

Santa Clara Valley Open Space Authority

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Investment Policy

(For Restricted and Unrestricted Funds)

1.0 PURPOSE

The investment policies of the Santa Clara Valley Open Space Authority (Authority) shall be based on state law and best practices. All funds shall be invested in accordance with this Investment Policy and California Government Code (Government Code) sections related to the investment of public funds. In the event of any conflict between the terms of this Policy and the Government Code, the provisions of the Government Code shall prevail.

It is intended that this policy cover all funds and investment activities under the direction of the Authority.

2.0 REVISION HISTORY

Date	Revision	Modification
10/25/2007	N/A	New policy, Reaffirmed on 11/8/2007
4/28/2011	01	Update and Approved
9/26/2013	02	Update and Approved
9/24/2020	03	Update and Approved
10/22/2020	04	

3.0 PERSONS AFFECTED/RESPONSIBLE

- Board of Directors
- Board Appointed Treasurer

4.0 POLICY

FIDUCIARY STANDARD

Pursuant to California Government Code, Section 53600.3, each authorized governing body and persons authorized to make investment decisions on behalf of the Authority is a trustee and therefore a fiduciary subject to the “prudent investor” standard, as follows:

Santa Clara Valley Open Space Authority

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, trustees shall act with the care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

OBJECTIVES

Investment objectives in order of consideration are as follows:

Capital Preservation Safety of principal is the foremost objective of the Authority investment program. The Authority's investment activities will be undertaken in a manner that seeks to ensure portfolio preservation of capital.

Liquidity The Authority's investment portfolio shall remain sufficiently liquid to enable Authority to meet all reasonably anticipated cash flow requirements.

Return on Investment The Authority's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the Authority's investment risk constraints and the cash flow characteristics of the portfolio.

INVESTMENTS GUIDELINES

Delegation of authority to manage the agency's investment program is derived from California Government Code, Sections 41006 and 53600 et seq. The Board may appoint any person as a Treasurer and delegate to this person the authority to invest or to reinvest funds, or to sell or exchange securities so purchased. However, such authority is limited to the types of instruments pre-approved by the Board. Such appointment and delegation of authority shall be granted for a maximum period of one year. The Treasurer shall assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Board may renew the delegation of authority each year and such authority may be revoked at any time. If the Board does not appoint or reappoint a Treasurer, no investment decisions or transactions of any kind may be made without Board approval.

The Authority may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the Authority's investment portfolio in a manner consistent with the Authority's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

Santa Clara Valley Open Space Authority

The Authority's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The Authority recognizes that in a diversified portfolio, occasional measured losses may be inevitable and must be considered within the context of the overall portfolio's return and the cash flow requirements of the Authority, and consistent with authorized investments under Government Code section 53601.

A person appointed as a Treasurer shall prepare a cash flow projection prior to all investment decisions. This cash flow projection will be reviewed and evaluated by the General Manager. The Board is responsible for approving the Treasurer's designation of the amount of funds designated as operating cash, reserves, and those not required for operating cash or reserves.

OPERATING CASH All Authority funds necessary for operating cash shall be maintained in an account with the Authority's primary banking institution.

RESERVES The Authority maintains reserve funds: 1) an operating reserve of at least 24 months of budgeted operating expenses; 2) the principal and accrued interest on amounts subject to litigation; 3) amounts to cover accrued liabilities segregated under the 20% Funding programs; and, 4) other reserve funds as approved by the Board. All reserve funds, including any newly established reserves not named in this section, shall be maintained with the Santa Clara County Pooled Investment Fund, the Local Agency Investment Fund (LAIF) and or any other investment permitted under this policy.

IDLE FUNDS Idle Authority funds, defined as those funds not otherwise invested as permitted by this Policy and in excess of reserves or operating cash, will be invested in the Santa Clara County Pooled Investment Fund and or LAIF until designated for other investment in accordance with this Policy.

ENDOWMENTS AND GRANTS Endowment and grant funds, not otherwise invested, will be invested in an interest bearing account with the Authority's primary banking institution. Such funds may be invested to maximize earnings within parameters otherwise stated in this Policy and the endowment or grant.

ETHICS AND CONFLICTS OF INTEREST

All participants in the investment process shall act as custodians of the public trust and shall recognize that the investment portfolio is subject to public review and evaluation.

Treasurer and investment managers shall comply with the Conflict of Interest Code adopted by the Board of Directors.

SELECTION OF INVESTMENTS

The Board, or its duly appointed Treasurer, is responsible for selecting investments, and investment manager(s), banking institutions and brokerage services. Selection of investments must comply with this Policy and all applicable sections of the Government Code, and all selections by a duly appointed Treasurer must be done in consultation with the General Manager. In all cases the Government Code will take precedence over all other governing

Santa Clara Valley Open Space Authority

investment documents except where and when this Policy provides for limitations more restrictive than those permitted under the Government Code.

SOCIAL AND ENVIRONMENTAL CONCERNS

In the event all general objectives mandated by state law and set forth above are met, investments in corporate securities and depository institutions will be evaluated for social and environmental concerns. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability, religion, or sexual orientation, as well as those entities with environmentally sound practices. Investments are discouraged in entities that receive a significant portion of their revenues from the manufacture of tobacco products, exploration of fossil fuels, firearms, or weapons not used in our national defense.

INTERNAL CONTROL

The Board, or its duly appointed Treasurer, will annually review this investment policy and make recommendations for updating the policy as necessary. The Treasurer shall also establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures. This audit will be presented to the Board for acceptance on an annual basis.

AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

To the extent practicable, the Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. The Board, or its duly appointed Treasurer will determine which financial institutions are authorized to provide investment services to the Authority. It shall be the Authority's policy to purchase securities only from authorized institutions and firms.

The Treasurer shall maintain procedures for establishing a list of authorized broker-dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by the Authority. Due diligence shall determine whether such authorized broker-dealers, and the individuals rendering investment services to the Authority are reputable and trustworthy, knowledgeable and experienced in Public Agency investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

In accordance with Section 53601.5, institutions eligible to transact investment business with the Authority include:

- Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- Nationally or state-chartered banks.
- The Federal Reserve Bank.
- Direct issuers of securities eligible for purchase.

Santa Clara Valley Open Space Authority

Selection of financial institutions and broker-dealers authorized to engage in transactions will be at the sole discretion of the Authority, except where the Authority utilizes an external investment adviser in which case the Authority may rely on the adviser for selection.

All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with audited financials and a statement certifying that the institution has reviewed the California Government Code, Section 53600 et seq. and the Authority's investment policy. The Treasurer will conduct an annual review of the financial condition and registrations of such qualified bidders.

Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

Selection of broker-dealers used by an external investment adviser retained by the Authority 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.

REPORTING BY AN APPOINTED TREASURER

Any person appointed Treasurer shall report monthly security transactions, if any, to the Board on a quarterly basis. The Treasurer shall also provide the Board with quarterly investment reports which provide a clear picture of the status of the current investment portfolio. The quarterly investment reports may include comments on the fixed income markets, any restrictions on the percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategy and/or any other relevant investment information. Schedules in the quarterly reports may include, but are not limited to, the following:

1. A listing of individual securities held at the end of the reporting period by authorized investment category.
2. Average life and final maturity of all investments listed.
3. Coupon, discount or earnings rate.
4. Percentage of the Portfolio represented by each investment category.

Santa Clara Valley Open Space Authority

AUTHORIZED INVESTMENTS

The Authority's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the Authority seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

1. MUNICIPAL SECURITIES include obligations of the Authority, the State of California and any local agency within the State of California, provided that:
 - The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
 - No more than 5% of the portfolio may be invested in any single issuer.
 - No more than 30% of the portfolio may be in Municipal Securities.
 - The maximum maturity does not exceed five (5) years.
2. MUNICIPAL SECURITIES (REGISTERED TREASURY NOTES OR BONDS) of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
 - The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
 - No more than 5% of the portfolio may be invested in any single issuer.
 - No more than 30% of the portfolio may be in Municipal Securities.
 - The maximum maturity does not exceed five (5) years.
3. U.S. TREASURIES and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the Authority may invest in U.S. Treasuries, provided that:

Santa Clara Valley Open Space Authority

- The maximum maturity is five (5) years.
4. FEDERAL AGENCIES or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the Authority may invest in Federal Agency or Government-Sponsored Enterprises (GSEs), provided that:
 - No more than 25% of the portfolio may be invested in any single Agency/GSE issuer.
 - The maximum maturity does not exceed five (5) years.
 - The maximum percent of agency callable securities in the portfolio will be 20%.
 5. BANKER'S ACCEPTANCES, provided that:
 - They are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
 - No more than 40% of the portfolio may be invested in Banker's Acceptances.
 - No more than 5% of the portfolio may be invested in any single issuer.
 - The maximum maturity does not exceed 180 days.
 6. COMMERCIAL PAPER, provided that:
 - The issuer is a corporation organized and operating in the United States with assets in excess of \$500 million.
 - The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
 - They are issued by corporations which have long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
 - Authority may purchase no more than 10% of the outstanding commercial paper of any single issuer.
 - No more than 25% of the portfolio may be invested in Commercial Paper.
 - No more than 5% of the portfolio may be invested in any single issuer.
 - The maximum maturity does not exceed 270 days.
 7. NEGOTIABLE CERTIFICATES OF DEPOSIT (NCDS), issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:
 - The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
 - Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

Santa Clara Valley Open Space Authority

- No more than 30% of the total portfolio may be invested in NCDs (combined with CDARS).
 - No more than 5% of the portfolio may be invested in any single issuer.
 - The maximum maturity does not exceed five (5) years.
8. **FEDERALLY INSURED TIME DEPOSITS (Non-Negotiable Certificates of Deposit)** in state or federally chartered banks, savings and loans, or credit unions, provided that:
- The amount per institution is limited to the maximum covered under federal insurance.
 - No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
 - The maximum maturity does not exceed five (5) years.
9. **COLLATERALIZED TIME DEPOSITS (Non-Negotiable Certificates of Deposit)** in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:
- No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
 - The maximum maturity does not exceed five (5) years.
10. **CERTIFICATE OF DEPOSIT PLACEMENT SERVICE (CDARS)**, provided that:
- No more than 30% of the total portfolio may be invested in a combination of Certificates of Deposit, including CDARS.
 - The maximum maturity does not exceed five (5) years.
11. **COLLATERALIZED BANK DEPOSITS.** Authority's deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651. There are no limits on the dollar amount or percentage that the Authority may invest in collateralized bank deposits.
12. **REPURCHASE AGREEMENTS** collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that the Authority may invest, provided that:
- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third party custodian.
 - Repurchase Agreements are subject to a Master Repurchase Agreement between the Authority and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
 - The maximum maturity does not exceed one (1) year.

Santa Clara Valley Open Space Authority

13. STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF), provided that:

- The Authority may invest up to the maximum amount permitted by LAIF.
- LAIF's investments in instruments prohibited by or not specified in the Authority's policy do not exclude the investment in LAIF itself from the Authority's list of allowable investments, provided LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

14. LOCAL GOVERNMENT INVESTMENT POOLS

- Other LGIPs permitted by client.
- There is no issuer limitation for Local Government Investment Pools

15. CORPORATE MEDIUM TERM NOTES (MTNS), provided that:

- The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- The securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in MTNs.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

16. ASSET-BACKED, MORTGAGE-BACKED, MORTGAGE PASS-THROUGH SECURITIES, AND COLLATERALIZED MORTGAGE OBLIGATIONS FROM ISSUERS NOT DEFINED IN SECTIONS 3 AND 4 OF THE AUTHORIZED INVESTMENTS SECTION OF THIS POLICY, provided that:

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 20% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum legal final maturity does not exceed five (5) years.

17. MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

- a. MUTUAL FUNDS that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:
 - (i) Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or

Santa Clara Valley Open Space Authority

- (ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.
- No more than 10% of the total portfolio may be invested in shares of any one mutual fund.
- b. MONEY MARKET MUTUAL FUNDS registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:
 - (i) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
 - (ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500 million.
- No more than 20% of the total portfolio may be invested in the shares of any one Money Market Mutual Fund.
- c. No more than 20% of the total portfolio may be invested in these securities.

18. SUPRANATIONALS, provided that:

- Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 30% of the total portfolio may be invested in these securities.
- No more than 10% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

PROHIBITED INVESTMENT VEHICLES AND PRACTICES

The Authority's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Code, the Authority seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased.

Santa Clara Valley Open Space Authority

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.

INVESTMENT POOLS/MUTUAL FUNDS

The Authority shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. The Treasurer shall develop a questionnaire 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?

COLLATERALIZATION

CERTIFICATES OF DEPOSIT (CDS). The Authority shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

COLLATERALIZATION OF BANK DEPOSITS. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of

Santa Clara Valley Open Space Authority

deposited funds. The Authority shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

REPURCHASE AGREEMENTS. The Authority requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The Authority shall receive monthly statements of collateral.

DELIVERY, SAFEKEEPING, AND CUSTODY

DELIVERY-VERSUS-PAYMENT (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.

SAFEKEEPING AND CUSTODY. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the Authority's portfolio shall be held in safekeeping in the Authority's name by a third party custodian, acting as agent for the Authority under the terms of a custody agreement executed by the bank and the Authority. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the Authority from the custodian listing all securities held in safekeeping with current market data and other information.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money mutual funds, since the purchased securities are not deliverable.

MAXIMUM MATURITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

The Authority will not invest in securities maturing more than five (5) years from the date of trade settlement, unless the Board has by resolution granted authority to make such an investment.

RISK MANAGEMENT AND DIVERSIFICATION

MITIGATING CREDIT RISK IN THE PORTFOLIO

Santa Clara Valley Open Space Authority

Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the “Authorized Investments” section of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- The Authority may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or Authority’s risk preferences.
- If the credit ratings of any security owned by the Authority are downgraded to a level below the quality required by this investment policy, it will be the Authority’s policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.
- If a security is downgraded, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
- If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Board.

MITIGATING MARKET RISK IN THE PORTFOLIO

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The Authority recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The Authority will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The Authority further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The Authority, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The Authority will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.

Santa Clara Valley Open Space Authority

- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the Authority based on the Authority's investment objectives, constraints and risk tolerances.

REVIEW OF INVESTMENT PORTFOLIO

The Treasurer shall periodically, but no less than quarterly, review the portfolio to identify investments that do not comply with this investment policy and establish protocols for reporting major and critical incidences of noncompliance to the Board.

PERFORMANCE EVALUATION

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

The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's quarterly report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark.