



INVESTMENT ADVISORY COMMITTEE AGENDA

Monday, July 24, 2023 at 10:00 a.m

Executive Conference Room, Level Three

CHAIR: Mayor Pro Tem Christine Marick
ALTERNATE: Mayor Marty Simonoff

The Investment Advisory Committee Meeting will be held on Monday, July 24, 2023 at 10:00 a.m. and the public is welcome to participate. Written comments may be sent to the Administrative Services Department at arlenem@cityofbrea.net no later than 12:00 p.m. on Thursday, July 20. Any comments received via email will be summarized aloud into the record at the meeting.

The Investment Advisory Committee meeting agenda can be viewed on the City of Brea's website at <https://www.ci.brea.ca.us/509/Meeting-Agendas-Minutes>. Hard copies of the agenda packet are available via USPS with proper notice by calling (714) 990-7676. Materials related to an item on this agenda submitted to the Investment Advisory Committee after distribution of the agenda packet are available for public inspection in the Administrative Services Department located on the third floor of the Civic & Cultural Center at 1 Civic Center Circle, Brea, CA during normal business hours. Such documents may also be available on the City's website subject to staff's ability to post documents before the meeting.

CALL TO ORDER / ROLL CALL

1. Matters from the Audience

CONSENT

2. **April 24, 2023 Investment Advisory Committee Regular Meeting Minutes - Approve.**

Attachments

Draft Minutes 04-24-2023

DISCUSSION

3. **Review Quarterly Investment Report for Period Ended June 30, 2023 from Chandler Asset Management - Presented by Chandler Asset Management**

Attachments

Report

4. **Review of PARS Pension Rate Stabilization Program Investment Report for Period Ended June 30, 2023 - Presented by PARS and HighMark Capital Management**

Attachments

Report

5. **Statement of Investment Policy for the City/Brea Successor Agency to the Brea Redevelopment Agency** - Review and approve the City of Brea/Successor Agency to the Brea Redevelopment Agency Statement of Investment Policy.

Attachments

Proposed Investment Policy

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

Attachments

Attachment A - Proposed 2023 Investment Policy Guidelines for Pension Plan

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

Attachments

Attachment A - Proposed 2023 Investment Policy Guidelines for OPEB

8. **Schedule Next Meeting: Monday, October 23, 2023**

Special Accommodations

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (714) 990-7757. Notification 48 hours prior to the meeting will enable City staff to make reasonable arrangements to ensure accessibility. (28 CFR 35.102.35.104 ADA Title II)

City of Brea

INVESTMENT ADVISORY COMMITTEE COMMUNICATION

TO: Honorable Chair and Committee Members

FROM: Bill Gallardo, City Manager

DATE: 07/24/2023

SUBJECT: April 24, 2023 Investment Advisory Committee Regular Meeting Minutes

RECOMMENDATION

Approve.

RESPECTFULLY SUBMITTED

William Gallardo, City Manager

Prepared by: Faith Madrazo, Revenue Manager

Concurrence: Kristin Griffith, Director of Administrative Services

Attachments

Draft Minutes 04-24-2023



DRAFT INVESTMENT ADVISORY COMMITTEE MINUTES

Monday, April 24, 2023
10:00 AM

Brea Civic & Cultural Center, 1 Civic Center Circle, Brea, California

CALL TO ORDER / ROLL CALL

ATTENDEES: Mayor Pro Tem Christine Marick, City Treasurer Denise Eby, Ho-El Park, David Penn, Gary Terrazas, Kristin Griffith, and Faith Madrazo

OTHER ATTENDEES: Daniel Delaney (Chandler) and Mia Corral Brown (Chandler)

1. **Matters from the Audience – None.**

CONSENT

2. **January 23, 2023 Investment Advisory Committee Regular Meeting Minutes – Approved.**

DISCUSSION

3. **Review Quarterly Investment Report Period Ended May 31, 2023 from Chandler Asset Management – Presented by Mia Corral Brown and Daniel Delaney –** *The Committee reviewed the quarterly report as presented and recommended to receive and file. During the review, David Penn requested that Chandler provide the debt maturity profile for the US Government to understand how interest costs may change as debt is refinanced at potentially higher rates that could potentially affect the City's portfolio. Chandler will provide.*

In addition, based on Chandler's recommendation, Mr. Penn requested that staff explore the option of using Treasury Bills for short term investments along with the current practice of using LAIF in order to take advantage of the higher interest rates. Staff will work with Chandler and will move forward, if allowable. Also, per Mayor Pro Tem Marick, this addition should be brought before Finance Committee and City Council prior to implementation. All IAC members agreed with this request including Mayor Pro Tem Marick, City Treasurer Denise Eby, Ho-El Park, David Penn and Gary Terrazas.

4. **Monthly Report of Cash and Investments for the City of Brea for Period Ended December 31, 2022 – Recommended for City Council to receive and file.**
5. **Schedule Next Meeting:** Monday, July 24, 2023

Meeting adjourned: 11:06 AM

City of Brea

INVESTMENT ADVISORY COMMITTEE COMMUNICATION

TO: Honorable Chair and Committee Members

FROM: Bill Gallardo, City Manager

DATE: 07/24/2023

SUBJECT: Review Quarterly Investment Report for Period Ended June 30, 2023 from
Chandler Asset Management - Presented by Chandler Asset Management

RESPECTFULLY SUBMITTED

William Gallardo, City Manager

Prepared by: Chandler Asset Management

Attachments

Report

City of Brea

Period Ending June 30, 2023

CHANDLER ASSET MANAGEMENT, INC. | 800.317.4747 | www.chandlerasset.com



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

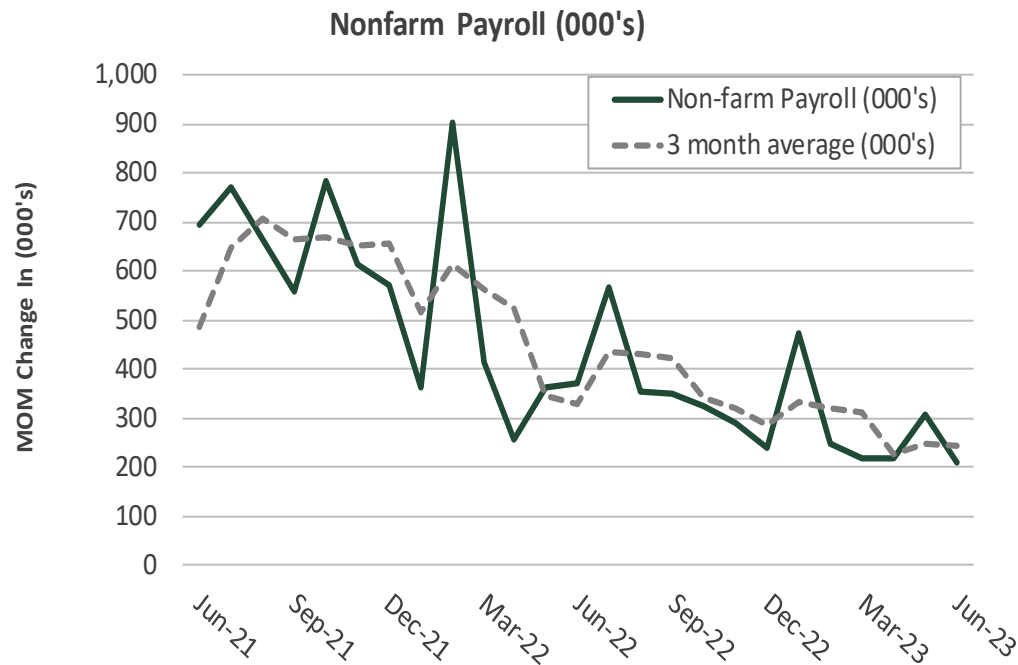


Section 1 | Economic Update

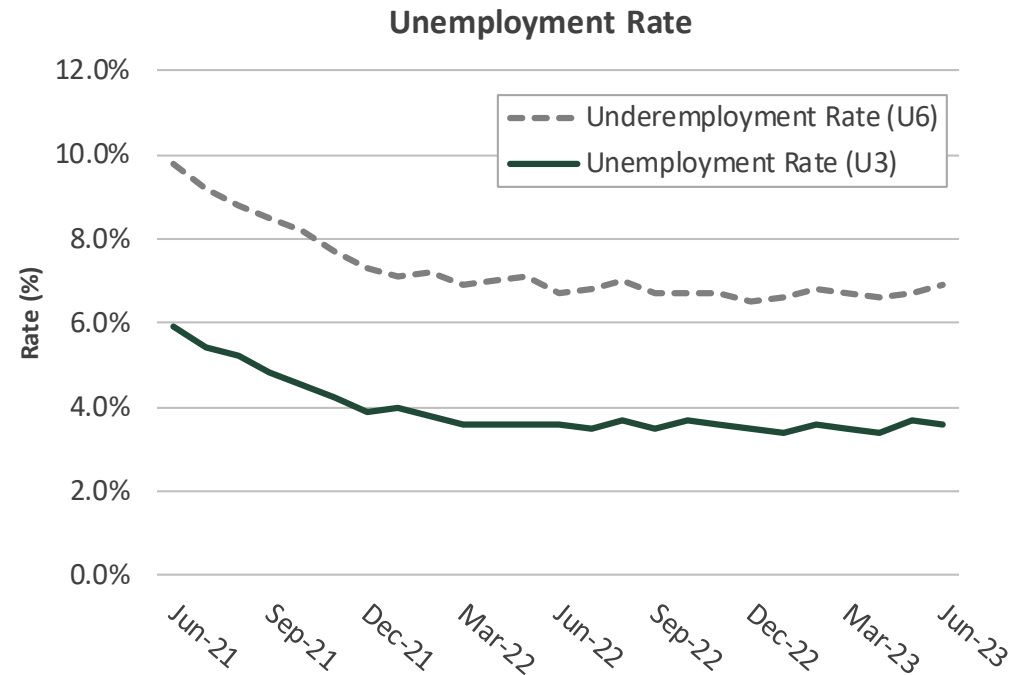
Economic Update

- Recent economic data continues to suggest positive but below trend growth this year. Although the pace of job growth is moderating, labor markets remain solid, and the U.S. consumer has demonstrated resiliency. Inflationary trends are subsiding, but core levels remain well above the Fed's target. Given the cumulative effects of restrictive monetary policy and tighter financial conditions, we believe the economy will gradually soften and the Fed will remain data dependent as they tread cautiously going forward.
- At the June meeting, the Federal Open Market Committee paused in their rate hiking campaign after ten straight rate increases and left the target Federal Funds rate in the current range of 5.00 - 5.25%. Market participants viewed the FOMC's decision as a 'hawkish' pause, expecting further tightening in the future, primarily based on the updated release of the FOMC's Summary of Economic Projections (SEP) forecast which reflected a stronger economic outlook and higher rates compared to the March forecast. We believe the resiliency of future economic data will determine if the Federal Reserve can stay on hold for a period of time or will be forced to tighten policy further to bring inflation back down towards their 2% policy objective.
- The yield curve remained inverted in June. The 2-year Treasury yield surged 50 basis points to 4.90%, the 5-year Treasury yield rose 40 basis points to 4.16%, and the 10-year Treasury yield increased 19 basis points to 3.84%. The inversion between the 2-year Treasury yield and 10-year Treasury yield widened to -106 basis points at June month-end versus -76 basis points at May month-end. The spread between the 2-year Treasury and 10-year Treasury yield one year ago was +6 basis points. The inversion between 3-month and 10-year Treasuries narrowed to -146 basis points in June from -176 basis points in May. The shape of the yield curve indicates that the probability of recession is increasing.

Employment



Source: US Department of Labor

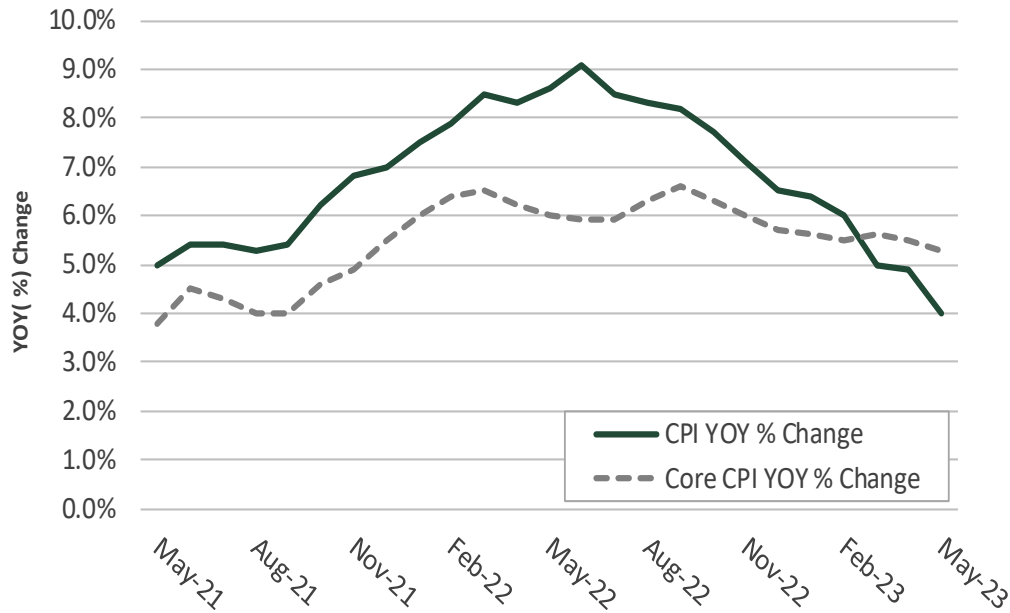


Source: US Department of Labor

The U.S. economy added 209,000 jobs in June, falling short of consensus expectations, and the last two months were revised downward by 110,000 jobs. Although decelerating, the pace of job growth remains healthy with the three-month moving average payrolls at 244,000 and the six-month moving average at 278,000. The unemployment rate declined to 3.6% in June from 3.7% in May, while the labor force participation rate remained at 62.6%. The U-6 underemployment rate, which includes those who are marginally attached to the labor force and employed part time for economic reasons, increased to 6.9% from the prior month at 6.7%. Average hourly earnings remained at 4.4% year-over-year in June, unchanged from an upwardly revised 4.4% increase in May. While the longer-term trend of hiring is slowing, levels remain consistent with a solid labor market.

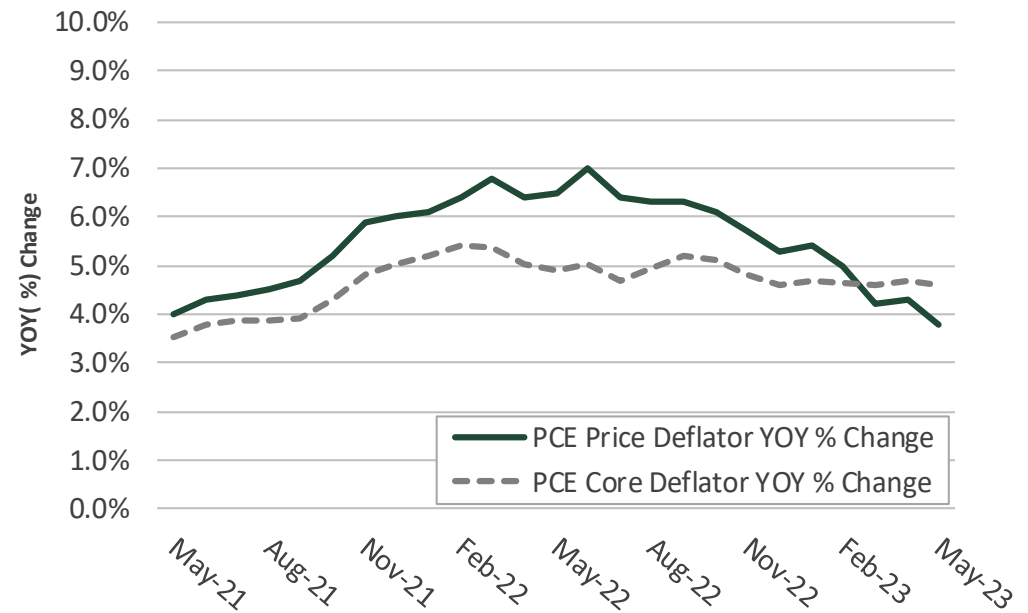
Inflation

Consumer Price Index (CPI)



Source: US Department of Labor

Personal Consumption Expenditures (PCE)

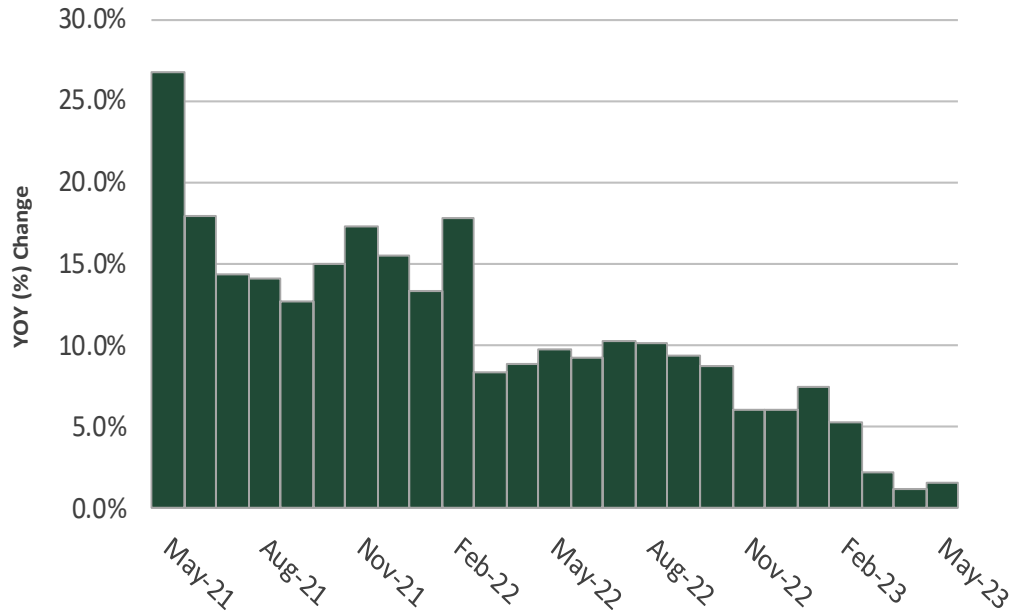


Source: US Department of Commerce

The Consumer Price Index (CPI) increased in May by 0.1% month-over-month and 4.0% year-over-year, down from 4.9% in April. The Core CPI, which excludes volatile food and energy components, remained firm at 0.4% month-over-month and 5.3% year-over-year, decelerating modestly from 5.5% in April. The Personal Consumption Expenditures (PCE) index rose 3.8% year-over-year in May, down from a 4.3% gain in April. Core PCE, the Federal Reserve's preferred inflation gauge, increased 4.6% year-over-year in May, down slightly from a 4.7% increase in April. Core inflation remains stubbornly elevated above the Fed's 2% target, with service-sector inflation and strong wage growth as headwinds.

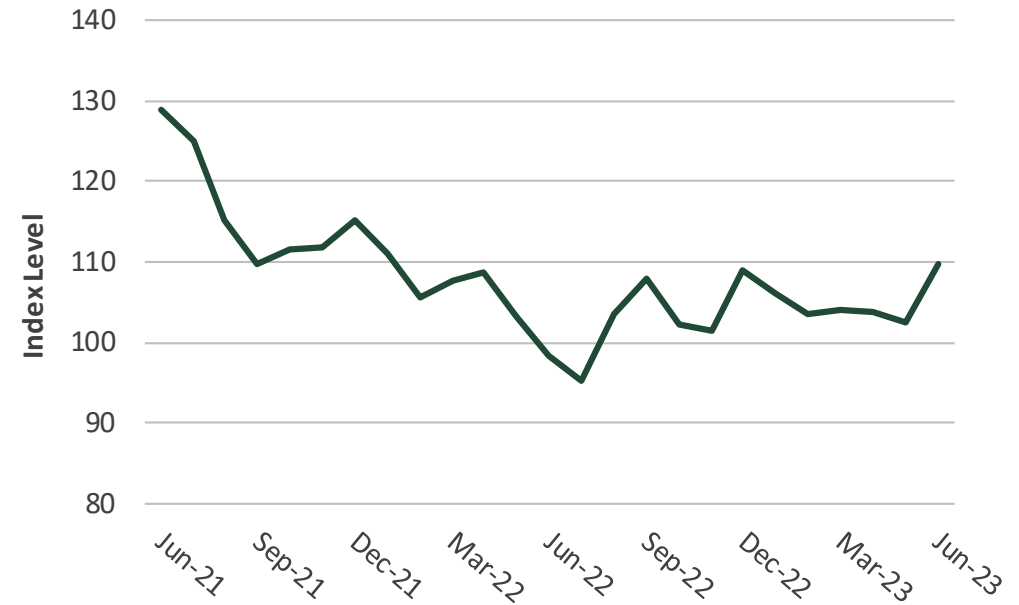
Consumer

Retail Sales YOY % Change



Source: US Department of Commerce

Consumer Confidence

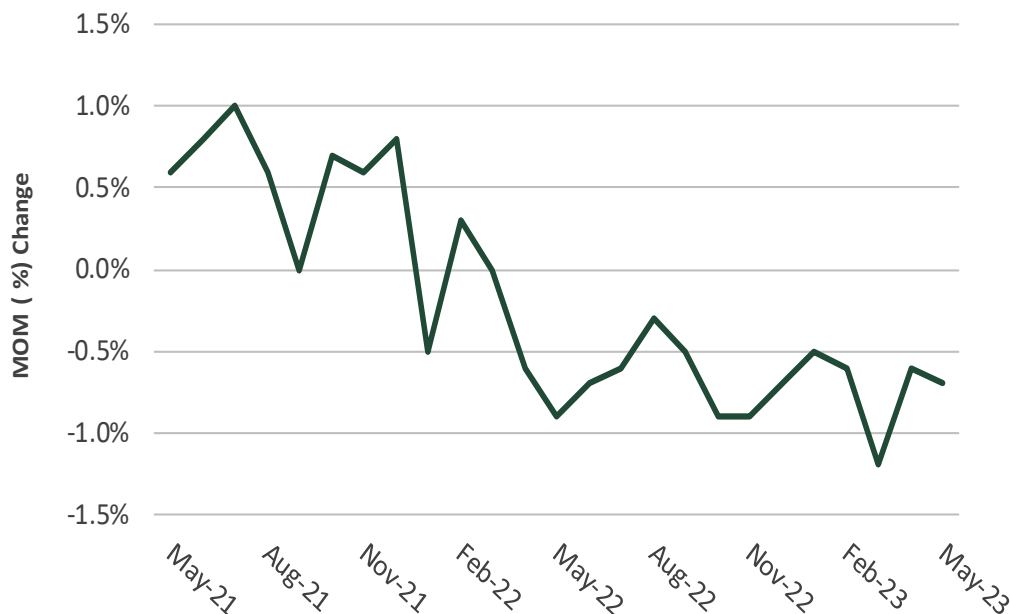


Source: The Conference Board

Advance Retail Sales rose 0.3% month-over-month in May, beating expectations but slowing from a 0.4% increase in April. Gains were broad-based and translated to a year-over-year increase of 1.5% in May versus a downwardly revised 1.2% increase in April. The Conference Board's Consumer Confidence Index surged to a better than expected 109.7 in June from 102.5 in May. Both current conditions and future expectations gained strength.

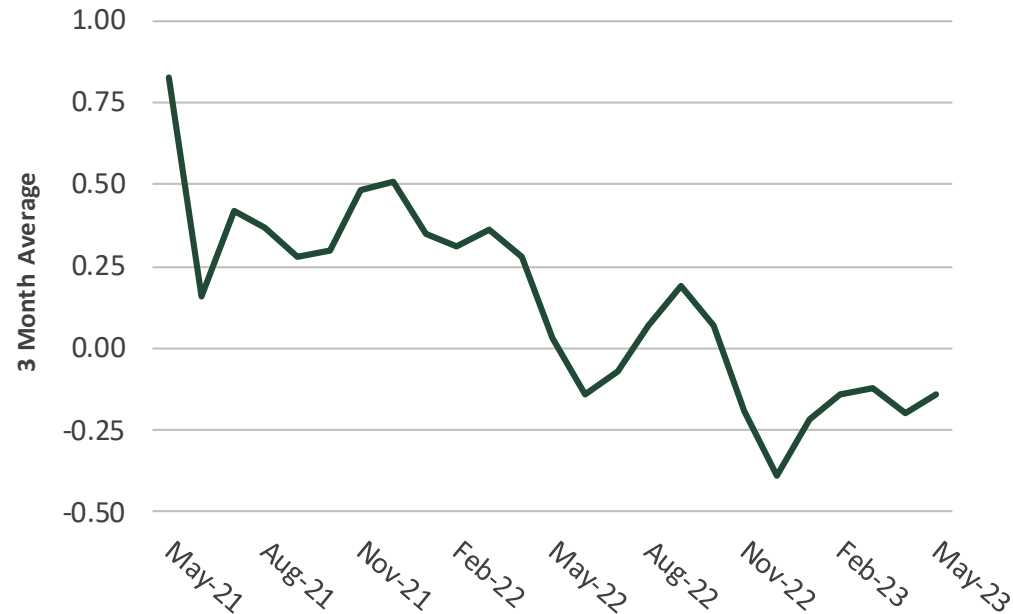
Economic Activity

Leading Economic Indicators (LEI)



Source: The Conference Board

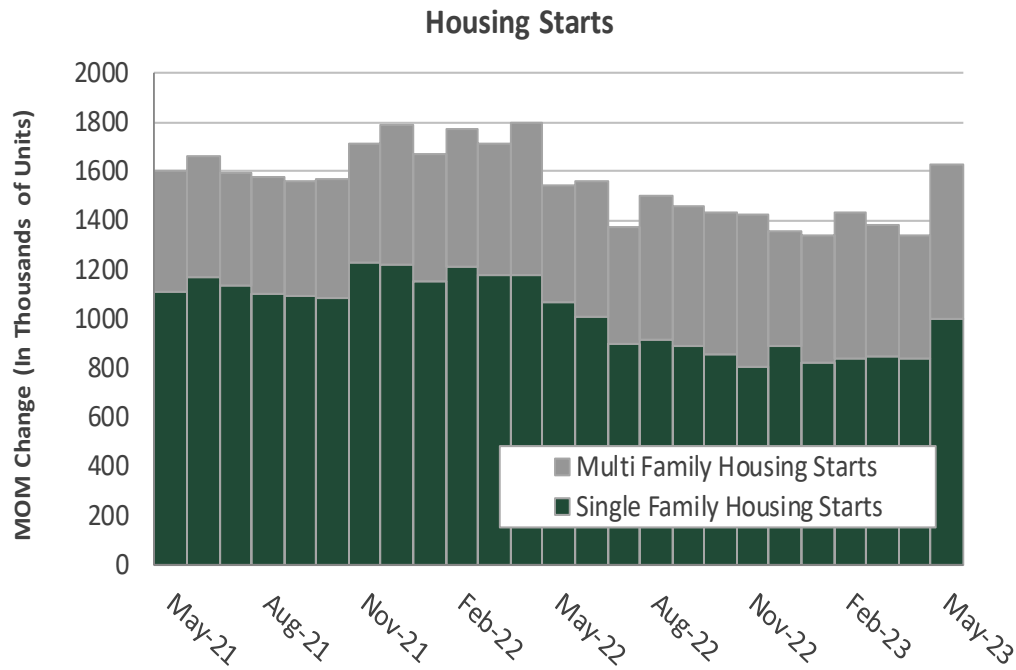
Chicago Fed National Activity Index (CFNAI)



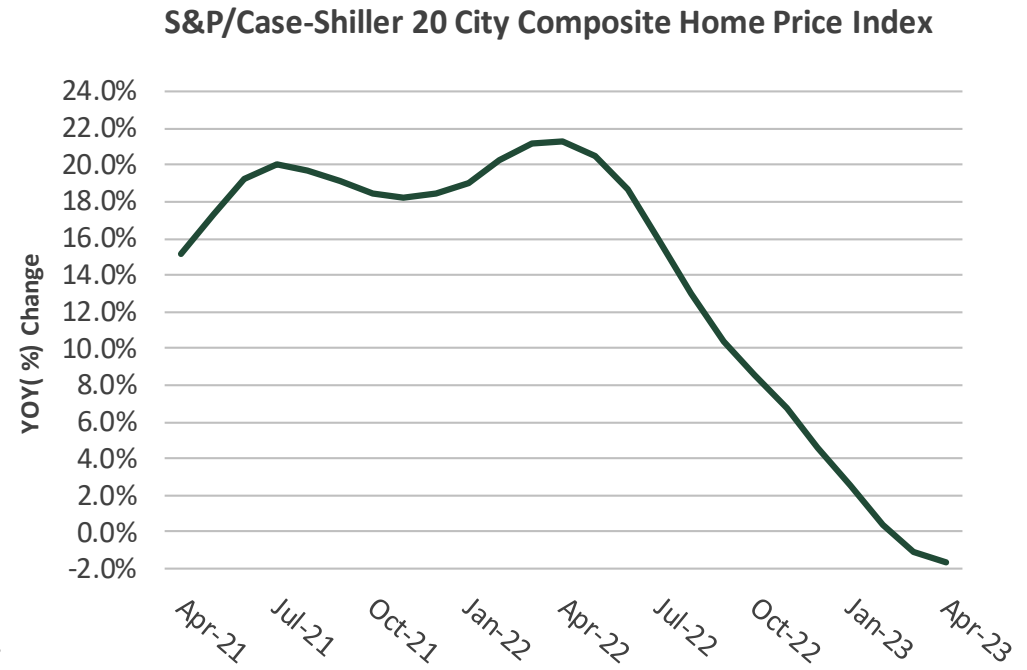
Source: Federal Reserve Bank of Chicago

The Conference Board's Leading Economic Index (LEI) remained in negative territory for the fourteenth consecutive month at -0.7% in May, versus -0.6% in April and was down 7.9% year-over-year in May. The consistent decline month-over-month continues to signal future contraction in the economy. The Chicago Fed National Activity Index (CFNAI) fell to -0.15 in May from 0.14 in April. On a 3-month moving average basis, the CFNAI remained negative at -0.14 in May, indicating a rate of growth below the historical average trend.

Housing



Source: US Department of Commerce

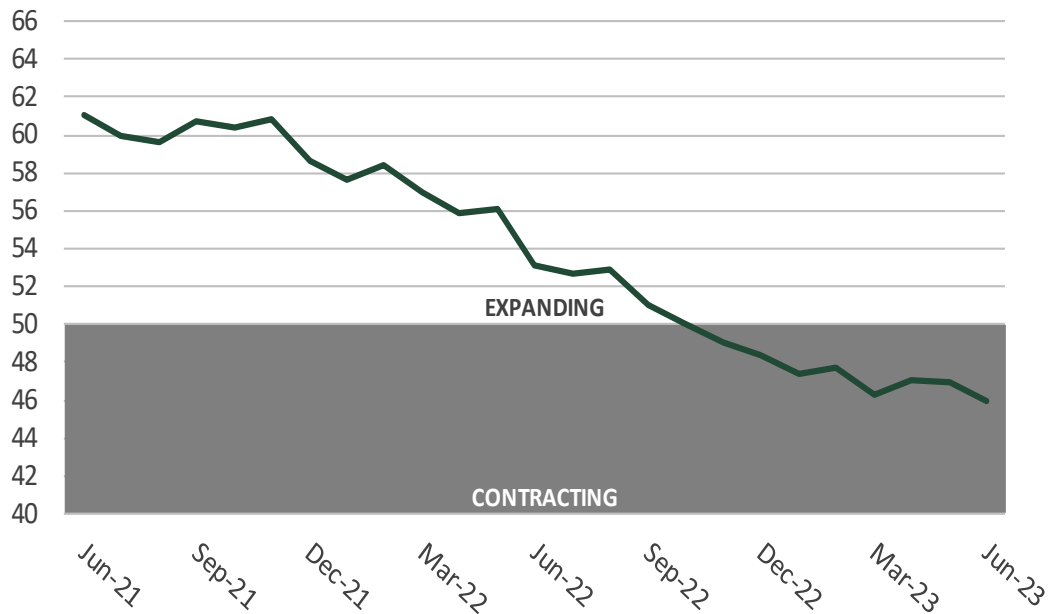


Source: S&P

Total housing starts rose 21.7% month-over-month in May to 1,631,000 units from a downwardly revised 1,340,000 in April and were up 5.7% compared to May 2022. Both single-family and multi-family construction increased as expectations for lower rates and greater availability of construction labor and materials drove the surge in starts. The 30-year fixed rate mortgage stabilized at an average of approximately 6.7% at June month-end according to Freddie Mac. According to the Case-Shiller 20-City Home Price Index, housing prices dropped 1.7% in April after falling 1.1% in March, clearly displaying the impact of higher mortgage rates year-over-year, which have reduced demand for homebuying as affordability has declined. The Southeast remains the strongest region, while the West continues to be the weakest.

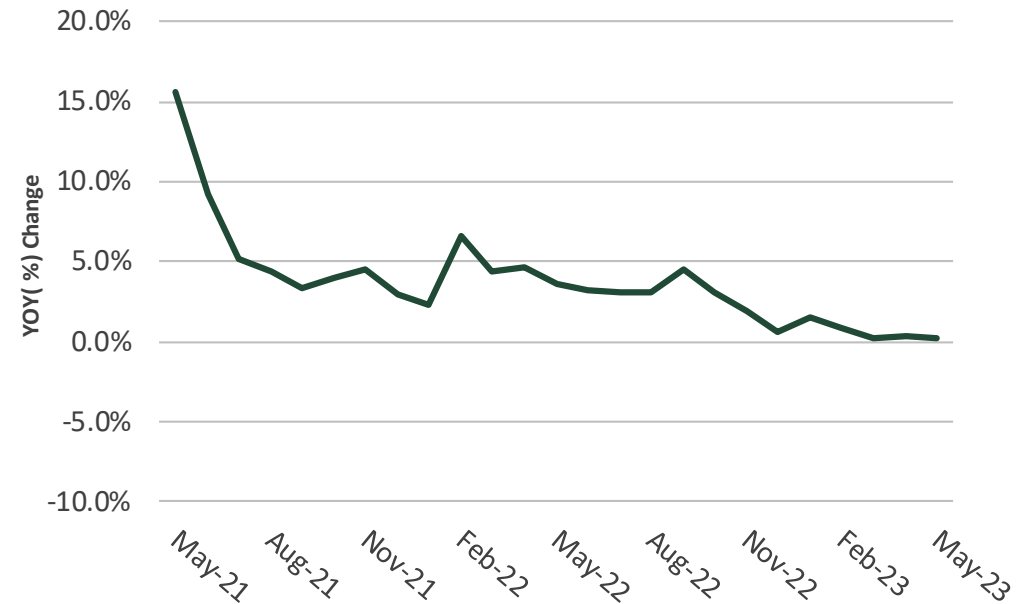
Manufacturing

Institute of Supply Management Purchasing Manager Index



Source: Institute for Supply Management

Industrial Production



Source: Federal Reserve

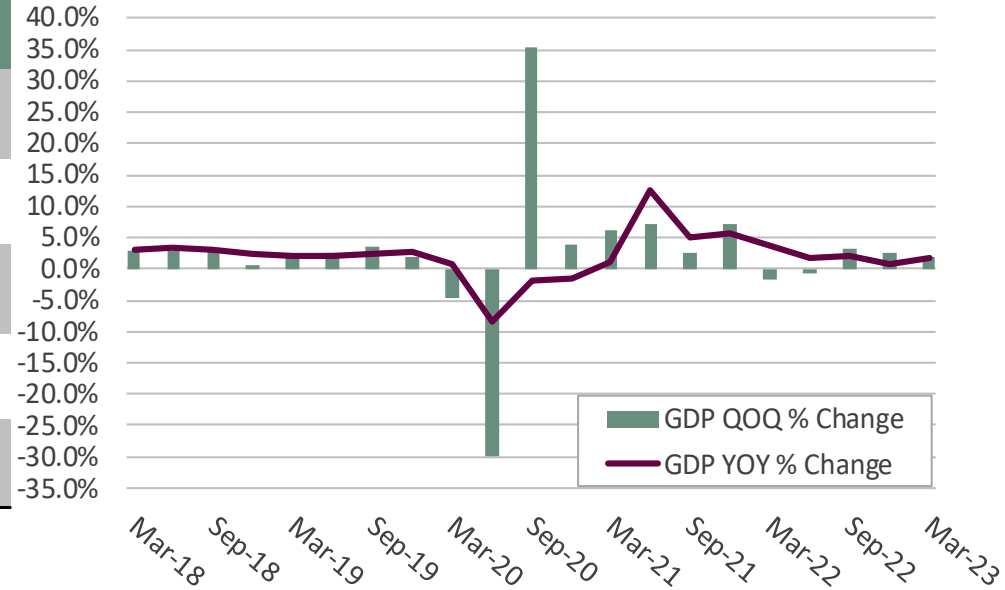
The Institute for Supply Management (ISM) manufacturing index fell to 46.0 in June from 46.9 in May. This is the eighth consecutive month of readings below 50.0, which is indicative of contraction in the manufacturing sector. Industrial production rose 0.5% in April due to increases in manufacturing and mining. This equates to a 0.24% increase in industrial production from the prior year. Capacity utilization increased to 79.7% in April from a downwardly revised 79.4% in March, inching above its 1972-2021 average of 79.6%.

Gross Domestic Product (GDP)

Components of GDP	6/22	9/22	12/22	3/23
Personal Consumption Expenditures	1.4%	1.5%	0.7%	2.8%
Gross Private Domestic Investment	-2.8%	-1.8%	0.8%	-2.2%
Net Exports and Imports	1.2%	2.9%	0.4%	0.6%
Federal Government Expenditures	-0.2%	0.2%	0.4%	0.4%
State and Local (Consumption and Gross Investment)	-0.1%	0.4%	0.3%	0.5%
Total	-0.6%	3.3%	2.6%	2.0%

Source: US Department of Commerce

Gross Domestic Product (GDP)

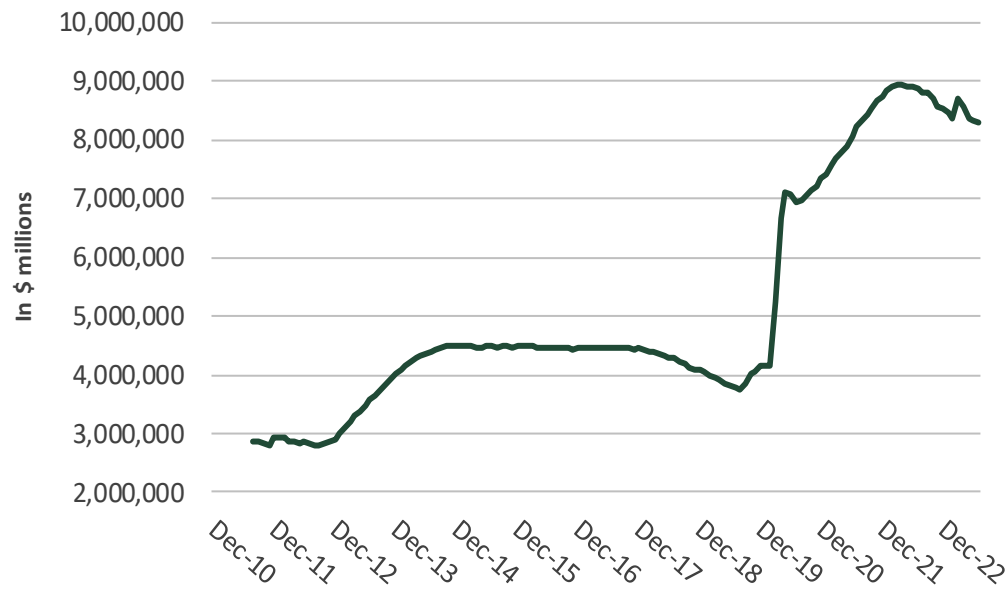


Source: US Department of Commerce

According to the third estimate, first quarter 2023 GDP growth was revised up to 2.0% from 1.3%. Stronger personal consumption expenditures were the primary driver of the upward revision. The consensus estimate calls for 1.2% growth for the second quarter and 1.3% growth for the full year 2023.

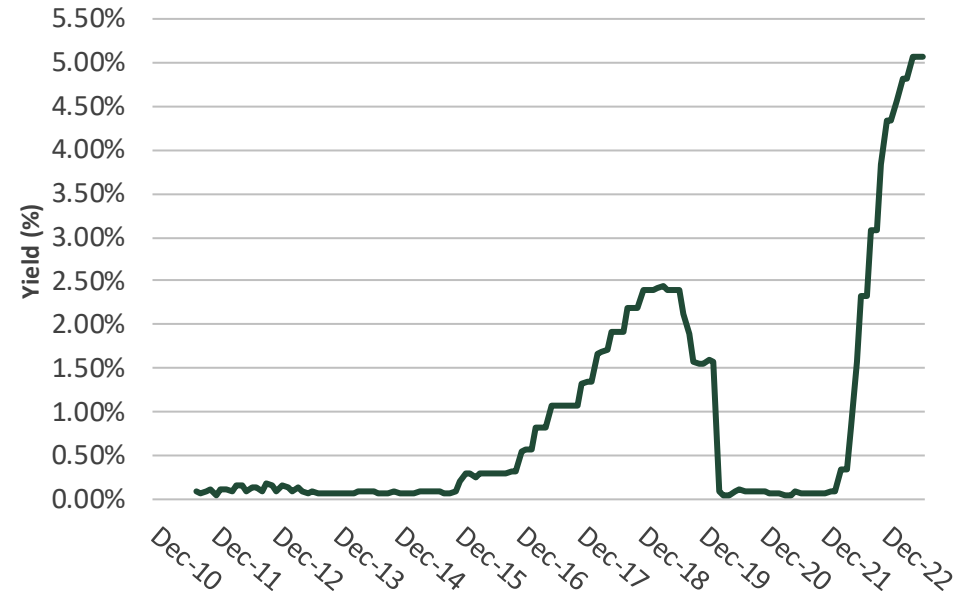
Federal Reserve

Federal Reserve Balance Sheet Assets



Source: Federal Reserve

Effective Federal Funds Rate

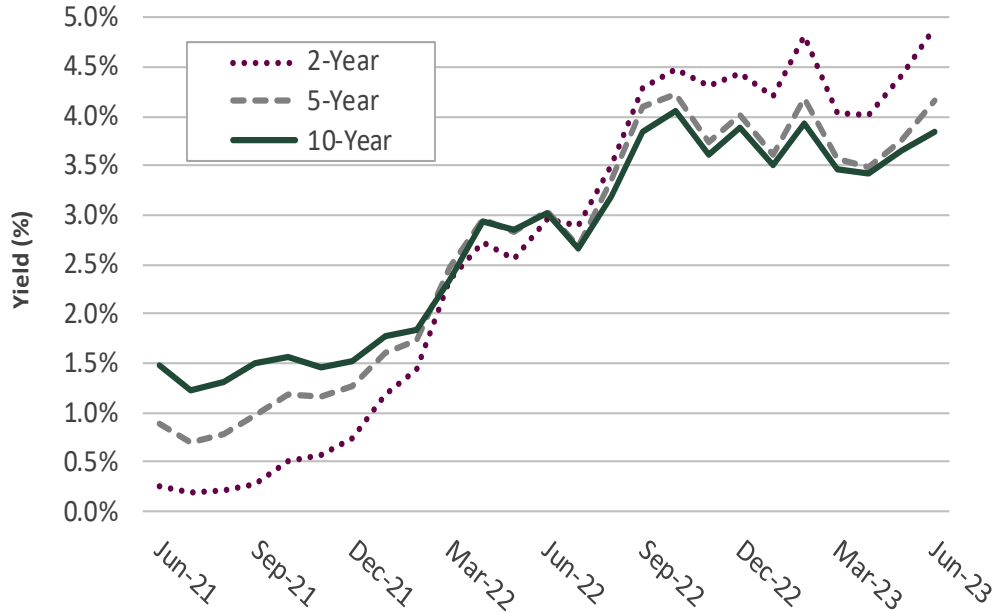


Source: Bloomberg

At the June meeting, the Federal Open Market Committee paused in their rate hiking campaign after ten straight rate increases and left the target Federal Funds rate in the current range of 5.00 - 5.25%. Market participants viewed the FOMC's decision as a 'hawkish' pause, expecting further tightening in the future, primarily based on the updated release of the FOMC's Summary of Economic Projections (SEP) forecast. The SEP is forecasting higher GDP, a lower unemployment rate, and higher PCE inflation compared to the March 2023 forecast. The median forecast for the Fed Funds rate was also increased to 5.6% in June, compared to the prior forecast of 5.1% in March, suggesting another 50 basis points of tightening in 2023. We believe the resiliency of future economic data will determine if the Federal Reserve can stay on hold for a period of time or will be forced to tighten policy further to bring inflation back down towards their 2% policy objective.

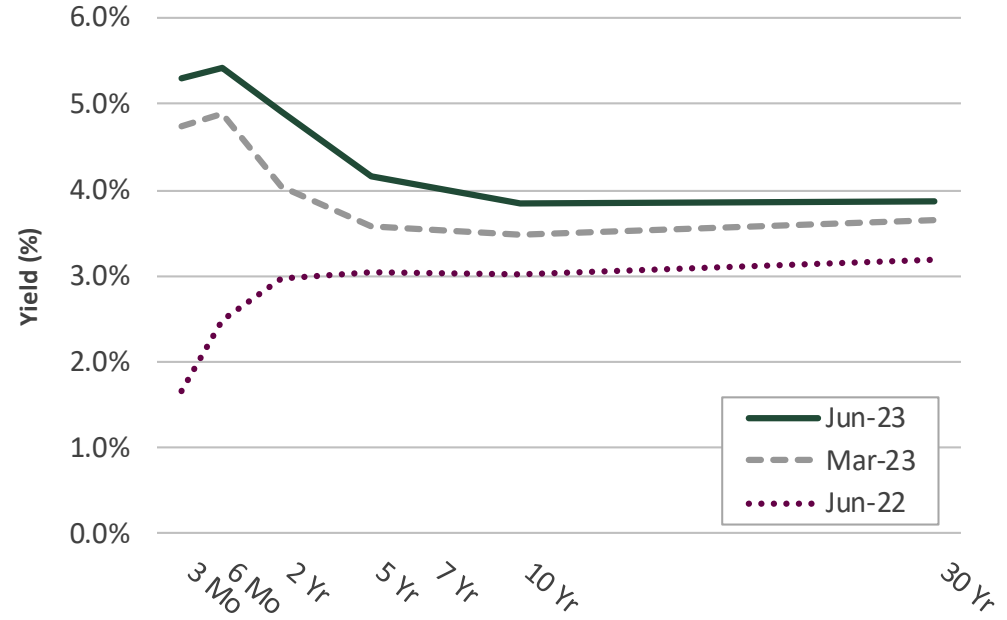
Bond Yields

US Treasury Note Yields



Source: Bloomberg

US Treasury Yield Curve



Source: Bloomberg

At the end of June, the 2-year Treasury yield was 194 basis points higher, and the 10-Year Treasury yield was about 82 basis points higher, year-over-year. The inversion between the 2-year Treasury yield and 10-year Treasury yield widened to -106 basis points at June month-end versus -76 basis points at May month-end. The average historical spread (since 2003) is about +130 basis points. The inversion between 3-month and 10-year Treasuries narrowed to -146 basis points in June from -176 basis points in May. The shape of the yield curve indicates that the probability of recession is increasing.



Section 2 | Account Profile

Investment Objectives

The City of Brea and the Successor Agency to the Brea Redevelopment Agency's investment objectives, in order of priority, are to provide safety to ensure the preservation of capital in the overall portfolio, provide sufficient liquidity for cash needs and a market rate of return consistent with the investment program.

Chandler Asset Management Performance Objective

The performance objective is to achieve a rate of return over a market cycle that equals or exceeds the return on a market index of similar duration and sector allocation.

Strategy

In order to achieve these objectives, the portfolio invests in high quality fixed income securities consistent with the investment policy and California Government Code.

City of Brea

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

Category	Standard	Comment
U.S Treasuries	No limitations; Bills, Notes, and Bonds	<i>Complies</i>
Federal Agencies	25% max per issuer; 5% max in callables bonds issued by Agencies; U.S. Government Agency securities and instrumentality of government-sponsored corporations	<i>Complies</i>
Supranational Obligations	"AA" rated or higher by a NRSRO; 15% max; 5% max per issuer	<i>Complies</i>
Municipal Securities	5% max issuer; Other investments that are legal investments through the State of California Government Code	<i>Complies</i>
Corporate Medium Term Notes	"A" rating or better by a NRSRO; 30% max; 5% max per issuer	<i>Complies</i>
Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations	"AA" rated or higher by a NRSRO for Asset Backed Securities; 15% max combined ABS/MBS/CMO, excluding those issued by the U.S. Treasury, U.S. Government Agency and Instrumentality of Government Sponsored corporation; 5% max per issuer; 5 years max maturity	<i>Complies</i>
Negotiable Certificates of Deposit (NCD)	30% max; 5% max per issuer	<i>Complies</i>
Certificates of Deposit (CDs)/ Time Deposits (TDs)	5% max issuer; FDIC Insured and/or Collateralized	<i>Complies</i>
Banker's Acceptances	40% max; 5% max issuer; 180 days max maturity	<i>Complies</i>
Commercial Paper	A-1/P-1 by S&P and Moody's; 25% max; 5% max per issuer; 270 days max maturity	<i>Complies</i>
Money Market Funds	Highest rating by two NRSROs; 20% max; 5% max per fund	<i>Complies</i>
Local Agency Investment Fund (LAIF)	60% max combined State and County investment pools; 40% max per pool	<i>Complies</i>
OCIP/County Pool	60% max combined State and County investment pools; 40% max per pool	<i>Complies</i>
Repurchase Agreements	5% max issuer; 1 year max maturity	<i>Complies</i>
Downgrade	If a security owned by the City is downgraded to a level below the requirements of the policy, making the security ineligible for additional purchases, the following steps will be taken: -Any actions taken related to the downgrade by the investment manager will be communicated to the City Treasurer and the Administrative Services Director within two (2) business days; -If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.	<i>Complies</i>
Max Per Issuer	5% max per issuer, with the exception of U.S. Treasury Obligations, U.S. Federal Government Agency obligations, Approved State and County investment pools	<i>Complies</i>
Maximum Maturity	5 years, unless the City Council has granted express authority to make that investment; When possible, a minimum of 25% of the portfolio should be in maturities of 1 year or less	<i>Complies</i>

Portfolio Characteristics

As of June 30, 2023

City of Brea

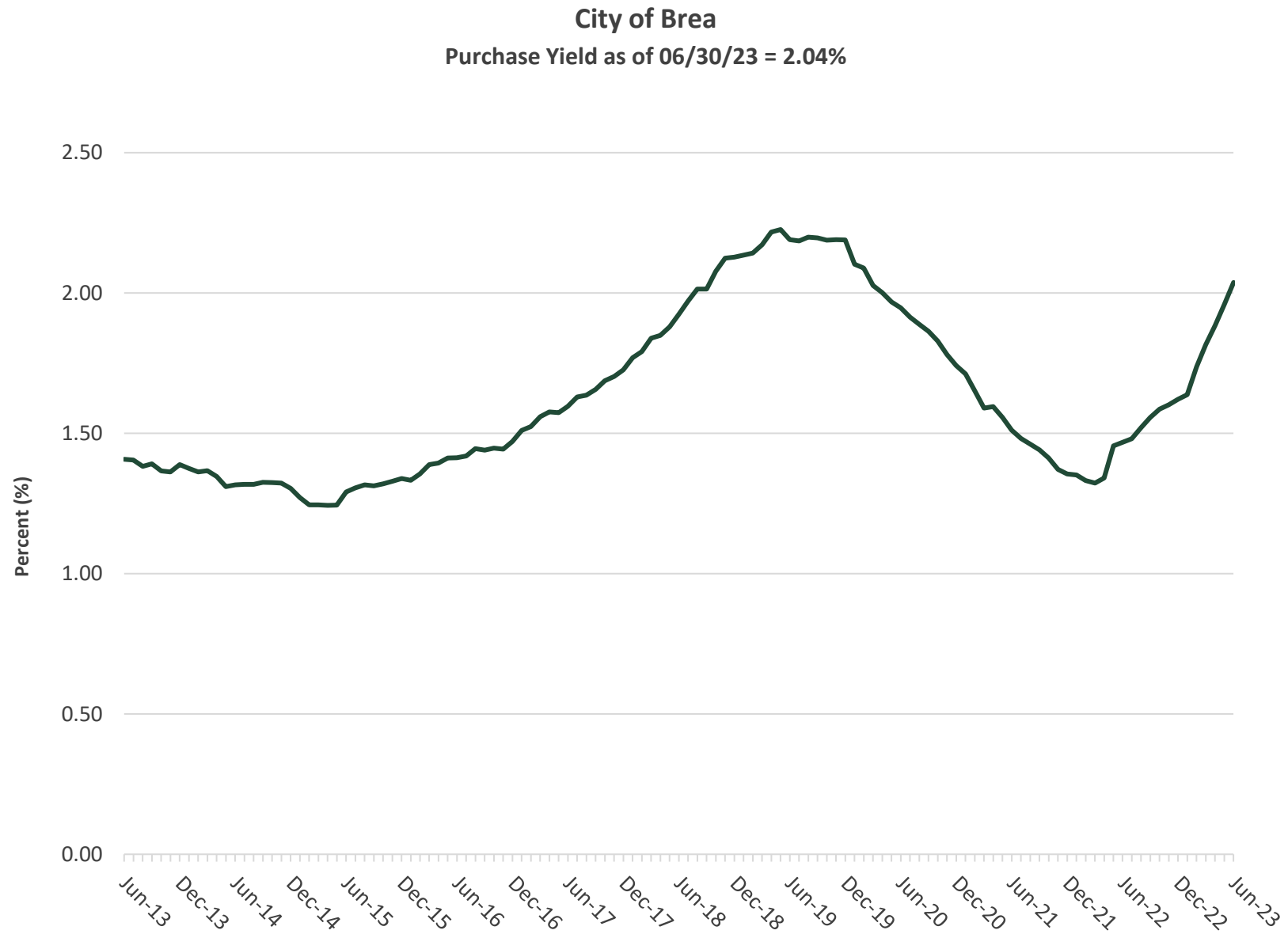
	06/30/23		03/31/23
	Benchmark*	Portfolio	Portfolio
Average Maturity (yrs)	2.64	2.66	2.59
Average Modified Duration	2.49	2.36	2.30
Average Purchase Yield	n/a	2.04%	1.82%
Average Market Yield	4.74%	5.02%	4.41%
Average Quality**	AAA	AA/Aa2	AA/Aa2
Total Market Value		93,688,034	94,047,571

*ICE BofA 1-5 Yr US Treasury & Agency Index

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

Historical Average Purchase Yield

As of June 30, 2023



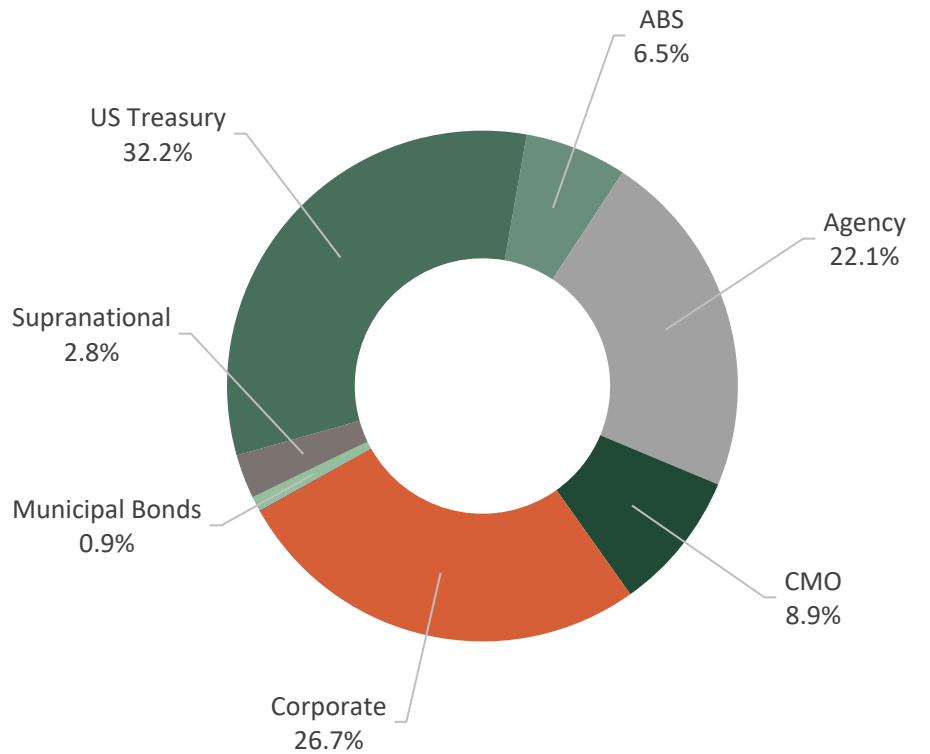
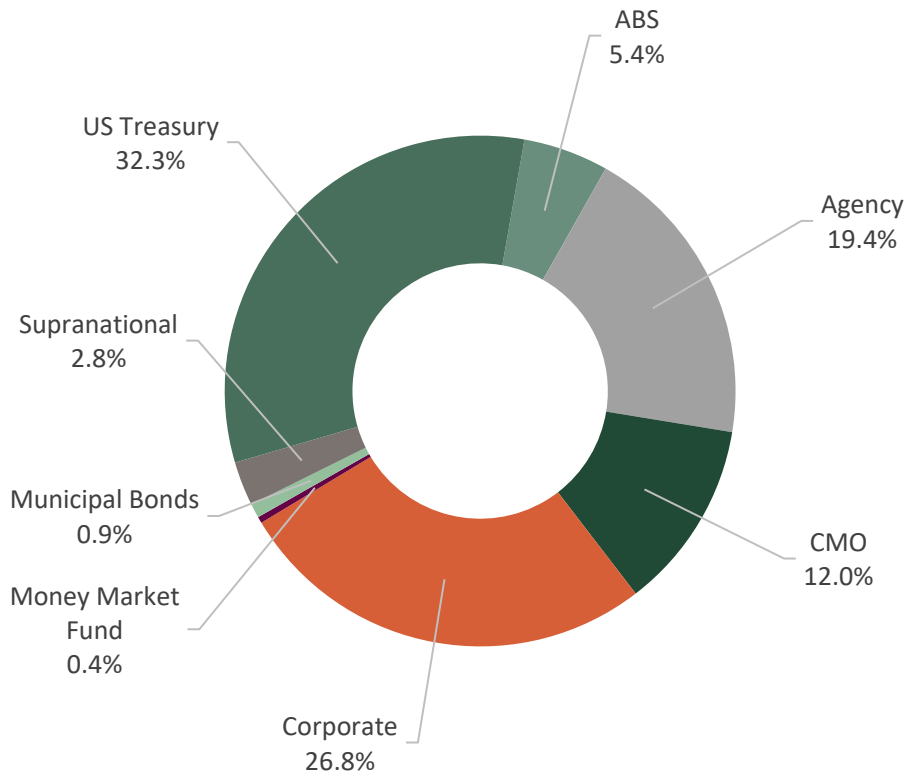
Sector Distribution

As of June 30, 2023

City of Brea

June 30, 2023

March 31, 2023

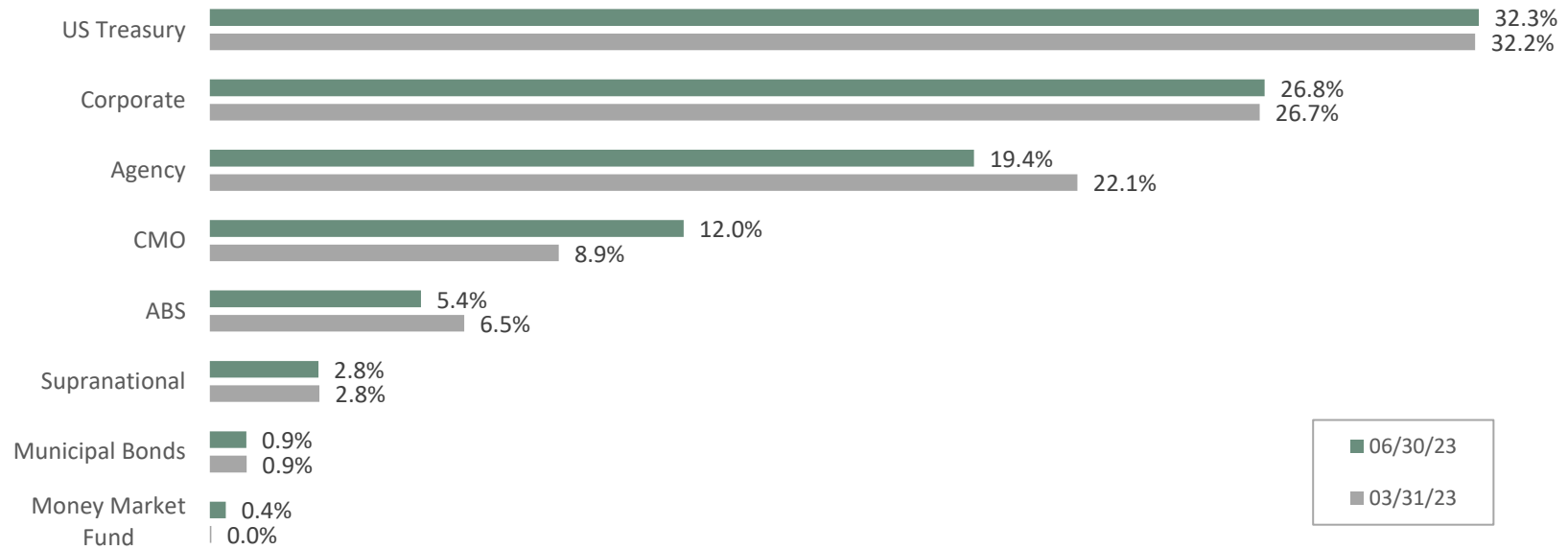


Portfolio Allocation & Duration Changes

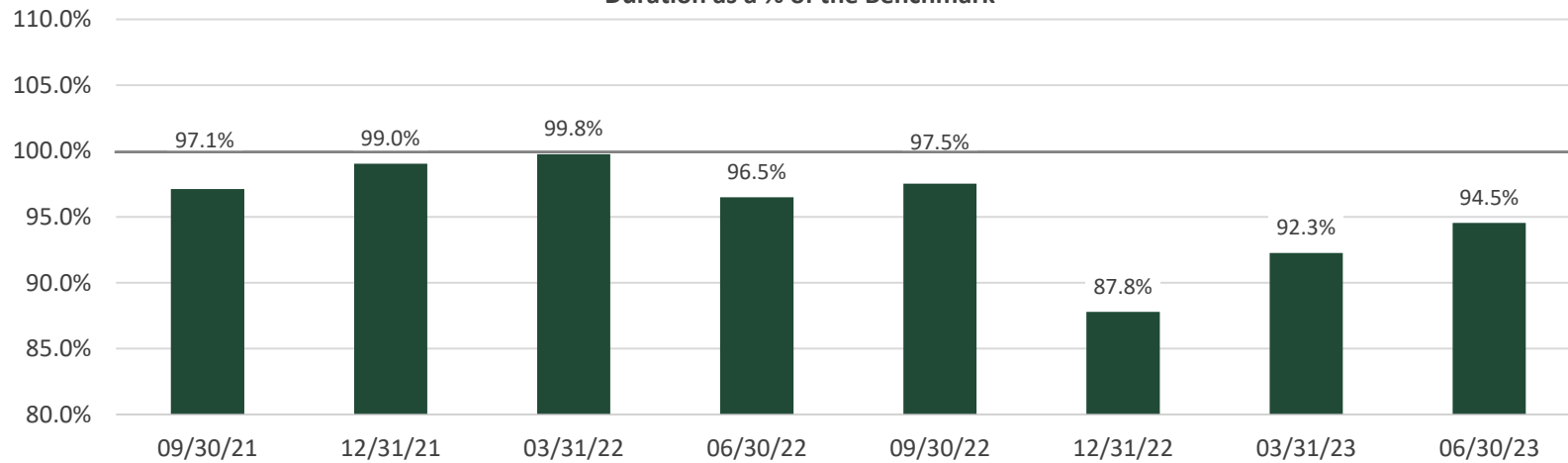
As of June 30, 2023

City of Brea

Portfolio Allocation



Duration as a % of the Benchmark



Benchmark: ICE BofA 1-5 Yr US Treasury & Agency Index

City of Brea – Account #120

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	32.25%
Federal Home Loan Mortgage Corp	CMO	12.04%
Federal National Mortgage Association	Agency	10.48%
Federal Home Loan Mortgage Corp	Agency	5.45%
Federal Farm Credit Bank	Agency	2.23%
Inter-American Dev Bank	Supranational	1.85%
Bank of America Corp	Corporate	1.85%
JP Morgan Chase & Co	Corporate	1.79%
Toyota Motor Corp	Corporate	1.77%
Royal Bank of Canada	Corporate	1.62%
Caterpillar Inc	Corporate	1.61%
Amazon.com Inc	Corporate	1.40%
Chubb Corporation	Corporate	1.30%
Bank of Montreal Chicago	Corporate	1.30%
Morgan Stanley	Corporate	1.28%
Federal Home Loan Bank	Agency	1.26%
Toronto Dominion Holdings	Corporate	1.13%
Paccar Financial	Corporate	1.12%
Berkshire Hathaway	Corporate	1.09%
Honda ABS	ABS	1.05%
National Rural Utilities	Corporate	1.03%
US Bancorp	Corporate	0.97%
Salesforce.com Inc	Corporate	0.95%
GM Financial Automobile Leasing Trust	ABS	0.95%
John Deere ABS	ABS	0.94%
State of California	Municipal Bonds	0.93%
Intl Bank Recon and Development	Supranational	0.92%
Duke Energy Field Services	Corporate	0.85%
Bank of New York	Corporate	0.83%
Charles Schwab Corp/The	Corporate	0.72%
Toyota ABS	ABS	0.71%
United Health Group Inc	Corporate	0.68%
MasterCard Inc	Corporate	0.65%
Hyundai Auto Receivables	ABS	0.64%
Truist Financial Corporation	Corporate	0.63%
Costco Wholesale Corporation	Corporate	0.61%
BMW Vehicle Lease Trust	ABS	0.53%
Target Corp	Corporate	0.53%

City of Brea – Account #120

Issue Name	Investment Type	% Portfolio
Apple Inc	Corporate	0.45%
Northern Trust Corp	Corporate	0.44%
GM Financial Securitized Term Auto Trust	ABS	0.44%
Fidelity Institutional Treasury Portfolio	Money Market Fund	0.41%
Wal-Mart Stores	Corporate	0.22%
Verizon Owner Trust	ABS	0.09%
TOTAL		100.00%

Agency

- Agency spreads narrowed during the second quarter while issuance remained robust, particularly from the Federal Home Loan Bank as US regional banks continued to use the agency to bolster their liquidity.
- We participated in a new five-year issue from Federal Farm Credit Banks but were a net seller of agencies overall as relative value opportunities continue to be more compelling in other sectors.

Investment Grade Credit

- Investment Grade credit spreads tightened materially during the quarter led by Financials after the group underperformed in March.
- Corporate credit fundamentals including profitability, leverage and liquidity remain solid. We expect to see a greater dispersion in fundamental performance and returns amongst sectors and issuers as more restrictive monetary policy starts to filter through to the economy.
- Overall, our Corporate holdings are well diversified and positioned should the economic environment deteriorate. Our investments in the financial sector are focused on the largest and financially strongest institutions in North America.

Pass-Through Securities

- Asset-Backed Security (ABS) spreads were notably tighter during the quarter. We remain constructive on ABS but continue to organically reduce exposure to the sector as our holdings are paid down in expectation of weaker loan and collateral performance later this year and next.
- Agency Pass-Through spreads also moved tighter in the second quarter. We continue to view Agency Pass-Throughs as a compelling portfolio diversifier, providing yield enhancement over Agency securities for similar credit quality and liquidity.

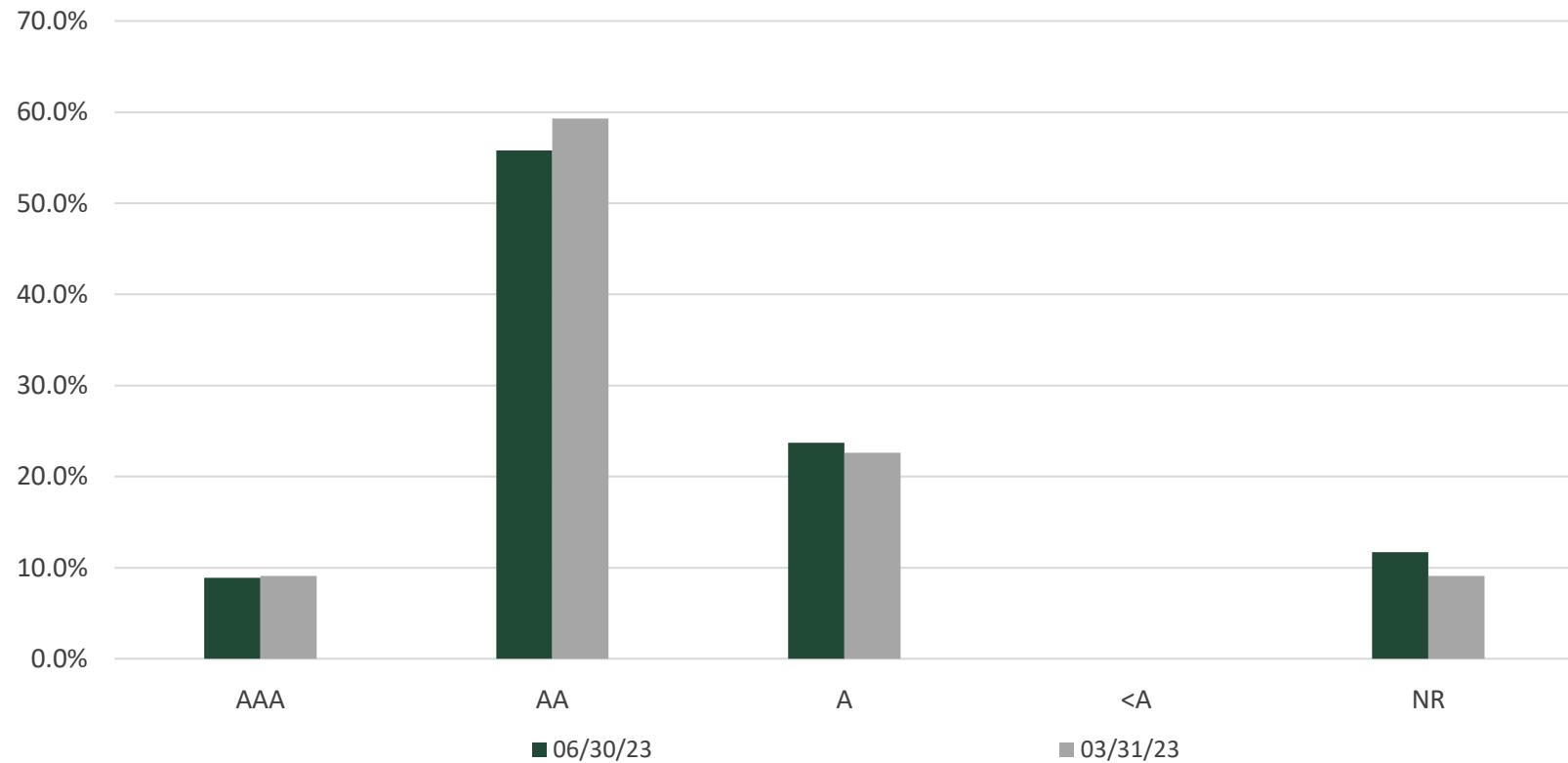
Municipal Bonds

- Taxable Municipal Bond spreads narrowed during the quarter and issuer fundamentals remain sound overall.
- Opportunities to add high quality, liquid Muni issuers to the City's portfolio at compelling valuations are limited, but we continue to look for opportunities.

Quality Distribution

As of June 30, 2023

City of Brea
June 30, 2023 vs. March 31, 2023



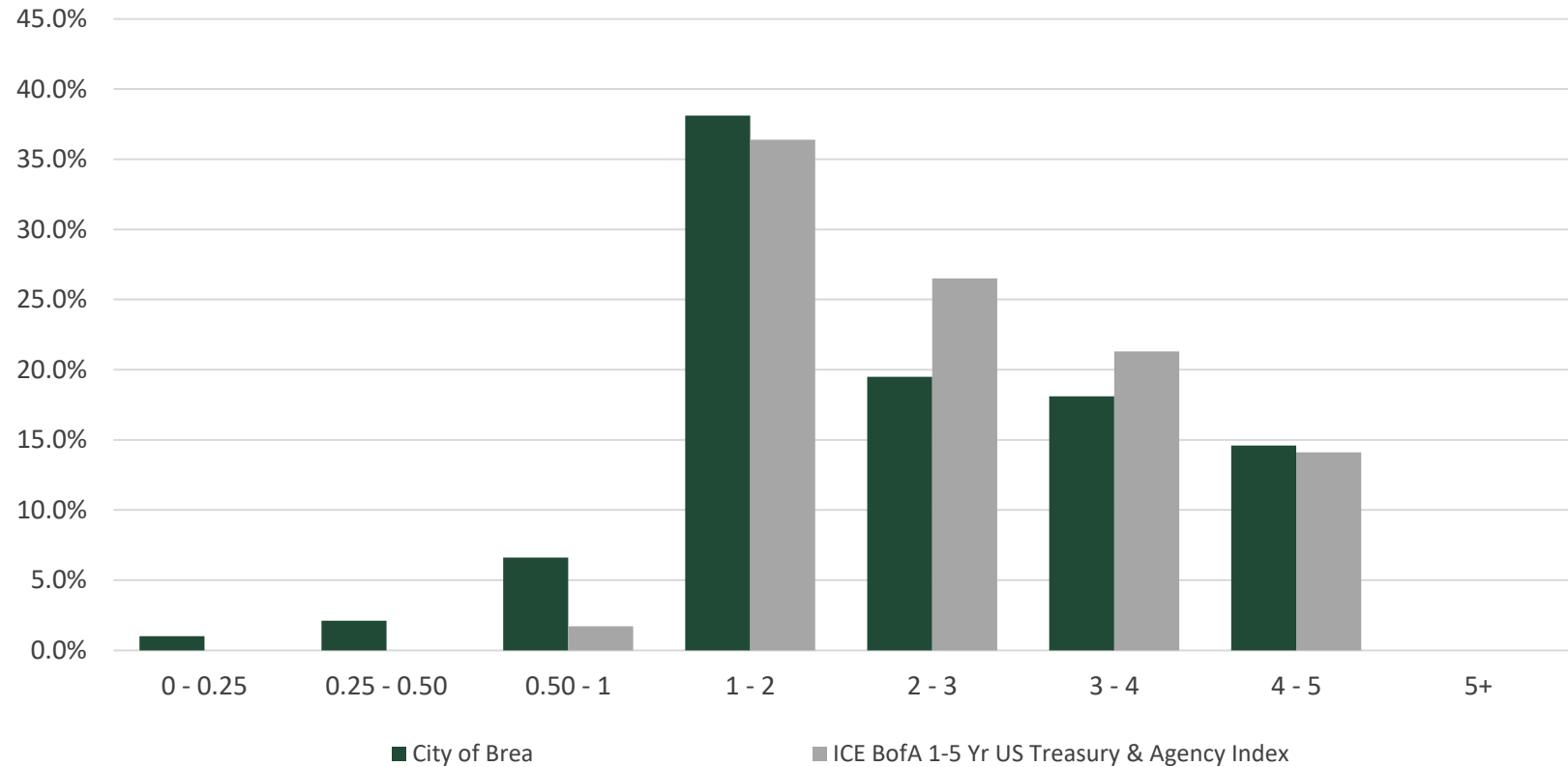
	AAA	AA	A	<A	NR
06/30/23	8.9%	55.8%	23.7%	0.0%	11.7%
03/31/23	9.1%	59.3%	22.6%	0.0%	9.1%

Source: S&P Ratings

Duration Distribution

As of June 30, 2023

City of Brea
Portfolio Compared to the Benchmark

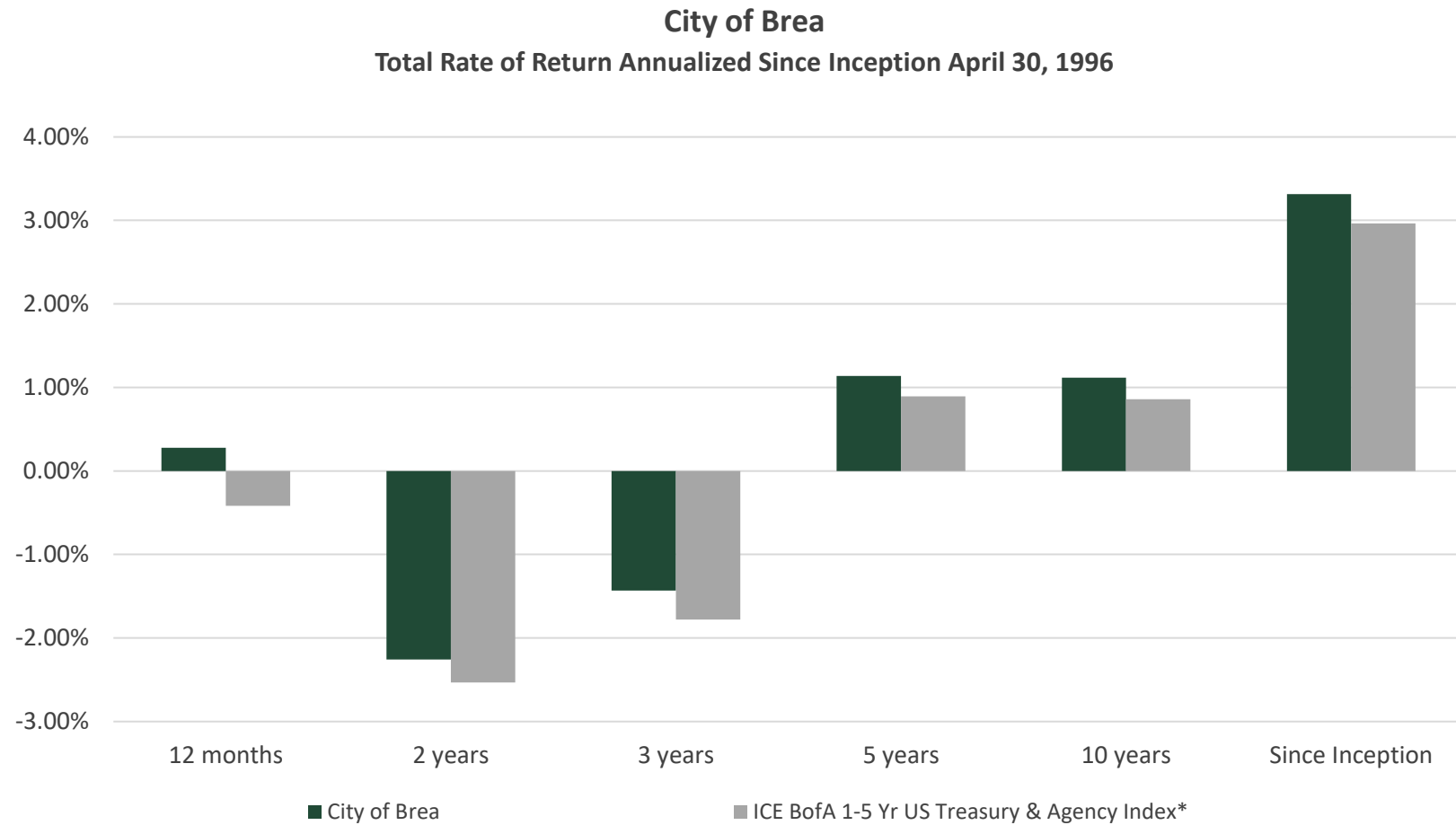


	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
Portfolio	1.0%	2.1%	6.6%	38.1%	19.5%	18.1%	14.6%	0.0%
Benchmark*	0.0%	0.0%	1.7%	36.4%	26.5%	21.3%	14.1%	0.0%

*ICE BofA 1-5 Yr US Treasury & Agency Index

Investment Performance

As of June 30, 2023



TOTAL RATE OF RETURN	Annualized						Since Inception
	3 months	12 months	2 years	3 years	5 years	10 years	
City of Brea	-0.38%	0.28%	-2.26%	-1.43%	1.14%	1.12%	3.32%
ICE BofA 1-5 Yr US Treasury & Agency Index*	-0.85%	-0.42%	-2.53%	-1.78%	0.89%	0.86%	2.96%

*ICE BofA 1-Yr US Treasury Bill Index to 9/30/01

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

Portfolio Characteristics

As of June 30, 2023

City of Brea LAIF

	06/30/23 Portfolio	03/31/23 Portfolio
Average Maturity (yrs)	0.00	0.00
Modified Duration	0.00	0.00
Average Purchase Yield	3.26%	2.88%
Average Market Yield	3.26%	2.88%
Average Quality*	NR/NR	NR/NR
Total Market Value	19,877,716	12,263,416

**Portfolio is S&P and Moody's, respectively.*

Portfolio Characteristics

As of June 30, 2023

Successor Agency to the Brea RDA LAIF

	06/30/23 Portfolio	03/31/23 Portfolio
Average Maturity (yrs)	0.00	0.00
Modified Duration	0.00	0.00
Average Purchase Yield	3.26%	2.88%
Average Market Yield	3.26%	2.88%
Average Quality*	NR/NR	NR/NR
Total Market Value	19,482	19,331

**Portfolio is S&P and Moody's, respectively.*

City Brea Bond Reserve Funds
Portfolio Characteristics
Summary of Accounts Managed

June 30, 2023

Name of Account	Average Maturity (Years)	Average Book Yield	Market Value	Average Quality
Brea CFD 2008 2 17 Reserve Fund	1.46	2.71%	661,683	AAA/Aaa

Portfolio Characteristics

As of June 30, 2023

City of Brea Liquidity

	06/30/23	
	Benchmark*	Portfolio
Average Maturity (yrs)	0.15	0.19
Average Modified Duration	0.14	0.18
Average Purchase Yield	n/a	5.30%
Average Market Yield	5.03%	5.30%
Average Quality**	AAA	AAA/Aaa
Total Market Value		8,026,536

*ICE BofA 3-Month US Treasury Bill Index

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



Section 3 | Consolidated Information

Portfolio Characteristics

As of June 30, 2023

City of Brea Consolidated

	06/30/23 Portfolio	03/31/23 Portfolio
Average Maturity (yrs)	2.06	2.29
Modified Duration	1.83	2.04
Average Purchase Yield	2.43%	1.93%
Average Market Yield	4.75%	4.23%
Average Quality*	AA/Aa1	AA/Aa2
Total Market Value	121,611,767	106,330,318

* Portfolio is S&P and Moody's respectively.

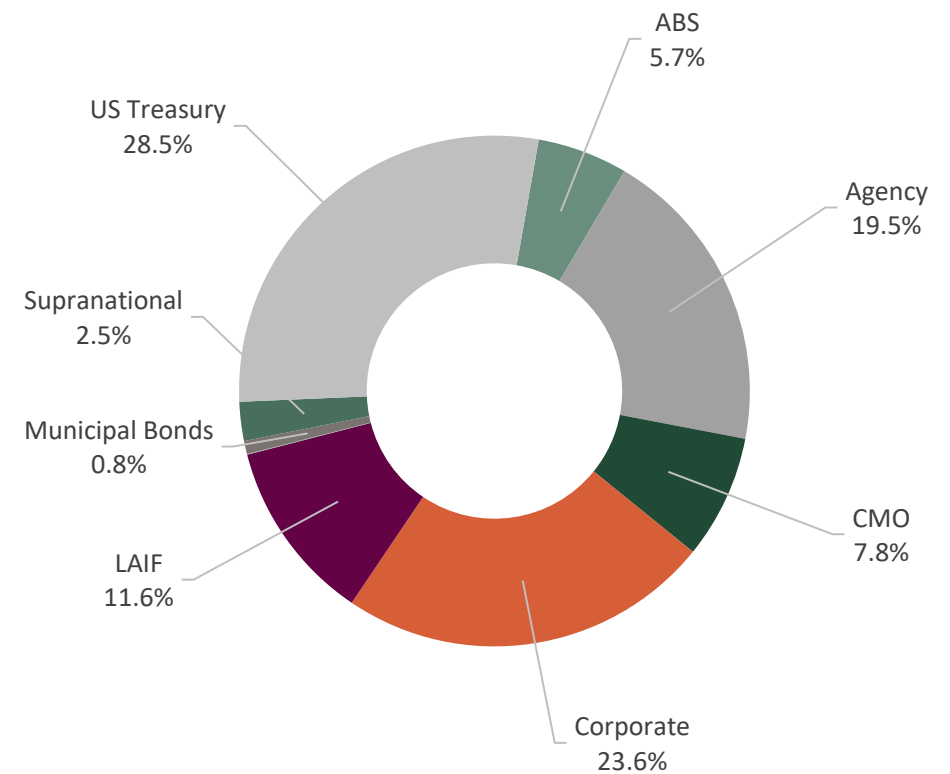
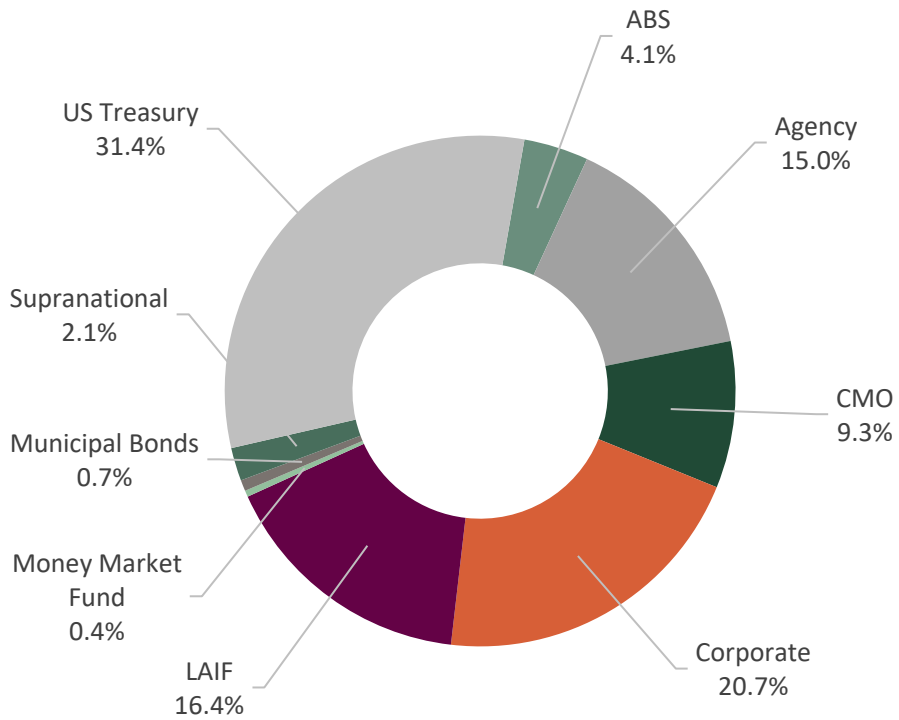
Sector Distribution

As of June 30, 2023

City of Brea Consolidated

June 30, 2023

March 31, 2023





Section 4 | Portfolio Holdings

Holdings Report

As of June 30, 2023

City of Brea - Account #120

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
ABS									
43813DAC2	Honda Auto Receivables 2020-2 A3 0.820% Due 07/15/2024	24,900.87	05/18/2020 0.83%	24,898.91 24,900.38	99.49 5.66%	24,775.05 9.07	0.03% (125.33)	Aaa / AAA NR	1.04 0.10
47789KAC7	John Deere Owner Trust 2020-A A3 1.100% Due 08/15/2024	3,227.83	03/04/2020 1.11%	3,227.63 3,227.78	99.83 7.52%	3,222.20 1.58	0.00% (5.58)	Aaa / NR AAA	1.13 0.03
43813KAC6	Honda Auto Receivables Trust 2020-3 A3 0.370% Due 10/18/2024	107,479.81	09/22/2020 0.38%	107,464.01 107,477.88	98.61 5.95%	105,990.68 14.36	0.11% (1,487.20)	NR / AAA AAA	1.30 0.25
36262XAC8	GM Financial Auto Lease Trust 2021-3 A2 0.390% Due 10/21/2024	401,735.40	08/10/2021 0.39%	401,729.94 401,734.15	98.59 5.86%	396,084.59 47.87	0.42% (5,649.56)	NR / AAA AAA	1.31 0.25
47787NAC3	John Deere Owner Trust 2020-B A3 0.510% Due 11/15/2024	19,856.77	07/14/2020 0.52%	19,853.74 19,856.30	99.28 5.17%	19,714.10 4.50	0.02% (142.20)	Aaa / NR AAA	1.38 0.15
09690AAC7	BMW Vehicle Lease Trust 2021-2 A3 0.330% Due 12/26/2024	262,577.54	Various 1.50%	258,940.23 261,519.68	98.70 6.39%	259,176.64 14.45	0.28% (2,343.04)	Aaa / NR AAA	1.49 0.21
89236XAC0	Toyota Auto Receivables 2020-D A3 0.350% Due 01/15/2025	74,052.28	10/06/2020 0.36%	74,038.49 74,047.28	98.94 6.01%	73,265.99 11.52	0.08% (781.29)	NR / AAA AAA	1.55 0.19
92290BAA9	Verizon Owner Trust 2020-B A 0.470% Due 02/20/2025	89,548.81	08/04/2020 0.48%	89,530.00 89,541.98	99.30 5.63%	88,924.12 12.86	0.09% (617.86)	Aaa / NR AAA	1.65 0.13
36265MAC9	GM Financial Auto Lease Trust 2022-1 A3 1.900% Due 03/20/2025	505,000.00	02/15/2022 1.91%	504,995.66 504,998.38	98.05 5.87%	495,169.17 293.18	0.53% (9,829.21)	Aaa / NR AAA	1.72 0.49
05601XAC3	BMW Vehicle Lease Trust 2022-1 A3 1.100% Due 03/25/2025	245,126.62	01/11/2022 1.11%	245,089.97 245,114.28	98.29 5.84%	240,934.95 44.94	0.26% (4,179.33)	NR / AAA AAA	1.74 0.36
43813GAC5	Honda Auto Receivables Trust 2021-1 A3 0.270% Due 04/21/2025	92,993.92	02/17/2021 0.27%	92,992.21 92,993.52	97.65 6.18%	90,811.08 6.97	0.10% (2,182.44)	Aaa / NR AAA	1.81 0.39
44891RAC4	Hyundai Auto Receivables Trust 2020-C A3 0.380% Due 05/15/2025	164,821.76	10/20/2020 0.39%	164,783.80 164,814.55	98.11 6.19%	161,700.20 27.84	0.17% (3,114.35)	NR / AAA AAA	1.88 0.32
89240BAC2	Toyota Auto Receivables Owners 2021-A A3 0.260% Due 05/15/2025	326,870.47	02/02/2021 0.27%	326,809.81 326,856.63	97.82 5.87%	319,736.20 37.77	0.34% (7,120.43)	Aaa / NR AAA	1.88 0.39
44933LAC7	Hyundai Auto Receivables Trust 2021-A A3 0.380% Due 09/15/2025	236,756.43	04/20/2021 0.38%	236,731.53 236,749.29	97.38 6.00%	230,547.73 39.99	0.25% (6,201.56)	NR / AAA AAA	2.21 0.46
43815GAC3	Honda Auto Receivables Trust 2021-4 A3 0.880% Due 01/21/2026	305,000.00	11/16/2021 0.89%	304,935.71 304,967.39	95.98 5.92%	292,733.21 74.56	0.31% (12,234.18)	Aaa / NR AAA	2.56 0.80
47789QAC4	John Deere Owner Trust 2021-B A3 0.520% Due 03/16/2026	333,170.41	07/13/2021 0.52%	333,140.70 333,156.52	95.80 6.12%	319,172.92 77.00	0.34% (13,983.60)	Aaa / NR AAA	2.71 0.75
89238JAC9	Toyota Auto Receivables Trust 2021-D A3 0.710% Due 04/15/2026	285,000.00	11/09/2021 0.71%	284,993.93 284,996.96	95.77 6.14%	272,933.96 89.93	0.29% (12,063.00)	NR / AAA AAA	2.79 0.78

Holdings Report

As of June 30, 2023

City of Brea - Account #120

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
44935FAD6	Hyundai Auto Receivables Trust 2021-C A3 0.740% Due 05/15/2026	220,000.00	11/09/2021 0.75%	219,950.90 219,976.02	96.07 5.87%	211,348.50 72.36	0.23% (8,627.52)	NR / AAA AAA	2.88 0.77
43815BAC4	Honda Auto Receivables Trust 2022-1 A3 1.880% Due 05/15/2026	495,000.00	02/15/2022 1.89%	494,925.55 494,956.73	95.55 5.87%	472,975.47 413.60	0.51% (21,981.26)	Aaa / AAA NR	2.88 1.13
362554AC1	GM Financial Securitized Term 2021-4 A3 0.680% Due 09/16/2026	235,000.00	10/13/2021 0.68%	234,994.01 234,996.99	95.50 6.14%	224,436.52 66.58	0.24% (10,560.47)	Aaa / AAA NR	3.22 0.82
380146AC4	GM Financial Auto Receivables 2022-1 A3 1.260% Due 11/16/2026	200,000.00	01/11/2022 1.27%	199,982.62 199,990.19	95.52 5.90%	191,041.80 105.00	0.20% (8,948.39)	NR / AAA AAA	3.38 0.97
47800BAC2	John Deere Owner Trust 2022-C A3 5.090% Due 06/15/2027	540,000.00	10/12/2022 5.15%	539,958.10 539,966.10	99.21 5.61%	535,717.80 1,221.60	0.57% (4,248.30)	Aaa / NR AAA	3.96 1.69
TOTAL ABS		5,168,118.92	1.38%	5,163,967.45 5,166,838.98	5.93%	5,030,412.88 2,687.53	5.37% (136,426.10)	Aaa / AAA AAA	2.40 0.70

Agency									
3130A2UW4	FHLB Note 2.875% Due 09/13/2024	1,200,000.00	09/13/2019 1.79%	1,262,028.00 1,214,962.89	97.17 5.33%	1,165,992.00 10,350.00	1.26% (48,970.89)	Aaa / AA+ AAA	1.21 1.15
3135G0W66	FNMA Note 1.625% Due 10/15/2024	1,755,000.00	Various 1.49%	1,765,434.95 1,757,922.88	95.41 5.35%	1,674,470.07 6,020.63	1.79% (83,452.81)	Aaa / AA+ AAA	1.30 1.25
3135G0X24	FNMA Note 1.625% Due 01/07/2025	1,875,000.00	Various 1.47%	1,888,349.75 1,879,192.14	94.82 5.22%	1,777,809.38 14,726.57	1.91% (101,382.76)	Aaa / AA+ AAA	1.53 1.46
3137EAEPO	FHLMC Note 1.500% Due 02/12/2025	1,920,000.00	02/13/2020 1.52%	1,918,521.60 1,919,520.43	94.40 5.16%	1,812,430.08 11,120.00	1.95% (107,090.35)	Aaa / AA+ AAA	1.62 1.55
3135G03U5	FNMA Note 0.625% Due 04/22/2025	1,510,000.00	04/22/2020 0.67%	1,506,889.40 1,508,872.75	92.48 5.02%	1,396,472.16 1,808.85	1.49% (112,400.59)	Aaa / AA+ AAA	1.81 1.76
3135G04Z3	FNMA Note 0.500% Due 06/17/2025	1,800,000.00	Various 0.46%	1,802,513.00 1,801,230.60	91.81 4.93%	1,652,549.40 350.00	1.76% (148,681.20)	Aaa / AA+ AAA	1.97 1.91
3137EAEU9	FHLMC Note 0.375% Due 07/21/2025	1,800,000.00	Various 0.45%	1,793,673.60 1,797,335.41	91.24 4.90%	1,642,300.21 3,000.00	1.76% (155,035.20)	Aaa / AA+ AAA	2.06 2.00
3135G05X7	FNMA Note 0.375% Due 08/25/2025	1,800,000.00	Various 0.45%	1,793,460.00 1,796,973.85	90.99 4.83%	1,637,908.20 2,362.51	1.75% (159,065.65)	Aaa / AA+ AAA	2.16 2.09
3137EAEX3	FHLMC Note 0.375% Due 09/23/2025	1,805,000.00	Various 0.44%	1,799,651.55 1,802,566.81	90.74 4.80%	1,637,797.44 1,842.61	1.75% (164,769.37)	Aaa / AA+ AAA	2.24 2.17
3135G06G3	FNMA Note 0.500% Due 11/07/2025	1,825,000.00	Various 0.57%	1,819,098.50 1,822,211.53	90.63 4.76%	1,654,028.53 1,368.75	1.77% (168,183.00)	Aaa / AA+ AAA	2.36 2.29
3133EPGW9	FFCB Note 3.875% Due 04/25/2028	1,250,000.00	05/05/2023 3.55%	1,268,125.00 1,267,585.45	98.83 4.14%	1,235,428.75 8,880.21	1.33% (32,156.70)	Aaa / AA+ AAA	4.82 4.32

Holdings Report

As of June 30, 2023

City of Brea - Account #120

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
3133EPME2	FFCB Note 3.875% Due 06/08/2028	850,000.00	06/07/2023 3.96%	846,634.00 846,676.37	98.87 4.13%	840,433.25 2,104.34	0.90% (6,243.12)	Aaa / AA+ NR	4.95 4.44
TOTAL Agency		19,390,000.00	1.22%	19,464,379.35 19,415,051.11	4.92%	18,127,619.47 63,934.47	19.42% (1,287,431.64)	Aaa / AA+ AAA	2.19 2.07
CMO									
3137BDCW4	FHLMC K039 A2 3.303% Due 07/25/2024	1,650,000.00	11/04/2021 0.60%	1,748,226.56 1,687,254.84	97.80 5.67%	1,613,624.10 4,541.63	1.73% (73,630.74)	NR / NR AAA	1.07 0.85
3137BFE98	FHLMC K041 A2 3.171% Due 10/25/2024	850,000.00	07/01/2021 0.72%	914,347.66 874,933.36	97.07 5.56%	825,106.05 2,246.13	0.88% (49,827.31)	Aaa / AAA AAA	1.32 1.16
3137F4WZ1	FHLMC K731 A2 3.600% Due 02/25/2025	1,274,412.40	05/03/2022 2.67%	1,288,948.66 1,282,841.11	96.98 5.70%	1,235,865.25 3,823.24	1.32% (46,975.86)	NR / NR AAA	1.66 1.36
3137BKRJ1	FHLMC K047 A2 3.329% Due 05/25/2025	700,000.00	05/19/2022 3.05%	704,046.88 702,526.94	96.35 5.42%	674,464.00 1,941.92	0.72% (28,062.94)	NR / NR AAA	1.90 1.68
3137BNGT5	FHLMC K054 A2 2.745% Due 01/25/2026	1,000,000.00	10/29/2021 1.11%	1,058,359.38 1,035,130.81	94.60 5.09%	946,010.00 457.50	1.01% (89,120.81)	NR / AAA NR	2.58 2.29
3137BQYS0	FHLMC K056 A2 2.525% Due 05/25/2026	570,000.00	01/31/2022 1.67%	587,189.06 581,492.69	93.80 4.93%	534,661.71 1,199.38	0.57% (46,830.98)	NR / NR AAA	2.90 2.59
3137BXQY1	FHLMC K064 A2 3.224% Due 03/25/2027	1,000,000.00	05/06/2022 3.24%	997,929.69 998,420.43	95.00 4.74%	950,030.00 2,686.67	1.02% (48,390.43)	NR / AAA NR	3.74 3.28
3137FCLD4	FHLMC K071 A2 3.286% Due 11/25/2027	2,000,000.00	04/11/2023 4.07%	1,932,500.00 1,935,622.78	94.58 4.66%	1,891,510.00 5,476.67	2.02% (44,112.78)	NR / NR AAA	4.41 3.95
3137FETN0	FHLMC K073 A2 3.350% Due 01/25/2028	1,500,000.00	03/27/2023 4.14%	1,452,187.50 1,454,711.09	94.79 4.64%	1,421,812.50 837.50	1.52% (32,898.59)	NR / NR AAA	4.58 4.05
3137FEZU7	FHLMC K076 A2 3.900% Due 04/25/2028	1,200,000.00	04/20/2023 4.11%	1,187,062.50 1,187,536.95	97.02 4.59%	1,164,260.40 3,900.00	1.25% (23,276.55)	NR / NR AAA	4.82 4.21
TOTAL CMO		11,744,412.40	2.67%	11,870,797.89 11,740,471.00	5.08%	11,257,344.01 27,110.64	12.04% (483,126.99)	Aaa / AAA AAA	3.03 2.66
Corporate									
79466LAG9	Salesforce.com Inc Callable Note Cont 7/15/2022 0.625% Due 07/15/2024	935,000.00	Various 0.96%	927,000.65 931,802.05	95.19 5.44%	890,024.63 2,694.62	0.95% (41,777.42)	A2 / A+ NR	1.04 1.01
69371RQ25	Paccar Financial Corp Note 2.150% Due 08/15/2024	195,000.00	08/08/2019 2.20%	194,569.05 194,903.05	96.26 5.62%	187,707.78 1,583.83	0.20% (7,195.27)	A1 / A+ NR	1.13 1.08

Holdings Report

As of June 30, 2023

City of Brea - Account #120

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
78015K7C2	Royal Bank of Canada Note 2.250% Due 11/01/2024	1,100,000.00	Various 2.21%	1,102,086.00 1,100,591.08	95.42 5.86%	1,049,601.30 4,125.00	1.12% (50,989.78)	A1 / A AA-	1.34 1.28
14913Q3B3	Caterpillar Finl Service Note 2.150% Due 11/08/2024	1,100,000.00	01/28/2020 1.91%	1,111,770.00 1,103,347.43	95.82 5.38%	1,054,061.80 3,481.81	1.13% (49,285.63)	A2 / A A+	1.36 1.30
89236TJT3	Toyota Motor Credit Corp Note 1.450% Due 01/13/2025	810,000.00	01/10/2022 1.50%	808,914.60 809,443.44	94.32 5.35%	764,009.82 5,481.00	0.82% (45,433.62)	A1 / A+ A+	1.54 1.47
90331HPL1	US Bank NA Callable Note Cont 12/21/2024 2.050% Due 01/21/2025	955,000.00	01/16/2020 2.10%	952,965.85 954,365.37	94.32 5.92%	900,756.96 8,701.11	0.97% (53,608.41)	A2 / A+ A+	1.56 1.48
00440EAS6	Chubb INA Holdings Inc Note 3.150% Due 03/15/2025	1,250,000.00	03/04/2022 2.15%	1,286,200.00 1,270,446.60	96.53 5.30%	1,206,571.25 11,593.75	1.30% (63,875.35)	A3 / A A	1.71 1.62
69371RR73	Paccar Financial Corp Note 2.850% Due 04/07/2025	890,000.00	03/31/2022 2.86%	889,768.60 889,863.61	95.71 5.42%	851,821.67 5,918.50	0.92% (38,041.94)	A1 / A+ NR	1.77 1.68
78016EZ59	Royal Bank of Canada Note 3.375% Due 04/14/2025	475,000.00	04/07/2022 3.39%	474,824.25 474,895.29	96.27 5.59%	457,270.63 3,428.91	0.49% (17,624.66)	A1 / A AA-	1.79 1.69
06367WB85	Bank of Montreal Note 1.850% Due 05/01/2025	826,000.00	07/23/2021 0.85%	856,413.32 840,830.37	93.42 5.67%	771,615.33 2,546.83	0.83% (69,215.04)	A2 / A- AA-	1.84 1.76
14913R2V8	Caterpillar Financial Service Note 3.400% Due 05/13/2025	465,000.00	05/10/2022 3.44%	464,409.45 464,632.52	96.82 5.21%	450,196.26 2,108.00	0.48% (14,436.26)	A2 / A A+	1.87 1.77
46647PCH7	JP Morgan Chase & Co Callable Note Cont 6/1/2024 0.824% Due 06/01/2025	985,000.00	05/24/2021 0.78%	986,279.75 985,392.34	95.06 6.07%	936,377.46 676.37	1.00% (49,014.88)	A1 / A- AA-	1.92 1.83
63743HFE7	National Rural Utilities Note 3.450% Due 06/15/2025	1,000,000.00	05/03/2022 3.62%	995,060.00 996,893.49	96.20 5.52%	961,980.00 1,533.33	1.03% (34,913.49)	A2 / A- A	1.96 1.86
46647PCK0	JP Morgan Chase & Co Callable Note Cont 6/23/2024 0.969% Due 06/23/2025	470,000.00	Various 0.95%	470,293.55 470,095.97	94.92 6.08%	446,131.06 101.21	0.48% (23,964.91)	A1 / A- AA-	1.98 1.89
89788MAA0	Truist Financial Corp Callable Note Cont 07/03/2025 1.200% Due 08/05/2025	650,000.00	02/03/2022 1.85%	635,726.00 641,424.40	90.62 6.03%	589,009.85 3,163.33	0.63% (52,414.55)	A3 / A- A	2.10 2.00
06406HCQ0	Bank of New York Callable Note Cont 10/18/2025 3.950% Due 11/18/2025	800,000.00	04/05/2022 3.20%	819,928.00 812,976.37	96.39 5.59%	771,109.60 3,774.44	0.83% (41,866.77)	A1 / A AA-	2.39 2.22
46647PBK1	JP Morgan Chase & Co Callable Note Cont 4/22/2025 2.083% Due 04/22/2026	312,000.00	05/20/2021 1.11%	323,646.96 317,387.43	93.65 5.83%	292,188.62 1,245.63	0.31% (25,198.81)	A1 / A- AA-	2.81 1.73

Holdings Report

As of June 30, 2023

City of Brea - Account #120

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
6174468Q5	Morgan Stanley Callable Note Cont 4/28/2025 2.188% Due 04/28/2026	500,000.00	05/18/2022 4.94%	472,305.00 480,138.12	93.87 5.77%	469,354.00 1,914.50	0.50% (10,784.12)	A1 / A- A+	2.83 1.74
023135BX3	Amazon.com Inc Callable Note Cont 4/12/2026 1.000% Due 05/12/2026	1,455,000.00	05/10/2021 1.09%	1,448,714.40 1,451,399.38	89.90 4.81%	1,308,084.28 1,980.42	1.40% (143,315.10)	A1 / AA AA-	2.87 2.76
91324PEC2	United Health Group Inc Callable Note Cont 4/15/2026 1.150% Due 05/15/2026	240,000.00	Various 1.08%	240,776.80 240,448.81	90.43 4.75%	217,033.20 352.67	0.23% (23,415.61)	A3 / A+ A	2.88 2.76
89236TJK2	Toyota Motor Credit Corp Note 1.125% Due 06/18/2026	995,000.00	06/15/2021 1.13%	994,562.20 994,740.34	89.41 5.01%	889,650.40 404.22	0.95% (105,089.94)	A1 / A+ A+	2.97 2.85
06051GJD2	Bank of America Corp Callable Note Cont 6/19/2025 1.319% Due 06/19/2026	950,000.00	Various 1.25%	952,508.00 951,244.59	91.60 5.90%	870,218.06 417.68	0.93% (81,026.53)	A1 / A- AA-	2.97 1.89
037833DN7	Apple Inc Callable Note Cont 7/11/2026 2.050% Due 09/11/2026	450,000.00	12/02/2021 1.49%	461,178.00 457,367.62	92.15 4.72%	414,669.15 2,818.75	0.45% (42,698.47)	Aaa / AA+ NR	3.20 3.02
06368FAC3	Bank of Montreal Note 1.250% Due 09/15/2026	500,000.00	09/13/2021 1.28%	499,395.00 499,611.69	88.16 5.31%	440,791.50 1,840.28	0.47% (58,820.19)	A2 / A- AA-	3.21 3.06
931142ER0	Wal-Mart Stores Callable Note Cont 08/17/2026 1.050% Due 09/17/2026	235,000.00	09/08/2021 1.09%	234,555.85 234,714.44	89.28 4.68%	209,814.58 712.83	0.22% (24,899.86)	Aa2 / AA AA	3.22 3.08
26442CAS3	Duke Energy Carolinas Callable Note Cont 9/1/2026 2.950% Due 12/01/2026	850,000.00	01/13/2022 1.81%	892,644.50 879,272.28	93.96 4.89%	798,664.25 2,089.58	0.85% (80,608.03)	Aa3 / A NR	3.42 3.19
87612EBM7	Target Corp Callable Note Cont 12/15/2026 1.950% Due 01/15/2027	535,000.00	01/19/2022 1.99%	534,090.50 534,352.29	91.54 4.56%	489,751.84 4,810.54	0.53% (44,600.45)	A2 / A A	3.55 3.32
808513BY0	Charles Schwab Corp Callable Note Cont 2/3/2027 2.450% Due 03/03/2027	750,000.00	03/09/2022 2.73%	740,115.00 742,708.59	89.58 5.63%	671,828.25 6,022.92	0.72% (70,880.34)	A2 / A- A	3.68 3.40
084664CZ2	Berkshire Hathaway Callable Note Cont 2/15/2027 2.300% Due 03/15/2027	1,080,000.00	03/07/2022 2.30%	1,079,794.80 1,079,847.95	93.51 4.21%	1,009,908.00 7,314.00	1.09% (69,939.95)	Aa2 / AA A+	3.71 3.47
06051GHT9	Bank of America Corp Callable Note 1X 4/23/2026 3.559% Due 04/23/2027	900,000.00	Various 4.92%	871,903.80 877,258.84	94.81 5.58%	853,264.80 6,050.30	0.92% (23,994.04)	A1 / A- AA-	3.82 2.61
665859AW4	Northern Trust Company Callable Note Cont 4/10/2027 4.000% Due 05/10/2027	430,000.00	05/05/2022 4.04%	429,303.40 429,462.48	96.34 5.05%	414,250.39 2,436.67	0.44% (15,212.09)	A2 / A+ A+	3.86 3.50

Holdings Report

As of June 30, 2023

City of Brea - Account #120

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
91324PEG3	United Health Group Inc Callable Note Cont 4/15/2027 3.700% Due 05/15/2027	430,000.00	05/17/2022 3.69%	430,200.10 430,155.37	96.40 4.73%	414,513.56 2,032.94	0.44% (15,641.81)	A3 / A+ A	3.88 3.54
22160KAM7	Costco Wholesale Corp Callable Note Cont 2/18/2027 3.000% Due 05/18/2027	600,000.00	07/15/2022 3.53%	586,074.00 588,813.41	94.95 4.43%	569,677.20 2,150.00	0.61% (19,136.21)	Aa3 / A+ NR	3.88 3.60
89115A2C5	Toronto-Dominion Bank Note 4.108% Due 06/08/2027	1,100,000.00	08/26/2022 4.18%	1,096,315.00 1,096,959.82	95.64 5.35%	1,052,026.80 2,887.01	1.13% (44,933.02)	A1 / A NR	3.94 3.57
57636QAW4	MasterCard Inc Callable Note Cont 2/9/28 4.875% Due 03/09/2028	595,000.00	03/06/2023 4.90%	594,422.85 594,458.86	101.13 4.60%	601,729.45 9,024.17	0.65% 7,270.59	Aa3 / A+ NR	4.70 4.03
61747YER2	Morgan Stanley Callable Note Cont 4/20/2027 4.210% Due 04/20/2028	750,000.00	05/19/2023 5.24%	722,677.50 723,271.47	96.06 5.33%	720,484.50 6,227.29	0.78% (2,786.97)	A1 / A- A+	4.81 4.24
TOTAL Corporate		26,563,000.00	2.39%	26,581,392.73 26,545,517.16	5.33%	24,996,148.23 123,644.44	26.81% (1,549,368.93)	A1 / A A+	2.64 2.37
Money Market Fund									
316175884	Fidelity Institutional Money Market Fund 696	380,069.04	Various 4.72%	380,069.04 380,069.04	1.00 4.72%	380,069.04 0.00	0.41% 0.00	Aaa / AAA NR	0.00 0.00
TOTAL Money Market Fund		380,069.04	4.72%	380,069.04 380,069.04	4.72%	380,069.04 0.00	0.41% 0.00	Aaa / AAA NR	0.00 0.00
Municipal Bonds									
13063DRK6	California State Taxable GO 2.400% Due 10/01/2024	900,000.00	10/16/2019 1.91%	920,673.00 905,248.47	96.17 5.60%	865,574.10 5,400.00	0.93% (39,674.37)	Aa2 / AA- AA	1.26 1.20
TOTAL Municipal Bonds		900,000.00	1.91%	920,673.00 905,248.47	5.60%	865,574.10 5,400.00	0.93% (39,674.37)	Aa2 / AA- AA	1.26 1.20
Supranational									
459058JL8	Intl. Bank Recon & Development Note 0.500% Due 10/28/2025	945,000.00	Various 0.54%	943,389.35 944,228.61	90.76 4.74%	857,718.86 826.88	0.92% (86,509.75)	Aaa / AAA AAA	2.33 2.26
4581X0DV7	Inter-American Dev Bank Note 0.875% Due 04/20/2026	1,915,000.00	04/13/2021 0.97%	1,906,229.30 1,910,081.49	90.21 4.64%	1,727,544.48 3,304.70	1.85% (182,537.01)	Aaa / AAA AAA	2.81 2.71
TOTAL Supranational		2,860,000.00	0.83%	2,849,618.65 2,854,310.10	4.67%	2,585,263.34 4,131.58	2.76% (269,046.76)	Aaa / AAA AAA	2.65 2.56

Holdings Report

As of June 30, 2023

City of Brea - Account #120

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US Treasury									
91282CBR1	US Treasury Note 0.250% Due 03/15/2024	750,000.00	03/30/2021 0.33%	748,183.59 749,566.08	96.47 5.39%	723,516.00 550.27	0.77% (26,050.08)	Aaa / AA+ AAA	0.71 0.69
912828X70	US Treasury Note 2.000% Due 04/30/2024	925,000.00	06/10/2019 1.92%	928,251.96 925,553.84	97.22 5.45%	899,309.98 3,116.85	0.96% (26,243.86)	Aaa / AA+ AAA	0.84 0.81
912828XX3	US Treasury Note 2.000% Due 06/30/2024	1,450,000.00	12/12/2019 1.74%	1,466,595.70 1,453,646.86	96.70 5.43%	1,402,194.95 78.80	1.50% (51,451.91)	Aaa / AA+ AAA	1.00 0.97
912828D56	US Treasury Note 2.375% Due 08/15/2024	1,500,000.00	03/05/2020 0.68%	1,611,093.75 1,528,132.80	96.77 5.36%	1,451,542.50 13,383.98	1.56% (76,590.30)	Aaa / AA+ AAA	1.13 1.08
9128283D0	US Treasury Note 2.250% Due 10/31/2024	1,500,000.00	11/07/2019 1.77%	1,533,925.78 1,509,101.58	96.10 5.31%	1,441,524.00 5,686.14	1.54% (67,577.58)	Aaa / AA+ AAA	1.34 1.28
912828ZC7	US Treasury Note 1.125% Due 02/28/2025	2,000,000.00	03/18/2020 0.81%	2,030,859.38 2,010,383.23	93.73 5.09%	1,874,610.00 7,520.38	2.01% (135,773.23)	Aaa / AA+ AAA	1.67 1.61
91282CED9	US Treasury Note 1.750% Due 03/15/2025	2,150,000.00	04/05/2022 2.65%	2,095,662.11 2,118,450.60	94.59 5.09%	2,033,766.70 11,042.12	2.18% (84,683.90)	Aaa / AA+ AAA	1.71 1.64
91282CEQ0	US Treasury Note 2.750% Due 05/15/2025	500,000.00	06/06/2022 2.91%	497,695.31 498,530.84	96.05 4.98%	480,254.00 1,756.11	0.51% (18,276.84)	Aaa / AA+ AAA	1.88 1.79
91282CAM3	US Treasury Note 0.250% Due 09/30/2025	1,900,000.00	02/19/2021 0.51%	1,877,363.28 1,888,930.77	90.57 4.71%	1,720,909.80 1,193.99	1.84% (168,020.97)	Aaa / AA+ AAA	2.25 2.19
91282CAT8	US Treasury Note 0.250% Due 10/31/2025	1,900,000.00	02/11/2021 0.42%	1,885,156.25 1,892,647.09	90.25 4.71%	1,714,750.00 800.27	1.83% (177,897.09)	Aaa / AA+ AAA	2.34 2.27
91282CAZ4	US Treasury Note 0.375% Due 11/30/2025	1,350,000.00	03/26/2021 0.77%	1,325,794.92 1,337,479.15	90.27 4.68%	1,218,585.60 428.79	1.30% (118,893.55)	Aaa / AA+ AAA	2.42 2.35
91282CCW9	US Treasury Note 0.750% Due 08/31/2026	480,000.00	09/17/2021 0.86%	477,393.75 478,330.33	89.19 4.45%	428,100.00 1,203.26	0.46% (50,230.33)	Aaa / AA+ AAA	3.17 3.06
91282CCZ2	US Treasury Note 0.875% Due 09/30/2026	2,820,000.00	Various 1.08%	2,791,946.88 2,801,613.14	89.47 4.39%	2,523,020.16 6,202.47	2.70% (278,592.98)	Aaa / AA+ AAA	3.25 3.13
91282CEW7	US Treasury Note 3.250% Due 06/30/2027	2,250,000.00	Various 3.12%	2,263,417.97 2,260,830.43	96.17 4.30%	2,163,867.75 198.71	2.31% (96,962.68)	Aaa / AA+ AAA	4.00 3.70
91282CFB2	US Treasury Note 2.750% Due 07/31/2027	600,000.00	08/22/2022 3.12%	589,828.13 591,588.32	94.28 4.29%	565,663.80 6,882.60	0.61% (25,924.52)	Aaa / AA+ AAA	4.09 3.76
91282CFH9	US Treasury Note 3.125% Due 08/31/2027	1,950,000.00	Various 3.41%	1,925,095.70 1,929,086.44	95.64 4.28%	1,864,915.65 20,367.70	2.01% (64,170.79)	Aaa / AA+ AAA	4.17 3.81
91282CGC9	US Treasury Note 3.875% Due 12/31/2027	700,000.00	03/14/2023 3.91%	698,878.91 698,947.42	98.60 4.22%	690,183.90 73.71	0.74% (8,763.52)	Aaa / AA+ AAA	4.51 4.08

Holdings Report

As of June 30, 2023

City of Brea - Account #120

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
91282CGH8	US Treasury Note 3.500% Due 01/31/2028	2,500,000.00	02/16/2023 4.05%	2,438,378.91 2,442,943.44	97.11 4.20%	2,427,637.50 36,498.62	2.63% (15,305.94)	Aaa / AA+ AAA	4.59 4.12
91282CGP0	US Treasury Note 4.000% Due 02/29/2028	2,500,000.00	Various 4.07%	2,491,714.85 2,492,319.04	99.26 4.17%	2,481,542.50 33,423.91	2.68% (10,776.54)	Aaa / AA+ AAA	4.67 4.16
91282CHE4	US Treasury Note 3.625% Due 05/31/2028	2,000,000.00	06/14/2023 4.00%	1,966,953.13 1,967,154.30	97.81 4.12%	1,956,250.00 6,140.71	2.09% (10,904.30)	Aaa / AA+ AAA	4.92 4.44
TOTAL US Treasury		31,725,000.00	2.19%	31,644,190.26 31,575,235.70	4.66%	30,062,144.79 156,549.39	32.25% (1,513,090.91)	Aaa / AA+ AAA	2.94 2.73
TOTAL PORTFOLIO		98,730,600.36	2.04%	98,875,088.37 98,582,741.56	5.02%	93,304,575.86 383,458.05	100.00% (5,278,165.70)	Aa2 / AA AAA	2.66 2.36
TOTAL MARKET VALUE PLUS ACCRUALS						93,688,033.91			

Holdings Report

As of June 30, 2023

City of Brea LAIF - Account #10164

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	19,765,803.83	Various 3.26%	19,765,803.83 19,765,803.83	1.00 3.26%	19,765,803.83 111,911.83	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL LAIF		19,765,803.83	3.26%	19,765,803.83 19,765,803.83	3.26%	19,765,803.83 111,911.83	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL PORTFOLIO		19,765,803.83	3.26%	19,765,803.83 19,765,803.83	3.26%	19,765,803.83 111,911.83	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUALS						19,877,715.66			

Holdings Report

As of June 30, 2023

Successor Agency to the Brea RDA LAIF - Account #10166

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	19,336.31	Various 3.26%	19,336.31 19,336.31	1.00 3.26%	19,336.31 145.57	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL LAIF		19,336.31	3.26%	19,336.31 19,336.31	3.26%	19,336.31 145.57	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL PORTFOLIO		19,336.31	3.26%	19,336.31 19,336.31	3.26%	19,336.31 145.57	100.00% 0.00	NR / NR NR	0.00 0.00
TOTAL MARKET VALUE PLUS ACCRUALS						19,481.88			

Holdings Report

As of June 30, 2023

Brea CFD 2008 2 17 Reserve Fund - Account #10600

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
Money Market Fund									
825252109	Invesco Treasury MMFD Private Class	237,014.40	Various 4.74%	237,014.40 237,014.40	1.00 4.74%	237,014.40 0.00	35.82% 0.00	Aaa / AAA AAA	0.00 0.00
TOTAL Money Market Fund		237,014.40	4.74%	237,014.40 237,014.40	4.74%	237,014.40 0.00	35.82% 0.00	Aaa / AAA AAA	0.00 0.00
US Treasury									
912828WJ5	US Treasury Note 2.500% Due 05/15/2024	110,000.00	06/18/2019 1.84%	113,381.64 110,601.98	97.49 5.47%	107,241.42 351.22	16.26% (3,360.56)	Aaa / AA+ AAA	0.88 0.85
912828G38	US Treasury Note 2.250% Due 11/15/2024	40,000.00	03/15/2022 2.01%	40,251.56 40,129.78	96.03 5.28%	38,412.52 114.95	5.82% (1,717.26)	Aaa / AA+ AAA	1.38 1.32
91282CBC4	US Treasury Note 0.375% Due 12/31/2025	115,000.00	12/30/2020 0.38%	114,986.52 114,993.25	90.14 4.60%	103,657.21 1.17	15.67% (11,336.04)	Aaa / AA+ AAA	2.51 2.43
91282CBH3	US Treasury Note 0.375% Due 01/31/2026	60,000.00	01/19/2022 1.53%	57,309.38 58,272.67	89.78 4.61%	53,868.78 93.85	8.16% (4,403.89)	Aaa / AA+ AAA	2.59 2.51
912828R36	US Treasury Note 1.625% Due 05/15/2026	55,000.00	01/19/2022 1.56%	55,154.69 55,102.96	92.27 4.52%	50,748.23 114.15	7.69% (4,354.73)	Aaa / AA+ AAA	2.88 2.75
912828X88	US Treasury Note 2.375% Due 05/15/2027	75,000.00	06/28/2022 3.30%	71,906.25 72,543.76	93.12 4.32%	69,837.90 227.50	10.59% (2,705.86)	Aaa / AA+ AAA	3.88 3.63
TOTAL US Treasury		455,000.00	1.64%	452,990.04 451,644.40	4.83%	423,766.06 902.84	64.18% (27,878.34)	Aaa / AA+ AAA	2.27 2.18
TOTAL PORTFOLIO		692,014.40	2.71%	690,004.44 688,658.80	4.80%	660,780.46 902.84	100.00% (27,878.34)	Aaa / AAA AAA	1.46 1.40
TOTAL MARKET VALUE PLUS ACCRUALS						661,683.30			

Holdings Report

As of June 30, 2023

City of Brea Liquidity - Account #11087

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
Money Market Fund									
316175884	Fidelity Institutional Money Market Fund 696	54,988.66	06/06/2023 4.72%	54,988.66 54,988.66	1.00 4.72%	54,988.66 0.00	0.69% 0.00	Aaa / AAA NR	0.00 0.00
TOTAL Money Market Fund		54,988.66	4.72%	54,988.66 54,988.66	4.72%	54,988.66 0.00	0.69% 0.00	Aaa / AAA NR	0.00 0.00
US Treasury									
912796YH6	US Treasury Bill 5.160% Due 09/07/2023	8,050,000.00	06/07/2023 5.30%	7,945,011.34 7,945,011.34	98.70 5.30%	7,945,011.34 26,535.60	99.31% 0.00	P-1 / A-1+ F-1+	0.19 0.18
TOTAL US Treasury		8,050,000.00	5.30%	7,945,011.34 7,945,011.34	5.30%	7,945,011.34 26,535.60	99.31% 0.00	Aaa / AAA AAA	0.19 0.18
TOTAL PORTFOLIO		8,104,988.66	5.30%	8,000,000.00 8,000,000.00	5.30%	8,000,000.00 26,535.60	100.00% 0.00	Aaa / AAA AAA	0.19 0.18
TOTAL MARKET VALUE PLUS ACCRUALS						8,026,535.60			



Section 5 | Transactions

Transaction Ledger

As of June 30, 2023

City of Brea - Account #120

March 31, 2023 through June 30, 2023

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	04/14/2023	3137FCLD4	2,000,000.00	FHLMC K071 A2 3.286% Due: 11/25/2027	96.625	4.07%	1,932,500.00	2,373.22	1,934,873.22	0.00
Purchase	04/25/2023	3137FEZU7	1,200,000.00	FHLMC K076 A2 3.9% Due: 04/25/2028	98.922	4.11%	1,187,062.50	3,120.00	1,190,182.50	0.00
Purchase	05/08/2023	3133EPGW9	1,250,000.00	FFCB Note 3.875% Due: 04/25/2028	101.450	3.55%	1,268,125.00	1,749.13	1,269,874.13	0.00
Purchase	05/23/2023	61747YER2	750,000.00	Morgan Stanley Callable Note Cont 4/20/2027 4.21% Due: 04/20/2028	96.357	5.24%	722,677.50	2,894.38	725,571.88	0.00
Purchase	06/08/2023	3133EPME2	850,000.00	FFCB Note 3.875% Due: 06/08/2028	99.604	3.96%	846,634.00	0.00	846,634.00	0.00
Purchase	06/20/2023	91282CHE4	2,000,000.00	US Treasury Note 3.625% Due: 05/31/2028	98.348	4.00%	1,966,953.13	3,961.75	1,970,914.88	0.00
Subtotal			8,050,000.00				7,923,952.13	14,098.48	7,938,050.61	0.00
TOTAL ACQUISITIONS			8,050,000.00				7,923,952.13	14,098.48	7,938,050.61	0.00
DISPOSITIONS										
Sale	04/12/2023	3130AB3H7	500,000.00	FHLB Note 2.375% Due: 03/08/2024	97.825	2.37%	489,125.00	1,121.53	490,246.53	-10,881.53
Sale	04/12/2023	912828B66	1,400,000.00	US Treasury Note 2.75% Due: 02/15/2024	98.398	2.31%	1,377,578.13	5,955.80	1,383,533.93	-27,302.36
Sale	04/21/2023	3130AB3H7	1,000,000.00	FHLB Note 2.375% Due: 03/08/2024	97.821	2.37%	978,210.00	2,836.81	981,046.81	-21,802.71
Sale	05/08/2023	3135G06H1	1,000,000.00	FNMA Note 0.25% Due: 11/27/2023	97.392	0.29%	973,920.00	1,118.06	975,038.06	-25,869.04
Sale	05/23/2023	808513BN4	530,000.00	Charles Schwab Corp Callable Note Cont 2/18/2024 0.75% Due: 03/18/2024	95.904	0.77%	508,291.20	717.71	509,008.91	-21,636.26

Transaction Ledger

As of June 30, 2023

City of Brea - Account #120

March 31, 2023 through June 30, 2023

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Sale	06/08/2023	3135G06H1	610,000.00	FNMA Note 0.25% Due: 11/27/2023	97.606	0.29%	595,396.60	46.60	595,443.20	-14,494.37
Sale	06/16/2023	3130A1XJ2	1,500,000.00	FHLB Note 2.875% Due: 06/14/2024	97.591	1.96%	1,463,865.00	239.58	1,464,104.58	-49,098.80
Sale	06/16/2023	91282CBR1	200,000.00	US Treasury Note 0.25% Due: 03/15/2024	96.332	0.33%	192,664.06	126.36	192,790.42	-7,213.50
Sale	06/20/2023	912828X70	75,000.00	US Treasury Note 2% Due: 04/30/2024	97.258	1.92%	72,943.36	207.88	73,151.24	-2,103.17
Subtotal			6,815,000.00				6,651,993.35	12,370.33	6,664,363.68	-180,401.74
TOTAL DISPOSITIONS			6,815,000.00				6,651,993.35	12,370.33	6,664,363.68	-180,401.74

Transaction Ledger

As of June 30, 2023

City of Brea Liquidity - Account #11087

March 31, 2023 through June 30, 2023

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	06/08/2023	912796YH6	8,050,000.00	US Treasury Bill 5.16% Due: 09/07/2023	98.696	5.30%	7,945,011.34	0.00	7,945,011.34	0.00
Subtotal			8,050,000.00				7,945,011.34	0.00	7,945,011.34	0.00
TOTAL ACQUISITIONS			8,050,000.00				7,945,011.34	0.00	7,945,011.34	0.00

Important Disclosures

As of June 30, 2023

2023 Chandler Asset Management, Inc, An Independent Registered Investment Adviser.

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

Performance results are presented gross-of-advisory fees and represent the client's Total Return. The deduction of advisory fees lowers performance results. These results include the reinvestment of dividends and other earnings. Past performance may not be indicative of future results. Therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Economic factors, market conditions or changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio.

Index returns assume reinvestment of all distributions. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It is not possible to invest directly in an index.

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Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

Ratings information have been provided by Moody's, S&P and Fitch through data feeds we believe to be reliable as of the date of this statement, however we cannot guarantee its accuracy.

Security level ratings for U.S. Agency issued mortgage-backed securities ("MBS") reflect the issuer rating because the securities themselves are not rated. The issuing U.S. Agency guarantees the full and timely payment of both principal and interest and carries a AA+/Aaa/AAA by S&P, Moody's and Fitch respectively.

Your qualified custodian bank maintains control of all assets reflected in this statement and we urge you to compare this statement to the one you receive from your qualified custodian. Chandler does not have any authority to withdraw or deposit funds from/to the custodian account.

ICE BofA 3-Month US Treasury Bill Index

The ICE BofA US 3-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date.

0-3 Yr Treasury*

*The ICE BofA Blended 0-3 Year US Treasury Index is a static, internally maintained benchmark comprised of US dollar denominated sovereign debt publicly issued by the US government in its domestic market. Effective 1/1/2001, it consists of the following indices: (30%) ICE BofA US 3-Month Treasury Bill Index, (30%) ICE BofA US 6-Month Treasury Bill Index, (40%) ICE BofA 1-3 Year US Treasury Index. Qualifying securities will include 3 and 6-month Treasury Bills and US Treasury securities that must have at least one year remaining term to final maturity and less than three years remaining term to final maturity, a fixed coupon schedule, and a minimum amount outstanding of \$1 billion. Qualifying securities must have at least 18 months to final maturity at the time of issuance. *Prior to 1/1/2001 it consisted of (100%) ICE BofA US 1-Year Treasury Bill Index, GOO3.*

ICE BofA 3-5 Yr US Treasury & Agency Index

The ICE BofA 3-5 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least three years remaining term to final maturity and less than five years remaining term to final maturity, at least three years to maturity at time of issuance, a fixed coupon schedule, and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies.

ICE BofA 1-5 Yr AAA-A US Corp & Govt Index

The ICE BofA US 1-5 Year AAA-A US Corporate & Government Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, foreign government, supranational, and corporate securities. Qualifying securities must be issued from US issuers and be rated AAA through A3 (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to final maturity at point of issuance, a fixed coupon schedule, and a minimum amount outstanding of \$1 billion for US Treasuries and \$250 million for all other securities.

ICE BofA 1-5 Yr US Treasury & Agency Index*

The ICE BofA 1-5 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule, and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies.

The ICE BofA US 1-Year Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, twelve months from the rebalancing date.

City of Brea

INVESTMENT ADVISORY COMMITTEE COMMUNICATION

TO: Honorable Chair and Committee Members

FROM: Bill Gallardo, City Manager

DATE: 07/24/2023

SUBJECT: Review of PARS Pension Rate Stabilization Program Investment Report for
Period Ended June 30, 2023 - Presented by PARS and HighMark Capital
Management

RESPECTFULLY SUBMITTED

William Gallardo, City Manager

Prepared by: PARS and HighMark Capital Management

Attachments

Report

PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.



CITY OF BREA

Pension Rate Stabilization Program (PRSP) Client Review
July 24, 2023

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Senior Portfolio Manager
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PARS 115 TRUST TEAM

Trust Administrator & Consultant



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

39

Years of Experience
(1984-2023)

2,000+

Plans under
Administration

1,000+

Public Agency
Clients

500+

115 Trust Clients

500K+

Plan Participants

\$6.6B

Assets under
Administration

Trustee



- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts
- Safeguard plan assets
- Oversight protection as plan fiduciary
- Custodian of assets

160

Years of Experience
(1863-2023)

\$9.0T

Assets under Trust
Custody

Investment Manager



- Investment sub-advisor to trustee U.S. Bank
- Investment policy assistance
- Uses open architecture
- Active and passive platform options
- Customized portfolios (with minimum asset level)

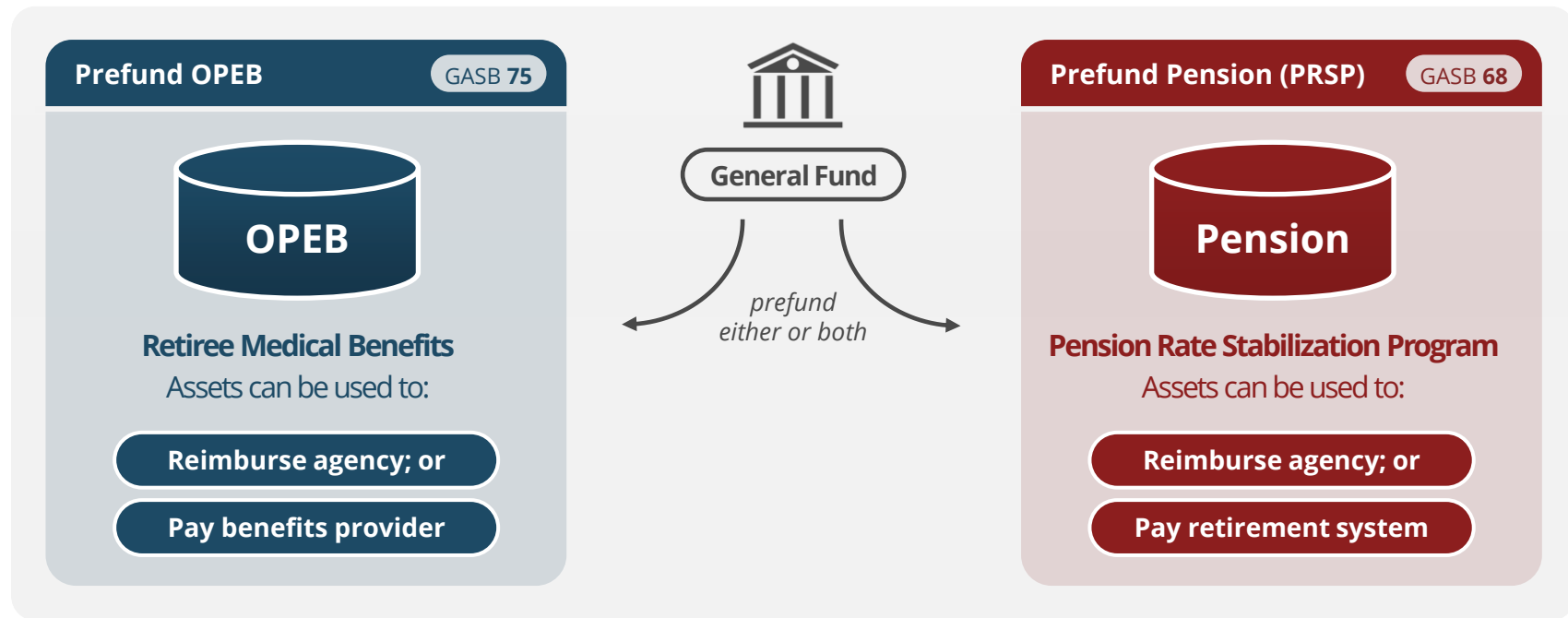
104

Years of Experience
(1919-2023)

\$17.7B

Assets under
Management &
Advisement

PARS PRSP STRUCTURE & BENEFITS



Subaccounts

OPEB and pension assets are individually sub-accounted, and can be divided by dept., bargaining group, or cost center



Financial Stability

Assets in the PARS Section 115 Combination Trust can be used to address unfunded liabilities.



Flexible Investing

Allows separate investment strategies for OPEB and pension subaccounts.



Anytime Access

Trust funds are available anytime; OPEB for OPEB and pension for pension.



Economies-of-Scale

OPEB and pension assets aggregate and reach lower fees on tiered schedule sooner – saving money!



No Set Up Cost or Minimums

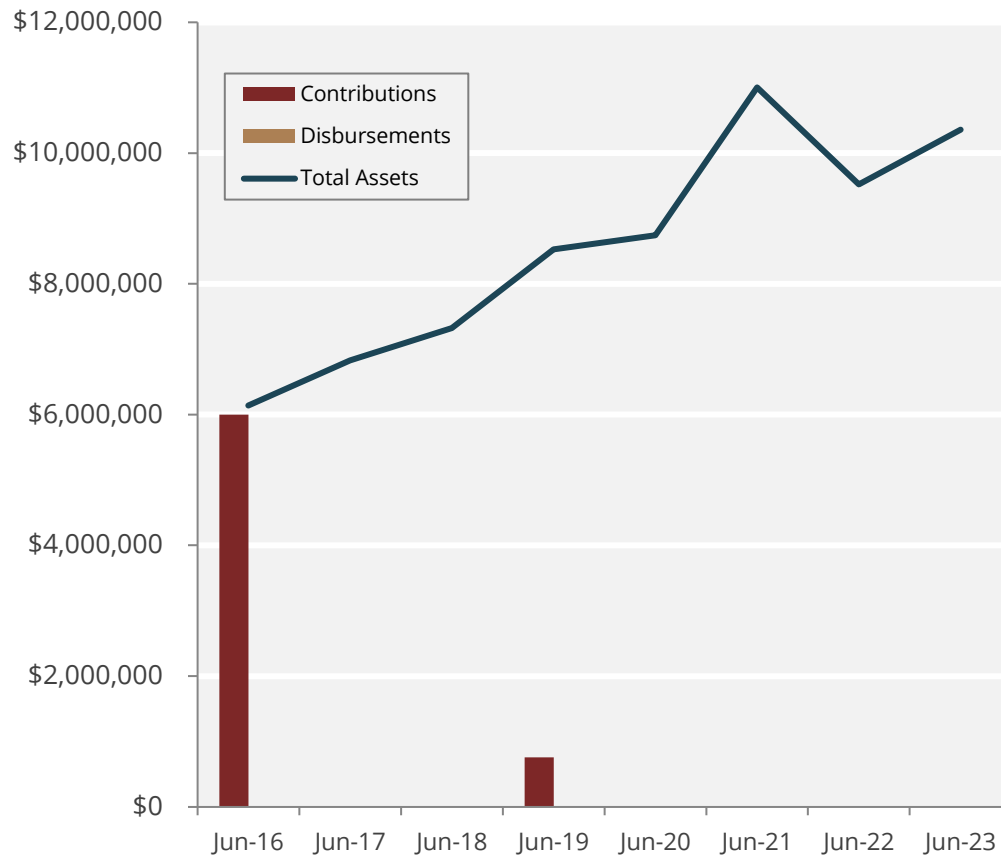
No set-up costs, no minimum annual contribution amounts, and no fees until assets are added.

SUMMARY OF AGENCY'S PRSP PLAN

Type of Plan:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	November 17, 2015
Plan Administrator:	Bill Gallardo - City Manager
Current Investment Strategy:	Balanced HighMark PLUS (Active) – Individual Acct
Initial Contribution:	February 19, 2016 – \$2,000,000
Additional Contributions:	April 22, 2016 - \$2,000,000 June 17, 2016 - \$2,000,000 June 25, 2019 – \$756,800
Net Earnings:	\$3,610,486

SUMMARY OF AGENCY'S PRSP PLAN

CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF JUNE 30, 2023:



Plan Year Ending

*Plan Year Ending June 2016 is based on 5 months of activity.

PARS Plan: City of Brea

July 17, 2023

**Presented by
Keith Stribling, CFA**

DISCUSSION HIGHLIGHTS – City of Brea

Investment objective – Balanced

Asset Allocation: PARS/Balanced (As of 6/30/2023)

- Allocation Target – 57.42% stocks (50-70% range), 37.66% bonds (30-50% range), 4.92% cash (0-20% range)
- Large cap 31%, Mid-cap 5.06%, Small cap 8.02%, International 11.60%; REIT 1.78%

Performance: City of Brea

(as of 6/30/2023) gross of investment management fees, net of fund fees

- 3 Months: 3.71%
- 6 Months(YTD): 8.17%
- 1 Year: 9.44%
- 3 Years: 6.39%
- 5 years: 5.74%
- ITD (2/1/2016): 7.32%

Asset Allocation:

- Modestly underweight equities
- Favoring value style over growth
- Recently added to international
- Neutral duration fixed income
- Added mortgages & eliminated high yield

Economic Review

- Aggressive fiscal policy
- Monetary policy changing from inflationary to restrictive with rate hikes and a pullback on QE
- Rate hikes expected to curb inflation expectations but is the Fed done hiking
- Yield curve inverted implying a recession is in the offing
- Regional banks under duress
- Eventually global economies will improve
- Risks: Inflation...further policy mistake at the Fed; China slowing; Russian aggression in Ukraine

PARS/ CITY OF BREA PRSP (**050800)**
Performance Report

As of: June 30, 2023



	3 Months	Year to Date (6 Months)	1 Year	3 Years	5 Years	Inception to Date 02/01/2016
Cash Equivalents	.97	2.02	3.38	1.18	1.39	1.15
Lipper Money Market Funds Index	1.21	2.30	3.70	1.27	1.43	1.16
Total Fixed Income	-.09	1.65	1.20	-2.07	1.16	
Bloomberg US Aggregate Bd Index (USD)	-.84	2.09	-.94	-3.96	.77	.94
Total Equities	6.68	13.52	16.57	12.01	8.63	11.70
Large Cap Funds	9.32	17.90	19.84	14.08	11.44	13.77
S&P 500 Composite Index	8.74	16.89	19.59	14.60	12.31	13.94
Mid Cap Funds	4.72	8.89	14.87	12.36	8.30	11.04
Russell Midcap Index	4.76	9.01	14.92	12.50	8.46	11.33
Small Cap Funds	4.24	7.14	12.51	11.90	6.18	11.28
Russell 2000 Index (USD)	5.21	8.09	12.31	10.82	4.21	9.93
International Equities	2.28	9.16	11.58	7.01	3.77	7.35
MSCI EAFE Index (Net)	2.95	11.67	18.77	8.93	4.39	6.91
MSCI EM Free Index (Net USD)	.90	4.89	1.75	2.32	.93	6.51
Real Estate - ETFs / Sctr Fds	1.75	4.13	-3.00	7.03	4.65	
Wilshire REIT Index	3.31	6.73	-.31	8.55	4.40	5.28
Total Managed Portfolio	3.71	8.17	9.44	6.39	5.74	7.32

Returns are gross of fees not including account level advisory fees unless otherwise stated. Gross returns are presented before management and custodial fees but after all trading expenses, embedded and reflect the reinvestment of dividends and other income. Net returns are net of investment management fees in effect for the respective time period. Returns for periods over one year are annualized. An investor cannot invest directly in unmanaged indices. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured have no bank guarantee and may lose value.

ASSET ALLOCATION- City of Brea

Current Asset Allocation		Investment Vehicle	
Equity	57.42%	Range: 50%-70%	\$ 5,824,170.40
Large Cap Core	5.67%	COFYX Columbia Contrarian Core CI Y	\$ 574,932.53
	11.27%	VGIAX Vanguard Gro & Inc Admiral Shares	\$ 1,142,593.84
Large Cap Value	5.20%	DODGX Dodge & Cox Stock Fund	\$ 527,473.55
	2.30%	IVE iShares S&P 500 Value ETF	\$ 233,210.37
Large Cap Growth	3.27%	HNACX Harbor CP Appre Rtrmt CI	\$ 332,151.72
	3.27%	IVW iShares S&P 500 Growth ETF	\$ 331,247.28
Mid Cap Growth	5.06%	IWR iShares Russell Mid Cap ETF	\$ 512,736.00
Small Cap Value	4.02%	UBVFX Undiscovered Mgrs Behavrl R6	\$ 407,891.57
Small Cap Growth	4.00%	FGROX Emerald Growth Inst.	\$ 405,439.14
International Core	4.27%	DFALX DFA Large Cap International Port	\$ 432,816.45
International Value	1.42%	DODFX Dodge & Cox International Stock Fund	\$ 143,929.55
International Growth	1.41%	MGRDX MFS International Growth Fund	\$ 142,697.14
Emerging Markets	4.50%	HHHFX Hartford Schrodr Mkts Eq	\$ 456,739.26
REIT	1.78%	VNQ Vngrd Index Tr Reit Viper Shs	\$ 180,312.00
Fixed Income	37.66%	Range: 30%-50%	\$ 3,819,212.23
Individual Fixed Income	29.36%	Corporate Bonds	\$ 2,977,431.75
Short Term	3.48%	VFSUX Vanguard Short-Term Corp ADM Fund	\$ 352,476.20
	2.41%	MBB Ishares MBS ETF	\$ 244,883.28
	2.41%	GOVT Ishares TR US Treasury ETF	\$ 244,421.00
Cash	4.92%	Range: 0%-20%	\$ 498,904.58
	4.92%	FGZXX First American Govt Obligations Fund CI Z	\$ 498,904.58
TOTAL	100.00%		\$10,142,287.21

ASSET ALLOCATION- City of Brea

Current Asset Allocation		Weight	Ticker	Investment Vehicle		Market Value	
Fixed Income		37.66%		Range: 30%-50%		\$ 2,977,431.75	
1-3 yrs	8.30%						
	A-	0.97%	PNC	PNC FINL SVCS GROUP	3.500% 1/23/24	\$	98,596.00
	BBB+	0.47%	HBAN	HUNTINGTON BANCSHAR	2.625% 8/06/24	\$	47,295.50
	BBB+	0.96%	WFC	WELLS FARGO NTS	3.300% 9/09/24	\$	97,413.00
	AA-	0.95%	XOM	EXXON MOBIL SR NT	2.709% 3/06/25	\$	96,483.00
	A+	0.71%	PEP	PEPSICO INC NT	2.750% 4/30/25	\$	72,305.25
	BBB+	0.95%	SYK	STRYKER CORP NT	3.375% 11/01/25	\$	96,383.00
	BBB+	0.96%	ICE	INTERCONTINENTALEX	3.750% 12/01/25	\$	97,554.00
	A	0.94%	KMB	KIMBERLY CLARK CRP N	2.750% 2/15/26	\$	95,434.00
	AA-	1.38%	NKE	NIKE INC NT	2.375% 11/01/26	\$	140,466.00
3-5 yrs	15.29%						
	BBB	1.45%	T	AT&T INC SR GLBL NT	4.250% 3/01/27	\$	147,096.00
	BBB+	1.21%	KEY	KEYCORP MEDIUM TERM	2.250% 4/06/27	\$	123,211.50
	BBB+	1.30%	FITB	FIFTH THIRD BANCORP	2.550% 5/05/27	\$	131,454.00
	BBB	1.82%	COF	CAPITAL ONE NTS	3.800% 1/31/28	\$	185,032.00
	BBB	0.69%	SRE	SEMPRA ENERGY	3.400% 2/01/28	\$	69,660.00
	A	1.87%	BK	BANK NEW YORK MEL F/R	3.442% 2/07/28	\$	189,846.00
	BBB+	1.86%	GS	GOLDMAN SACHS BDS	3.691% 6/05/28	\$	188,464.00
	A-	1.92%	CI	CIGNA CORP NEW	4.375% 10/15/28	\$	194,596.00
	AAA	1.42%	USTN	UNITED STATES NTS	11/15/2028	\$	144,492.00
	A+	0.86%	SHEL	SHELL INTERNATIONAL	2.375% 11/07/29	\$	87,674.00
	BBB+	0.88%	ENB	ENBRIDGE INC SR GLBL	3.125% 11/15/29	\$	89,234.00
5-7 yrs	5.77%						
	BBB+	0.78%	HBAN	HUNTINGTON BANCSHARE	2.550% 2/04/30	\$	79,574.00
	A-	1.69%	AMGN	AMGEN INC	2.450% 2/21/30	\$	171,630.00
	A-	0.87%	BAC	BANK OF AMERICA CORP	3.194% 7/23/30	\$	87,996.00
	BBB	0.94%	CVS	CVS HEALTH CO BDS	4.875% 7/20/35	\$	95,106.00
	A	1.48%	INTC	INTEL CORP	5.625% 2/10/43	\$	150,436.50
	8.30%					\$	841,780.48
Short-Term		3.48%	VFSUX	VANGUARD SHORT-TERM CORP ADM FUND		\$	352,476.20
		2.41%	MBB	ISHARES MBS ETF		\$	244,883.28
		2.41%	GOVT	ISHARES TR US TREASURY ETF		\$	244,421.00
Cash		4.92%		Range: 0%-20%		\$	498,904.58
		4.92%	FGZXX	FIRST AMERN GOVT OBLIG FD CL Z		\$	498,904.58
TOTAL	38%	100.00%					

City of Brea

LARGE CAP EQUITY FUNDS

Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Columbia Contrarian Core Inst3	1.93	8.97	13.29	4.79	13.09	11.59	11.88
Vanguard Growth & Income Adm	0.32	3.87	7.81	0.73	12.95	10.46	11.82
Dodge & Cox Stock I	-2.37	-2.83	0.23	-4.67	16.28	8.88	10.67
iShares S&P 500 Value ETF	-1.91	1.05	4.87	2.85	13.66	9.07	9.50
Harbor Capital Appreciation Retirement	7.02	17.44	28.18	14.19	8.90	11.24	14.43
iShares S&P 500 Growth ETF	2.48	9.98	13.88	1.77	10.80	11.56	13.38
S&P 500 TR USD	0.43	5.75	9.65	2.92	12.92	11.01	11.99

MID CAP EQUITY FUNDS

iShares Russell Mid-Cap ETF	-2.80	-4.82	0.57	-4.62	10.01	6.73	9.14
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SMALL CAP EQUITY FUNDS

Undiscovered Managers Behavioral Val R6	-5.37	-11.98	-6.55	-9.61	23.42	5.55	9.04
Emerald Growth Institutional	0.97	-2.35	4.71	1.50	5.33	4.26	9.74
Russell 2000 TR USD	-0.92	-7.35	-0.04	-4.68	9.23	2.74	7.36

INTERNATIONAL EQUITY FUNDS

Dodge & Cox International Stock I	-4.88	-1.68	3.46	-2.22	12.08	3.10	4.27
DFA Large Cap International I	-4.26	0.76	6.07	1.42	9.40	3.54	4.83
MFS International Growth R6	-3.37	4.41	8.41	6.53	8.69	6.01	6.74
MSCI EAFE NR USD	-4.23	0.91	6.81	3.06	8.53	3.21	4.56
Hartford Schroders Emerging Mkts Eq F	-1.72	-0.20	1.93	-7.93	2.83	-0.09	2.51
MSCI EM NR USD	-1.68	0.15	1.05	-8.49	3.47	-0.67	1.90

REAL ESTATE FUNDS

Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Vanguard Real Estate ETF	-3.98	-5.74	-2.01	-15.84	4.80	4.08	5.34

BOND FUNDS

Dodge & Cox Income I	-0.80	1.54	2.88	-0.71	-1.45	1.93	2.34
DoubleLine Core Fixed Income I	-0.99	1.68	3.21	-1.85	-1.93	0.65	1.67
PGIM Total Return Bond R6	-0.93	1.76	3.03	-2.03	-2.78	1.08	2.11
Vanguard Short-Term Investment-Grade Adm	-0.43	1.75	2.09	0.58	-0.42	1.60	1.62
iShares MBS ETF	-0.75	1.70	2.36	-2.74	-3.65	0.08	0.93
iShares US Treasury Bond ETF	-1.15	2.25	2.66	-2.23	-4.60	0.50	0.83

Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

City of Brea

COUNCIL COMMUNICATION

TO: Honorable Mayor and City Council Members

FROM: Bill Gallardo, City Manager

DATE: 07/24/2023

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

RECOMMENDATION

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

BACKGROUND/DISCUSSION

By policy, the City Council is required to annually review and adopt an investment policy as recommended by the Investment Advisory Committee for the City and the Successor Agency to the Brea Redevelopment Agency.

Last year, the City's investment guidelines were broadened to allow additional investment options and as a result of these prior adjustments, the City's investment advisor, Chandler Asset Management, is not recommending any new changes to this year's investment policy.

FISCAL IMPACT/SUMMARY

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

RESPECTFULLY SUBMITTED:

William Gallardo, City Manager

Prepared by: Faith Madrazo, Financial Services Manager-Revenue and

Monica Lo, Deputy Director of Administrative Services

Concurrence: Kristin Griffith, Director of Administrative Services

Attachments

Proposed Investment Policy

City Of Brea / Successor Agency to the Brea Redevelopment Agency

**PROPOSED
STATEMENT OF INVESTMENT POLICY
August 15, 2023**

Purpose: This statement is intended to provide a guideline for the prudent investment of funds and to outline the policies for maximizing the efficiency of the City of Brea and Successor Agency to the Brea Redevelopment Agency ("City") cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled funds. This investment policy has been prepared so as to be in conformance with all pertinent existing laws of the State of California for General Law cities.

Objective: The cash management system of the City is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain a market rate of return without incurring undue risk to principal. The objectives of such investments are: 1) preserve capital, 2) maintain financial flexibility/liquidity, and 3) obtain a competitive rate of return on the City's investments.

Scope: This investment policy applies to the decisions and activities of the City with regard to investing the financial assets of all funds, including the following: General Fund, Special Revenue Funds, Assessment Funds, Enterprise Funds, Internal Service Funds, Capital Projects Funds, Debt Service Funds, Reserve Funds, Trust and Agency Funds, and any other funds that may be created from time to time. This policy does not apply retiree health care savings/trust/plan(s) or deferred compensation plans.

Investment Responsibility: Investment decisions of the City funds are the responsibility of the City Treasurer and/or Administrative Services Director, and shall comply with the Investment Policy of the City. These responsibilities include the authority to open accounts with banks, brokers and dealers, establish safekeeping accounts or other arrangements for the custody of securities and to execute such documents as may be necessary.

Those authorized to execute transactions for the City include the: 1) City Treasurer, 2) Administrative Services Director, 3) Financial Services Manager, and 4) those specifically deputized by the City Treasurer and Administrative Services Director with said authorization to be filed with the City Clerk. The City Treasurer and Administrative Services Director shall insure that an authorized person is available at all times to execute the City's investments. Investment managers, brokers and dealers are to be provided with a list of specified names of those persons authorized to execute transactions. The City Council may authorize the delegation of investments to an outside investment manager.

Reporting: The Administrative Services Director shall be responsible for reporting the status of investments to the City Council and City Manager on a monthly basis. These reports will disclose, at a minimum, the following information about the characteristics of the City's portfolio:

A. An asset listing showing par value, cost and accurate and complete market value of

- each security, type of investment, issuer, and interest rate.
- B. Monthly transactions for the period.
 - C. A one-page summary report that shows:
 - 1. Average maturity of the portfolio and modified duration of the portfolio;
 - 2. Maturity distribution of the portfolio;
 - 3. Average portfolio credit quality; and,
 - 4. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months, year to date, and since inception compared to the City's market benchmark returns for the same periods;
 - D. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution.
 - E. A statement that the City has adequate funds to meet its cash flow requirements for the next six months.

Reports are to be submitted to the City Council and City Manager by the 3rd City Council meeting following the end of the reporting month.

The Investment Advisory Committee will review the status of investments on a quarterly basis. These reports shall include the type of investment, institution, face amount, market value, book value, interest rate, date of maturity, compliance to the investment policy.

If the City has an outside Investment Manager, the Investment Manager shall periodically report on the activity and results of the funds being managed by the Investment Manager. Additionally, the Investment Manager shall notify the Investment Advisory Committee when investment portfolios demonstrate low performance, if any, which occurs between each periodic report.

Prudence: The standard of prudence to be applied by the City Treasurer, Administrative Services Director, Financial Services Manager, and those specifically deputized by the City Treasurer and Administrative Services Director with said authorization to be filed with the City Clerk shall be the "prudent investor" standard, as defined under Government Code Section 53600.3 which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City/Successor Agency to the Brea Redevelopment Agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

Ethics and Conflicts of Interest: Officers and employees involved in the City investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. City employees and investment officials shall disclose any material financial interests in financial institutions that conduct business within the City,

and they shall further disclose any personal financial/investment positions that could be related to the performance of the City's portfolio. City employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

Investment Instruments: Funds of the City may be invested in any instrument allowable under current legislation of the State of California (Government Code Section 53600 et seq.) so long as the investment is appropriate and consistent with this Investment Policy taking into consideration the City's investment objectives. Investment instruments may include:

- U.S. Treasury Obligations (Bills, Notes and Bonds)
- U.S. Government Agency Securities and Instrumentality's of Government Sponsored Corporations, including a maximum of 5% in callable bonds issued by such agencies
- Banker's Acceptances
- Commercial Paper
- Repurchase Agreements (requires a master repurchase agreement to be signed and on file with the bank or broker/dealer)
- Certificates of Deposit
- Negotiable Certificates of Deposit
- Passbook Savings Accounts
- Interest Bearing Checking Accounts
- Medium Term Corporate Notes
- Bank Money Market Accounts
- Local Agency Investment Fund (State Pool)
- County of Orange Investment Fund (County Pool)
- Other investments that are, or may become, legal investments through the State of California Government Code.

Provisions of Government Code Section 53601 shall be adhered to at all times. This includes, but is not limited to, the following restrictions:

- Bankers Acceptances cannot exceed 40% of the portfolio nor exceed 180 days;
- Commercial Paper cannot exceed 25% of the portfolio. Commercial Paper must be rated P-1 (Moody's), A-1 (Standard & Poor's) and cannot exceed 270 days;
- Money Market Funds cannot exceed 20% of the portfolio;
- Medium Term Corporate Notes cannot exceed 30% of the portfolio and must carry a minimum "A" rating category;
- Pass-through securities specifically Asset-Backed Securities, Mortgage-Backed Securities and Collateralized Mortgage Obligations, but excluding those issued by the U.S. Treasury, U.S. Government Agency and Instrumentality's of Government Sponsored Corporations cannot exceed 15% of the portfolio.
 - Maximum maturity of 5 years
 - Asset Backed Security must be rated AA or higher
- Supranational Securities must be rated AA or higher, cannot exceed 15% of the portfolio and no more than 5% of portfolio per issuer. The maximum maturity cannot exceed 5 years.
- Additionally, the City will use the guidelines established by the joint committee of the

California Municipal Treasurers Association and the California Society of Municipal Finance Officers as the basis for investing in government investment pools.

For purposes of complying with legal investment limitations, the percentage references pertaining to the above refers to the maturity value of the portfolio at the time of purchase.

If a security owned by the City is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:

- Any actions taken related to the downgrade by the investment manager will be communicated to the City Council, the Investment Advisory Committee, City Treasurer and the Administrative Services Director within two (2) business days.
- If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.

Prohibited Investments: The City shall not invest any funds in derivatives, inverse floaters, range notes, or interest- only strips that are derived from a pool of mortgages. The City shall not invest any funds in any security that could result in a zero interest accrual if held to maturity.

However, the City is authorized to invest in securities that could result in zero or negative interest accrual if held to maturity if they are issued by or backed by the United States Government. Negative interest rate securities in United States Government securities will only be permitted in the portfolio in the event the United States Federal Reserve adopts a negative interest rate monetary policy framework. Notification to the City Council, the Investment Advisory Committee, the City Treasurer, and the Administrative Services Director will be given within two (2) business days when securities of this type are being added to the portfolio, this allows for full disclosure and understanding of the strategy given the market conditions.

Collateralization: Collateralization shall be required on two types of investments: Certificates of deposit and repurchase (and reverse repurchase) agreements. A collateral agreement must be current and on file before any funds can be transferred for collateralized certificates of deposit.

Collateral shall be held by an independent third party with whom the City has a current written custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. The right of collateral substitution is granted in accordance with the following requirements:

- A. Certificates of Deposit
 1. Government securities used as collateral require one hundred and ten (110) percent of market value to the face amount of the deposit
 2. Promissory notes secured by first trust deeds used as collateral require one hundred and fifty (150) percent of market value to the face amount of the

- deposit
3. Irrevocable letters of Credit issued by the Federal Home Loan Bank of San Francisco require one hundred and five (105) percent of market value to the face amount of the deposit
- B. Repurchase and Reverse Repurchase Agreements
1. Only U.S. Treasury securities or federal agency securities are acceptable collateral. All securities underlying repurchase agreements must be delivered to the City's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each repurchase agreement must equal or exceed one hundred and two (102) percent of the total dollar value of the money invested by the City for the term of the investment. For any repurchase agreement with a term of more than one (1) day, the value of the underlying securities must be reviewed on an ongoing basis according to market conditions. Market value must be calculated each time there is a substitution of collateral.
 2. The City or its trustee shall have perfected first security interest under the Uniform Commercial Code in all securities subject to a repurchase agreement.

Investment Criteria: Criteria for selecting investments and the order of priority are:

A. Safety

The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The City only operates in those investments that are considered very safe.

B. Liquidity

This refers to the ability to convert an investment into cash at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality when there is an occasional need for funds. The potential fluctuations in market value and the expected future availability of reasonable bids in the market are to be important considerations when selecting an investment.

C. Yield

Yield is the potential dollar earnings an investment can provide and sometimes is described as the rate of return.

Diversification: The City will diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, or individual financial institutions. In no case, without prior notification and approval from the City Council, shall the amount invested in one entity at the time of purchase exceed 5% of the total portfolio, with the following exceptions:

- U.S. Federal Government Agency Obligations of one specific entity cannot exceed 25% of the maturity value of the portfolio at the time of purchase.
- U.S. Treasury Obligations (Treasury Bills, Treasury Strips, Bonds, Notes) directly backed by the full faith and credit of the United States for payment of principal and interest shall not be subject to a maximum percentage of the portfolio.

- Approved State and County investment pools together cannot exceed 60% of the maturity value of the portfolio at the time of purchase, and no more than 40% of the maturity value at the time of purchase can be deposited in any one particular pool.

Investment Pools: The City Treasurer, Administrative Services Director and City Council have determined that use of investment pools is a practical investment option. The City will utilize guidelines established by the California Municipal Treasurers Association and California Society of Municipal Finance Officers to ensure the safety of investment pools which includes a thorough investigation of the pool/fund prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

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

Maturity Limitations: Every investment instrument purchased must have a term remaining to maturity of less than five years, unless the investment is for the Senior Low Cost Housing Subsidy Program, bond proceeds for the Reserve Fund, funded/capitalized interest fund; or the City Council has granted express authority to make that investment, either specifically or as part of an investment program approved by the City Council no more than three months prior to the investment. When possible, a minimum of 25% of the portfolio should be in maturities of one year or less.

Safekeeping and Custody: All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis which ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities shall be held by a third-party custodian designated by the City and evidenced by safekeeping receipts with a written custodial agreement. The only exception to the foregoing shall be depository accounts and securities purchases made with: LAIF, direct time certificates of deposit and money market mutual funds, since the purchased securities are not deliverable. Settlement instructions sent to the safekeeping agent shall require authorization.

Monthly trust statements are reconciled to the Investment Reports by the City's Accountant. The City's Accountant performs reconciliation of the monthly bank statements. The periodic review of the investment portfolio, including investment types, purchase price, market values, maturity dates, and investment yields as well as conformance to the stated investment policy will be performed by the Investment Advisory

Committee.

Qualified Broker/Dealers: For those investments managed directly by the City, the City shall maintain a listing of broker/dealers that are approved by the Investment Advisory Committee for investment purposes. All broker/dealers who desire to bid for investment transactions must supply the City with the following information; a completed broker/dealer questionnaire, audited financial statements, proof of National Association of Security Dealers' certification, trading resolution, proof of California registration, and certification of having read the City of Brea's investment policy.

The Investment Advisory Committee will conduct an annual review of the qualified broker/dealers. The decision to add or subtract from the authorized list of broker/dealers will be based on many factors to include, but not limited to, products offered, service levels, references, etc. No single factor will determine the Committee's final decision. A current audited financial statement is required to be on file for each broker/dealer with which the City of Brea invests. The City's authorized brokers/dealers shall provide written confirmation of having read and understood the City's investment policy and that all investments recommended by them will be suitable for the City of Brea.

Selection of broker/dealers used by an external investment adviser retained by the City will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

Monitoring and Adjusting the Portfolio: The City Treasurer and Administrative Services Director will routinely monitor the contents, performance and risk profile of the investment portfolio, the investment alternatives, and the relative values of competing investment instruments and will adjust the portfolio accordingly based on the approved Statement of Investment Policy on a quarterly basis. The City Council shall also bear a responsibility for monitoring the implementation of this policy and the safeguarding of the City's Treasury.

Performance Standards: The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The Administrative Services Director shall monitor and evaluate the portfolio's performance relative to market benchmark, which will be included in the monthly report of investments. The Treasurer and Administrative Services Director shall select an appropriate, readily available index to use as a market benchmark.

Bond Funds/Arbitrage: The U.S. Tax Reform Act of 1986 requires the City to perform annual arbitrage calculations and rebate excess earnings from investments of proceeds of bond issues sold after the effective date of this law to the U.S. Treasury. This arbitrage

calculation may be contracted with an outside source to provide the necessary technical assistance to comply with this regulation. Funds subject to the 1986 Tax Reform Act will be kept segregated from other funds and records will be kept in a fashion to facilitate the calculations. The City's investment position relative to the new arbitrage restrictions is to continue pursuing the maximum yield on applicable investments while ensuring the safety of capital and liquidity. It is a fiscally sound position to continue maximization of yield and to rebate excess earnings, if necessary.

Review/or Modification: The Investment Advisory Committee shall be responsible for reviewing and recommending modifications to the Statement of Investment Policy and submitting it to the City Council for approval on an annual basis. However, the City Treasurer and Administrative Services Director may, at any time, further restrict the investments approved for purchase as deemed appropriate.

Internal Controls: The City Treasurer and Administrative Services Director shall organize the investment function so that specific responsibility for the performance of duties is assigned with a clear line of authority and reporting. The functions of authorizing, executing and recording transactions, custody of investments and performing reconciliation's will be handled by separate persons to reduce the risk that anyone person is in a position to conceal errors or fraud in the normal course of duty. While no internal control system, however elaborate, can guarantee absolute assurance that the City's assets are safeguarded, it is the intent of the City's internal control system to provide reasonable assurance that management of the investment function meets the City's objectives. These internal controls shall be reviewed annually by the independent auditor who shall review and comment upon the content of this policy, the effectiveness of its implementation and applicable management controls with regard to its implementation and the safeguarding of the City's Treasury funds.

Investment Advisory Committee: An Investment Advisory Committee ("Committee") is established to review and make recommendations on the Investment Policy and investment strategy of the City of Brea/Successor Agency to the Brea Redevelopment Agency and to strengthen the internal control of the management of the City's funds. The following are the duties and responsibilities of the Committee:

A. Purpose

1. To review and make recommendations on investment policy and investment strategy of the City of Brea/Successor Agency to the Brea Redevelopment Agency.
2. To review the City's investments on a periodic basis and to recommend any exceptions and/or changes to the policy, to the City Council for review and approval.

B. Composition of Committee

1. City Treasurer
2. City Council Member, who serves as the Chair (selected by the City Council)
3. Administrative Services Director
4. Financial Services Manager
5. Three (3) Brea Citizens (selected by the City Council with the City Treasurer as subcommittee members)

C. Functions

1. Annually (or as needed)

- a. To review and approve Statement of Investment Policy
- b. To review the financial condition and registrations of qualified broker/dealers
(Only required when investments are managed by the City)

2. Monthly or Quarterly

- a. To review the City's investments
- b. To recommend any modifications to the Investment Policy
- c. To develop and carry out the ongoing investment strategy in accordance with the Investment Policy
- d. To provide a status report at a study session of the City Council as requested

The function of the Committee is not to inhibit the daily operation of the Administrative Services Department, but to provide policy guidelines within which to work on a day-to-day basis. By this, it is meant that each individual trade need not be approved by the Committee at the time it is transacted provided that it falls within the scope of the Statement of Investment Policy.

Disclosure: Members of the Committee shall be required to comply with the Fair Political Practices Act reporting requirements (Form 700) on an annual basis and submit filings to the City Clerk's Office.

SEGREGATION OF RESPONSIBILITIES
(External)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	Administrative Services Director Financial Services Manager
Recommend modifications to Investment Policy	City Treasurer Administrative Services Director Financial Services Manager
Review formal Statement of Investment Policy and recommend a Council action	City Treasurer Investment Advisory Committee
Adopt formal Statement of Investment Policy	City Council
Select investments	Outside Investment Manager
Execute investment transactions and fax or email completed trade information to City	Outside Investment Manager
Review transactions for compliance with investment policy	City Treasurer Administrative Services Director or Financial Services Manager
Investment verification (match broker confirmation to trade information provided by outside Investment Manager to City investment records)	Administrative Services Director or Financial Services Manager
Record investment transactions into City's accounting records	City Accountant
Reconcile investment records to accounting records and bank statements and report any variances to Administrative Services Director and City Treasurer	City Accountant
Security	All investment securities will be held in safekeeping in the trust department of the City's Depository Bank, or other third party custodian as designated by the City Treasurer or Administrative Services Director.

SEGREGATION OF RESPONSIBILITIES
(Internal)

FUNCTION	RESPONSIBILITY
Develop formal Statement of Investment Policy	City Treasurer Administrative Services Director Financial Services Manager
Recommend modifications to Statement of Investment Policy	City Treasurer Administrative Services Director Financial Services Manager Investment Advisory Committee
Review formal Statement of Investment Policy and recommend City Council action	Investment Advisory Committee
Annually review and adopt a formal Statement of Investment Policy	City Council
Select investments	Administrative Services Director or Financial Services Manager
Approve transactions	Administrative Services Director
Execute investment transactions	Administrative Services Director
Investment verification (match broker confirmation to City investment records)	Administrative Services Director or Financial Services Manager
Record investment transactions into City's accounting records	City Accountant
Reconcile investment records to accounting records and bank statements and report any variances to the Administrative Services Director	City Accountant
Security	All investment securities will be held in safekeeping in the trust department of the City's Depository Bank, or other third party custodian as designated by the City Treasurer or Administrative Services Director

GLOSSARY OF INVESTMENTS TERMS

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

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

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

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

FNMA: Like FHLB and Freddie MacFreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “Fannie MaeFannieMae,” issues discount notes, bonds and mortgage pass-through securities.

GNMA: The Government National Mortgage Association, known as “Ginnie MaeGinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

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

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

ASSET BACKED SECURITIES: Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE: In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER’S ACCEPTANCE: A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which “accepts” the obligation to pay the investor.

BENCHMARK: A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BROKER: A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION (CMTA): Is the professional society of active public treasurers of California counties, cities and special districts. It sets ethical standards for the treasury profession in state and local governments in California.

CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS (CSMFO): Is a

professional association of state, county and local government finance officers in California. CSMFO is the statewide organization serving all of California municipal finance professionals, an affiliate of the nationwide Government Finance Officers Association (GFOA).

CALLABLE: A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, the issuer will likely call its current securities and reissue them at a lower rate of interest.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS): A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

COLLATERAL: **COLLATERAL.** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED BANK DEPOSIT: A bank deposit that is collateralized at least 100% (principal plus interest to maturity). The deposit is collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COLLATERIALIZED TIME DEPOSIT: Time deposits that are collateralized at least 100% (principal plus interest to maturity). These instruments are collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

PAPER: The short-term unsecured debt of corporations.

COUPON: The rate of return at which interest is paid on a bond.

CREDIT RISK: The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

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

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

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

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

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

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

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

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

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, *e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.*

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): The Federal Deposit Insurance Corporation (FDIC) is an independent federal agency insuring deposits in U.S. banks and thrifts in the event of bank failures. The FDIC was created in 1933 to maintain public confidence and encourage stability in the financial system through the promotion of sound banking practices.

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 NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable

mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INVERSE FLOATER: A bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate. An inverse floater adjusts its coupon payment as the interest rate changes. This investment is prohibited under in the City's and Successor Agency to the Brea Redevelopment Agency Investment Policy.

FEDERALLY INSURED TIME DEPOSIT: A time deposit is an interest-bearing bank deposit account that has a specified date of maturity, such as a certificate of deposit (CD). These deposits are limited to funds insured in accordance with FDIC insurance deposit limits.

LEVERAGE: Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY: The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF): A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

POOL: Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL: A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer

makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN: The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE: The price at which a security can be traded.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The final date upon which the principal of a security becomes due and payable.

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

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

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

MONEY MARKET MUTUAL FUND: A mutual fund that invests exclusively in short-term securities. Examples of investments in money market funds are certificates of deposit and U.S. Treasury securities. Money market funds attempt to keep their net asset values at \$1 per share.

MORTGAGE PASS-THROUGH SECURITIES: A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES: Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND: An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CERTIFICATE OF DEPOSIT (CD): A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

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.

PASSBOOK SAVINGS ACCOUNT: A savings account in which deposits and withdrawals are recorded in the depositor's passbook.

PASS-THROUGH SECURITY: A pool of fixed income securities backed by a package of assets (i.e. mortgages) where the holder receives the principal and interest payments.

PORTFOLIO: Collection of securities held by an investor.

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

PRINCIPAL: The face value or par value of an investment.

PRUDENT INVESTOR STANDARD: Is a standard defined under State Government Code Section 53600.3 that states when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City/Successor Agency to the Brea Redevelopment Agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

PRUDENT PERSON (PRUDENT INVESTOR) RULE: A standard of responsibility which

applies to fiduciaries. In California, the rule is stated as “Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes.”

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.

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

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

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

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

SECURITIES AND SECURITIES AND EXCHANGE COMMISSION (SEC): The U.S. Securities and Exchange Commission (SEC) is an independent federal government agency responsible for protecting investors, maintaining fair and orderly functioning of securities markets and facilitating capital formation. It was created by Congress in 1934 as the first federal regulator of securities markets. The SEC promotes full public disclosure, protects investors against fraudulent and manipulative practices in the market, and monitors corporate takeover actions in the United States.

SECURITIES AND EXCHANGE COMMISSION (SEC) RULE 15c3-1: An SEC rule setting capital requirements for brokers and dealers. Under Rule 15c3-1, a broker or dealer must have sufficient liquidity in order to cover the most pressing obligations. This is defined as having a certain amount of liquidity as a percentage of the broker/dealer's total obligations. If the percentage falls below a certain point, the broker or dealer may not be allowed to take on new clients and may have restrictions placed on dealings with current client.

STRUCTURED NOTE: A complex, fixed income instrument, which pays interest, based

on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

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

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

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

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

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

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

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.

YIELD TO MATURITY: The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

City of Brea

COUNCIL COMMUNICATION

TO: Honorable Mayor and City Council Members

FROM: Bill Gallardo, City Manager

DATE: 07/24/2023

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

RECOMMENDATION

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

BACKGROUND/DISCUSSION

On November 17, 2015, the City Council approved participation within the Public Agencies Post-Employment Benefit Trust Program that established the City of Brea's Employee Benefits Fund Pension Plan ("Plan"). The Plan is administered by Public Agencies Retirement Services (PARS) to assist the City in "pre-funding" its pension obligations in an irrevocable Section 115 Trust account. Some of the benefits of participating in the program are summarized below:

- City maintains oversight of investment management and control over the risk tolerance level of the portfolio;
- Assets held in the PARS Section 115 Trust account allow for greater investment flexibility and risk diversification compared to the City's General Fund investments;
- Assets could be accessed to offset unexpected CalPERS rate increases (rate stabilization);
- Potential to improve an agency's bond rating; and
- Flexibility to access assets at any time as long as it is used to pay employer's pension obligations.

The investment strategies for these assets are defined within the City's Investment Policy Guidelines that were developed and evaluated by PARS, HighMark Capital Management (the Plan's Investment Advisory Firm) and the City's Investment Advisory Committee (IAC). The purpose of the Investment Policy Guidelines is to facilitate communication and confirm the City's investment objectives for the Plan. It also helps maintain a long-term perspective when market volatility is caused by short-term market movements. The policy also details the Plan's Trustee, the Investment Manager and the Investment Advisory Committee's roles and responsibilities.

The Investment Advisory Committee, including PARS and HighMark Capital Management, annually reviews the Investment Policy Guidelines and provides recommendations (if any) on any changes for the upcoming annual review period. The current investment objective is a "Balanced Objective" which has a dual goal to seek growth of income and principal. As part of the annual review, there were no new changes to this year's Investment Policy Guidelines

(Attachment A).

FISCAL IMPACT/SUMMARY

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

RESPECTFULLY SUBMITTED:

William Gallardo, City Manager

Prepared by: Faith Madrazo, Financial Services Manager - Revenue and

Monica Lo, Deputy Director of Administrative Services

Concurrence: Kristin Griffith, Director of Administrative Services

Attachments

Attachment A - Proposed 2023 Investment Policy Guidelines for Pension Plan



Investment Policy Guidelines

PROPOSED

City of Brea

Employee Benefits Fund Pension Plan

August 2023

Investment Policy Guidelines

Scope and Purpose

The purpose of these Investment Policy Guidelines is to:

- Facilitate the process of ongoing communication between the Plan Sponsor and its plan fiduciaries;
- Confirm the Plan's investment goals and objectives and management policies applicable to the investment portfolio identified below and obtained from the Plan Sponsor;
- Provide a framework to construct a well-diversified asset mix that can potentially be expected to meet the account's investment needs that is consistent with the account's investment objectives, liquidity considerations and risk tolerance;
- Identify any unique considerations that may restrict or limit the investment discretion of its designated investment managers;
- Help maintain a long-term perspective when market volatility is caused by short-term market movements.

Key Plan Sponsor Account Information as of August 2022

Plan Sponsor: City of Brea

Governance: Investment Advisory Committee for the City of Brea

Plan Name ("Plan"): City of Brea Employee Benefit Fund Pension Plan

Trustee: US Bank

Contact: Sue Hughes, 949-224-7209 Susan.Hughes@usbank.com

Type of Account: Pension Plan

Investment Manager: US Bank, as discretionary trustee, has delegated investment management responsibilities to HighMark Capital Management, Inc. ("Investment Manager"), an SEC-registered investment adviser

Contact: Keith Stribling, CFA, 714-315-0685
james.stribling@usbank.com

Investment Authority: Except as otherwise noted, the Trustee, US Bank, has delegated investment authority to HighMark Capital Management, an SEC-registered investment adviser. Investment Manager has full investment discretion over the managed assets in the account. Investment Manager is authorized to purchase, sell, exchange, invest, reinvest and manage the designated assets held in the account, all in accordance with account's investment objectives, without prior approval or subsequent approval of any other party(ies).

Investment Objectives and Constraints

The goal of the Plan's investment program is to provide a reasonable level of growth which, will result in sufficient assets to pay the present and future obligations of the Plan. The following objectives are intended to assist in achieving this goal:

- The Plan should seek to earn a return in excess of its policy benchmark over the life of the Plan.
- The Plan's assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic perspective of the capital markets.

Investment Time Horizon: Long-term

Anticipated Cash Flows: Assets in the Plan will seek to mitigate the impact of future rate increases from CalPERS. Typically increases in rates come with a one-year advance warning, however this Plan may transfer assets to CalPERS at any time.

Investment Objective: The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth herein. The investment objective the Plan Sponsor has selected is the **Balanced Objective**, which has a dual goal to seek growth of income and principal.

Risk Tolerance: *Balanced*
The account's risk tolerance has been rated moderate, which demonstrates that the account can accept price fluctuations to pursue its investment objectives.

Strategic Asset Allocation: The asset allocation ranges for this objective are listed below:

<i>Strategic Asset Allocation Ranges</i>		
Cash	Fixed Income	Equity
0-20%	30%-50%	50%-70%
Policy: 5%	Policy: 35%	Policy: 60%

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The Investment Manager will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with your objectives.

Security Guidelines:

Equities

With the exception of limitations and constraints described above, Investment Manager may allocate assets of the equity portion of the account among various market capitalizations (large, mid, small) and investment styles (value, growth). Further, Investment Manager may allocate assets among domestic, international developed and emerging market equity securities.

Total Equities	50%-70%
<i>Equity Style</i>	<i>Range</i>
Domestic Large Cap Equity	20%-50%
Domestic Mid Cap Equity	0%-15%
Domestic Small Cap Equity	0%-20%
International Equity (incl. Emerging Markets)	0%-20%
Real Estate Investment Trust (REIT)	0%-10%

Fixed Income

In the fixed income portion of the account, Investment Manager may allocate assets among various sectors and industries, as well as varying maturities and credit quality that are consistent with the overall goals and objectives of the portfolio.

Total Fixed Income	30%-50%
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Eligible Investments

- Debt obligations of the U.S. Government, its agencies, and Government Sponsored Enterprises
- Mortgage-Backed Securities (MBS)
- Asset Backed Securities (ABS)
- Collateralized Mortgage Obligations (CMO)
- Commercial Mortgage-Backed Securities (CMBS)
- Corporate debt securities issued by U.S. or foreign entities including, but not limited to, limited partnerships, equipment trust certificates and enhanced equipment trust certificates

Quality

The portfolio will maintain a minimum weighted average quality of A- at all times. Individual securities shall have a minimum quality rating of Baa3 by Moody's or BBB- by Standard & Poor's (S&P).

Duration

The manager will maintain the portfolio duration within +/- 25% of the benchmark duration at all times.

Diversification

- Any individual issuer position size is to be less than 10% of the portfolio assets at time of purchase, with the exception of securities issued or guaranteed by the U.S. Government, its agencies, and Government Sponsored Enterprises
- High Yield will be managed with funds and/or ETF's at less than 5% of the total portfolio.

Performance Benchmarks:

The performance of the total Plan shall be measured over a three and five-year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance shall be compared to the return of the total portfolio blended benchmark shown below.

Total Portfolio Blended Benchmark

32.00%	S&P500 Index
6.00%	Russell Mid Cap Index
9.00%	Russell 2000 Index
4.00%	MSCI Emerging Market Index
7.00%	MSCI EAFE Index
2.00%	Wilshire REIT
27.00%	BC US Aggregate Index
6.75%	ML 1-3 Year US Corp/Gov't
1.25%	US High Yield Master II
5.00%	Citi 1Mth T-Bill

Asset Class/Style Benchmarks

Over a market cycle, the long-term objective for each investment strategy is to add value to a market benchmark. The following are the benchmarks used to monitor each investment strategy:

Large Cap Equity	S&P 500 Index
Growth	S&P 500 Growth Index
Value	S&P 500 Value Index
Mid Cap Equity	Russell Mid Cap Index
Growth	Russell Mid Cap Growth
Value	Russell Mid Cap Value
Small Cap Equity	Russell 2000 Index
Growth	Russell 2000 Growth
Value	Russell 2000 Value
REITs	Wilshire REIT
International Equity	MSCI EAFE
Investment Grade Bonds	Barclays US Aggregate

Security Selection

Investment Manager may utilize a full range of investment vehicles when constructing the investment portfolio, including but not limited to individual securities, mutual funds, and exchange-traded funds. In addition, to the extent permissible, Investment Manager is authorized to invest in shares of mutual funds in which the Investment Manager serves as advisor or sub-adviser.

Investment Limitations:

The following investment transactions are prohibited:

- Direct investments in precious metals (precious metals mutual funds and exchange-traded funds are permissible).
- Venture Capital
- Short sales*
- Purchases of Letter Stock, Private Placements, or direct payments
- Leveraged Transactions*
- Commodities Transactions Puts, calls, straddles, or other option strategies*
- Purchases of real estate, with the exception of REITs
- Individual high yield or below investment grade rated bonds (high yield will be managed with funds and/or ETF's)
- Derivatives, with exception of ETFs*

**Permissible in diversified mutual funds and exchange-traded funds*

Duties and Responsibilities

Responsibilities of Plan Sponsor

The Investment Advisory Committee of the City of Brea is responsible for:

- Confirming in writing the accuracy of this Investment Policy Guidelines.
- Advising Trustee and Investment Manager of any change in the plan/account's financial situation, funding status, or cash flows, which could possibly necessitate a change to the account's overall risk tolerance, time horizon or liquidity requirements; and thus would dictate a change to the overall investment objective and goals for the account.

The City Treasurer and Administrative Services Director is responsible for:

- Monitoring and supervising all service vendors and investment options, including investment managers.
- Avoiding prohibited transactions and conflicts of interest.
- Providing quarterly investment reports to the City Council.

Responsibilities of Trustee

The plan Trustee is responsible for:

- Valuing the holdings.
- Collecting all income and dividends owed to the Plan.
- Settling all transactions (buy-sell orders).

Responsibilities of Investment Manager

The Investment Manager is responsible for:

- Assisting the Investment Advisory Committee with the development and maintenance of this Investment Policy Guidelines annually.
- Meeting with Investment Advisory Committee semi-annually to review portfolio structure, holdings, and performance.
- Meeting with City Council annually to review portfolio structure, holdings, and performance.
- Providing quarterly investment reports to the Investment Advisory Committee.
- Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- Researching and monitoring investment advisers and investment vehicles.
- Purchasing, selling, and reinvesting in securities held in the account.
- Monitoring the performance of all selected assets.
- Communicate to the City Council, the Investment Advisory Committee, City Treasurer and the Administrative Services Director when investment portfolio demonstrates low performance, if any, which occurs between each periodic report.
- If a security owned by the City is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:
 - Any actions taken related to the downgrade by the investment manager will be communicated to the City Council, the Investment Advisory Committee, City Treasurer and the Administrative Services Director within two (2) business days.
 - If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.
- Voting proxies, if applicable.

- Recommending changes to any of the above.
- Periodically reviewing the suitability of the investments, being available to meet with the committee at least once each year, and being available at such other times within reason at your request.
- Informing the committee if changes occur in personnel that are responsible for portfolio management or research.

Acknowledgement and Acceptance

I/We being the Plan Sponsor with responsibility for the account(s) held on behalf of the Plan Sponsor specified below, designate Investment Manager as having the investment discretion and management responsibility indicated in relation to all assets of the Plan or specified Account. If such designation is set forth in the Plan/trust, I/We hereby confirm such designation as Investment Manager.

I have read the Investment Policy Guidelines, and confirm the accuracy of it, including the terms and conditions under which the assets in this account are to be held, managed, and disposed of by Investment Manager. This Investment Policy Guidelines supersedes all previous versions of an Investment Policy Guidelines or investment objective instructions that may have been executed for this account.

Date: _____

Plan Sponsor: City of Brea

Date: _____

Investment Manager: Keith Stribling, CFA, Senior Portfolio Manager, (714) 315-0685

City of Brea

COUNCIL COMMUNICATION

TO: Honorable Mayor and City Council Members

FROM: Bill Gallardo, City Manager

DATE: 07/24/2023

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

RECOMMENDATION

Review and approve the Investment Guidelines for the City's Other Post Employment Benefits (OPEB) Trust Fund through Public Agency Retirement Services (PARS).

BACKGROUND/DISCUSSION

On May 5, 2020, the City Council approved the Investment Guidelines as presented for the City's OPEB Trust Program ("Plan") following the Investment Advisory Committee's recommendation of a Moderate Investment Objective. The below chart summarizes the Strategic Asset Allocation for the Moderate Investment Objective:

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

The goal of the Plan's investment program, as identified in the Investment Guidelines, is to provide a reasonable level of growth which will result in sufficient assets to pay the present and future obligations of the Plan. The following objectives are intended to assist in achieving this goal:

- The Plan should seek to earn a return in excess of its policy benchmark over the life of the Plan; and
- The Plan's assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic perspective of the capital markets.

The purpose of the guidelines are to:

- Facilitate the process of ongoing communication between the Plan sponsor and its plan fiduciaries;
- Confirm the Plan's investment goals and objectives and management policies applicable to the investment portfolio identified below and obtained from the Plan

sponsor;

- Provide a framework to construct a well-diversified asset mix that can potentially be expected to meet the account's investment needs that is consistent with the account's investment objectives, liquidity considerations and risk tolerance;
- Identify any unique considerations that may restrict or limit the investment discretion of its designated investment managers; and
- Help maintain a long-term perspective when market volatility is caused by short-term market movements.

During the COVID-19 pandemic, the initial contribution to this Plan was suspended. The Plan currently has no assets and the City Council is anticipated to discuss an initial contribution after the close of Fiscal Year 2022-23. Any initial contribution is recommended to be dollar cost averaged over a 12-month period based upon the Investment Advisory Committee's recommendation discussed at the April 27, 2020 Investment Advisory Committee meeting.

There are no new changes to this year's Investment Policy Guidelines.

FISCAL IMPACT/SUMMARY

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

RESPECTFULLY SUBMITTED:

William Gallardo, City Manager

Prepared by: Faith Madrazo, Financial Services Manager-Revenue and

Monica Lo, Deputy Director of Administrative Services

Concurrence: Kristin Griffith, Director of Administrative Services

Attachments

Attachment A - Proposed 2023 Investment Policy Guidelines for OPEB



Investment Policy Guidelines

PROPOSED

City of Brea

OPEB

August 2023

Investment Policy Guidelines

Scope and Purpose

The purpose of these Investment Policy Guidelines is to:

- Facilitate the process of ongoing communication between the Plan Sponsor and its plan fiduciaries;
- Confirm the Plan's investment goals and objectives and management policies applicable to the investment portfolio identified below and obtained from the Plan Sponsor;
- Provide a framework to construct a well-diversified asset mix that can potentially be expected to meet the account's investment needs that is consistent with the account's investment objectives, liquidity considerations and risk tolerance;
- Identify any unique considerations that may restrict or limit the investment discretion of its designated investment managers;
- Help maintain a long-term perspective when market volatility is caused by short-term market movements.

Key Plan Sponsor Account Information as of August 2022

Plan Sponsor: City of Brea
Governance: Investment Advisory Committee for the City of Brea
Plan Name ("Plan"): City of Brea OPEB plan

Trustee: US Bank
Contact: Sue Hughes, 949-224-7209
Susan.Hughes@usbank.com

Type of Account: Other Post Employment Benefit (OPEB) Plan

Investment Manager: US Bank, as discretionary trustee, has delegated investment management responsibilities to HighMark Capital Management, Inc. ("Investment Manager"), an SEC-registered investment adviser
Contact: Keith Stribling, CFA, 714-315-0685
james.stribling@usbank.com

Investment Authority: Except as otherwise noted, the Trustee, US Bank, has delegated investment authority to HighMark Capital Management, an SEC-registered investment adviser. Investment Manager has full investment discretion over the managed assets in the account. Investment Manager is authorized to purchase, sell, exchange, invest, reinvest and manage the designated assets held in the account, all in accordance with account's investment objectives, without prior approval or subsequent approval of any other party(ies).

Investment Objectives and Constraints

The goal of the Plan's investment program is to provide a reasonable level of growth which, will result in sufficient assets to pay the present and future obligations of the Plan. The following objectives are intended to assist in achieving this goal:

- The Plan should seek to earn a return in excess of its policy benchmark over the life of the Plan.
- The Plan's assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic perspective of the capital markets.

Investment Time Horizon: Long-term

Anticipated Cash Flows: An amount equal to one hundred percent (100%) of the annual OPEB obligations up to the annual required contribution is anticipated to be deposited upfront in July of each year with disbursements to be made monthly to pay ongoing OPEB obligations.

Target Rate of Return: 2.21%

Investment Objective: **Moderate Objective:** The primary objective is to generate a reasonable level of growth. The investment objective the Plan Sponsor has selected is the **Moderate Objective**, which has a dual goal to seek growth of income and principal.

Risk Tolerance: **Moderate**
The account's risk tolerance has been rated moderate, which demonstrates that the account can accept price fluctuations to pursue its investment objectives.

Portfolio Type: **Highmark Plus (active strategy)**

Strategic Asset Allocation: The asset allocation ranges for this objective are listed below:

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

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The Investment Manager will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with your objectives.

Security Guidelines:

Equities

With the exception of limitations and constraints described above, Investment Manager may allocate assets of the equity portion of the account among various market capitalizations (large, mid, small) and investment styles (value, growth). Further, Investment Manager may allocate assets among domestic, international developed and emerging market equity securities.

Total Equities	40%-60%
<i>Equity Style</i>	<i>Range</i>
Domestic Large Cap Equity	15%-45%
Domestic Mid Cap Equity	0%-10%
Domestic Small Cap Equity	0%-15%
International Equity (incl. Emerging Markets)	0%-15%
Real Estate Investment Trust (REIT)	0%-15%

Fixed Income

In the fixed income portion of the account, Investment Manager may allocate assets among various sectors and industries, as well as varying maturities and credit quality that are consistent with the overall goals and objectives of the portfolio.

Total Fixed Income	40%-60%
<i>Fixed Income Style</i>	<i>Range</i>
Long-term bonds (maturities >7 years)	0%-25%
Intermediate-term bonds (maturities 3-7 years)	25%-60%
Short-Term bonds (maturities <3 years)	0%-25%
High Yield bonds	0%-10%

Performance Benchmarks:

The performance of the total Plan shall be measured over a three and five-year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance shall be compared to the return of the total portfolio blended benchmark shown below.

Total Portfolio Blended Benchmark

26.50%	S&P500 Index
5.00%	Russell Mid Cap Index
7.50%	Russell 2000 Index
3.25%	MSCI Emerging Market Index
6.00%	MSCI EAFE Index
1.75%	Wilshire REIT
33.50%	Barclays Capital US Aggregate Index
10.00%	ML 1-3 Year US Corp/Gov't
1.50%	US High Yield Master II
5.00%	Citi 1Mth T-Bill

Asset Class/Style Benchmarks

Over a market cycle, the long-term objective for each investment strategy is to add value to a market benchmark. The following are the benchmarks used to monitor each investment strategy:

Large Cap Equity	S&P 500 Index
Growth	S&P 500 Growth Index
Value	S&P 500 Value Index
Mid Cap Equity	Russell Mid Cap Index
Growth	Russell Mid Cap Growth
Value	Russell Mid Cap Value
Small Cap Equity	Russell 2000 Index
Growth	Russell 2000 Growth
Value	Russell 2000 Value
REITs	Wilshire REIT
International Equity	MSCI EAFE
Investment Grade Bonds	Barclays US Aggregate

Security Selection

Investment Manager may utilize a full range of investment vehicles when constructing the investment portfolio, including but not limited to individual securities, mutual funds, and exchange-traded funds. In addition, to the extent permissible, Investment Manager is authorized to invest in shares of mutual funds in which the Investment Manager serves as advisor or sub-adviser.

Investment Limitations:

The following investment transactions are prohibited:

- Direct investments in precious metals (precious metals mutual funds and exchange-traded funds are permissible).
- Venture Capital
- Short sales*
- Purchases of Letter Stock, Private Placements, or direct payments
- Leveraged Transactions*
- Commodities Transactions Puts, calls, straddles, or other option strategies*
- Purchases of real estate, with the exception of REITs
- Individual high yield or below investment grade rated bonds (high yield will be managed with funds and/or ETF's)
- Derivatives, with exception of ETFs*

**Permissible in diversified mutual funds and exchange-traded funds*

Duties and Responsibilities***Responsibilities of Plan Sponsor***

The Investment Advisory Committee of the City of Brea is responsible for:

- Confirming in writing the accuracy of this Investment Policy Guidelines.
- Advising Trustee and Investment Manager of any change in the plan/account's financial situation, funding status, or cash flows, which could possibly necessitate a change to the account's overall risk tolerance, time horizon or liquidity requirements; and thus would dictate a change to the overall investment objective and goals for the account.

The City Treasurer and Administrative Services Director is responsible for:

- Monitoring and supervising all service vendors and investment options, including investment managers.
- Avoiding prohibited transactions and conflicts of interest.
- Providing quarterly investment reports to the City Council.

Responsibilities of Trustee

The plan Trustee is responsible for:

- Valuing the holdings.
- Collecting all income and dividends owed to the Plan.
- Settling all transactions (buy-sell orders).

Responsibilities of Investment Manager

The Investment Manager is responsible for:

- Assisting the Investment Advisory Committee with the development and maintenance of this Investment Policy Guidelines annually.
- Meeting with Investment Advisory Committee annually to review portfolio structure, holdings, and performance.
- Meeting with City Council annually to review portfolio structure, holdings, and performance.
- Providing quarterly investment reports to the Investment Advisory Committee.

- Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- Researching and monitoring investment advisers and investment vehicles.
- Purchasing, selling, and reinvesting in securities held in the account.
- Monitoring the performance of all selected assets.
- Communicate to the City Council, the Investment Advisory Committee, City Treasurer and the Administrative Services Director when the investment portfolio demonstrates low performance, if any, which occurs between each periodic report.
- If a security owned by the City is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:
 - Any actions taken related to the downgrade by the investment manager will be communicated to the City Council, the Investment Advisory Committee, City Treasurer and the Administrative Services Director within two (2) business days.
 - If a decision is made to retain the security, the credit situation will be monitored and reported to the City Council.
- Voting proxies, if applicable.
- Recommending changes to any of the above.
- Periodically reviewing the suitability of the investments, being available to meet with the committee at least once each year, and being available at such other times within reason at your request.
- Informing the committee if changes occur in personnel that are responsible for portfolio management or research.

Acknowledgement and Acceptance

I/We being the Plan Sponsor with responsibility for the account(s) held on behalf of the Plan Sponsor specified below, designate Investment Manager as having the investment discretion and management responsibility indicated in relation to all assets of the Plan or specified Account. If such designation is set forth in the Plan/trust, I/We hereby confirm such designation as Investment Manager.

I have read the Investment Policy Guidelines, and confirm the accuracy of it, including the terms and conditions under which the assets in this account are to be held, managed, and disposed of by Investment Manager. This Investment Policy Guidelines supersedes all previous versions of an Investment Policy Guidelines or investment objective instructions that may have been executed for this account.

Plan Sponsor: City of Brea

Date: _____

Investment Manager: Keith Stribling, CFA, Senior Portfolio Manager, (714) 315-0685

Date: _____