Acronyms and Vendors and Their Functions

Acronym	Name	Function and Information
ACWA	Association of California Water Agencies	Affinity organization that provides conferences, training, lobbying and insurance services for water agencies in California
ACWA JPIA	ACWA Joint Powers Insurance Agency	Designation for payments made for property, liability and workers compensation insurance
ACWABE	ACWA Benefits	Designation for dental, vision and life insurance
ALWEAS	Albert Webb Associates	Provides engineering consulting services
ARPA	American Rescue Plan Act	Grants from the Federal Government, channeled to counties, to fund specific projects.
AVEK	Antelope Valley-East Kern Water Agency	State Water Contractor
BBK	Best Best & Krieger	Provides legal counsel
BCVWD	Beaumont-Cherry Valley Water District	Provides retail water service in Beaumont
BHMWC	Banning Heights Mutual Water Company	Mutual water company within Agency boundaries
CalPERS	California Public Employees Retirement System	Provides retirement and health insurance services for public agencies in California
CAMP	California Asset Management Plan	Financial entity that advises and manages investments for public agencies in California
COBRA	Consolidated Omnibus Budget Reconciliation Act	Designation for continued health coverage
CONTEM	Control Temp, Inc.	Provides building maintenance for heating and air conditioning
CWD	Cabazon Water District	Retail water agency within Agency boundaries
CY	Calendar Year	12-month reporting period that coincides with the calendar year
DUCCLE	Ducking Clean	Provides building maintenance for outside cleaning - gutters and solar panels
DWR	Department of Water Resources	Branch of the California government that is responsible for managing the SWP
EBE	East Branch Enlargement	Construction projects along the East Branch of the SWP to increase capacity
EBX	East Branch Extension	Infrastructure from East Branch of SWP to SGPWA service area
EDD	Employee Development Department	State of California department for collection of employment taxes
EFTPS	Electronic Federal Tax Payment System	Federal system for collection of employment taxes
ERSC	Engineering Services of Southern California	Provides engineering consulting services
ESRI	ESRI	Provides mapping services
FSA	Flexible Spending Account	Pre-tax deduction for health and dependent-care expenses
FY	Fiscal Year	12-month accounting cycle used for financial reporting
GSA	Groundwater Sustainability Act	or Groundwater Sustainability Agency; required under SGMA to manage groundwater
GSP	Groundwater Sustainability Plan	Plan required under SGMA to manage groundwater assets
HCN	HCN Bank	Local regional bank; formerly the Bank of Hemet
HdL Coren & Cone		Provide tax revenue consulting services

San Gorgonio Pass Water Agency
List of Some Acronyms and Vendors and Their Functions

Acronym	Name	Function and Information
HOX	Homeowners Exemption	Exemption for homeowners; also a tax revenue income received by the Agency
HVWD	High Valleys Water District	Mutual water company within Agency boundaries
IERCD	Inland Empire Resources Conservation District	Special District that provides conservation education
LAFCO	Local Agency Formation Commission	Branch of Riverside County government; reviews district and agency formation
LAIF	Local Agency Investment Fund	Financial organization sponsored by the state California for public agencies to investment surplus money on a short-term basis
LAMMA	Local Agency Money Market Account	Investment account provided by HCN for local agencies
LEC	Land Engineering Consultants	Consulting firm based in Calimesa that provides engineering services to the Agency.
MAPILA	Matthew Pistilli Landscape Services	Provides landscape and gardening services
NAPCFC	Napa County Flood Control and Water Conservation	A state water contractor, particpated in water transfer to SGPWA
OAP	Off-Aqueduct Power	DWR invoice for specific facilities that are not directly part of the SWP aqueduct
OPEB	Other Post-Employment Benefits	
PARS	Public Agency Retirement Services	Provider of defined contribution plans, of which the Agency participates
PPIC	Public Policy Institute of California	Think tank on issues in California
PROPRI	Provost & Pritchard	Provides engineering and other consulting services
RC	Riverside County	
RDV	Redevelopment	
RPTTF	Redevelopment Property Tax Trust Fund	Proceeds of redevelopment properties that are sold and distributed to County entities.
SAWPA	Santa Ana Watershed Project Authority	Coordinates activities to protect the Santa Ana watershed
SBE	State Board of Equalization	AKA Unitary taxes
SBVMWD	San Bernardino Valley Municipal Water District	State Water Contractor in San Bernardino County and a partner with EBX
SCADA	Supervisory Control and Data Acquisition	Electronic monitoring and control system used by DWR and other water purveyors
SCWC	Southern California Water Coalition	
SGMA	Sustainable Groundwater Management Act	A legislative package that requires local agencies to form GSAs and develop GSPs.
SMIF	Surplus Money Investment Fund	State of California depository for government funds that are not currently needed
SMWC	South Mesa Water Company	Retail water agency within Agency boundaries
SRJP	Sites Reservoir Joint Powers Authority	Joint powers authority formed to construct and manage Sites Reservoir
STAINS	Standard Insurance Company	Disability insurance provider
SWC	State Water Contractors	Professional organization representing districts and agencies that have a water supply contract with the state of California

San Gorgonio Pass Water Agency
List of Some Acronyms and Vendors and Their Functions

Acronym	Name	Function and Information
SWP	State Water Project	System of reservoirs, aqueducts, and pump stations that distributes water throughout the state of California; governed by agreements called water supply contracts
TSAB	Tehachapi Second After-Bay	A DWR facility that SGPWA participates in
UNIVAR	Univar Solutions, Inc.	Provides EarthTec copper sulfte solution for water treatment
USGS	U.S. Geological Survey	Federal agency that provides groundwater data and modeling
UWMP	Urban Water Management Plan	
WEF	Water Education Foundation	
Weka, Inc.	Construction firm	Bid approved to construct County Line Recharge facility
WSRB	Water System Revenue Bonds	Bonds sold by the state of California to pay for SWP construction
YTD	Year to Date	
YVWD	Yucaipa Valley Water District	Retail water district with part of its service area within Agency boundaries
		Version 260408

San Gorgonio Pass Water Agency
Gap Funding Program
Summary Report
Report Date: September 15, 2026

OVERALL Current Balance: 1,407,379.11 (Owed to Agency)

Cabazon Water District	(CWD owes us) - Current Balance: 0.00

Gap Funding Maximum: 1,300,000

Approximate Project Cost:	1,700,000.00	Approximate Gap Funding Available:	1,300,000.00
Payments Made to CWD:	1,576,885.54	Payments Received from CWD:	1,576,885.54

South Mesa Water Company	(SMWC owes us) - Current Balance: 1,407,379.11

Gap Funding Maximum: 7,000,000

Approximate Project Cost:	10,300,000.00	Approximate Gap Funding Available:	5,592,620.89
Payments Made to SMWC:	6,325,017.13	Payments Received from SMWC:	4,917,638.02

High Valleys Water District	(HVWD owes us) - Current Balance: 0.00

Gap Funding Maximum: 1,000,000

Approximate Project Cost:	1,000,000.00	Approximate Gap Funding Available:	1,000,000.00
Payments Made to HVWD:	908,627.50	Payments Received from HVWD:	908,627.50

Banning Heights Mutual Water Co.	(BHMWC owes us) - Current Balance: 0.00

Gap Funding Maximum: 1,500,000

Approximate Project Cost:	3,756,000.00	Approximate Gap Funding Available:	1,500,000.00
Payments Made to BHMWC:	1,487,511.95	Payments Received from BHMWC:	1,487,511.95

(12/19/25)	1/14/26	300,974.25	10/29/25	100,000.00
2/16/26	2/18/26	288,140.70		

San Gorgonio Pass Water Agency
Heli-Hydrant Funding Program
Summary Report
Report Date: September 15, 2026

OVERALL Current Balance: -240,000.00 (Owed to Agency)

Cabazon Water District	(Owed to us) - Current Balance: 0.00
Heli-Hydrant Maximum: 600,000	
	Heli-Hydrant Funding Available: 600,000.00
Payments Made to CWD: 600,000.00	Payments Received: 600,000.00

South Mesa Water Company	(Owed to us) - Current Balance: 60,000.00
Heli-Hydrant Maximum: 300,000	
	Heli-Hydrant Funding Available: 240,000.00
Payments Made to SMWC: 60,000.00	Payments Received: 0.00
7/20/26 60,000.00	

High Valleys Water District	(Owed to us) - Current Balance: 0.00
Heli-Hydrant Maximum: 600,000	
	Heli-Hydrant Funding Available: 600,000.00
Payments Made to HVWD: 600,000.00	Payments Received: 600,000.00
8/18/25 120,000.00	12/9/25 120,000.00
10/13/25 240,000.00	2/27/26 480,000.00
11/3/25 240,000.00	

Banning Heights Mutual Water Co.	(Owed to us) - Current Balance: -300,000.00
Heli-Hydrant Maximum: 300,000	
	Heli-Hydrant Funding Available: 600,000.00
Payments Made to BHMWC: 0.00	Payments Received: 300,000.00
	10/20/25 300,000.00

SAN GORGONIO PASS WATER AGENCY
Monthly Treasurer's Investment Report

For the Month Ended: August 31, 2026

Total Portfolio	**$175,708,762.08**	**Portfolio Yield**	**3.76%**	**Monthly Interest**	**$444,714.36**

Investment and Cash Holdings	Beginning Balance	Purchases / Deposits	Sales / Withdrawals/Market Change	Interest Income	Ending Balance	Current Avg Yield
Wells Fargo	$1,600,000.00	$3,067,992.87	($3,084,345.76)	$16,352.89	$1,600,000.00	N/A
Wells Fargo Sweep	$4,951,714.58	$3,084,345.76	($2,409,208.48)		$5,626,851.86	3.40%
LAIF	$46,235,627.68				$46,235,627.68	3.84%
CAMP Investment Portfolio	$101,292,633.78	$1,717,446.12	($1,845,030.20)	$361,792.27	$101,526,841.97	3.80%
CAMP Liquidity	$20,652,871.37			$66,569.20	$20,719,440.57	3.80%
Other Investments	$0.00				$0.00	
Total Portfolio	**$174,732,847.41**	**$7,869,784.75**	**($7,338,584.44)**	**$444,714.36**	**$175,708,762.08**	**3.76%**

Treasurer's Certification

Pursuant to California Government Code Section 53607, this report summarizes investment transactions made during the month under the authority delegated to the Treasurer by the Board of Directors.

I certify that the investment transactions reported above were made in accordance with the Agency's adopted Investment Policy and applicable provisions of the California Government Code.

CFO: Jennifer Ustation

Date: 9/15/2026

SAN GORGONIO PASS WATER AGENCY

LEGAL INVOICES
ACCOUNTS PAYABLE INVOICE LISTING

VENDOR	INVOICE NBR	COMMENT	AMOUNT
BEST, BEST & KRIEGER	260831	LEGAL SERVICES AUGUST 2026	11,549.04

TOTAL PENDING INVOICES FOR APPROVAL AUGUST 2026	11,549.04

San Gorgonio Pass Water Agency

DATE: September 24, 2026

TO: Finance and Budget Committee

FROM: Lance Eckhart, General Manager

BY: Jennifer Ustation, Chief Financial Officer

SUBJECT: Update to the Agency Credit Card Policy

RECOMMENDATION

Staff recommends that the Budget and Finance Committee review the proposed revisions to the Agency Credit Card Policy and recommend that the Board of Directors adopt the updated policy.

PREVIOUS CONSIDERATION

- Board Meeting – September 9, 2024: The Board approved the Credit Card Policy.
  .

BACKGROUND

The Board adopted the current Credit Card Policy in September 2024. The policy establishes requirements for Agency credit cards used by Board members and staff, including allowable uses, documentation, review, payment, and cancellation. Staff has reviewed the policy to strengthen internal controls, clarify cardholder and reviewer responsibilities, and address operational issues that arise in administering a purchasing card program.

The Agency is transitioning to the U.S. Bank Cal-Card program. This is an appropriate time to update the policy so that the governing requirements, cardholder expectations, approval workflow, and administrative controls are in place as the new program is implemented.

ANALYSIS

The proposed policy retains the existing requirement that Agency cards be used only for authorized public purposes and continues monthly review by the Budget and Finance Committee. The revisions provide more complete guidance for both traditional credit cards and purchasing card accounts.

Program scope and accountability: Clarifies that a card is a payment method and does not replace the Agency's procurement, contracting, budgeting, travel, or approval requirements.
Cardholder authorization: Requires written authorization, acknowledgement of responsibilities through a Cardholder Agreement, any required training, and maintenance of current cardholder and limit records.

Transaction controls: Establishes single-transaction and monthly limits, prohibits transaction splitting, identifies prohibited purchases, and requires documentation for temporary limit increases and exceptions.
Documentation and reconciliation: Requires itemized support, a specific Agency business purpose, accounting information, confirmation of receipt, meal attendees when applicable, and a Missing Receipt Declaration when documentation cannot be obtained.
Independent review: Provides that cardholders may not approve their own transactions and specifies the review process for staff, the Chief Financial Officer, the General Manager, and Board members.
Fraud and card security: Strengthens requirements for safeguarding account information, reporting lost or stolen cards and suspected fraud, resolving disputed charges, and protecting sensitive card data in public records.
Program administration: Assigns administration to the Chief Financial Officer and requires periodic review of cardholders, limits, inactive accounts, recurring charges, disputes, and compliance.
Violations and cancellation: Clarifies when card privileges may be suspended or canceled and identifies potential reimbursement, corrective, disciplinary, or referral actions.

The updated policy will support the implementation of the Cal-Card program by establishing consistent expectations before cards are issued and transactions begin. Staff will also use supporting forms, including a Cardholder Agreement, Missing Receipt Declaration, and Director transaction certification, to document compliance with the policy.

FISCAL IMPACT

Adoption of the updated policy has no direct fiscal impact. The strengthened controls are intended to reduce the risk of unauthorized purchases, late fees, unsupported transactions, and fraud. Any program costs or rebates associated with the U.S. Bank Cal-Card program are separate from the adoption of this policy.

ACTION

That the Finance and Budget Committee review and recommend approval of the updated Credit Card Policy to the Board of Directors.

ATTACHMENTS

Updated Credit Card Policy (Redlined)

San Gorgonio Pass Water Agency

Credit Card Policy

Adopted September 2024
Draft September 2026

This policy supersedes and rescinds all previous credit card policies, rules, or regulations adopted by the San Gorgonio Pass Water Agency Board of Directors.

Preamble
This policy is not intended to be a comprehensive set of rules for all issues related to Agency travel and meals. It is intended to cover the use of Agency credit cards by Board members and Staff. Specific issues related to travel are covered in a separate Board of Directors Travel and Expense Reimbursement Policy and General Manager and Staff Travel Policy. In the event of a conflict between this policy and the Travel and Expense Reimbursement Policies, the Travel and Expense Policies will take precedence.

A. Purpose

~~This policy applies to all Agency credit cards issued to Board members or Staff and is intended to ensure that Agency credit cards are not abused or utilized in any way for personal gain.~~ This policy applies to all Agency credit cards and purchasing card accounts issued to or used by Board members or Staff. Credit cards are a payment method and do not replace or modify the Agency's purchasing, contracting, budgeting, travel, or approval requirements. This policy is intended to safeguard public funds, establish accountability, and prevent personal or unauthorized use.

B. Authorized Users of Agency Credit Cards

~~Board members are authorized users of Agency credit cards. The General Manager is an authorized user of an Agency credit card. Staff may be authorized to use Agency credit cards at the General Manager's discretion. All users of Agency credit cards agree to abide by the requirements of this policy.~~ Board members and the General Manager may be authorized users of Agency credit cards. Staff may be authorized to receive or use an Agency credit card with the written approval of the General Manager. Before receiving or using a card, each cardholder shall review this policy, complete any required training, and sign a Cardholder Agreement acknowledging the cardholder's responsibilities. The Chief Financial Officer shall maintain a current list of cardholders, account limits, and required approvers.

C. Use of Agency Credit Cards

1. ~~Credit cards are issued solely for Agency business and are not to be used for personal purchases. In the rare case of a personal item being included on a larger bill (such as a spouse attending a conference or a movie included in a hotel bill) such charges shall be reimbursed to the Agency prior to the credit card payment being made. The Finance Office is responsible for notifying the cardholder what charges need to be reimbursed to the Agency.~~ Credit cards are issued solely for authorized Agency

business and shall not be used for personal purchases under any circumstances. If a personal charge is made inadvertently, the cardholder shall immediately notify the Finance Office and reimburse the Agency. Reimbursement of an intentional personal purchase does not cure or authorize the violation and may result in suspension or cancellation of the card and other corrective or disciplinary action consistent with Agency policy.

2. ~~Agency credit cards are not to be used as an alternate method of procurement to avoid a bidding process or in any way to circumvent the Agency's Procurement Policy.~~ Agency credit cards shall not be used to avoid or circumvent the Agency's Procurement Policy, purchasing authority, competitive procurement requirements, contract requirements, budget controls, or other approvals. Purchases shall not be split into multiple transactions to avoid any applicable threshold, approval, or card limit.
3. Agency credit cards issued to Board members are to be used only for Agency related travel, registration for appropriate seminars or conferences, Agency-related business meals, or purchase of educational materials related to water issues. The Director Travel and Expense Policy governs the use of credit cards for Directors' travel.
4. ~~Agency credit cards issued to the General Manager and Staff are generally to be used for travel or items related to managing the day-to-day affairs of the Agency. The General Manager and Staff Travel Policy governs the use of credit cards for travel-related expenses.~~ Agency credit cards issued to the General Manager and Staff may be used for authorized travel and for budgeted goods and services related to Agency operations, provided the purchase is within the cardholder's delegated purchasing authority and card limits. The General Manager and Staff Travel Policy governs travel-related expenses.
5. A card issued in an individual's name may be used only by that cardholder. A cardholder shall not lend the card or provide the card number, security code, password, personal identification number, or online credentials to another person. Cardholders shall protect physical cards and account information and shall not transmit card information through unsecured means.
6. The General Manager, in consultation with the Chief Financial Officer, shall establish a single-transaction limit and monthly credit limit for each card based on the cardholder's duties and purchasing authority. Temporary or permanent limit increases require documented approval stating the business need. A temporary increase shall include an effective date and expiration date.
7. Prohibited transactions include cash advances; cash equivalents; gift cards unless specifically authorized for an Agency program; illegal goods or services; fines or penalties attributable to the cardholder; alcohol; and purchases from an entity in which the cardholder has a financial interest. Capital asset purchases are permitted only when otherwise authorized under the Procurement Policy and supported by information necessary for asset identification and capitalization.
8. Exceptions required for an emergency or an otherwise blocked legitimate purchase shall receive written approval before the purchase whenever practicable. When prior approval is impracticable, the cardholder shall document the circumstances and obtain approval as soon as possible after the purchase. An exception does not waive applicable law, budget authority, or delegated purchasing authority.

9. Cardholders shall identify subscriptions and other recurring charges during each reconciliation. Before a card is cancelled or a cardholder separates or changes duties, recurring charges shall be cancelled or transferred to an appropriate Agency account or cardholder. Receipt for a recurring subscription will be required on the initial purchase, but not after, unless the amount or terms change.

D. ~~Reporting~~ Documentation and Reconciliation

1. ~~All receipts must be turned in to the Finance Office accompanied by an Expense Reimbursement form, or other form provided by the Finance Office. The form must list the date, purpose of the charge, vendor, and amount charged.~~ For every transaction, the cardholder shall submit an itemized receipt or invoice and the form or electronic record required by the Finance Office. Documentation shall identify the transaction date, vendor, amount, specific Agency business purpose, general ledger account and project or cost center when applicable, and any required procurement approval. Documentation shall also confirm that the goods were received or services were performed. For meals, the cardholder shall identify the attendees and Agency business purpose.
2. ~~If a receipt is not turned in, the Finance Office shall request a copy of the receipt from the cardholder, and every effort shall be made to obtain the original receipt or a copy thereof. The Finance and Budget Committee is not required to authorize payment for any Agency credit card expenditure that does not include a receipt.~~ If an itemized receipt or invoice is unavailable, the cardholder shall make every reasonable effort to obtain a duplicate from the vendor. If a duplicate cannot be obtained, the cardholder shall complete a Missing Receipt Declaration describing the purchase, business purpose, items acquired, and reason the documentation is unavailable. The Finance and Budget Committee is not required to ratify an expenditure that lacks adequate supporting documentation. Repeated missing documentation may result in suspension or cancellation of card privileges.
3. Each staff cardholder shall review and reconcile all transactions and submit complete supporting documentation to the Finance Office before the payment is due or electronic reconciliation record becomes available, or within another deadline established by the Chief Financial Officer to permit timely payment.
4. The Finance Office shall reconcile transactions for credit cards issued to Board members. Each Board member shall provide the Finance Office with the itemized receipt and required business-purpose documentation within five business days after the transaction or, when the receipt is not immediately available, as soon as reasonably practicable. The Finance Office shall provide the completed monthly reconciliation to the Board member for review and confirmation before submitting the charges to the Finance and Budget Committee for ratification.
5. Cardholders are responsible for promptly resolving duplicate charges, incorrect amounts, returned merchandise, and other transaction discrepancies with the merchant and, when necessary, the card issuer. A disputed or fraudulent charge shall be identified in the monthly reconciliation and monitored until the credit or other resolution appears on a subsequent statement.

E. Payment and Reporting

1. ~~The Finance Office shall ensure that all Agency credit cards will be paid in full each month in order to avoid paying finance or late charges. The General Manager and the Chief Financial Officer will review all credit card bills prior to approving them for payment. Approval by the General Manager does not necessarily mean that all costs on the bill will be paid for by the Agency (see below).~~ The Finance Office shall ensure that all Agency credit card statements are paid in full and timely to avoid finance or late charges. Each statement and its supporting documentation shall receive an independent review and approval. No cardholder may approve their own transactions. Finance review for coding and documentation does not replace approval of the business purpose by the designated approver. The General Manager shall approve the Chief Financial Officer's charges. The Chief Financial Officer shall review the General Manager's charges for documentation and policy compliance, with those charges subject to Finance and Budget Committee review. Approval of a statement does not preclude the Agency from subsequently requiring reimbursement of an unauthorized or inadequately supported charge.
2. Because of the payment schedule, it is unlikely that the Board will be able to authorize payment in advance for credit card bills.
3. The Finance Office will prepare a summary report each month of all charges for each credit card, with totals for the various accounting designations.
4. This report will be made available to the Finance and Budget Committee each month for ratification.
5. It is the responsibility of the Finance and Budget Committee to review all credit card bills, receipts, and payments each month and to require reimbursement from the cardholder for items deemed by the Committee to be inconsistent with this policy or, at its discretion, for items that do not include a receipt. It is the responsibility of the Chief Financial Officer to bring potential inconsistencies to the attention of the Committee.
6. If the cardholder and the Committee disagree as to the expense being consistent with this Policy, the Agency Board of Directors will make the decision at a regular meeting where the item is properly agendized.

F. Loss of Card or Suspected Fraud

~~1.If an Agency credit card is lost, it is the responsibility of the cardholder to notify the Finance Office within one business day of the discovery of the loss.~~ 1. If an Agency credit card is lost or stolen, the cardholder shall notify the card issuer and the Finance Office immediately upon discovery, but no later than one business day.

~~2.It is the responsibility of the cardholder to notify the Finance Office promptly if a fraudulent charge is suspected.~~ 2. The cardholder shall immediately notify the card issuer and the Finance Office of any suspected fraudulent or unauthorized charge and shall cooperate in completing all required affidavits or dispute documentation.

~~3.The Finance Office shall cancel the credit card immediately and order a new one for the cardholder. Any items purchased with a lost credit card that are not credited by the card issuer are the responsibility of the cardholder, if the loss is not reported within one business day.~~ 3. The Finance Office shall promptly suspend or cancel the affected card and coordinate issuance of a replacement when appropriate. A cardholder may be required to reimburse the Agency for loss resulting from intentional misconduct,

negligence, or failure to report the loss promptly, subject to applicable Agency personnel procedures and law.

G. Cancellation

1. ~~It is the responsibility of the Finance Office to cancel credit cards for Board members when they leave office.~~ The Finance Office shall cancel a Board member's credit card when the member leaves office or no longer has an Agency business need for the card.
2. ~~It is the responsibility of the Finance Office to cancel credit cards for the General Manager and Staff upon separation from the Agency.~~ The Finance Office shall cancel or transfer credit card access for the General Manager and Staff upon separation, transfer, change in duties, extended inactivity, or loss of Agency business need. The cardholder shall return or securely destroy the physical card as directed and identify all recurring charges requiring cancellation or transfer.
3. ~~The Board can authorize the cancellation of a credit card issued to a Board member or the General Manager upon a majority vote. Such a vote can only take place after having been presented evidence of systematic abuse of this policy on the part of the cardholder.~~ The Agency may immediately suspend a credit card issued to a Board member or the General Manager when misuse, suspected fraud, intentional personal use, repeated failure to provide documentation, or another material policy violation occurs. The Board may cancel the card by majority vote after review of the circumstances. Suspension may remain in effect while the matter is reviewed.
4. ~~The General Manager can authorize the cancellation of a credit card issued to Staff, after having been presented with evidence of systematic abuse of this policy on the part of the cardholder.~~ The General Manager may suspend or cancel a credit card issued to Staff for misuse, suspected fraud, intentional personal use, repeated documentation or reconciliation failures, extended inactivity, or another violation of this policy. Corrective or disciplinary action shall be handled consistently with applicable Agency personnel policies.

H. Credit Card Records

~~All credit card records will be kept with Agency accounting records, and retained for the period of time prescribed for such records in accordance with government regulations and generally accepted accounting practices.~~ Credit card statements, receipts, approvals, dispute records, Missing Receipt Declarations, Cardholder Agreements, and related records shall be retained with the Agency's accounting records in accordance with the Agency's adopted records retention schedule and applicable law. Full card numbers, security codes, passwords, and other sensitive account information shall not be included in publicly accessible supporting records and shall be securely stored, transmitted, and disposed of.

I. Program Administration and Review

The Chief Financial Officer shall administer the credit card program and periodically review active cardholders, transaction and monthly limits, inactive accounts, recurring charges, merchant restrictions, outstanding disputes, and compliance with this policy. The

program shall be reviewed at least annually and adjusted as necessary to reflect Agency operations and internal control needs.

J. Violations

A violation of this policy may result in reimbursement to the Agency, suspension or cancellation of card privileges, and corrective or disciplinary action consistent with applicable Agency policies. Suspected fraud, theft, or other unlawful conduct may be referred to the appropriate authorities.

This policy should be reviewed annually.

Adopted by Board of Directors on September 9, 2024.

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Robert Ybarra
President of the Board

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Maricela Cabral
Clerk of the Board

San Gorgonio Pass Water Agency

DATE: September 24, 2026

TO: Finance and Budget Committee

FROM: Lance Eckhart, General Manager

BY: Jennifer Ustation, Chief Financial Officer

SUBJECT: Update to the Agency Investment Policy

RECOMMENDATION

Staff recommends that the Budget and Finance Committee review the proposed revisions to the Investment Policy and recommend that the Board of Directors adopt the updated policy.

PREVIOUS CONSIDERATION

- Board Meeting – July 12, 2021: The Board adopted Resolution No. 2021-11 Update to Investment Policy and Guidelines
- Board Meeting - May 24, 2021: The Board adopted Resolution No. 2021-07 Update to Investment Policy and Guidelines

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BACKGROUND

The Board last updated the Agency's Investment Policy on **July 12, 2021**. The policy establishes the framework for investing Agency funds, with safety of principal, liquidity, and return on investment as its priorities. Staff have reviewed the policy and prepared an update to provide clearer direction for investment management and Board oversight.

ANALYSIS

The proposed update clarifies the authority delegated to manage investments and updates references to applicable California Government Code provisions. It provides more detailed guidance on authorized investments and financial institutions, investment pools, collateralization, and safekeeping and custody. The revisions also address portfolio review, internal controls, performance standards, and investment reporting. A glossary is included to make the policy easier to apply consistently.

The updated policy is designed for submission to the California Municipal Treasurer's Association (CMTA)'s Investment Policy Certification Program after Board adoption. The program offers independent review and feedback on investment policies to meet the industry's best practices for California's public sector agencies and districts. Submission does not guarantee certification; CMTA makes that determination through its review process. Policies that did not meet the criteria with a score of 85 or above can resubmit for no additional charges if done within 90 days of notification.

FISCAL IMPACT

Adoption of the policy does not, by itself, direct an investment transaction. The currently listed CMTA application fee for a participating member is **$175**.

ACTION

The Finance and Budget Committee will review and recommend approval of the updated Investment Policy to the Board of Directors.

ATTACHMENTS

Updated Investment Policy (Redlined)

RESOLUTION NO. 2026-08

SAN GORGONIO PASS WATER AGENCY
INVESTMENT POLICY AND GUIDELINES
RESCINDING RESOLUTION #2021-11

BE IT RESOLVED by the Board of Directors of the San Gorgonio Pass Water Agency ("Agency") that the following is the policy and guidelines of the Agency for Investment of funds and that adoption of this Resolution 2021-11 does hereby revise and nullify Resolution 2021-07.

Policy
The purpose of this investment policy ("Policy") is to identify prudent policies and procedures that shall govern the investment of the Agency's funds. The ultimate goal of this Policy is to protect the safety of the invested funds, enhance the economic status of the Agency, and to ensure that all investments comply with federal, state, and local laws governing the investment of the funds covered by this Policy.

Scope
This Policy shall cover all funds and investment activities under the direct authority of the Agency and accounted for in the Audited Financial Statements, except for the employee's retirement and deferred compensation funds. In addition, deposits with banks under the California Government Code's "Deposit of Funds" provisions are excluded from this Policy's requirements.

Bond proceeds shall be invested in the securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, the bond proceeds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed elsewhere in this Policy do not apply to bond proceeds.

Objectives
The primary objectives, in priority order, for the Agency's investment activities shall be:

1. **Safety:** Safety of principal is the foremost objective of the investment program. The Agency's investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
2. **Liquidity:** The Agency's investment portfolio will remain sufficiently liquid to enable the Agency to meet all operating requirements, which might be reasonably anticipated.
3. **Return on Investment:** The Agency's investment portfolio shall be managed with the objective of attaining a market rate of return throughout budgetary and economic cycles.

The remainder of this Policy describes the policies and procedures to be followed in support of these objectives.

Prudence
All persons authorized to make investment decisions on behalf of the Agency are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of

the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Authorized persons, acting in accordance with written procedures and this Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Delegation of Authority

As permitted under California Government Code 53607 responsibility for the investment program delegates the responsibility to invest or reinvest by the Agency's Board of Directors ("Board") to the Treasurer and the Assistant Treasurer in Resolution Nos. 1994-09 and 2005-10. The Treasure/Assistant Treasurer may delegate the day-to-day investment activities to their designee(s) but not the responsibility for the overall investment program.

As authorized by the Board, the Agency may contract with an SEC registered investment adviser to assist the Treasurer/Assistant Treasurer with the Agency's investment program. The investment adviser's actions shall be in conformance with this Policy and any written direction provided by the Treasurer/Assistant Treasurer. The investment adviser shall never take possession of the Agency's cash or assets.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, the Treasurer/Assistant Treasurer, other employees designated by the Agency, and the Investment Advisor, if one is used, are required to prepare an Annual Conflict of Interest Statement (FPPC Form 700). Further, in compliance with California Government Code 5328.2, all Agency officials and employees with investment responsibilities shall complete fiscal and financial training as required by law.

Internal Controls

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Agency are protected from loss, theft, or misuse. The procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgement by management. Compliance with this Policy and internal controls shall be reviewed annually by the Agency's independent auditor.

Authorized Financial Dealers and Institutions

The Treasurer (or Chief Financial Officer) will maintain a list of approved financial institutions authorized to provide investment services to the public agency in the State of California. These may include “primary” dealers 3 or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). Best practices include the following: 1) A determination that all approved broker/dealer firms, and individuals covering the public agency, are reputable and trustworthy; 2) the broker/dealer firms should have the ability to meet all their financial obligations in dealing with the Public Agency; 3) the firms, and individuals covering the agency, should be knowledgeable and experienced in Public Agency investing and the investment products involved; 4) no public deposit shall be made except in a qualified public depository as established by the established state laws; 4) all financial institutions and broker/dealers who desire to conduct investment transactions with the public agency may supply the Treasurer (or Chief Financial Officer) with audited financial statements, proof of FINRA certification, trading resolution, proof of State of California registration, a completed broker/dealer questionnaire, certification of having read the Public Agency’s investment policy and depository contracts.

Investments not purchased directly from the issuer, shall be purchased either from an institution licensed by the state as a broker-dealer or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association or from a brokerage firm designated as a primary government dealer by the Federal Reserve bank. If the Agency is utilizing financial dealers or institutions to execute transactions, the Treasurer/Assistant Treasurer shall maintain a list of the firms that have been approved for investment purposes. A copy of this Policy shall be sent annually to all firms with which the Agency executes investments.

If the Agency has contracted with an investment advisor to provide investment services, the investment advisor may use their own list of approved issuers, brokers/dealers, and financial institutions with which to conduct transactions on the Agency's behalf.

Authorized and Suitable Investments

The California Government Code provides basic investment limits and guidelines for government entities. In the event an apparent discrepancy is found between this Policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this Policy apply at the time the security is purchased. Credit ratings, where shown, specify the minimum credit rating category required at purchased. In the event a security held by the Agency is subject to a credit rating change that brings it below the minimum credit ratings specified in this Policy, the Treasurer/Assistant Treasurer should notify the Board of the change in the next quarterly investment report. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security.

A **U.S. Treasury Instruments.** United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. There is no limitation as to the percentage of the Agency's portfolio that may be invested in this category.

B. Federal Agency Securities. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the Agency's portfolio that may be invested in this category.

C. **Supranational Obligations.** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by a Nationally Recognized Statistical Rating Organization **("NRSRO").** A maximum of 30% of the Agency's portfolio may be invested in this category.

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

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

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

Purchases are limited to securities rated in a rating category of "A" (long-term) or "A-1" (short-term) or their equivalents or better by an NRSRO. A maximum of 30% of the Agency's portfolio may be invested in this category.

E. **Medium-Term Notes.** Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases are limited to securities rated in a rating category of "A" or its equivalent or better by an NRSRO. A maximum of 30% of the Agency's portfolio may be invested in this category.

F. **Negotiable CDs.** Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases are limited to securities rated in a rating category of "A" (long-term) or "A-1" (short-term) or their equivalents or better by an NRSRO. A maximum of 30% of the Agency's portfolio may be invested in this category.

G. **Asset-Backed Securities.** A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in paragraph (A) or (B) of this Policy section, the following limitations apply: The security shall be rated in a rating category of “AA” or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this paragraph shall not exceed 20% of the Agency’s investment portfolio.

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

(1) The entity meets the following criteria: (A) Is organized and operating in the United States as a general corporation; (B) Has total assets in excess of five hundred million dollars ($500,000,000), and (C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or better by an **NRSRO.**

(2) The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company, (B) Has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond, and (C) Has commercial paper that is rated "A-1" or better, or the equivalent, by an NRSRO.

Purchases are limited to securities that have a maximum maturity of 397 days. A maximum of 25% of the Agency's portfolio may be invested in this category.

I. **State of California's Local Agency Investment Fund (LAIF).** Whenever the Agency has funds invested in LAIF, the Treasurer/Assistant Treasurer shall periodically review the program's investments. The maximum amount invested in this category may not exceed the limit set by LAIF for operating accounts.

J. **Local Government Investment Pools ("LGIP").** Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q) of Government Code Section 53601, inclusive. Each share will represent an equal proportional interest in the underlying pool of securities owned by the joint power’s authority. To be eligible under this section, the joint powers authority issuing the shares will have retained an investment advisor that meets all of the following criteria:

(1) The advisor is exempt from registration with the Securities and Exchange Commission.
(2) The advisor has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q) California Government Code53601, inclusive.
(3) The advisor has assets under management in excess of five hundred million dollars ($500,000,00).

K. **Money Market Funds ("MMF").** Purchases are restricted to Government Money Market Funds. Furthermore, these Money Market Funds must have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs, or (B) Retained an investment advisor with not less than five years' experience and registered or exempt from registration with the SEC, with assets under management in excess offive hundred million dollars ($500,000,000). Whenever the Agency has any funds invested in an MMF, the Treasurer/Assistant Treasurer shall maintain on file a copy of the MMF's current information statement. A maximum of 20% of the Agency's portfolio may be invested in this category.

Review of Investment Portfolio

The securities held by the Agency must be in compliance with Section 8.0 Authorized and Suitable Investments of California Government Code 53601 at the time of purchase. Because some securities may not comply with Section 8.0 Authorized and Suitable Investments subsequent to the date of purchase, the Agency should at least annually review the portfolio to identify those securities that do not comply.

Ineligible Investments

The Agency shall not invest in any investment authorized by the Government Code, but not explicitly listed in this Policy without the prior approval of the Board. Furthermore, the Agency will not invest in inverse floaters, range notes, mortgage-derived, interest-only strips, or any security that could result in zero interest accrual if held to maturity, except as authorized by Government Code Section 53601.6. The Agency may hold any previously permitted but currently prohibited investments until their maturity dates.

Diversification

The Agency shall diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. To promote diversification, no more than 5% of the portfolio may be invested in the securities of any one issuer, regardless of security type; excluding U.S. Treasuries, federal agencies, supranationals, and pooled investments such as LAIF, money market funds, or local government investment pools.

Maximum Maturities

The Treasurer/Assistant Treasurer and/or their designee(s) shall maintain a system to monitor and forecast revenues and expenditures so that Agency funds can be invested to the fullest extent possible while providing sufficient liquidity to meet the Agency's reasonably anticipated cash flow requirements. Maturities of investments will be selected to provide necessary liquidity, manage interest rate risk, and optimize earnings. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds.

The weighted average maturity of the investment portfolio shall not exceed 3.0 years. For those investment types for which this Policy does not specify a maturity limit, no individual investment shall exceed a maturity of five years from the date of purchase unless the Board has granted express authority to make that investment either specifically or as a part of an

investment program approved by the Board no less than three months prior to the investment.

This Policy authorizes investing bond project and reserve funds beyond five years if the maturities of such investments do not exceed the expected use of the funds, the investments are deemed prudent in the opinion of the Treasurer/Assistant Treasurer, and the investments are not prohibited by the applicable bond documents.

Investment Pools/ Mutual Funds

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. Best efforts will be made to acquire the following information:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.

2. A description of interest calculations and how it is distributed, and how gains and losses are treated.

3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.

4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed. 7

5. A schedule for receiving statements and portfolio listings.

6. Are reserves, retained earnings, etc. utilized by the pool/fund?

7. A fee schedule, and when and how is it assessed.

8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

Collateralization

All demand deposits and time deposits must be collateralized in accordance with Cal. Govt. Code, section 53630 et seq. To provide an additional margin of safety, collateral for certificates of deposit shall have a market value of at least 110% of the deposit amount, except for any portion covered by federal deposit insurance. Collateral shall be held by an independent third party under a current custodial agreement, with evidence of ownership retained by the Agency.

Safekeeping and Custody To protect against potential losses by collapse of individual securities dealers, all deliverable securities owned by the Agency, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department acting as agent for the Agency under

the terms of a custody agreement executed by the bank and by the Agency. All deliverable securities will be received and delivered using standard delivery-versus-payment procedures.

Performance Standards

The investment portfolio shall be managed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The Agency will employ an active management approach that allows for the sale of securities prior to their scheduled maturity dates for purposes of improving the portfolio's credit quality, liquidity, or return in response to changing market conditions or Agency circumstances. This Policy recognizes that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

An appropriate performance benchmark shall be established against which portfolio performance shall be compared on a regular basis. The selected performance benchmark shall be representative of the Agency's overall investment objectives and liquidity requirements.

Reporting

The Treasurer/Assistant Treasurer will prepare a quarterly investment report withing 45 days following the end of each quarter per CA GOVT CODE 53646 (b) that shall include a description of the portfolio, type of investments, issuers, maturity dates, par values and current market values of each component of the portfolio, list of transactions, including funds managed for the Agency by third party contract managers. The report will include a certification that: (1) all investment actions executed since the last report have been made in full compliance with this Policy and (2) the report shall include a statement denoting the ability of the Agency to meet its expenditure requirements for the next six months or provide an explanation as to why sufficient money shall or may not be available. The Treasurer/ Assistant Treasurer must provide a monthly report to the legislative body regarding all investment transactions per CA GOVT CODE 53607.

Investment Policy Adoption

The Agency's investment policy shall be adopted by resolution of the Board. This Policy and the Agency's agreement with **PFM** Asset Management shall be reviewed annually by the Treasurer/Assistant Treasurer and any modifications made thereto must be approved by the Board of Directors.

GLOSSARY

The glossary is provided for general information only. It is not to be consider a part of the Policy for determining Policy requirements or terms.

AGENCIES: Securities issued by federal agency securities and/or Government-sponsored enterprises (e.g. FNMA, FHLMC, FHLB).

AMORTIZED COST (or Book Value): For investments purchased at a discount, amortized cost constitutes cost plus interest earned to date.

ASKED: The price at which securities are offered for sale; also known as offering price.

ASSET-BACKED SECURITIES (ABS): Securities whose income payments and hence value is derived from and collateralized (or "backed") by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt.

BASIS POINT: One hundredth of one percent (i.e. 0.01 percent).

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CALLABLE BOND: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large denomination CD's are typically negotiable.

COMMERCIAL PAPER: An unsecured promissory note with a fixed maturity no longer than 270 days.

COLLATERAL: Securities, evidence of deposit or other property, which secures repayment of an investment. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report of the (entity). It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

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.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security and a loss will result.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

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

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment 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.

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

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration is expressed as a number of years. The duration of a security is a useful indicator of its price volatility for given changes in interest rates. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored institution that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. Government guarantees.

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

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

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac): Established in 1970 to help maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. FHLMC's securities are highly liquid and are widely

accepted. FHLMC is currently operated under conservatorship of the U.S. Government.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae):
FNMA 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. 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 is currently operated under conservatorship of the U.S. Government.

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 U.S. which consists of seven member Board of Governors, 12 regional banks, and about 5,700 commercial banks that are members.

FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA): The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States. All told, FINRA oversees nearly 4,750 brokerage firms, about 167,000 branch offices and approximately 634,000 registered securities representatives.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT POLICY: A clear and concise statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

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 AGENCY INVESTMENT FUND (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment purposes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): A type of pooled investment program in which funds from local agency investors/participants are aggregated together for investment purposes.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM-TERM NOTES (MTNs): Unsecured corporate obligations. For purposes of the California Government Code, they have a maximum remaining maturity of five years or less.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MONEY MARKET FUND. A type of mutual fund that invests exclusively in short-term investments.

MORTGAGE-BACKED SECURITIES (MBS): These securities represent an ownership interest in mortgage loans made by financial institutions (savings and loans, commercial banks, or mortgage companies) to finance the borrower's purchase of a home or other real estate. MBS are created when these loans are packaged, or "pooled," by issuers or servicers for sale to investors. As the underlying mortgage loans are paid off by the homeowners, the investors receive payments of interest and principal.

MUTUAL FUND: A fund operated by an investment company that raises money from shareholders and invests it on their behalf. Profits are distributed to shareholders after the investment company deducts its management fee. Mutual funds are regulated by the SEC.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A credit rating agency that issue credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. The largest three NRSROs are Standard & Poor's, Moody's Investors Service and Fitch Ratings.

NEGOTIABLE: Something that can be sold or transferred to another party.

NEGOTIABLE CERTIFICATES OF DEPOSIT: Large denomination certificates of deposit with a fixed maturity date, which can be sold in the money market. They are not collateralized.

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.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in increments of $1,000 per bond.

PORTFOLIO: Collection of securities held by an investor.

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.

PREMIUM: The amount by which a security sells above its par value.

PRINCIPAL: The face or par value of a debt instrument or the amount of capital invested in a given security.

PRUDENT INVESTORS RULE: An investment standard. In California, persons authorized to make investment decisions on behalf of a local agency are considered trustees and therefore fiduciaries subject to the Prudent Investor Rule. A 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.

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

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

SAFEKEEPING: A service banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or, if called, on the call date.

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

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness of equity.

SECURITIES & EXCHANGE COMMISSION (sec): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

SUPRANATIONAL: Supranational entities are formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. Examples of supranational institutions include the European Investment Bank and the World Bank. Similarly to the government bonds, the bonds issued by these institutions are considered direct obligations of the issuing nations and have a high credit rating.

TREASURY SECURITIES. Obligations issued by the federal government, which are backed by the U.S. Government's full faith & credit. Generally considered to have the lowest credit risk of any security. They are issued in a range of maturities:

- TREASURY BILLS. Are short-term, non-interest bearing discount security having initial maturities of one-year or less.
- TREASURY NOTES. Are Intermediate-term coupon-bearing securities having initial maturities from two to ten years.
- TREASURY BONDS. Are long-term coupon-bearing securities having initial maturities of more than ten years.

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

WEIGHTED AVERAGE MATURITY (OR DURATION): The sum of the amount of each

investment multiplied by the number of days to maturity (or duration), divided by the total amount of investments.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security.

YIELD CURVE: Yield calculations of various maturities of instruments of the same quality at a given time to show yield relationships.