



# **City of Olympia**

## **Investment Policy**

2026

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## **1. Introduction**

This Investment Policy defines the parameters within which funds are to be invested by the City of Olympia (“City”). This policy also formalizes the framework, of the City’s Policy and Procedures to provide the authority and constraints for the City to maintain an effective and judicious management of funds within the scope of this policy.

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

## **2. Governing Authority**

The City of Olympia’s investment authority is derived from RCW Chapters 35A.40.050 and 35.39.032. The investment program shall be operated in conformance with Washington Revised Statutes and applicable Federal Law. All funds within the scope of this policy are subject to regulations established by the State of Washington.

## **3. Policy Statement**

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

## **4. Scope**

This policy applies to activities of the City of Olympia with regard to investing the financial assets of the City. The City commingles its funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles (GAAP). The city maintains the right to separate certain funds and exclude them from the scope of this policy. Should bond covenants be more restrictive than this policy, funds shall be invested in full compliance with those restrictions.

## **5. Objectives**

All funds will be invested in a manner that is in conformance with federal, state and other legal requirements. In addition, the objectives, in order of priority, of the investment activities will be as follows:

## **A. Safety**

Safety of principal is the primary objective of the City. To mitigate credit and interest rate risk, investment decisions shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To obtain this objective, the following steps will be taken:

- i. Credit risk. This is the risk of loss due to the financial failure of the security issuer or backer. The city will minimize credit risk by:
  1. Limiting exposure to poor credits and concentrating the investments in the safest types of securities.
  2. Diversifying the investment portfolio so that potential losses on individual securities will be minimized; and
  3. Actively monitoring the investment portfolio holdings for rating changes, changing economic market conditions, etc.
  4. Credit rating downgrade. If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Finance Director shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold after further analysis of the credit rating on an ongoing basis. The Finance Director will apply the general objectives of safety, liquidity, and return to make the decision.
- ii. Interest rate risk. This is the risk that the market value of securities in the portfolio will fall due to increases in general interest rates. The city will mitigate the interest rate risk by:
  1. Structuring the investment portfolio so that securities mature to meet cash requirements, when known, for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity;
  2. Investing liquidity funds primarily in short-term instruments (i.e., investments maturing in less than one year); and
  3. Investing excess liquidity funds in a manner that is consistent with the established risk/return objectives of this policy within the stated maximum weighted average maturity constraint.

## **B. Liquidity**

The investment portfolio will provide liquidity sufficient to enable the City to meet all cash requirements that might reasonably be anticipated. This will be accomplished by either maintaining a portion of the portfolio in investment vehicles offering daily liquidity at face value, such as the Washington State Local Government Investment Pool (LGIP) or structuring the portfolio so that securities mature concurrently with cash needs to meet anticipated demands. Because all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

## **C. Return on Investment**

The investment portfolio will be structured with the objective of attaining a market rate of return throughout economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the portfolio.

## **D. Legality**

The investment portfolio will be invested in a manner that meets RCW statutes and all legal requirements of the City.

## **6. Standards of Care**

### **A. Delegation of Authority and Responsibilities**

#### **i. Governing Body**

The City Council, as the governing body of the City, will retain ultimate fiduciary responsibility for the portfolio. The Council will designate an investment officer to manage the investment program in accordance with RCW's and City policy and will review and adopt any changes to the investment policy.

#### **ii. Delegation of Authority**

The City Council designates the City's Finance Director, or their designee, as the Investment Officer of the City. No person may initiate investment transactions on behalf of the Investment Officer without the express written consent of the Investment Officer. Both the City and the investment advisor shall maintain record of individuals granted consent to initiate transactions by the Investment Officer.

#### **iii. Training:** Such procedures shall include explicit delegation of authority to persons responsible for investment transactions to provide adequate redundancy by properly trained and informed staff. All staff engaging in investment transactions shall attend public investment training. Staff shall not engage in any allowable investment transaction for which they cannot articulate a rationale for having done so.

#### **iv. Finance Committee:**

The Finance Committee shall meet at least annually to receive a report on investment performance and investment compliance.

#### **v. Registered Investment Advisor**

The City may engage the services of an external registered investment adviser to assist with the management of the City's investment portfolio in a manner that is consistent with the City's objectives and this policy. Such advisers shall provide recommendation and advice regarding the City investment program including but not limited to advice related to the purchase and sale of investments in accordance with this Investment Policy. Such advisers must be registered under the Investment Advisers Act of 1940.

## **B. Prudence**

The standard of prudence to be used by the Finance Director or any designees in the context of managing the overall portfolio is the prudent person rule enacted by State Statute (RCW 11.100.020) which states:

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

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

## **C. Ethics and Conflicts of Interest**

Officers and designated employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager in writing any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City of Olympia, particularly with regard to the time of purchases and sales.

Persons authorized to invest shall not accept gifts from the institutions with which the City places investments. Occasional business meals are acceptable and must be reported to the Finance Director and Finance Committee.

# **7. Safekeeping, Custody and Controls**

## **A. Delivery vs. Payment**

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

## **B. Third-Party Safekeeping**

Prudent treasury management requires that all purchased securities be bought on a delivery versus payment (DVP) basis and be held in safekeeping by the City, an independent third-party financial institution, or the City's designated depository.

The City's Finance Director shall designate all safekeeping arrangements and an agreement of the terms executed in writing. All securities will be receipted and recorded based on the terms in the custodial contract. The third-party custodian shall be required to provide a statement to the City listing at a minimum each specific security, book yield, description, maturity date, market value, par value, purchase date, and CUSIP number. The City will have online access through the safekeeping bank for verification of the account holdings and transactions.

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

### **C. Internal Controls**

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

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

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

### **D. External Controls**

The Office of the State Auditor requires that in accordance with Revised Code of Washington 43.09.260, the City must undergo annual financial examinations performed by State Examiners. Investment management is to be included as part of the annual independent audit to assure compliance with this investment policy.

## **8. Authorized Financial Dealers**

### **A. Broker/Dealers**

The Finance Director or designee shall maintain and review annually a list of all authorized financial institutions and broker/dealers that are approved to transact with the City for investment purposes. Any firm is eligible to make an application to the City. Additions and deletions to the list will be made at the City's discretion. All broker/dealers and financial institutions who desire to do business with the City must supply the Finance Director with the following:

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

### **B. Investment Advisors**

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

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

- i. FINRA Certification check
  - Firm Profile
  - Firm History
  - Firm Operations
  - Disclosures of Arbitration Awards, Disciplinary and Regulatory Events
  - State Registration Verification
- ii. Financial review of acceptable FINRA capital requirements or letter of credit for clearing settlements.

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

### C. Depositories

The City will only place funds exceeding the current FDIC insurance limits with banks who are currently participating in the Washington State PDPC program. Compliance/listing with the PDPC will be verified by the Finance Director or designee annually.

### D. Competitive Transactions

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

## 9. Authorized and Suitable Investments

### A. Authorized Investments

All investments of the City are limited by RCW, principally RCW 35A.40.050 and 39.59.020.

Additional Specifications:

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

### B. Suitable Investments

**U. S Treasury Obligations:** Direct obligations of the United States Treasury.

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

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

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

**Municipal Debt Obligations:** Bonds of the State of Washington, any local government in the State of Washington, General Obligation bonds outside the State of Washington; at the time of investment the bonds must have one of the three highest credit ratings of a nationally recognized rating agency.. Debt of the City of Olympia is not required to be rated.

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

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

**Certificates of Deposit:** Non-negotiable Certificates of Deposit of financial institutions which are qualified public depositories as defined by RCW 39.58.010(2) and in accordance with the restrictions therein.

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

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

### **C. Bank Collateralization**

The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. Under the act, all public treasurers and other custodians of public funds are relieved of the

responsibility of executing tri-party agreements, reviewing pledged securities, and authorizing additions, withdrawals, and exchanges of collateral.

**D. Prohibited Investments**

- i. The City shall not lend securities nor directly participate in a securities lending or reverse repurchase program.
- ii. The City shall not invest in mortgage-backed securities.
- iii. The City shall not invest in Equities

**Ethical Investment Statement**

The City of Olympia will strive to invest its funds in ways that promote the wellbeing of our communities and our environment, favoring investment in entities that support the needs of peacetime daily life, in companies that offer renewable energy and other climate mitigation strategies, in companies with strong environmental, labor, and social records, or in socially responsible community projects within our County.

The City will refrain from investment in companies with primary business functions in harmful industries such as tobacco, fossil fuels, mass incarceration or immigrant detention, and weaponry of any kind, or in companies with a consistent record of direct involvement in severe human rights violations such as slavery and prison labor, war crimes, illegal military occupation, racial segregation, or apartheid.

By December 31, 2026, the Finance Director will review existing investments and present a plan to align the City’s portfolio with the Ethical Investment Statement. The plan will include: (1) exploration of positive, new investment opportunities; (2) identification of holdings to be sold or not renewed and (3) recommendation of ways to promote similar socially responsible investment principles with other investment funds or financial institutions with which the City works.

**10. Investment Parameters**

**A. Diversification**

The City will diversify the investment of all funds by adhering to the constraints listed in the following table. Investments in securities shall not exceed the following percentages of the total portfolio at the time of purchase.

**Total Portfolio Diversification Constraints**

<b>Issue Type</b>	<b>Maximum % Holdings</b>	<b>Maximum % per Issuer</b>	<b>Ratings S&amp;P, Moody's, or Equivalent NRSRO</b>	<b>Maximum Maturity</b>
US Treasury Obligations	100%	None	N/A	10 years
US Agency Obligations	100%	35%	N/A	10 years
Supranational Agency Notes	10%	5%	AA- / Aa3	10 years 11
Municipal Bonds (GO Outside WA)	30%	5%	A- / A3 Short Term**	10 years

## B. Investment Maturity

### i. Liquidity Funds – Tier 1

Liquidity funds will be defined as those funds that are in the State LGIP City, bank deposits, bank certificates of deposits or money market instruments and will be available for immediate use.

### ii. Investment Core Funds – Tier 2

Investment funds will be defined as the funds in excess of liquidity requirements and invested in authorized investments and maturity structure listed below.

### iii. Total Portfolio Maturity Constraints:

<b>Maturity Constraints</b>	<b>Minimum % of Total Portfolio</b>
Under 30 days	10%
Under 1 year	25%
Under 5 years	90%
Under 10 years	100%
<b>Maturity Constraints</b>	<b>Maximum of Total Portfolio in Years</b>
Weighted Average Maturity	2.5 years
Duration of Corporate Note Portfolio	3 years

### **C. Strategic Philosophy**

The primary investment philosophy of the City is to match investment maturities with expected cash outflows. Securities shall generally be held until maturity, with the following exceptions:

- i. A security with a declining credit may be sold early to protect the principal value of the portfolio.
- ii. The portfolio duration or maturity buckets should be adjusted to better reflect the structure of the underlying benchmark portfolio.
- iii. A security exchange that would improve the quality, yield and target maturity of the portfolio based on market conditions.
- iv. A sell of a security to provide for unforeseen liquidity needs.

## **11. Reporting Requirements**

### **A. Reporting**

The Finance Director or designee shall be responsible for investment reporting. At a minimum, monthly reporting (RCW 35.39.032) shall be made available providing detailed information on the investment portfolio.

Specific Requirements:

- Book Yield
- Holdings Report including mark to market and security description
- Transactions Report
- Weighted Average Maturity or Duration

### **B. Performance Standards/Evaluation**

- i. The portfolio shall be managed to obtain a fair rate of return and earnings rate that incorporates the primary objectives of protecting the City's capital and assuring adequate liquidity to meet cash flow needs.
- ii. The investment portfolio will be invested into a predetermined structure that will be measured against a selected benchmark portfolio. The structure will be based upon a

chosen minimum and maximum duration (average maturity) and will have the objective to achieve market rates of returns over long investment horizons. The purpose of a benchmark is to appropriately manage the risk in the portfolio through interest rate cycles. The investment portfolio is expected to provide similar returns to the benchmark over interest rate cycles but may underperform or outperform in certain periods. The portfolio will be positioned to first protect principal and then achieve market rates of return. The benchmark used will be the US treasury 0-3 year index or US treasury 0-5 year index and comparisons will be calculated monthly and reported quarterly.

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

### **C. Compliance Report**

A quarterly compliance report will be generated comparing the portfolio positions to this investment policy.

The Investment Policy sets forth concentration constraints and minimum credit ratings for each type of security. These limits apply to the initial purchase of a security and do not automatically trigger the sale of a security as the portfolio value fluctuates or in the event of credit rating downgrade. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

### **D. Accounting Method**

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

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

## **12. Policy Adoption**

The City's Investment Policy shall be adopted by the City Council and reviewed by the Council Finance Committee as needed but not less than every two years. This Policy has been adopted by the City Council on \_\_\_\_\_, 2026 and replaces the City's previously adopted policy dated April 2024.

## Glossary of Terms

**Agency Securities:** Government sponsored enterprises of the US Government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Ratings Table – Long-Term

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

### Ratings Table – Short-Term

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